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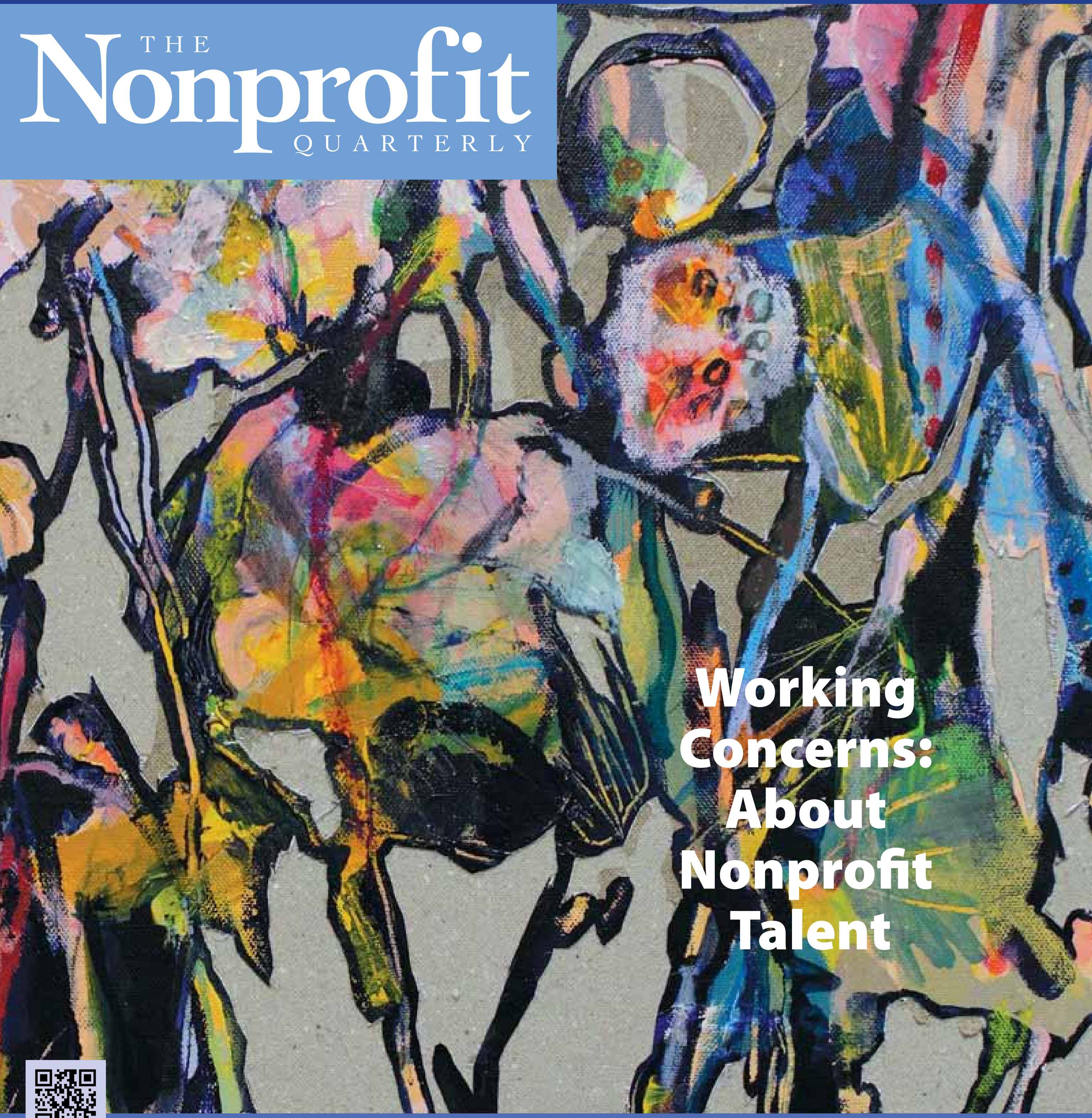

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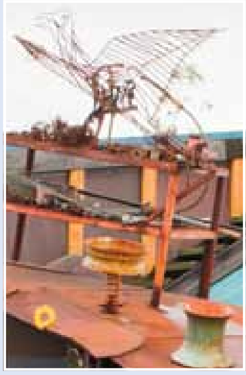

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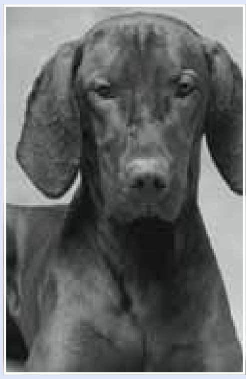

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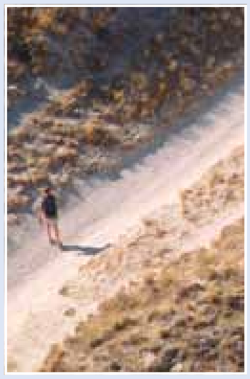

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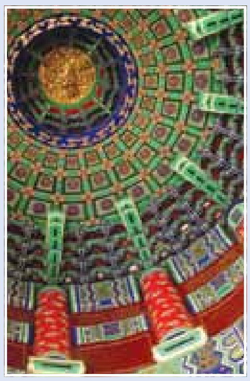

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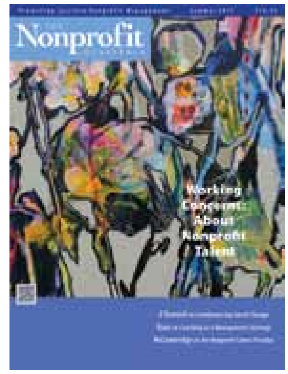
Welcome



Dear readers,
Welcome to the summer 2011 edition of the *Nonprofit Quarterly*.

This issue covers topics having to do with the nonprofit sector's workforce, and our workforce is different from the other sectors in a number of ways—the most notable being that it includes unpaid labor in the form of "volunteers": people who care enough about an issue, a group of people, or the community's well-being to work for free.

I'd like to use this as a lead-in because I believe that if we thought a little more about approaching paid and unpaid labor with the same mindset, we might actually see better results on both fronts.

For instance, if we put some thought into developing a community of practice where people felt valued enough to bring their full creativity and intelligence to the fore, both groups would undoubtedly benefit. If people were brought into decision making such that their expertise and perspectives were heard, they might bring more innovative energy and take more risks. If we supported people in developing their skill sets and broadening their networks, it would build the organization and its people all at once. These practices are at the core of developing intelligent and adaptive organizations—organizations that seem larger than their budget size or number of paid staff might suggest.

As I read through the recent literature about "talent" in the for-profit world, I saw many references to an unusual dynamic called the "talent paradox," wherein, despite the apparent employers' market, many corporations were experiencing problems finding the right kind of talent to replace people who were moving on. I talk more about this in the article "Does Your Nonprofit Need an Attitude Adjustment?," but, long story short, nonprofits (along with other organizations) will need to pay ever closer attention to the kind of work environment and foundational supports they offer workers—both paid and unpaid.

What is your organization's commitment to excellence? That commitment should be reflected clearly in your workplace practices. And if you have neglected that enormous strategic advantage uniquely available to nonprofits—volunteers—you are voluntarily antiquating yourselves. Volunteers can mean everything to an organization trying to negotiate this turbulent environment; think of them as your expansive circles of influence.

We hope that you enjoy the articles in this issue—and, as always, we ask for your thoughts.

The Nonprofit Ethicist

by Woods Bowman

It is rarely a good idea to mix business with board members: when a board member is both vendor and decision maker, the drivers behind the terms of agreement can easily get muddy. But if a contract with a board member is determined to be in the organization's best interest, just be sure that the board strictly follows the proper procedures laid out here.

DEAR NONPROFIT ETHICIST,

One of our state's greatest authorities on nonprofits told me that the board of directors is collectively responsible for any misfortunes that may occur at our facility. Our executive director and the board's own executive committee keep the full board at arm's length, and many decisions are made "behind closed doors." So I passed along this expert's assessment to the full board, but they dismissed it. This is very frustrating. How should I proceed?

Frustrated

Dear Frustrated,

Your board is a disengaged rubber stamp. And, like a driver who disdains wearing a seat belt, all is well until it isn't.

You need a teachable moment to get your point across. How's this: The board of a small California organization did not realize it was paying the fundraiser by a formula that included a healthy commission. His compensation for the year was an astounding $646,000—a nice boost to the household income of the executive director, who was married to him. When such stuff hits the press, the board cannot absolve itself by saying, "Wha'? I didn't know!" It is the board members' responsibility to keep track of such goings-on.

Take a look at Simone Joyaux's article in this issue; she recommends getting rid of the executive committee altogether. In fact, why not send the article along to the board, while you're at it.

Dear Nonprofit Ethicist,

Some of our board members receive compensation from our organization. Our interim CFO is the board treasurer, and also president of the development company that we have under contract for an expansion of our campus. He is compensated both ways. Another board member is our real-estate agent, and he is handling the sale of an apartment building we own. He'll be getting a big commission. In the meantime, another board member is the property manager of the [above mentioned] *apartment building, for which he* [too] *receives compensation. The board signs a conflict-of-interest policy, but I'm not sure everyone is above reproach. What do you think?*

Disturbed

Dear Disturbed,

If this column sponsored a contest for Worst Conflicts of Interest, your board would be a strong contender for the 2011 prize; the opportunities for a media train wreck are all there. According to the Ethics Resource Center, conflicts of interest head the list of behaviors that pose severe risk to nonprofits.

Your CFO-cum-treasurer-cum-vendor may be at risk of being sanctioned by the Internal Revenue Service, under section 4958 of the Internal Revenue Code, for receiving "excess benefits," and, unless the board followed the "safe harbor" provisions of the law, he will have the burden of proving that his total compensation (in all forms) was not excessive.

I have said it before, but I repeat it here: *it is best not to do any business with a board member.* Furthermore, the board should understand that being both vendor and decision maker puts the organization at risk on any number of levels.

Even if people observe the "letter of the law," there is too much room for ethical slippage, and good board members with the right instincts should not have to have this pointed out to them.

There are really no good reasons to violate this commonsensical guideline. If you feel that a board member may get your organization the best possible business deal, ask him or her to resign before the decision to hire is made. And, even then, bid the job properly. Remember, it is not just reality you are dealing with here. In such situations, perception is as important as fact, and negative perceptions about an organization's business affairs can cause irreparable harm.

The media and lawmakers are becoming ever more sensitive to such matters. There is a Massachusetts state bill on the fast track that will make it illegal to compensate nonprofit board members for their service, on the basis that compensation, per se, creates a conflict of interest, since trustees should not be mixing their own interests with the overriding interest of the public. The spark for that piece of legislation was the discovery that the board members of a local nonprofit health insurer that was being scrutinized for having given a departing executive a more-than-generous severance package had been similarly handsomely compensated.

Meanwhile, premiums had been rising quickly, and the question, "Who is watching out for the interests of the insurer's customers and the public?" was raised. In this case, as it turns out, it was the Massachusetts attorney general.

That said, there is currently no law on the subject, but the IRS has strong opinions. The new 990 form asks whether an organization has a conflict-of-interest policy. Assuming that your board is not ready to fire its "helpful" members, it may benefit from reading and following the procedures outlined in Appendix A to the *Instructions for Form 1023: Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.*

According to this document, a conflict of interest exists only after the board or one of its committees—after exercising due diligence and discussion in the absence of the interested person—determines that a financial interest rises to the level of a conflict by a majority vote of its "disinterested members"—that is, members without a stake in the outcome. If a conflict exists, the board may nevertheless approve the transaction if upon further investigation it determines that no better terms are available from a disinterested party, and that the arrangement is fair and reasonable and is in the organization's best interest.

The minutes of the governing board and relevant committees should contain the particulars of the matter, and should include "the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings."

By the way, your conflict-of-interest statement should include an attestation signed by the board members verifying that they have received a written copy of the statement and that they have read, understood, and agreed to abide by it. The attestation should also note that the signers recognize that the tax-exempt entity is charitable, and that federal tax exemption requires that it engage primarily in activities that accomplish its tax-exempt purposes.

If your board followed all of the above procedures, the IRS would probably not find fault; but it still smells fishy to this bystander, and would make great scandalous copy for your local rag.

Dear Nonprofit Ethicist,
The president of the board and the executive director are having an affair. How will this affect the organization and those associated with it? How messy is this? How common is it?

Appalled

Dear Appalled,
Intraoffice affairs are quite common and always messy, and the largest messes occur between supervisor and supervisee . . . and at the top of the corporate ladder. This case is about as bad as it gets. The most basic job of a board is to hire, monitor, and, if necessary, fire a chief executive. An affair between the president and executive director compromises these functions.

Conversely, if the lovebirds should have a falling out, even a top-notch executive director may suddenly become unemployed. Other board members—the ones with integrity—will flee, leaving the organization to those who are too cowardly to confront the situation or who don't mind an undercurrent of secrecy and half-truths. At the very least, the independence of the oversight function will have become compromised.

People never seem to think of these things when they start an affair, but that shouldn't be surprising: it is well known that hormones are toxic to brain cells. This is a disaster waiting to happen, and one or the other (or both) should step down—voluntarily or otherwise.

Woods Bowman is a professor of public service management at DePaul University in Chicago, Illinois.

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Does Your Nonprofit Need an *Attitude* Adjustment?

by Ruth McCambridge

Appearances notwithstanding, we are not currently in a buyer's market for extraordinary workplace talent—a sobering picture for nonprofits looking to hire. While it may seem counterintuitive to look to big business for answers, recent studies of for-profit trends have surfaced some interesting implications for nonprofits. And those organizations that respond to the call to arms could find themselves at the forefront of a significantly transformed workplace.

As *NPQ* started researching current questions regarding talent in the sector, we realized that some of what we were being faced with in trying to frame the issue were the differences between a kind of bumper-sticker reality and reality itself.

The Talent Paradox

Questions of talent in the sector have, over the past decade, been collapsed into claims and statements that did not quite fit with what people were experiencing but which were, in effect, conversation starters. As a result, many consultants have made a good bit of money on the portending of a nonprofit baby-boomer rapture, and on the divisions and differences between the generations in the workplace.

Meanwhile, the recession hit. And with it came predictions about crossover workers—a diaspora of sorts from the business sector into the nonprofit sector. There was a good deal of noise around this, as some hailed it as having the potential to infuse some good old-fashioned hard-headed business skills into our comfy, cozy, slightly incompetent nonprofit environment.

At the same time, the exposés of nonprofit executive salaries continued to grind on in an environment that was increasingly sensitive about where public money was being spent.

Ruth McCambridge is the *Nonprofit Quarterly*'s editor in chief.

“FEASIBLE SOLUTION” BY ERIC HAYDEN FRENCH CIRCUNS

We could go on, but you get the picture.

The trends in how our talent picture in the sector may be changing have been oversimplified to the point of uselessness. But real changes are indeed occurring and in need of our attention. First we will take a look at a couple of trends in thinking about talent in big business, because even though for-profit trends may seem far afield for some of our nonprofit readers, the dynamics resonate. Then we will examine the implications of that research for nonprofits.

Does your workplace help younger talent to develop [their] capacities? Does it encourage mentoring and coaching in an active manner? Is it a place employees can and do point to with pride?

The Orientation of Big Business

> Even amidst high unemployment (reported at 9.6% in the U.S. in October 2010), the competition for talent continues to heat up—fueled by the demands of an economy that grew even more global and more competitive during the recession.[1]

According to recent studies published by the consulting firm Deloitte, it is absolute folly to assume that if there are more job seekers around, it will be easier to hire. In fact, because many organizations have gone through some degree of downsizing, they have had to look at how to get the job at hand done better—in a more complex, global, and difficult environment, and often with less staff.

> While executives and talent managers participating in this survey are still working to right-size their workforces, many are looking beyond headcount reductions and exploring new ways to achieve their business growth goals.[2]

This means that organizations are looking for talent that truly aligns with the work at hand and understands the environment in which that work is occurring—what Deloitte calls "high potential employees and emerging leaders," and so they have to look at how attractive they are to experienced hires, how to retain key and promising staff, and how to attract the right new, less-experienced staff all at once. This requires a focus on human resources that is more intense than what many companies are accustomed to.

In the studies we have read regarding the orientation of big business to these questions, there are at least three buckets of work that this sets up: retention, development, and recruitment. But it hardly ends there. Over and over again, the literature we've read emphasizes the importance of the employment brand, or what might be characterized as the culture and image of the workplace.

Deloitte seems to have coined the term "talent paradox" to denote the concept of talent scarcity amid plenty, and we will use that and other concepts from business literature here, but with a slightly different orientation.

Your Employer Brand

When nonprofits defend extraordinarily high executive salaries with the claim that you have to pay big money to get big talent, it provides a very incomplete picture. We all know highly talented people making less than what they might elsewhere. There are other reasons for choosing a workplace, like personal/institutional alignment.

What in your workplace might attract top-flight talent? A healthy compensation package, while important to many, is not the only reason why world-class talent works at one place rather than another. Also figuring into the equation are things like organizational reputation, learning/development potential, reasonable communication systems that invite input, and the opportunity to work closely with others, inside and outside of the organization, who are considered admirable and who act as good colleagues. Sophisticated skill sets are the coin of the realm for many organizations as the environment becomes more complex. Does your workplace help younger talent to develop these capacities? Does it encourage mentoring and coaching in an active manner? Is it a place employees can and do point to with pride?

If not, you will very likely either need to pay for the deficits with cash or settle for less than stellar talent.

Not inconsequentially, the factors that go into creating a workplace brand also figure into the ability to attract unpaid talent or volunteers, and the same questions apply. Leaving aside the many-layered value of volunteers in an immediate sense (see Peter O'Donnell's article "It's a New (Old) Day for Volunteerism," in this issue), a powerful volunteer program can also serve to surface

Six Habits of a Talent Magnet

In "Six Habits of a Talent Magnet," a post to Anthony Tjan's blog on the Harvard Business Review *website, Tjan and Tsun-yan Hsieh lay out six key practices organizations must develop in order to attract talent:*[3]

1. **Get to know the most talented individuals early on, when you don't need them.** Can you name the best one or two people for each of the critical positions in your industry? If you can't, start by attending industry meetings and asking the right questions. If at all possible, begin socializing with the best individuals across particular disciplines. Who are they really as people versus what [do] they do for a living? What interests them, excites them, drives them? The very best time to get to know people is when you don't need to hire them. If you don't establish a relationship first, chances are you will end up paying top dollar to get them—and even if they sign up, you may have trouble retaining them.

2. **Create and manage the right expectations.** Most entrepreneurs and business builders oversell the excitement of their entrepreneurial opportunity and/or the institution, and undersell themselves. The most talented people are attracted to leaders whom they can trust and role models they want to emulate. Thus, ask yourself the question: "Why would any real talent want to work for me?" Paying top dollar is never a good enough reason for the best talent to join and stay with you. Promising room to stretch and rapid advancement have also become par for the course. To break out of the pack, you've got to look within yourself for the real leader whom they want to follow. It could be your courage to stand by your values, your reputation as a gifted teacher, or your soft power to bring opposites together. Then, set clear expectations from Day 1 of what you are willing to do to help them learn from you that they can't learn from anyone else, and what you expect them to do to succeed in this apprenticeship.

3. **Look at their hearts—and not just their smarts.** The average resume is long on accomplishments and qualifications and short on purpose and passion. Which is fine if you're merely in search of technical skills. Yet in situations where you expect people to step up to uncertainty—to do unprecedented things and deliver breakthrough results—you need to focus on candidates' motivation, values, and purpose. Leadership defines itself when you are looking for people to change the game—and not just to improve a company's performance (otherwise managers with sound skills would suffice).

4. **Cultivate them over time.** The best talent is almost always occupied (otherwise they wouldn't be the best). Luck is essential to business-building success, yet leaders cannot expect ideal candidates to be ready, waiting, and available every time they need great talent. Our recommendation: cultivate the best talent you can, and keep these individuals apprised of your work, purpose, and ongoing mission. Let them know who you are as a person. Best talents have lots of options. Don't be surprised when they say no to you. Never give up. Keep coming back over a number of years, and when these talents are finally ready to move and know how you are different, they will come to you.

5. **On-board them thoughtfully.** We're frequently amazed by how carelessly and unsuccessfully many leaders transition new talent into a new milieu. In a complex organization, or unfamiliar context, "sink or swim" is a perilous strategy. New talent wants to succeed. Invest from the start in making sure this happens, and you will soon find yourself surrounded by loyal followers.

6. **Mentor them for their success.** Being a mentor involves more than giving constructive feedback and avuncular advice. Mentoring is a journey based on mutual commitment to discovery and learning. Your primary reward is another person's success. Real talent can intuit when you're only interested in what they can do for you—and as soon as they find greener pastures, they'll leave.

mission-aligned talent with the right skill sets for your organization.

The Leadership Rapture and Life Here on Earth

This is not the first embarrassing display by nonprofits in a situation where they had the opportunity to weigh in on workplace policy.

The massive exodus of baby boomers from leadership positions in nonprofit-land has not played out exactly as predicted, but we know that the transition will happen eventually. And even if seasoned leaders do not retire altogether, they may move around quite a bit in coming years. In the business literature we see references to a post-recession "resume tsunami," where key staff begin to look for opportunities elsewhere as business opportunities open up again. While this dynamic may be slightly different in the nonprofit sector, we would expect that the "buying" of seasoned talent will increase over the next few years. Tjan and Hsien's first key practice (see previous page) acknowledges that the raiding of other shops is a habit of other talent magnets.

There is no reason to believe that the dynamic around seasoned talent will be all that different in nonprofit-land. Leaders who have an established track record for getting things done will be priced at a premium, and they will know it. And while some of them may have an overriding allegiance to the institution they are with, many will be facing life concerns that will motivate them to go where a salary might be higher. Furthermore, even the best leaders are mortal beings subject to limitations of perception, talent, and time. Not planning ahead and filling the ranks with progressively more home-tested leadership capacity is not only shortsighted, it flies in the face of today's current operating environment.

But to create a nurturing and challenging environment for emerging leadership, you must focus on and invest in talent development. And you must share leadership space. Even if there is no room for promotions within your organization, if younger talent believes that you are willing to support their learning and their development of a persona of consequence in their chosen field, you will have created a win-win situation, because, as we have posited on a number of other occasions, nonprofits benefit from strong supportive networks. Former staff members who credit your nonprofit with being the venue for a developmental milestone can be invaluable as they move along in their careers to partner and funding organizations.

The Sometimes Shaky Platform on Which We Build

Early this summer, *NPQ* wrote a Nonprofit Newswire piece on long-awaited landmark legislation in Connecticut that would require organizations with more than fifty employees to provide paid sick days for service workers. The legislation exempted manufacturing plants and (this is so pathetic) nationally chartered nonprofits. Why the exemption for this latter group? The Soundview Family YMCA had lobbied their legislator, saying that they would be obliged to cut programs if forced to adhere to the long-overdue measure. This is so shameful on so many levels, but not least because it is so baldly hypocritical, as Rosetta Thurman pointed out in her blog post "Why Do Nonprofits Treat Their Employees like Crap?"[4]

Thurman cites the fact that this Y is a part of the national Y's "Activate America" initiative, which is billed as the "YMCA's bold approach to directly address our nation's growing health crisis. Our mission compels us to transform the way we work, both internally and externally, to support all kids, adults, families, and communities in their pursuit of well-being in spirit, mind and body."

This is not the first embarrassing display by nonprofits in a situation where they had the opportunity to weigh in on workplace policy. When localities were adopting living-wage ordinances early last decade, there were a number of successful efforts waged to exempt the nonprofit sector from compliance. When organizations mistreat or misuse those in entry-level positions, they brand their workplaces as undervaluing emerging talent. Place on top of that the continuing perception of an undervaluing of diversity in the sector, as is recorded in the recent Level Playing Field Institute report *The Voice of Nonprofit Talent: Perceptions of Diversity in the Workplace*, and you will also see organizations losing both emerging and senior leaders of color.[5] In other words, organizations that are perceived as talking but not walking a good game where diversity is concerned may get even older, whiter, and less talented unless they make a concerted effort otherwise.

Bottom line: if your workplace is not a fair environment, the foundation on which you build will be fraught—full of trapdoors through which even the best-laid plans for talent development and attraction can fall.

Conclusion

It is clearly time for nonprofits to audit themselves for their ability to attract, develop, and retain talent. Tried-and-true recruitment techniques alone are no longer sufficient to ensure a talent-filled twenty-first-century organization. We nonprofits need to examine our workplaces for, among other things, our integrity of purpose and practice, openness to new ways of doing things, willingness to let emerging leaders stretch their wings and take the stage, awareness of cultural issues that are unproductively exclusionary.

So much of this is about our lived workplace values. Creating organizations that are paid and unpaid talent attractors in this sector requires at times profound cultural and attitudinal adjustments aimed at breaking apart comfortable enclaves and working differently. Sometimes, quite significantly differently.

Notes

1. Deloitte, *Talent Edge 2020: Blueprints for the New Normal*, Talent Edge 2020 Survey Series, December 2010, p. 5, www.deloitte.com/view/en_US/us/Services/additional-services/talent-human-capital-hr/Talent-Library/talent-edge-2020/index.htm.
2. Deloitte, *Talent Edge 2020*, p. 4.
3. *Harvard Business Review* online; *HBR Blog Network*; "The Six Habits of a Talent Magnet," by Tsun-yan Hsieh and Anthony Tjan, January 24, 2011, blogs.hbr.org/tjan/2011/01/the-six-habits-of-a-talent-mag.html.
4. *Empowering a New Generation of Leaders*; "Why Do Nonprofits Treat Their Employees like Crap?," blog entry by Rosetta Thurman, May 27, 2011, www.rosettathurman.com/2011/05/why-do-nonprofits-treat-their-employees-like-crap/.
5. Level Playing Field Institute (in partnership with Commongood Careers), *The Voice of Nonprofit Talent: Perceptions of Diversity in the Workplace*, April 12, 2011, http://www.lpfi.org/node/145.

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It's a New (Old) Day for Volunteerism:

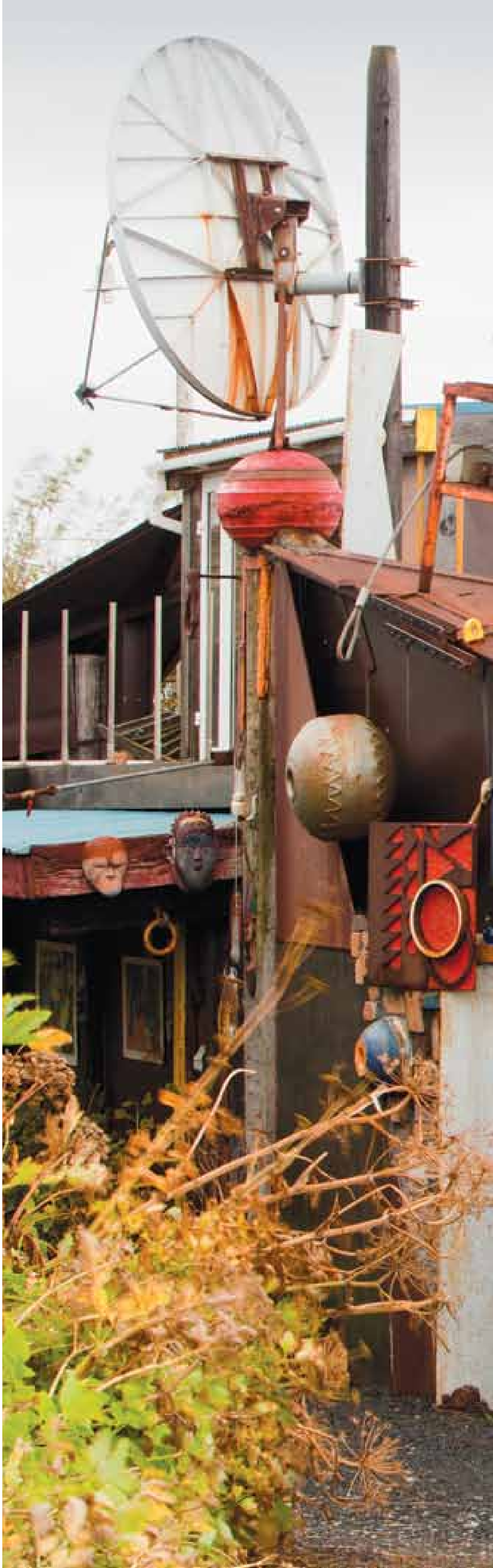
Crowdsourcing Social Change

by Peter O'Donnell, MREd

For too many of us, engaging the communities we serve is an afterthought, at best. Unless we begin to view engagement/volunteerism as integral to our organizational success, and recruit and empower stakeholders as active participants in our work, we will be wasting one of our most multifaceted and renewable resource levers. The good news is, it has never been easier to do this than now, when we are all connected online.

Two Nonprofit Newswire stories on *NPQ*'s website recently caught my attention. "Community Volunteers Step in to Save a Y" was a classic story of community ownership of a cause, enabled by the supportive efforts of an organization. It's too bad it took the near demise of that organization to reveal the level of volunteer support it could have mobilized

Peter O'Donnell, MREd, is president of Healthy Futures Group, an innovative consulting and training company specializing in leadership development, strategic management, and human resources, with a primary focus on nonprofit organizations of all sizes, community-wide collaborative ventures, and institutions of higher education.



"THE RAVENS HOUSE" © ASHLEY COOPER/CORBIS

I am concerned that much of the sector has lost sight of the true value of volunteers—those engaged and committed community members who are willing to invest their precious time, social capital, and intellect on a common cause.

to avoid reaching the point of deciding to close its doors. A few days later, a Newswire entry mentioned a 2010 Canadian report, *Bridging the Gap: Enriching the Volunteer Experience to Build a Better Future for Our Communities*, that identified a number of significant gaps and barriers in the ways nonprofit organizations recruit, develop, and deploy volunteers. To me, these two short pieces frame a much larger question: Do today's nonprofits really want volunteers/an engaged community?

My organization works with dozens of nonprofits every year, most of which have anemic volunteer strategies. I can't think of more than a couple of these otherwise highly successful services that would ever be "saved" by community volunteers like that YMCA was if the need arose—there just wouldn't be that level of community ownership of their work. But, as the second story revealed, most leaders of nonprofit organizations would admit that they've done little to nurture that kind of support, and I am concerned that much of the sector has lost sight of the true value of volunteers—those engaged and committed community members who are willing to invest their precious time, social capital, and intellect on a common cause.

I'm struck by the sense that today's volunteer mobilization challenges are not that different from those which many organizations have faced for at least the last quarter century. My first in-depth exploration of volunteerism was in the mid-1980s—the result of seeing a worrisome decline in volunteer participation in an international youth-serving organization I worked for. In many of our national programs, the numbers of volunteers were dropping, but, more troubling, staff expectations were dropping even faster. A small group of staff from several different countries formed a short-term task force to study the situation. We tried to understand the cause of the decline, and also looked for exemplary programs around the world that were growing their volunteer bases.

One of our most sobering findings was in the area of volunteer mobilization rates, typically measured in terms of the number of volunteers an organization deploys per paid employee. In most developed nations, programs reported between three and ten volunteers per staff member (with most volunteers serving just a few hours a week). What was exciting, though, was identifying a handful of programs with much higher ratios—50:1 or higher. A program in Singapore, for instance, had mobilized so many volunteers that it worked out to the equivalent of ten full-time workers per paid staff member—*that's 25,000 volunteer hours per staff member per year*. We then set out to discover what these exemplary programs were doing differently.

Our discovery process was framed by some insights from social-movement theory, provided by our "resident sociologist," Johan Vink, of the Netherlands. Vink was a leader in one of the six exceptional national programs we had identified. The earlier bankruptcy of his own organization had convinced him that, left to their own devices, organizations face an almost inevitable process of decline, which he explains in terms of how social movements rise and then decline over time. I believe that the theory can be extended to the dynamics as they are felt between an organization and its community.

According to Vink, a combination of four key factors govern the growth of movements (and organizations):

1. **A compelling vision.** A growing movement typically emerges from a vision that articulates a need or opportunity with unusual clarity. This vision attracts others to the cause by challenging them to become part of something so significant that to say no is not an option. Generally led by a small leadership team or perhaps even one person, these emerging movements are usually short on organization and administration but long on passion and commitment.
2. **Constant communication.** In a growing movement, communication is maintained partly by the desire of all members to keep up with the latest news concerning progress toward achievement of the movement's objectives. Every day seems to bring encouraging feedback about new "beachheads." But leaders also make it a point to keep feeding stories of success to everyone—members or not—who will listen. Communication is carefully designed to keep the purpose of the movement front and center, and to maintain

the sense of momentum that is so important in keeping people motivated.

3. **Willing workers.** In a growing movement, there seems to be little difficulty in finding people willing to get involved. This may be due in part to the fact that those already involved tend to be excited about what they are doing, and speak positively about what they are accomplishing through their efforts. It is also typical for new workers to be given the opportunity to select the kinds of projects and roles in which they wish to become involved. And, the growth of the movement guarantees a constantly growing need for workers as well as an increasingly varied range of roles in which to serve.
4. **Results-oriented structure.** In a growing movement, the focus remains on the objectives—the "raisons d'être" that led to the founding of the movement. All action is evaluated in relation to its potential impact on the accomplishment of those objectives rather than on the basis of other secondary factors, such as worker preferences or the latest trends. Furthermore, organizational structures are designed to channel resources—human and otherwise—efficiently toward the achievement of those objectives. And, excellent performance is rewarded with more responsibility and more resources—there is a clear bias for investment in the "make it happen" people, and little attention wasted on the resisters.

And, according to Vink, four key reasons movements decline are when:

1. **Means become ends.** In a declining movement, people become more concerned with "doing things right" than with "doing the right things." More and more energy is expended on polishing performance, with less concern for finding the most effective ways of accomplishing the mission. Furthermore, the heroes of the movement become those individuals who are most technically skilled rather than those who are most productive in achieving critical end objectives.
2. **Roles become professionalized.** Where once it was deemed important to keep tasks simple so that as many people as possible could be put to work, later it becomes more important to screen potential workers carefully, because only certain people are seen as capable of performing at a high enough level. Ultimately, some or most tasks become so demanding in their complexity that only "professional" workers can perform them adequately.
3. **Methods become traditionalized.** Whereas a growing movement is characterized by ongoing experimentation, with a view to discovering new ways to achieve its objectives, a declining movement is more likely to show evidence of a narrowing of acceptable approaches. Only certain strategies and methods are allowed, and new techniques are greeted with suspicion.
4. **Leadership becomes maintenance-oriented.** Instead of visionary, forward-looking leadership, with its characteristic "rough around the edges" management style, decaying movements are controlled by administrators, whose main focus is on keeping the structure and systems going rather than building momentum toward the accomplishment of the mission. Committees abound, and complicated, slow-moving decision-making processes become the norm. Anyone wanting to move out in a new direction finds him- or herself having to work around the existing structure rather than being able to use it as a channel through which to get the needful resources.

What all of this told us was that the success of volunteer mobilization was rooted in something deeper than strategy and methodology—it was dependent on an organization's philosophy, values, and structures. More specifically, did leaders and staff at all levels see volunteer participation as crucial to their success? Did they value volunteers to the point of giving them freedom to serve and lead in ways that met volunteers' goals and fit their circumstances? Did they build structures that truly empowered volunteers to do great things, and not simply support the efforts of professionals? In all of our identified exemplary programs, the answer was a resounding "Yes!"

What all of this told us was that the success of volunteer mobilization was rooted in something deeper than strategy and methodology—it was dependent on an organization's philosophy, values, and structures.

What I see, to my disappointment, are too many signs of declining movements—once-vital volunteer-conceived and volunteer-led service innovations that have steadily become "monuments to their past glory". . . .

Here are just a few of the stories:

- **Jamaica:** Operating island-wide in every major town, the program in Jamaica had a 50:1 ratio of volunteers to full-time paid staff at the beginning of our study. Autonomous, volunteer-led local groups, supported by a small team of zone coordinators and national-office resource staff, made program and personnel decisions, raised their own funds, and continually recruited new volunteers. Interestingly, as a result of the study the groups became much better at sharing innovative program ideas with each other. And, as they became more open to new approaches, their volunteer participation rate moved closer to 100:1.
- **The Netherlands:** Vink's home program was forced to adopt a new, volunteer-led model when the original organization went bankrupt. Their strategy was to relaunch their work as a series of volunteer-led "coffee bar" drop-in centers in towns and cities where there was sufficient volunteer interest. To avoid a repeat of the program's earlier financial burnout, the small national coordinating team adopted a policy whereby a local group could not hire a staff person until it had at least fifty actively engaged volunteers. Volunteers were organized into "cells" of around eight people, and each cell was fully responsible for its own program planning, logistics, and ongoing recruitment.
- **Singapore:** Again, the story began with the need for renewal—this time of a program that had become stale and complacent, and whose volunteer numbers had been steadily declining for several years. Under new, visionary leadership, the program became a powerhouse of volunteer-based youth service, active in every school and housing district on the tiny island nation. When asked to explain the program's phenomenal growth, one of the senior leaders summarized it this way: "Our success is the product of how we see our people. We see volunteers as a 'gift' that we must steward wisely, and our staff as 'stewards' whose role is to support volunteer engagement in fulfilling their vision of doing work that aligns with our overall purpose."

In the years since leaving this international organization, I have continued to observe volunteer mobilization in the nonprofit sector in North America. What I see, to my disappointment, are too many signs of declining movements—once-vital volunteer-conceived and volunteer-led service innovations that have steadily become "monuments to their past glory," as Vink would describe them. Over time, I have come to describe the process like this: When movements begin, their primary focus is the work, which moves forward through the spontaneous, natural growth of a committed workforce, and is supported by small, nimble "workings" that exist primarily to channel resources to the front lines. When they decline, the workings increasingly become the focus, the workforce is seen less as an asset and more as a cost center, and the work shrinks down to fit the confines of the funders' expectations.

Still, there is always hope, and I've been heartened by the fact that one can always identify exemplary programs that have avoided this path (or, in some cases, found their way back from an unfortunate one). Some Canadian examples with which I'm most familiar include:

- **Pathways to Education:** Perhaps the most effective high school dropout prevention program in North America, this volunteer-based initiative reduced the dropout rate from 56 percent to 10 percent in one of the poorest communities in Canada. The program is now being planted, through community ownership and volunteer commitment, in a number of other Canadian cities.
- **Frontier College:** Canada's oldest literacy organization, which began its work by recruiting volunteer "laborer-teachers" during the railroad-building and gold rush days, now recruits thousands of college and university students to do literacy and learning-skills training with children in impoverished neighborhoods.
- **Ontario Healthy Communities Coalition:** Like virtually all Healthy Cities initiatives around the world, this organization supports local volunteers, through a small team of "community animators," to do community capacity building in their own towns around the province. An even smaller central office provides

resource and communication support, ensuring that stories of success quickly find their way to all of the network nodes.

These are just a few examples, but it is evident that there is something of a renaissance of community building currently underway. A clear message is being sent, not only to individual citizens and community groups but also to the organizations that exist to serve them. That message is, it's time to rebuild community ownership of the means of community building. We must rediscover volunteerism, but we must also adjust the form in which we do much of our work of program and service delivery. This is not just an economic imperative in today's world of shrinking finances—it is also a community imperative.

Fortunately, as I see it, it has never been easier to do this. The big advantage we have now, twenty-five years down the road from my first awakening to the potential of large-scale volunteer mobilization, is that we are all connected. As Seth Godin points out in his recent book *Tribes: We Need You to Lead Us*, we are all members of these groups. Some, like our families, are defined for us, but others—religious groups, community groups, interest groups, teams, work-based groups—are the result of our choices. Godin has articulated an updated perspective on the whole idea of social movements. His concept of a "tribe" is a group of people connected to an idea (or cause), a leader, and one another. They are, in his words, "simply a few keystrokes away from you on the Net," which means they're that close to any organization that can support them in making the kind of difference they want in the world.

To be sure, a lot of organizations are trying to develop strategies to use social networking tools to attract volunteers, donors, and other supporters. Perhaps, though, we need a different frame of reference. Why not focus on finding individuals and groups who already care about the work you are doing, and invite them to educate you on how to support their involvement in meaningful ways that fit their circumstances?

One way to reframe volunteerism in today's already-connected world is to think of it as "crowdsourcing" social change. Today's young adults are increasingly looking for "tribes that make a difference"—they want something more than just to belong to a "happy gang." The challenge for nonprofit organizations is to trust these young people to take the opportunities and support we provide and, in their own perhaps messy but passionate way, do great things for their neighborhoods, their countries, the world.

The starting point is to ask the question, "What do I believe about the people I'm trying to recruit?" The truth is, you either believe they will do great things, or you don't. Either way, they'll know how you feel, and that determines whether or not volunteers believe in what you're doing. Let's not wait until the organization needs to be "saved"—it's time to take a chance and see how volunteers can lead our work in creative new directions.

Maybe it's time to tweet an invitation: "Is anyone interested in a community-service flash mob? We're meeting in the park this Saturday, at 2 P.M."

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What is it that engages and disengages young workers in the community development field? This set of interviews is revealing in its focus on principles of practice.

New Voices *in* Community Development

by Rick Cohen

When discussing the need to recruit and retain talent in the nonprofit sector, nonprofit professionals often talk about the young people trying to break into various fields. But evidence that these professionals really hear what young people are saying is scant. This is particularly the case in nonprofit fields that are dominated by older, top-level staff.

In the world of nonprofit community-based development, there has long been talk of an impending wave of turnover at the executive director level. But little such turnover has happened. In fact, when the *Nonprofit Quarterly* contacted state associations of nonprofit community development corporations (CDCs) to discuss the role of young people in the community development sector, a few people scratched their heads and wondered where they might be located. "I honestly don't know of that many young people in the field here, you've made me stop and think," one association director from the Southeast noted. "We are a graying field," said the head of a Mid-Atlantic region state CDC association.

Do the roughly three thousand CDCs operating in urban and rural areas of the United States connect to the young people working for community-based nonprofits? Do they have something to offer the junior staff who work under the seemingly never-leaving executive directors, the multitudes of AmeriCorps members who anticipate getting tangibly involved in grassroots community development, the students at nonprofit management and urban and regional planning programs?

NPQ sought out young people in community development to discuss two basic categories of concern: what might they want from a career in community development, and how should the community development industry change, if at all, to accommodate and welcome a new generation of people into the field. We received extended commentary from a dozen young people from community development groups or associations in: Georgia, Texas; Michigan, Ohio; Virginia; and Washington, D.C.

Finding Their Way into Community Development

A couple of years after the collapse of the National Congress for Community Economic Development (NCCED)—the longtime national trade association for the sector—a new organization arose, an association of state CDC groups called the National Alliance of Community Economic

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"11TH DIMENSION" BY MARK RIVERS

Development Associations (NACEDA). Still new, and looking for traction in the sector, NACEDA has emphasized, in response to its three dozen state association members, policy advocacy in a difficult public policy environment. One of the NCCED programs that was lost in the wake of its collapse—which NACEDA has not yet been able to resurrect and may at the moment have no plans to do so—is NCCED's "human capital development initiative," geared toward creating a pipeline for the recruitment and retention of young people in CDCs.

The motivation for young people to join the community development sector during its rapid growth in the 1960s and '70s was, frequently, the issue of civil rights. In fact, many CDCs were products of the civil rights movement—New Community Corporation in Newark, New Jersey; Watts Labor Community Action Committee in Los Angeles; and others—and the graybeards at the helm of many CDCs are civil rights activists. Even the significant work of CDCs on building and rehabbing affordable housing and opposing the displacement caused by urban renewal (or "urban removal") reflects a civil rights narrative and frame.

If CDCs are going to speak to the needs and interests of the new generation now trying to break into the sector, they will have to understand that the impetus of many young people in community development is more about building and strengthening community than shaking the institutional pillars of social inequality. Or perhaps, as Tawny Powell, the youth development coordinator of Resources for Residents and Communities (RRC), in Atlanta, Georgia, sees it, community building is basically tantamount to social justice:

> I'm really passionate about social justice and bringing people together to realize commonalities they hold of which they may not have been aware. I love connecting people to each other, as well. I think it makes for healthier individuals and ultimately a healthier society. . . . I think connecting and reconnecting individuals to each other is incredibly important and something that most individuals really do seem to enjoy once they get more involved. . . . Building a sense of community creates a kind of reciprocity between community members, where everyone feels a greater need to look out for one another and to hold one another accountable; in my opinion this is really important for any real and long-lasting progress to take place in communities. So, in essence, I love and care about people and their well-being, and I think people's well-being can be improved exponentially by really feeling that they're part of a community. At the same time, the community's well-being will improve as a whole, and eventually society's well-being, too.

If CDCs are going to speak to the needs and interests of the new generation now trying to break into the sector, they will have to understand that the impetus of many young people in community development is more about building and strengthening community than shaking the institutional pillars of social inequality.

Working in the community development sector is about being part of a community, as Virginia Supportive Housing's Allison Bogdanovic put it: "Community development allows me to collaborate with others to improve the communities where we live. It is more than a job; it is a set of values emphasizing opportunity and choice for every neighbor and community member." Erika Hill, who is currently studying at Rutgers after community development work in New York City and Atlanta, sees part of the attraction of community development work as a matter of self-actualization:

> Despite the economic climate and the less-than-exciting [earning] potential . . . I am personally committed to making a social impact. I see the bigger picture and feel like it is my duty to "pay it forward," because I have been afforded opportunities, experiences, and upbringing that many have not. Furthermore, I see the potential that the field has if more individuals like me are able to work effectively with veteran individuals to develop innovative solutions to the issues plaguing our low-income communities and communities of color.

Switching into nonprofit community development from the for-profit sector, MeiLee Langley, of the Texas Association of Community

Development Corporations, shares Bogdanovic's and Hill's very personal takes:

> I eventually decided that I did not want to have years of my life spent simply settling for a job that paid well; I wanted to make a difference. I wanted a position that I could look back on in five years and see the contributions that I had made. I began doing a lot of research into the nonprofit sector to decide the direction in which I wanted to go. Community development caught my eye because of all that it does to benefit a city, from affordable housing to supporting local businesses and truly advancing low-to-moderate-income communities. . . . It was extremely daunting to switch career paths so suddenly, but I can honestly say it was one of the best decisions I have made.

Staying in Community Development

While turnover at the top level of CDCs has been quite low, most observers in the field report a tremendous churning of staff below the executive director and deputy director levels. Given the personal passion that seems so characteristic of the motivation to enter community development, what might keep these young people on a community development career path?

RRC's Powell is aware of the burden of paying for the cost of student loans: "As far as compensation and benefits—something comparable to the private sector would be nice, especially since I (and I know a lot of my peers are in the same position) have a significant amount of student loan debt from both undergrad and graduate school." Brian Robb (from Lansing, Michigan) agrees, calling for a "fast tracking of student loan forgiveness." Strategies for dealing with the often crushing level of student debt have been a concern of the American Humanics National Workforce Coalition. Federal legislation enhancing the Public Service Loan Forgiveness Program, which incentivizes young people to work in public service fields in return for a reduction of debt, might be an important step toward making jobs in community development more sustainable over the long run.

On the other hand, although no one wants to work for poverty wages, money doesn't seem to be a key motivation for staying in the field. What will keep some of these young people in community development is the prospect of advancement, a difficult proposition when the oldsters aren't vacating the top slots. Hill's description of a desirable position is one with "opportunity for growth and [that] promotes creativity. I am an individual who thrives in environments where I can take initiative and will lead something from start to finish." Can the old-timers give up responsibility and take a risk by trusting their young staff to take on real responsibilities? Currently working for a state community development corporation association, Langley sees herself eventually becoming an executive director of a CDC. But there are only a few thousand CDCs in the nation (mostly concentrated in the urban Northeast, the Mid-Atlantic states, and the older cities of the Rust Belt), and many continue to be led by people who have spent decades at the helm.

Dreams of advancement notwithstanding, nearly all of the respondents mentioned the importance of a "work-life balance," including increased vacation, shorter hours, and even a reduced workweek. The scenario of CDC directors working around the clock organizing City Hall and state capitol lobbying strategies while putting together financing packages for multi-subsidized affordable housing projects may soon become a signature community development behavior of the past.

Obstacles in the Field

Starry-eyed idealists? Even with relatively few years of experience under their belts, young community development staffers know that liking your work and loving your community doesn't necessarily mean that a given job is sustainable. It is very hard to want to stay in a job when your supervisors devalue your input because you're young, because they were there from the days of the anti-poverty program and the civil rights movement, they've seen it all, and they know what will work—or so they think. With several years under her belt at Charis Community Housing, in Atlanta, Christy Norwood noted:

Starry-eyed idealists? Even with relatively few years of experience under their belts, young community development staffers know that liking your work and loving your community doesn't necessarily mean that a given job is sustainable.

> I just wish those at the top would realize that while they once were on the ground—or if they've only gotten [to the top] through their studies—that things and times change and they shouldn't assume they know it all. I think they make a big mistake by not taking the time to consult and listen to those of us who are [now] on the ground."

The future of young people in the sector isn't just about salaries, vacations, and work-life balance. It concerns what CDCs do and how they reflect the values of the young people they want or need to attract.

Lansing, Michigan's Robb agreed, with a bit more edginess:

> The community development coalitions that are built are sometimes very exclusive, and decisions are too often made to advance the interests of the few while touting the flag of the many. . . . It's very hard to be critical of such issues without being taken for a wet blanket or misconstrued as a hindrance to business as usual. . . . People are averse to critique. I think we need to become more accustomed to critique and analysis of outcomes in an effort to become better individuals and stronger organizations.

Certainly, there is an aspect of these concerns that reflects the unwillingness of the existing leadership of CDCs to be open to the energies and ideas of young people. Robb contends that "in the smaller organizations I see the VISTA factory pumping highly educated, motivated, and talented individuals through nonprofits only to [have them] file papers instead of build local capacity as [was] intended. In government I see baby boomers reluctant to concede their influence." But both Robb and Norwood are talking about more than CDCs' hiring and promotion policies. The ability of the community development industry to accommodate and nurture the young people in the sector depends in part on the structure and functions of CDCs themselves. The future of young people in the sector isn't just about salaries, vacations, and work-life balance. It concerns what CDCs do and how they reflect the values of the young people they want or need to attract.

Back in 2009, foundation grantmakers confided to us that some felt that CDCs were looking in the rearview mirror—fighting old battles and issues rather than looking toward new visions and directions of community development. In what new directions might these young people want to see the sector move?

Robb would like to see "a greater emphasis on designing livable communities, but the community development field has been slow to respond. Perhaps this progression is limited by funding, talent availability, or organizational restraints; I really don't know." The desperation to produce affordable housing in some localities has sometimes led to the design of less-than-livable urban environments. Young design-oriented professionals like Robb might be looking for CDCs to create neighborhoods where people *want* to live rather than *have* to live because of affordability constraints.

Norwood questions some CDCs' commitment to one of the core tenets of the community development credo:

> I think we fail to actually get the community involved. I hear folks in big community development projects in Atlanta patting themselves on the back about getting community response/involvement. It frustrates me to no end. They get people with money . . . but fail to use the established systems for getting word out to neighborhoods.

Jamie Schriner-Hooper, executive director of the Community Economic Development Association of Michigan, expressed a similar concern about some CDCs' emphasis on money: "I think we're not necessarily always engaging the young people the way we should. CDCs have looked to older generations regarding who can give us money, but now few people can give money—now [we] have to look at who can give time and effort. . . . People aren't less valuable because they can't write a check." Those same entrenched baby boomers Robb bemoaned may be typical of the community development leaders focusing on listening to the people with money and not the people in the communities. When young people who are idealistically committed to communities see leaders bypass input and involvement from community residents, it makes them feel that those leaders are not only smugly entrenched but also deaf to the communities they represent—as well as to the young people in the industry.

Monique Johnson, from Richmond, Virginia, gives a perspective that reflects a dynamic operating beyond the small neighborhood parochialism of some traditional CDCs:

> We need to focus on organizational issues (initiate mergers, dissolve organizations, realign our strategic plans) and accept that federal resources are not going to return to previous levels, implement more systems to enhance efficiency, and use technology more strategically (build donor bases/marketing, manage projects, create internal efficiencies). I think that our organizations must also focus locally but think globally.

While young people want to connect to their local communities through CDCs, they also want to see their CDCs connect to the broader world and break out of an archaic parochialism.

Housing Network of Rhode Island leaders Chris Hannifan and Elizabeth Debs are listening to what young people want from the nonprofit community development sector, and have designed and implemented programs to respond:

> While there isn't a lot of turnover at the top level [of CDCs], we have started a training program for the second- and third-level people. . . . We were lucky to partner with Roger Williams University to work with young people interested in the field. . . . [But] young people have a different idea of what community development should be—they're more visionary and idealistic . . . more than people who have been in the field for a long time. They have a "why not" attitude as opposed to [thinking] "we've always done it this way because the regulations require it," and so forth. . . . Younger people are thinking about what's possible, not about how things have always been done. For them, it's incredibly personal.

Housing Network of Rhode Island may be thinking in a structured way about identifying, recruiting, and promoting younger people in the community development sector, but the resources and initiative aren't yet being more broadly applied (beyond CDCs' frequent use of AmeriCorps and VISTA workers, with the latter apparently much more likely to stay in the community development sector after completing their projects). The concerns of younger people in the field have led some young people in the sector to create an affinity group within the National Housing Conference. Young Leaders in Affordable Housing, as the group calls itself, is relatively informal, but, unsurprisingly for an effort initiated and run by young people, the group has taken advantage of social media by creating a Facebook page, and is thus generating considerable attention about where and how the sector might better accommodate younger professionals in CDCs.

"Younger people are thinking about what's possible, not about how things have always been done. For them, it's incredibly personal."

Among the national intermediaries, NeighborWorks America (NW) has probably been the most active in thinking about the recruitment and retention of younger talent in the community development field. This is in part because NW supports organizations (the various Neighborhood Housing Services and other organizations that are NeighborWorks network members), while the larger intermediaries Local Initiatives Support Corporation and Enterprise Community Partners both typically focus most of their financial assistance on the CDCs' housing and economic development goals.

But overall, there is little happening at the national level to revive programs that not only bring young people into the field but also help create opportunities within CDCs for young people, as well as alter organizational cultures that might be resistant to exhibitions of "thought leadership" voiced by other than graybeards. There is a need for nonprofit community development as a sector to create both leadership openings and a cultural willingness to encourage the different ideas of young people who began their careers after the civil rights movement. If community development continues to age and calcify at the top levels, it could find itself weakened and left behind as funders and government agencies think ahead to a different, vibrant, more creative community development world.

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For-profits tend to accept the benefits of coaching as a given. Nonprofits, on the other hand, question whether or not coaching actually works, and are more concerned with return on investment. But, as Bill Ryan explains, rather than asking "Does coaching work?," nonprofit organizations invested in the practice would be better served figuring out *how* to make it work in their particular situation.

Coaching as a Capacity-Building Tool: *An Interview with Bill Ryan*

by Ruth McCambridge

Editors' note: *Bill Ryan, well-known coauthor of* Governance as Leadership: Reframing the Work of Nonprofit Boards *(Wiley, 2005) turned his attention two years ago to a study of coaching. The study was commissioned by the Haas, Jr. Fund in California, and examined the methods and results of coaching within its Flexible Leadership Awards (FLA) program. Coaching is a short- to mid-term consultation designed to help a leader improve work performance, and was an integral part of the FLA program. In his report* Coaching Practices and Prospects: The Flexible Leadership Awards Program in Context, *Ryan documents not only the experiences within the FLA but also the fact that coaching is in increasingly widespread use in the corporate sector, to help further develop both emerging and seasoned leaders. Is it just the latest fad or an existing practice renamed . . . or is it an exciting new idea to integrate into our talent development practices?* NPQ *editor in chief Ruth McCambridge explored these and other questions with Ryan. (For those interested in a full discussion of coaching, we highly recommend the report, which can be downloaded from www.geofunders.org/document.aspx?oid=a0660000005La3n and can also be found on the Evelyn and Walter Haas, Jr. Fund website, www.haasjr.org.)*

Ruth McCambridge: *If coaching is the answer, what's the question?*

Bill Ryan: The question is, "If my organization wants to get to Point X, how am I, as a leader, in the way, and what do I need to do to get out of the way?" That's a negative formulation of it. Another way to put it would be, "If my organization wants to get to Point X, what do I, as a leader, need to do to build on my strengths and manage my weaknesses to help it get there?"

RM: *It was interesting to see in the report how vague and all over the place the definitions of coaching are. Can you talk a little bit about what people mean when they talk about coaching?*

BR: There are lots of people attempting to nail down the definition. The practice of coaching is still relatively new, so everyone is trying to definitively type it, and, in particular, they're very anxious to distinguish it from consulting or therapy. Some people, invested in the practice as a profession, want to put coaching on the map as something highly distinctive.

Ruth McCambridge is the *Nonprofit Quarterly*'s editor in chief.

RM: *But isn't it kind of a weird combination of consulting and therapy?*

BR: That's right—when I talk to coaches and they describe what they do, it reveals that they're doing a blend of things, and there was a nice typology put together by editors at *Harvard Business Review* that did show the overlap [see Figure 1, following page].

I think, probably, the big difference many are trying to emphasize is that consulting would be about trying to come up with the answer, therapy would be about trying to get to self-understanding by understanding the past, and coaching is in the middle.

[Coaching] should help you gain enough introspection to come up with your own solutions looking toward the future. [Leadership guru] Warren Benning was quoted as saying, basically, that the effort to distinguish it from therapy is partly just to make it more legitimate. No manager, certainly no for-profit one, is going to say, "I've got to stop our meeting now, it's time for me to meet with my shrink." But to say, "It's time for me to meet with my coach" would be acceptable.

RM: *In the report you talked about people using the term to refer to three different types of practice.*

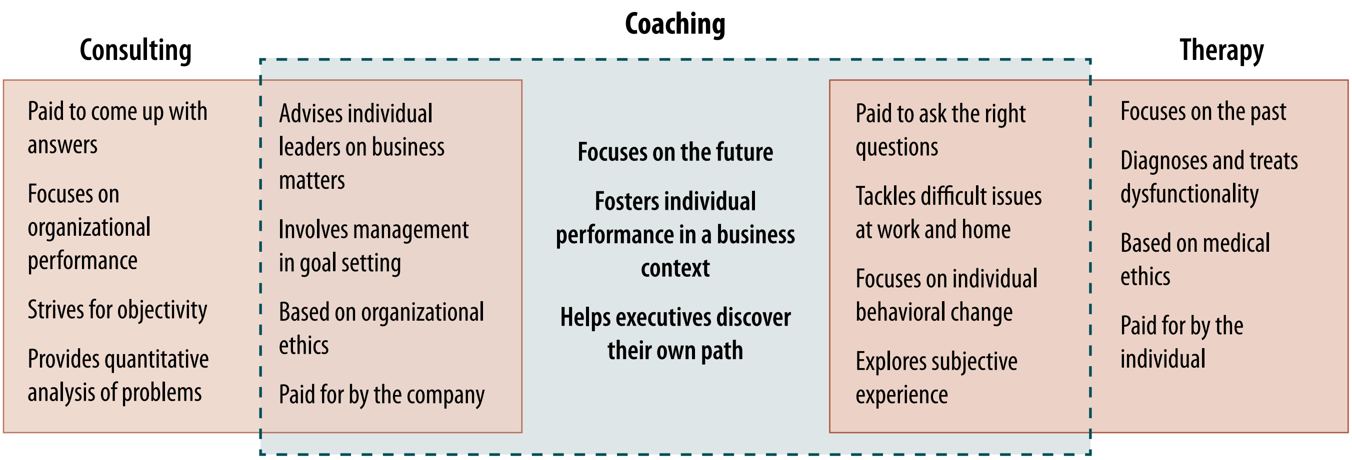
BR: When I interviewed coaches, and also spoke to "coachees," and listened to what they *did* rather than how they *describe* what they do, three versions started to come into focus.

Version one is coaching as a *profession*, and that's the way it's described in the literature. So, these are "true" professionals who offer coaching to executives as their full-time job, and they have certification by a coaching accrediting authority of some sort.

More common among nonprofits are the people who are doing coaching as a *practice*. They may do this either full- or part-time, but the people offering the coaching are basically consultants who are drawing on their past experience in the nonprofit sector, maybe, and a specific skill set or perspective, but they don't identify as professionals. They're not certified. They don't necessarily

"SHOWER OF SHOOTING STARS" © BETTMANN/CORBIS

Figure 1: **COACHING BORROWS FROM BOTH CONSULTING AND THERAPY**[1]



Instead of telling people you supervise what to do and what you expect, you're trying to help them think their way through the problem.

favor certification. This is something they've discovered they're effective at, so they offer it.

The third practice I thought quite interesting, and I described it as best I could as coaching as *perspective*. This is where either managers or consultants (who could be strategy or fundraising consultants) consciously take a coaching stance in their work. So, their core work as a manager is actually reshaped by their understanding of coaching. Instead of telling people you supervise what to do and what you expect, you're trying to help them think their way through the problem. You're asking them, "What do you think, exactly, is the roadblock or the problem here? What were your first thoughts about coming to resolution?" You're not only helping them arrive at a good answer, but it's actually developmental; it's really much more about helping them do things over time. How do you sustain that development over time? That's what coaching as perspective is about.

RM: *You suggested that some worry that there are organizations using coaching to outsource their management, but does the use of coaching always require that the coach be external?*

BR: Say an executive director doesn't really have the interest, the inclination, or the capacity to actually supervise a direct report, help that person develop, confront weaknesses. What they sometimes do is get a coach to take that work on. Now, there are different ways of looking at that. You can say, "Gee, that's really not a good thing, that work is essential to management, and the ED in that case should just step up, learn how to do it, and do it." But the other way is a bit more realistic. Some EDs are never going to get there, and as one of my interviewees said, "Look, if it works and it's a relatively modest investment, what's wrong with it?"

But your original question was, does the coach have to be outsourced? And I would say no.

These coaching stances can be used internally, and some organizations have gotten quite carried away with this [approach]. I think it was Deloitte—the accounting consultancy—who a few years ago aspired to be what they call "the coached organization," where everyone was developing and supporting their talent internally by consciously taking a coaching stance. It need not be [outsourced], and a lot of people would say it shouldn't always be outsourced. If you have the skills and the capacity internally, it could be better to have people inside the organization coach each other.

RM: *You said somewhere in your report that the coaches sometimes seem to be "outsourced suppliers of candor." Is bringing in a coach just a less messy way to supervise somebody who is difficult?*

BR: I think that that may be true, and I think that goes back to jargon, you know, "coaching as management." I think it's true that hiring an external coach can be a way of ducking the responsibility of helping a subordinate figure out the underlying reasons he or she is stuck. So, to me, that avoidance would be troubling. That would suggest that the person who's overrelying on coaching to manage reports could probably benefit by some coaching herself. The question being, why does she not want to step up to the challenge of giving negative feedback or holding someone accountable? I wouldn't say that's the most prevalent pattern here, but I certainly think it's something to keep an eye on.

I think this also relates to what I think I had called the "triangle." I'm not sure how true this really is, but in the literature and by the accounts of people in corporations, the idea is that there's a kind of three-way or triangular team. So, you've got a subordinate, a boss, and a coach. And, the idea in this model is that the boss is helping the subordinate identify some areas for development that are going to help that subordinate achieve some goals pertaining to his unit or the organization. So, there's already been a conversation between a boss and a subordinate that says, "Okay, here's where we're trying to get, here's where you seem to need to develop yourself." Or, "Here are some weaknesses you've got to manage your way around. Now, here's the coach who is going to help us do that." This type of arrangement establishes a real goal and sense of accountability. The coach is not going to come and divulge everything she's heard from the subordinate, but there will be check-ins along the way: "Boss, how do you think this is going?" "Is the behavior different?" et cetera. And, that's very different from just having someone in an organization have a coach, who knows nothing about the organization's reality—what it might do, how the person is perceived—and then just working with them on self-understanding.

RM: *But many coaches claim confidentiality in the same way that a psychologist would claim confidentiality. How does that work in such a triangulation?*

BR: I think any good coach is going to protect confidentiality. But I think what can happen at the outset is that a context can be set so there are some expectations that will help the coach focus the coaching and keep in mind where it is the "coachee" is trying to get. Number one is the context. The check-ins can be a way for the coach and "coachee" to hear how progress looks from the outside. And one of the riddles here is, "Wow, this stuff is so nuanced, so difficult to quantify and measure, how do we keep an eye on progress?"

You check in once in a while. You refer back to the goals originally set, and you might hear from a boss, "Okay, here is how I see it happening, here's what's going on," and then the coach and the "coachee" think about the feedback, and that might inform their next steps.

It doesn't compromise confidentiality but it does try to keep the coaching attached to organizational goals, because that's what it should be all about. It's not just about developing a leader—it's about developing a specific leader in a specific place with specific challenges, and trying to gain an understanding of how to change behavior that will pull that all together.

[Coaching is] not just about developing a leader—it's about developing a specific leader in a specific place with specific challenges, and trying to gain an understanding of how to change behavior that will pull that all together.

RM: *But it does raise the question, "Who is the client?" Can you talk a little bit about that, because that seemed to me extremely confusing.*

BR: I think it *is* confusing, and I'm not sure there's a way to make it very tidy. I think coaches will say, "Okay, we feel accountable to the 'coachee.'" That's the most common pattern in the nonprofit sector. You don't normally see, for example, a board bringing in a coach and having that conversation and then working with the ED. So, really, it's a one-on-one. Those coaches are going to feel, "My client is the 'coachee.'"

In the corporate sector, the coaches are going to feel, "This person is my 'coachee' but my client is the company." Often they'll be coaching more than one person, they work for HR, they're part of an initiative, it's very much driven by the business objectives of the company. So, what they're saying is your division needs to increase market share, it needs to grow, it needs to reduce turnover of staff. You're responsible for that. You know, we're going to help you skill up—soft

What I have encountered among nonprofits and foundations is a little different, where the question tends to be not "Is our investment in coaching paying off?" but much more abstract: "Does coaching work?" And that's just something that's not really asked in business, per se. In business, it's "Does our coaching program for our people pay results for us?"

skills. We're going to help you be a better leader to do that. But that is the pure business understanding of these relationships. That's exactly what it is that the coaches are brought in for: to support the company's business objectives by helping its individual leaders contribute better toward those goals.

RM: *In the report, you suggested that business is less concerned about return on investment for coaching than those who would fund coaching in the nonprofit sector. Why would that be?*

BR: Here's my understanding of this (and I think you read my observation correctly): in business, purchasers of coaching are less worried about proving the impact of coaching than nonprofit funders of coaching would be.

For example, I think one of the studies reported that only 13 percent of businesses that hire coaches actually try to calculate any kind of ROI, strictly speaking: "This person got coaching and she reduced staff turnover by that percentage, and that saved us that money, and therefore one coaching dollar produced three dollars in benefits." There are some firms that will try to do that, but the number is small—13 or so percent. That's one stance.

The other stance tends to accept that there are just some givens. Here, the general practice of coaching is accepted as more or less plausible. Talent makes a difference; therefore, supporting talent makes a difference. Helping individual people understand how they work and improve their individual leadership will also probably make a difference.

Now, that doesn't mean that those people aren't concerned about the performance of coaches and the benefit of coaching, but they tend to have all of that in place and use the triangle model we discussed, where they're trying to look at an individual's performance related to specific goals they set together. And then they can start making a judgment on whether the coaching is working or not. There's the pure ROI model, and there's this "plausible judgment" model.

What I have encountered among nonprofits and foundations is a little different, where the question tends to be not "Is our investment in coaching paying off?" but much more abstract: "Does coaching work?" And that's just something that's not really asked in business, per se. In business, it's "Does our coaching program for our people pay results for us?" That's very different from "Does coaching work?"

They're trying to ask for an answer to this global question on the nonprofit side. On the business side, they're just trying to figure out "How do we make it work for us?"

For example, if funders are going to make a grant for strategic planning, they generally wouldn't say, "Okay, give us the evidence that strategic planning works." There is no such evidence. At some point, these things just get accepted—perhaps they shouldn't be—as a tool in the repertoire.

I would encourage people investing in coaching to just be as thoughtful as possible about figuring out how to make coaching work in their own situation, and be really rigorous and systematic about what they can get their arms around, rather than try to figure out "does coaching work?"—unless they're in a position to fund huge empirical research.

RM: *As I looked at your graph about where coaching seemed to work well, I saw that one of the areas was executive transition, which in many organizations may mean the coaching of an older person on how he or she is going to build leadership capacity in the organization, et cetera. But then you also had in the report a lot about how business was looking at its use with younger employees. So, it's almost like there's an emphasis on two sides of the sandwich.*

BR: Yeah. I think there's some broad overlap. I just have a narrow view into this, obviously—I'm not sure what's going on across the nonprofit sector, but in the cases I looked at, what I saw in [executive] transition was coaching to help an older leader make decisions about "how long is my tenure, how long do I stay here, how do I get ready to support the organization for my exit?"

It just also happened to be the case that a lot of the "coachees" I tried to learn from were participating in this program Flexible Leadership Awards of the Haas Fund, and a lot of them, in fact, were new EDs, and the coaching for them centered on, "How do I master this new role? What are my blind spots, what are my gaps, what do I need to figure out to jump in and succeed here?"

In general, though, the tone in business tends to be very much focused on the development of younger talent—by no means exclusively, but it's understood that this is a good developmental resource. A lot of people in that field make the argument that new workers—whatever generation they would be at this point, let's say Gen Y—expect a lot of feedback, support, counseling, encouragement. And you may look at that and say, "Well, they're spoiled brats. Why should I throw coaching on top of it?" I think businesses look at it and say, "This is just the reality. If we want to attract and retain that talent, this is how these folks work, and this is one way of adapting to supporting that group."

RM: *Given the small size of most nonprofits, the lack of mobility within a single organization may mean that as you're developing somebody, you're developing their capacity beyond where their strict job description has them sitting. A lot of leadership programs in the nonprofit sector focus on individual leaders, develop them, and then the leaders leave the organization. The development of an individual leader can result in the organization's losing that person. What do you think about that?*

BR: That's an interesting question. I guess my observation would be that there are two ways of supporting talent. One is to invest in someone's general development—for instance, "You're going to go to this nonprofit management institute, we're sending you to these workshops, et cetera." You're really expanding someone's repertoire in a way that they can also put on their resume and which makes them more marketable. There's always a concern, and a feeling that if we invest all this in you, we want a commitment that you'll stay and not run off with the new skills.

The same may be true of coaching but I think the risk might be lower, because if it's put together thoughtfully it is not just going to be a general way of becoming more effective as a leader or a manager; it's pretty much anchored in a specific context. Given that we're looking at coaching as a resource, hopefully it has those benefits of making better leaders in general, but that's not necessarily the primary goal. [Coaching] is very context driven. I don't know if that means that with coaching you would actually see less people getting skilled up and becoming more marketable and leaving. But I think there is that distinction related to being anchored in a specific context. This is a very hopeful view of it. I guess overall you hope there would be enough investment in coaching across the sector that that type of mobility would wash out.

RM: *Is there anything else you would say about the coaching you've observed? Do you have any caveats? Anything that you would say not to do in the name of coaching?*

BR: I think I would emphasize the importance of thinking of coaching as an initiative, like a project—particularly if you're a funder who is going to help a number of people do coaching, but also if you're an ED and you're able to provide coaching. It's not just about grabbing a coach and pairing him or her off with someone who needs help. It's really trying to think through those initial questions of "What are the needs of the organization?" and "What kind of talent potential do we have on hand?" I think it's also important to identify good "coachees." Some people are at the right moment and have the right mindset to benefit. Some are either at the wrong moment or have the wrong mindset, and the investment wouldn't be a wise one.

It's not just about grabbing a coach and pairing him or her off with someone who needs help. It's really trying to think through those initial questions of "What are the needs of the organization?" and "What kind of talent potential do we have on hand?"

Note

1. Carol Kauffman and Diane Coutu, "The Realities of Executive Coaching," HBR Business Report, *Harvard Business Review*, January 2009.

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There are three key characteristics every organization should develop in order to create a fruitful environment for shared leadership: adaptability within the leadership spectrum; an orientation toward shared leadership; and a culture of trust. But in order to successfully incorporate shared leadership, organizations must be prepared to, among other things, commit to change, stress across-the-board engagement and accountability, and understand that the process requires an up-front investment of time.

Doing More with More: *Putting Shared Leadership into Practice*

by Michael Allison, MBA, Susan Misra, MPA, and Elissa Perry

Even before the "Great Recession," nonprofit leaders were told that they needed to learn how to do more with less. The field encouraged nonprofits to tighten their belts and look outside their organizations for solutions. Convinced that these approaches were not the only way, the authors, as part of a "Leadership Learning Community" (LLC) team organized by the TCC Group, worked with leaders of twenty-seven civic participation organizations from 2008 to 2010 to explore an alternative: building shared leadership within an organization.

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"TSUNAMI" BY INDRAJEET CHANDRACHUD

Theories about organizational transformation have been pointing in the direction of shared leadership for more than three decades now.

The Initiative

Strengthening Organizations to Mobilize Californians, a capacity-building initiative funded by the James Irvine Foundation, the David and Lucile Packard Foundation, and the William and Flora Hewlett Foundation, supported a "Leadership Learning Community" (LLC) that included peer exchanges for executive directors and senior staff, regional trainings, and comprehensive convenings. TCC Group, a national management-consulting firm, designed, managed, and facilitated the initiative. The twenty-seven participating organizations each started out with annual budgets ranging from $500,000 to $2 million; at least five staff members; eight board members; and one hundred volunteers.

After two years of experimentation with shared leadership, TCC Group conducted an evaluation, and found that 78 percent of participants had increased their awareness, knowledge, and ability to develop staff as leaders at all levels of the organization. The evaluation, which included event feedback surveys, a post-initiative survey of all participants, and two participant focus groups, also revealed significant increases in both staff involvement in decision making and clear and effective accountability structures throughout the cohort. Many of the organizations discovered that they were able to do more effective work with less or the same amount of funds, and reported that shared leadership eased the stresses on executive directors. *Essentially, the organizations found that they could do more with less (funds) by doing more with more (leadership).*

I. Shared Leadership . . . It Sounds Good but What Is It Exactly?

Theories about organizational transformation have been pointing in the direction of shared leadership for more than three decades now. Experiments with "self-managing" work teams proliferated in the 1980s. In 1990, Peter M. Senge published *The Fifth Discipline* and popularized the concept of "learning organizations," which called for leadership rooted in the roles of steward, teacher, and designer guided by continuous development of a capacity for understanding, action, and responsibility.[1] In 1994, Jack Stack made waves with his book *The Great Game of Business*, where he championed the value of practicing "open-book management" and engaging workers at all levels in an ongoing process of innovation in the private sector.[2] In 1999, Margaret J. Wheatley wrote in *Leadership and the New Science*, "Western cultural views of how best to organize and lead (now the methods most used in the world) are contrary to what life teaches. Leaders use control and imposition rather than participative, self-organizing processes."[3] And, in 2003, Joseph A. Raelin coined the term "leaderful" in his book *Creating Leaderful Organizations*, which describes an organization that intentionally creates the structure and culture needed to share leadership among staff, board, volunteers, and other stakeholders.[4]

In 2006, researchers Beverlyn Lundy Allen and Lois Wright Morton defined self-organization as the capacity that organizations need to solve the complex or "adaptive" problems they face today. One of the principal dimensions of self-organization they named was deeper diffusion of authority and responsibility into the organization.[5] In 2007, Leslie R. Crutchfield and Heather McLeod Grant posited in *Forces for Good* that effective organizations share leadership across staff, board members, and external networks.[6]

Despite this dramatic shift in leadership theory, our combined research and experience with nonprofit organizations reveal that most organizations continue to accept a hierarchical structure, with the executive director shouldering an enormous burden of responsibility for organizational success. The LLC participants generally reported that this was true of their organizations. However, we found that this concentration of power was not because executive directors were power hungry. Nor was it even deliberate. It was due to a lack of familiarity with the alternatives. The executive directors were interested in exploring ways to empower staff through more formally shared leadership, given their growing fatigue and their commitment to promoting values of community engagement and empowerment. Senior staff, feeling stretched thin and yet underutilized, were also invested in this change, viewing it as a way to advance their careers and develop other staff in a manner that aligned with their organizations' social justice values.

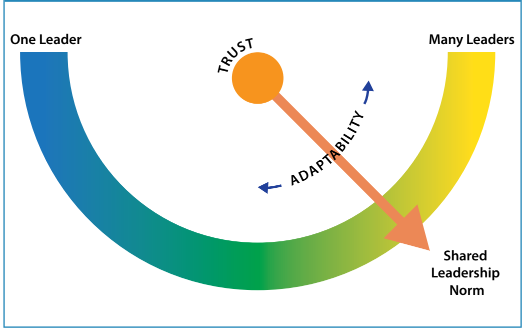
We came to understand shared leadership as encompassing a spectrum between more authoritarian models, which focus on one leader, and more inclusive models, which focus on the leadership of many (see Figure 1). We also discovered that there are dozens of ways leadership can be shared once authority is expanded beyond an individual position to the group—without fully ceding authority to that group. Among the participating organizations, authority—over what, with whom, and through which structures—varied significantly. However, three characteristics were common to all the organizations:

1. **Adaptability within the Spectrum.** Knowing when a particular expression of leadership is appropriate, and being able to shift within the spectrum as needed.
2. **Orientation toward Shared Leadership.** Expanding the problem-solving capacity of an organization without giving up the option of top-down approaches when necessary.
3. **Culture of Trust.** Developing the relationships needed to shift within the spectrum when necessary, without any negative impact or mistrust.

Adaptability within the Shared Leadership Spectrum

Adaptability means being able, as a group, to occupy the right place in the spectrum for each situation. In a presentation to the participants, Ken Otter, Director of Leadership Studies at Saint Mary's College of California, used the analogy of maps to illustrate this point. If one is in New York City and needs to get from Brooklyn to Staten Island without a car, a public transportation map is useful; if one wants to understand how public health resources are distributed in New York City, one needs a different map. Similarly, an organization needing to terminate an employee may need to use a top-down approach. When developing a new program, however, leveraging internal resources and external relationships is likely more useful. To achieve the best results, we need multiple maps and the ability to know when to use which one.

Figure 1:
Spectrum of Shared Leadership



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Orientation toward Shared Leadership

Shared leadership requires that staff be willing to see the big picture and take ownership for the whole organization. An executive director cannot decree this orientation; nor can it take root without senior leadership. A shared leadership orientation is more of an invitation for all staff to assume greater responsibility and influence. Not everyone wants this, however; occasionally, staff members will leave the organization when this approach is implemented. But if shared leadership does not become a broadly shared orientation, not much change is possible.

Trust as a Foundation for Shared Leadership

Shared leadership requires some trust, and then tends to increase trust. Allen and Morton, Patrick Lencioni, and many others underscore this point.[7] The first step takes a certain leap of faith: "Will my staff follow through?" "Will my executive director give me room to try new things?" The participants reported that taking these sorts of risks helped build trust among staff and allowed for more flexibility to shift along the leadership spectrum. They also identified several helpful practices, including aligning values, clarifying accountability,

Figure 2:
Four Prerequisites for Shared Leadership

Cultivating shared leadership takes significant time, and most likely ***reduces*** *efficiency in the short term.*

explicitly supporting experimentation, and consistently working toward clear communication.

II. Prerequisites for Shared Leadership

Shared leadership requires a certain amount of individual and organizational maturity. The most successful participants started with four common characteristics (see Figure 2):

1. An explicit commitment by senior leadership to change;
2. An up-front investment of time to educate and plan;
3. Fundamental management practices in place; and
4. Engagement and accountability.

These characteristics provided the necessary foundation to support a shift toward shared leadership. Moreover, they tended to feed one another in a "virtuous" cycle, where improvements in one area led to improvements in others. When any of the characteristics were not present, we found that it was more difficult—if not impossible, depending on how many characteristics were missing—to achieve much change.

Desire and Commitment to Change

Designating at least one "champion" to encourage staff to take time to reflect, define problems and generate solutions together, articulate a common vision and agreements, and work out disagreements helped lay the groundwork for developing shared leadership. Each organization we worked with cultivated this commitment in different ways. At the Center for Community Advocacy (CCA), a farm workers' rights organization, the executive director championed the idea of shared leadership and brought others along. At ACCESS, a women's health justice organization, a senior staff member was introduced to the concepts and recruited the executive director to experiment with shared leadership. Meanwhile, the Alliance for a Better Community (ABC), a community-building organization, used its ten-year anniversary to discuss how to strengthen its capacity to implement the programmatic changes needed to deepen impact. The executive director and associate director then presented ideas to the board, and the board supported the effort.

Up-Front Investment of Time

Cultivating shared leadership takes significant time, and most likely *reduces* efficiency in the short term. After all, it involves changing (often increasing) the frequency and duration of contact among staff, shifting the nature and quality of these interactions, and developing the systems and structures that will sustain these changes. However, when faced with such complex challenges as the need to increase impact using fewer people and dollars, the time spent up-front helps organizations respond more effectively and efficiently.

At the end of the initiative, participants reported having saved time through improved problem solving, especially by generating alternatives that would not have been thought of by the executive director alone. Some also gained organizational efficiencies, as work responsibilities shifted and staff morale and satisfaction improved. Moreover, developing shared leadership often went hand in hand with a focus on "continuous improvement"—the drive to be more efficient and effective.

Fundamental Management Practices

Without the basics of organizational management in place, experimenting with alternative approaches to leadership is risky. The basics include appropriate supervision, effective communication and decision making, and having a clear strategy, sound financial management systems, and ongoing mechanisms for planning and allocation of work. These basic systems do not necessarily need to be exemplary, but they cannot be so problematic that a focus on leadership will not be sustained and supported. In fact, some of the participants used a shared leadership approach to improve their organizations' basic management practices. The Environmental Health Coalition (EHC), for example, engaged a team of staff leaders from every level of the organization in planning for an all-staff retreat to develop the standards of a healthy, leaderful organization. At the other end of the spectrum, two organizations that attempted to shift responsibility to senior staff experienced problems because of unclear roles and responsibilities. When this happens, organizations need to stop what they are doing and work on basic management practices before continuing with their effort.

Engagement and Accountability

Senior leaders cannot be loners. Part of their responsibility is to actively work with other staff leaders to figure out how to make systems work better. This dimension of the job description must be explicit, and something for which people are held accountable. At East LA Community Corporation (ELACC), leaders within the management team met regularly to discuss how to engage all staff throughout the organization in leadership. Leadership responsibilities became part of job descriptions, were discussed at regular supervisory meetings and performance reviews, and were integrated into trainings for new and newly promoted employees. As a result, managers became more confident in their roles and shifted their departmental culture so that staff no longer expected the executive director to resolve all their challenges.

But sharing responsibility does not always make things better. Sometimes the "right balance" means less sharing. If an individual is unable or unwilling to handle leadership responsibilities, the executive director must recognize this and transparently limit the authority and discretion of the individual. At one organization, for example, the executive director found that too much independence and discretion had been given to program directors. To bring back order to the management team, the director quickly created sharper boundaries around roles and responsibilities. This meant a *decrease* in some staff's ability to exercise leadership independently—at least temporarily.

But sharing responsibility does not always make things better. Sometimes the "right balance" means less sharing.

III. How Did Participants Put Shared Leadership into Action?

While each organization found its own path toward putting the shared leadership concepts into practice, we found a few common themes:

Transformation in Mindset and Role

Participants transformed their self-conceptions of their roles as organizational leaders, and developed new skills to fulfill those roles. In particular, they grew to understand their responsibility for creating a culture of engagement and accountability across the board. These leaders pursued training, coaching, and self-reflection to build their leadership skills, and brought these skills and tools to all staff.

Having made the mental shift, they could also leverage existing processes to cultivate shared leadership among other staff. For example, ELACC's executive director began by engaging staff in the annual budgeting process and decision making. As another example, senior staff at the Los Angeles Alliance for a New Economy (LAANE) began with long-range planning that involved all staff in goal setting. These small steps had a large impact on the organizations, helping staff look at their organizations holistically, and raising expectations around and interest in cultivating even greater shared leadership. This led to other inclusive processes, such as larger leadership teams and regular staff meetings to reflect on results and discuss decisions.

Organizational Restructuring

Several groups began their shared leadership efforts by restructuring their organizations. East Yard Communities for Environmental Justice adopted a codirector model. Groups like LAANE created and expanded management or leadership teams. Others, like ABC, redefined staff

Organizations that successfully diffused authority and responsibility underwent significant shifts in organizational culture and intraorganizational relationships.

positions and roles to create associate director or similar positions. Both LAANE and ABC also went through a process to develop shared metrics of success for teams and individuals. These performance standards made it clear that each individual was responsible for leadership; that the entire staff was responsible for defining, achieving, and evaluating success; and that programs and departments were interconnected.

Changes in Communication and in Decision-Making Processes

Participants began with sound management, communication, and decision-making processes. With new structures and more leaders, however, these protocols needed to be revisited and institutionalized across the board. Most participants adopted one or both of two frameworks—peer coaching and crucial conversations—that were introduced to participants to help structure their conversations regarding feedback, problem solving, and conflict resolution.[8] Participants used these frameworks to surface unspoken issues and generate agreement around solutions. Some organizations adopted other communication standards with similar success.

Restructuring decision making was quite challenging for some of the participating organizations. Developing common criteria, clarifying who got to make what types of decisions, and following a consistent process for decision making was difficult for two reasons: first, staff were used to deferring to one or a few leaders; second, these leaders were used to making "bigger" decisions. Nevertheless, organizations overcame these obstacles and found ways to share decision making. For instance, the Center on Race, Poverty & the Environment (CRPE) held an all-staff retreat to discuss criteria for evaluating programs and deciding which campaigns to cut, expand, or start, all of which became part of their ongoing program development process.

Changing Organizational Culture and Relationships

Organizations that successfully diffused authority and responsibility underwent significant shifts in organizational culture and intraorganizational relationships.

At LAANE, for example, staff developed mutual respect, trust, and accountability among leaders and all staff through an intensive, deliberate process. LAANE began with a staff retreat to develop a vision for shared leadership, and has since engaged in strategic planning, conducted staff trainings on supervision and meeting facilitation, developed written protocols and procedures, hired a human resources director to provide executive coaching, and expanded its leadership team. Who is involved in decision making, on what issues, and why has been made much more transparent. This has encouraged staff members to offer suggestions, question assumptions, and voice their concerns, and has fostered an environment in which disagreements are not taken personally, mistakes are used as learning opportunities, and decisions are open to dialogue and debate.

IV. Reflections on the Value of Shared Leadership

> While shared leadership has always been an integral part of CCA's organizing model, I learned how to share power but maintain authority, how to communicate and listen so staff are making decisions, and how to transform CCA [into] an organization replete with meaningful delegation, which has provided a positive environment and cohesive sense of morale within the organization.
> —Juan Uranga, Center for Community Advocacy

Developing shared leadership takes focus and energy. Despite the economic and political climate, most organizations participating in the initiative were able to create the structures, processes, and relationships that foster systems thinking and leadership development across all staff. These organizations' leadership capacity has expanded, because multiple leaders are responsible for advancing the organization's mission, leaders are more comfortable soliciting and using suggestions from others, and they are more likely to work in partnership with others, both inside and outside their organizations. This reduces the stress and potential burnout on the part of executive directors, while helping to advance, develop, and retain other staff. The result is a healthy working environment that is aligned with democratic values of inclusiveness, participation, and empowerment. In many cases, shared leadership has also led to programmatic changes, and many of the participating organizations are beginning to think about how to expand the concept of shared leadership to their boards and allies.

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What Drives Nonprofit Executive Compensation?

by Peter Frumkin, PhD, and Elizabeth K. Keating, CPA, PhD

Ever since the professionalization of the nonprofit sector that took place thirty years ago, nonprofit executive salary has been influenced by business compensation concepts—but for-profit pay practices cannot be indiscriminately applied to nonprofits. So what really powers executive pay in the sector? As it turns out, size *does* matter.

Editors' note: *This article is adapted from "The Price of Doing Good: Executive Compensation in Nonprofit Organizations," an article by the authors published in the August 2010 issue (volume 29, issue 3) of* Policy and Society, *an Elsevier/ ScienceDirect publication. The original report can be accessed at www.sciencedirect.com/science/article/pii/S144940351000024X.*

When it comes to attracting and retaining talented leaders, the setting of executive compensation packages has posed continuing challenges to nonprofits since the 1980s. These challenges relate to the professionalization of the sector, the increasing desire to measure and reward success, and the need to retain and promote the most talented managers.

Due to commercialization and increased competition from for-profit and other nonprofit providers, the thinking around executive compensation practices has changed significantly over this period. Some nonprofits have shifted from fixed salaries to ones containing a variable cash-compensation component based on fundraising, cost reductions, or specific programmatic outcomes.[1] However, these plans have met with resistance because they tend to focus heavily on financial measures of nonprofit performance rather than on the social dimensions—namely, mission fulfillment. Nonprofit managers have also sought "comparable pay" with business managers.[2]

Also influential is the fact that the benchmarking of salaries of nonprofit and business executives has become more prevalent—encouraged in the United States by a new set of IRS regulations allowing sanctions and fines to be levied on nonprofit organizations that pay their executives excessive compensation relative to similar nonprofit and for-profit firms.[3] Fully implemented in 2002, these new regulations allowed for cross-sector comparisons, and set standards and procedures for justifying compensation levels in nonprofit organizations. For many nonprofits, however, increasing executive compensation remains prohibitive due to budgetary and moral constraints.

So what *really* affects salary levels for nonprofit executives?

The short answer seems to be organizational size. According to our research findings, in most parts of the nonprofit world you will find a base rate of pay that increases in direct proportion (in most cases) to every $1000 of operating expenses. To better understand nonprofit compensation practices, we tested three main competing explanations. First, we considered whether executive compensation in nonprofits is a function of the

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size of the organization. Second, we examined the prevalence of pay-for-financial-performance in this sector. Third, we looked at the role of liquidity, or "free cash flow," and examined its effect on compensation. The second and third tests are particularly important in the nonprofit context: if a strong association exists between compensation and financial performance or liquidity, it would challenge the effectiveness of the nondistribution constraint, a standard that prohibits the paying out of excess earnings and requires instead their application to advancing the mission of the organization.

Since one of our assumptions was that nonprofit executive pay concepts are being influenced by the concepts underlying business pay, we first looked at the factors that determine CEO pay in business.

For-Profit CEO Compensation

Since one of our assumptions was that nonprofit executive pay concepts are being influenced by the concepts underlying business pay, we first looked at the factors that determine CEO pay in business.

The extensive body of research in this area reveals three general themes. First, compensation studies consistently find a link between the size of the company and executive compensation.[4] Faced with considerable uncertainty, companies pay CEOs based on the scope of their responsibilities and the amount of resources they are charged with managing. Herbert A. Simon's early explanation of this phenomenon was that firms use compensation to distinguish between different managerial levels, and since large firms have more levels, they tend to pay their leaders more than smaller and less hierarchical companies.[5] Subsequently, extensive empirical work has demonstrated that managers earn more when they have been entrusted with leading large companies.[6]

Second, many studies have examined the link between a company's financial performance and executive pay. Some have found a connection to profitability, although many other studies have concluded that firm performance is not a key driver of CEO compensation.[7] Researchers also focused on relative performance evaluation, and tested whether CEO pay decisions were driven by the performance of a manager compared to his or her peers in a given field.[8] One reason why boards might take into consideration the compensation decisions of other companies stems from the possible increased efficiency that such information might make possible.[9]

The third theme relates to the independence and relative power of the board.[10] In situations where the board is not independent or is weak, CEOs may be highly compensated due to poor oversight or collusion. In either case, the control systems designed to protect the interests of shareholders fail. Some research has also considered the relative power and influence of shareholders in an attempt to understand board decision making.[11] Recent compensation studies have been primarily practitioner focused, with salary ranges and averages reported, making it difficult to attribute reasons for differences.[12]

The conceptual framework for business remuneration, however, cannot be directly applied to nonprofits, since they must, by law, observe a nondistribution constraint. And, if they adhere to this constraint, neither liquidity nor financial performance should—in principle at least—result in higher pay.

Findings

We did not examine the question of board oversight in our study, focusing instead on size, performance, and liquidity. We went into the project with some conjectures, namely that (1) CEOs managing large nonprofits will earn more than CEOs at smaller organizations, (2) nonprofit CEO pay will not be based on the financial performance of the organization, and (3) nonprofit CEO compensation will not be determined by liquidity or free cash flows.

The sample data used in our analysis originate from the annual IRS Form 990 nonprofit tax filings for the period of 1998 through 2000. At the outset of our analysis, we ran pooled sector-wide regressions to understand the overall relation between compensation and the explanatory variables. The sector-wide regressions were then compared to determine if one hypothesis accounted for significantly more of the variance in compensation. To control for firm dependence, we assessed the statistical significance of individual variables using a t-test, which assesses whether the means of two groups are statistically different from each other. To assess the relative explanatory power of groups of variables, we used the Vuong test, which evaluates whether the difference in the explanatory power of two regression models is statistically significant.[13] For our dependent variables, we used three different measures of compensation: CEO salary, CEO benefits, and total CEO compensation (which simply combines executive salary and benefits).[14]

To test our first hypothesis, we relied on two variables: lagged total fixed assets and lagged total program expenses. We chose total fixed assets as a proxy for scale of operations and total program expenses as a measure of the annual budget.[15] To test our second hypothesis, we developed two variables associated with pay-for-performance compensation: administrative efficiency and dollar growth in contributed revenue.[16] To test our third hypothesis, we selected three variables that determine whether an organization is cash constrained or has free cash flows: lagged commercial revenue, liquid assets to expenses measure, and investment portfolio to total assets measure.[17]

Since the nonprofit industry is quite heterogeneous, we explored the compensation question in the major subsectors: arts, education, health, human services, "other," and religion.[18]

Arts

The compensation of arts CEOs increases more rapidly relative to program expenses than in the other subsectors, and the remuneration of arts CEOs is negatively associated with commercial revenue share. This stands in contrast to the positive relation of this factor in the remaining subsectors.

Greater administrative efficiency, higher liquidity, and a more extensive endowment are associated with higher compensation, but generating additional contributions is not. Overall, the organizational-size variables explain a substantially greater proportion of the variation in compensation for arts CEOs than the other two factors combined.

Education

While arts executive pay is closely related to program expenses, CEOs at educational institutions receive compensation that is significantly associated with fixed assets. These organizations include primary and secondary schools, as well as colleges and universities. Unlike the arts CEOs, educational leaders are better compensated when their organizations have growth in contributions but not when they are more administratively efficient.

Health

Due to the competition in the health subsector between for-profit and nonprofit firms, one might expect that compensation would be more heavily weighted toward the pay-for-performance variables. Instead, we found that CEO compensation in this subsector is strongly related to organizational size. It is weakly tied to administrative efficiency, and is not significantly related to growth in contributions. From these results, we concluded that compensation in the health subsector is not closely tied to classic pay-for-performance measures.

With regard to free cash flows, we found that the sensitivity of CEO remuneration to increases in the commercial revenue share is highest in the health subsector. Health CEO remuneration is also quite sensitive to the relative size of the endowment. We found no significant relation between health CEO compensation and liquidity. Overall, the organization-size variables explain a greater portion of the variation in pay in the health subsector than the pay-for-performance and free cash flow variables combined.

Human Services and "Other"

CEO compensation in the human-services and "other" subsectors exhibit considerable similarities in the magnitude of the coefficients. Total program expenses are significantly related to compensation, with a $10–$11 gain in compensation for each $1,000 increase in program expenses. In neither case are total fixed assets significantly associated with remuneration. CEOs in both subsectors can expect to be financially rewarded for greater administrative efficiency and when the share of commercial revenue is higher and the relative size of the investment portfolio is larger. One striking difference is that CEOs in the other subsectors receive substantially higher compensation

Since the nonprofit industry is quite heterogeneous, we explored the compensation question in the major subsectors: arts, education, health, human services, "other," and religion.

when contributions are increased, while CEOs of human-service providers oddly receive significantly lower compensation when liquidity is higher. In both subsectors, the organizational-size variables had more power to explain compensation than the other two variable groups combined.

We believe that nonprofits may rely on organizational size to make compensation decisions, drawing on free cash flows when available, rather than addressing the challenge of defining, quantifying, and measuring the social benefits that they produce.

Religion

Compensation for religious leaders differs substantially from the other sectors. First, "base" pay and both organizational-size variables are insignificant. In the area of pay-for-performance, the regression results indicate that compensation is not directly associated with growth in contributions. More unusually, it is negatively related to administrative efficiency. In one regard, the CEOs of religious organizations are similar to their counterparts: their compensation is significantly associated with the commercial-revenue share and the relative size of the investment portfolio. For CEOs of this subsector, the size hypothesis was most strongly supported, but it did not dominate the other two hypotheses combined.

Conclusions

We found that nonprofit CEOs are paid a base salary, and many CEOs also receive additional pay associated with larger organizational size. Our results indicate that while pay-for-performance is a factor in determining compensation, it is not prominent. In fact, in all the subsectors we studied, CEO compensation is more sensitive to organizational size and free cash flows than to performance. While our analysis suggests that nonprofits may not literally be violating the nondistribution constraint, we did find evidence that CEO compensation is significantly higher in the presence of free cash flows. In only one subsector (education), however, did we find evidence that free cash flow is a central factor.

The IRS intermediate sanction regulations have been used to penalize nonprofits that excessively compensate executives.[19] These regulations determine the reasonableness of executive compensation based on benchmarking against comparable organizations. Our analysis suggests that strong industry-specific similarities in pay are related to free cash flows and, to a lesser extent, organizational size, rather than to performance. Hence, the existing regulations may not be particularly effective in identifying either absolute levels of compensation that are too high or organizations that are violating the spirit of the nondistribution constraint.

One final implication of our analysis bears on the enduring performance-measurement quandary that confronts so many nonprofit organizations. We believe that nonprofits may rely on organizational size to make compensation decisions, drawing on free cash flows when available, rather than addressing the challenge of defining, quantifying, and measuring the social benefits that they produce. Nonprofits typically produce services that are complex and that generate not only direct outputs but also indirect, long-term, and societal benefits. These types of services often make it difficult to both develop good outcome measures and establish causality between program activity and impact. In the absence of effective metrics of social performance and mission accomplishment, many organizations rely on other factors in setting compensation. Perhaps, once better measures of mission fulfillment are developed and actively implemented, nonprofits will be able to structure CEO compensation in ways that provide appropriate incentives to managers who successfully advance the missions of nonprofit organizations, while respecting the full legal and ethical implications of the nondistribution constraint.

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14. Prior studies have generally used total assets or log of total assets as a proxy for size. Our field experience with nonprofits leads us to believe that boards set CEO compensation based on annual budgets and scale of operations in comparison to industry peers.
15. In nonprofits, total program expenses include cost of program services but exclude administrative and fundraising expenses. We expected CEO compensation to be positively associated with both fixed assets and program expenses.
16. To measure *administrative efficiency*, we took one minus the administrative expenses to total expenses. *Dollar growth* in contributed revenue is a particularly observable measure that boards may correlate with CEO effort.
17. Commercial revenues are composed of proceeds from sales of goods as well as program service fees and charges generally paid by clients, insurance companies, or some government agencies. Often, these funds are relatively free of donor oversight or externally imposed restrictions.
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Do nonprofit employees deserve a fair wage, or should they be satisfied with less than their for-profit counterparts because they're in the business of helping others? Dr. Paul Light of the *Washington Post* has looked at salary setting in all three sectors, and here he reviews some of the social forces affecting our thinking about public/nonprofit sector executive salary, and the public's reactions to what they perceive to be nonprofit salaries that are overly high.

Sources of Attitudes on Nonprofit Compensation: A Conversation *with* Paul Light

by Jon Pratt, JD, MPA

***Editors' note:** Recently,* NPQ *contributing editor Jon Pratt sat down with NYU's Dr. Paul Light to talk about social attitudes about compensation in public service jobs. In his usual integrative style, Light provides an excellent overview of the frameworks Americans use when they think about executive pay. This follows a string of articles and commentaries on concepts of nonprofit compensation by Lester Salamon, Tom Pollack, and Rick Cohen, which continue to provide strategic guidance in the area. Light is the Paulette Goddard Professor at the Robert F. Wagner Graduate School of Public Service at New York University and an online columnist for the* Washington Post. *He is also author of, most recently,* Driving Social Change: How to Solve the World's Toughest Problems *(John Wiley & Sons, Inc., 2011).*

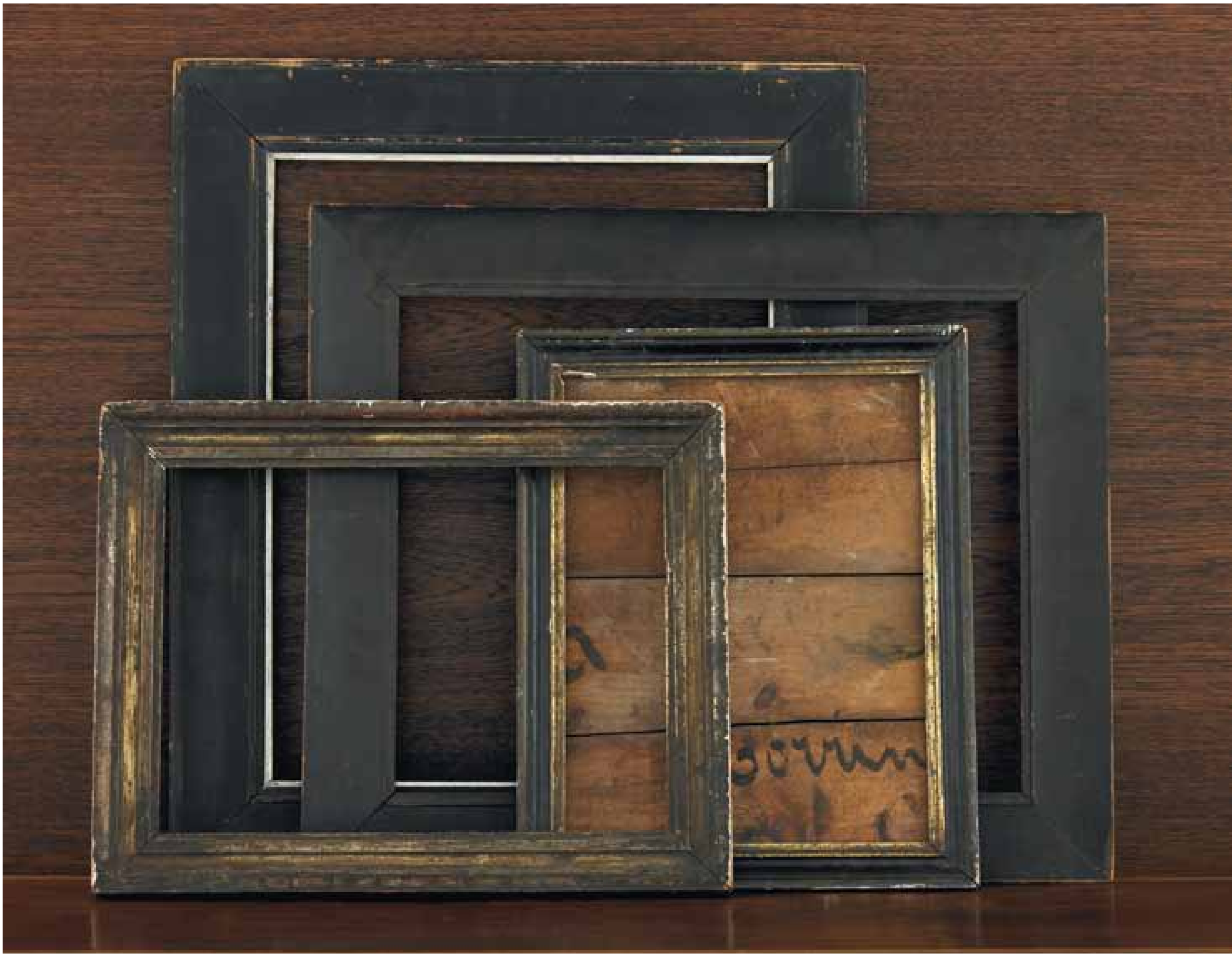
Jon Pratt: *Recently, Charities Review Council of Minnesota conducted a public opinion poll that asked 800 people in Minnesota to pick a statement that best described their view of nonprofit pay. The choices were:*

- *"Employees of charities should receive wages comparable to for-profit employees" (42 percent agreed);*
- *"Employees should be paid less than their for-profit counterparts but enough to earn a living" (34 percent agreed);*
- *"Employees should be drawn to their work out of a commitment and paid no more than a stipend" (14 percent agreed); and*
- *"Don't know" (10 percent agreed).*

What do you think these responses say about the public's understanding of nonprofit compensation?

Paul Light: Well, it suggests that 42 percent, or a substantial minority of Minnesotans, believe that nonprofit employees deserve a fair wage, and that's a positive. But when you get to the next group that says they should be paid less, and to the group that says no more than a stipend—which, combined, is the majority—it demonstrates a real problem. There may be an element of the "vow of poverty" theory among the ones who think this way. And I'll bet if you had asked the whole group whether executive directors should be paid the same as corporate CEOs, the answer would have been emphatically no!

Jon Pratt, JD, MPA, is the executive director of the Minnesota Council of Nonprofits and a contributing editor to the *Nonprofit Quarterly*.



But your survey pretty much reinforces the results of a survey I conducted in 2008 with a national sample, where we asked, "Do you think that the heads of charitable organizations are paid too much, too little, or just right?" The number who said "too little" was 4 or 5 percent; the number who said "too much" was in the high 40s. The 40 percent who say "too much" has been pretty steady over time, suggesting that many Americans believe that employees of charitable organizations should take a discount or pay cut because they've signed on to help others.

JP: *A frequent comparison group for reasonableness of nonprofit compensation is government pay scales, where civil service systems and public oversight bodies have developed very transparent structures of grades, ladders, and steps. Government compensation has been a major news item in 2011, with a wave of freezes, reductions, and public criticism of government salaries, pension benefits, and collective bargaining rights for public employees. The governors of Wisconsin, Ohio, Indiana, and New Jersey each made this a major issue. What do you see as the implications for nonprofit compensation?*

PL: Most of the public says that federal employees are just paid too much, and there's a lot of false information out there about that, based on averages of what federal employees get versus what private employees get. The gross generalizations

"OLD PICTURE FRAMES ON SHELF" © ADRIANNA WILLIAMS/CORBIS fuel the public's notion that the federal government wastes a great deal of money, which is built on anger toward Washington and toward government in general.

It's a frustrating paradox that Congress doesn't care very much about how much private CEOs—corporate CEOs—make. Basically, if it's in the private sector, we're not going to worry too much about it. But if it's in government or nonprofit-land, it's fair game.

JP: *Congress and the IRS have increased attention on nonprofit compensation. Nonprofit organizations with employees paid more than $150,000 are required to provide supplemental information about compensation on Schedule J.*

PL: It's a frustrating paradox that Congress doesn't care very much about how much private CEOs—corporate CEOs—make. Basically, if it's in the private sector, we're not going to worry too much about it. But if it's in government or nonprofit-land, it's fair game.

JP: *One interesting part of the Schedule J, which is required for these highly compensated individuals, is Part 1A, which requires organizations to check whether they're paying for personal services as part of their compensation—services described as "maid, chauffeur or chef."*

PL: These questions are often related to a specific scandal, not unlike the presidential appointments process, which now has almost 300 questions on a nominee's personal and financial history. Every time you get a scandal, you add a new question. So, we've got domestic workers on the forms as the result of scandals early on in the Bush administration and, earlier, with Zoë Baird and Kimba Wood, in the Clinton administration. These items can generate material for a congressional investigation or a nice hot one-off hearing, where you bring up the CEO of the nonprofit and really take him or her to task.

JP: *There's been some concern at the federal level that this kind of scrutiny, public exposure, and salary limit inhibits the ability of government or nonprofits to compete for talent. Has this inhibited compensation, or do organizations just charge ahead and make their decisions on their own management judgment?*

PL: The problem is that we've got to come up with a reasonable way of setting nonprofit salaries in the midst of an overall salary picture that does not make a lot of sense. Let's benchmark contractor, nonprofit, and private salaries on government pay, and you'll see an immediate effort to bump up government pay, or at least introduce some perspective to the debate. The president of the U.S. makes $400,000 a year running a multitrillion dollar operation. Hello? That makes the claim that a $1 million salary is essential for the CEO in charge of a $3 billion nonprofit somewhat less credible, no?

A lot of this is political football. Recently, New Jersey Governor Chris Christie demanded a cap on nonprofit salaries paid through state contracts, which is nothing more than a sop to the Tea Party.

JP: *And Governor Christie has also launched a major battle taking on teachers unions. Is this anti-tax, small-government movement just fiercer now, or is there an ongoing trend of hostility toward governments, and, perhaps indirectly, nonprofits, about how they compensate their employees?*

PL: Anger against public servants has been around from the very beginning. You can go back to the 1800 presidential election, where Thomas Jefferson ran the first "war on waste" campaign in American history. He won office in part by promising a smaller, leaner government, and by arguing that there were too many federal employees, and they were sucking up too much money, and there was too much corruption. It's been around for a long time, and historically that's led to salary compression at the top of the salary chart.

JP: *What should an individual nonprofit do to educate its own public about its compensation approach?*

PL: Be clear about how the organization makes salary determinations. Unfortunately, it's an opaque process in most organizations. The comparisons are not clearly defined by class, let alone by specific organization. So, you use these market-basket approaches, where you're throwing in private companies, you're throwing in consulting firms, you're throwing in other nonprofits, and you're trying to figure out some methodology for saying that your CEO deserves extra. Why?

That's the first step, and if you want to use deferred compensation and you want to use performance bonuses, say it. And, tell your supporters, your givers—Charity Navigator and others—how you arrived at your figure, and put it out there.

JP: *If you look at a 990 form, it says, "Please explain how you came up with your compensation." Often, what organizations report in their 990s is that they used market information, or a compensation consultant, and then the board made the decision on the basis of that. Would you like to see more disclosure about what's in the comparison, such as identifying the comparable types of organizations?*

PL: Yes, you could start with a simple pie chart showing how many organizations you used in the benchmarking, how many were private, how many were nonprofit, and how many were government. I suspect that the percent from government would be near zero, and I suspect that the share of private firms might be as high as 50 percent. If you don't list individual firms, at least you should list the industries and revenue streams within the comparison group.

JP: *How about the middle and bottom of the scale for nonprofits? Government adopts a relatively flat compensation model. Should the range from top to bottom for nonprofits be similar to that of government?*

PL: We have to be clearer about what the market basket should look like, and have a good solid debate about what's fair. If we continue to compress nonprofit salaries by comparing them to government salaries, you just suck up all that anti-government fever into that comparison. But, if you don't use those kinds of comparisons and you benchmark against private firms and so forth, you're going to get that sentiment in there.

JP: *What about the slope—the ratio between senior managers and frontline service providers? Government has a relatively flat slope; business has a steeper hierarchy. . . . Where should nonprofits be?*

PL: In government, the top-to-bottom ratio is oftentimes in the 3:1 to 5:1 range. In the private sector, it can be 100:1 or 200:1, depending on the size of the firm and the compensation policy. Some argue that top-level salaries in some of our most prestigious, well-known nonprofits are out of synch with frontline salaries, and that the nonprofit sector should be governed by a more egalitarian ratio.

I think the nonprofit sector has an obligation to get the very best talent it can at the most reasonable cost appropriate to its role in the public service—more broadly defined. Yet you can't simply say, "We've got to pay whatever the market demands, and that's the only criteria we can use." There is a perceived public obligation that shows in the discount to keep in touch with the real world that you're trying to serve. When you look at ratios, you could go with the ratio of the top job in the organization to the frontline job in the organization, but you also need to factor in the kinds of people you're serving. To what extent does a nonprofit grow slowly out of touch with its community, its mission, by building up a robust market-sensitive compensation system?

Some people argue that we've got to make an opportunity for more business executives to come in, because nonprofits should be run like businesses. I disagree with the assumption that somehow business people are going to be more rigorous or they're going to do things in a more disciplined fashion than a top-flight nonprofit executive who's already run a successful organization.

I don't think you have to take that vow of poverty, but at the same time I wonder if the sector isn't obligated to set itself out there as being more a part of the community that it serves—obligated by basic issues of fairness to set reasonable market-sensitive pay, but also stay in touch with the world we serve.

I think the nonprofit sector has an obligation to get the very best talent it can at the most reasonable cost appropriate to its role in the public service—more broadly defined.

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If we continue to ignore the need for developing academic fundraising programs to properly train and accredit future fundraisers, we cannot expect giving to budge beyond its current level, which for decades has remained stuck at the incredibly low level of roughly 2 percent of the GDP. As the authors put it, "Participation is not the same as achievement," and if we wish to bring fundraising into the twenty-first century, it is up to us as a sector to bring fundraising education to a level that reflects—and evolves—how fundraisers operate today.

Fundraising Education: *A Fork in the Road?*

by Adrian Sargeant, PhD, and Jen Shang, PhD

In educational terms, the profession of fundraising is currently where the profession of marketing was some thirty years ago. Employers rarely demanded a formal marketing qualification of their new recruits, and the one or two degrees that were then available were seen as somehow unnecessarily academic, "ivory tower," and completely divorced from the realities of professional practice. All you needed to be an effective marketer was to be a good "people person," and any training you might require could either be provided on the job or at the occasional conference, because there was no formal or agreed-upon knowledge base that you'd be expected to master.

Adrian Sargeant, PhD, is the Robert F. Hartsook Professor of Fundraising at the School of Public and Environmental Affairs, Indiana University; **Jen Shang**, PhD, is an assistant professor and philanthropic psychologist at the School of Public and Environmental Affairs and the Center on Philanthropy at Indiana University.

Marketing has come a long way. Employers now recognize and value high-quality degree programs that expose their graduates to the latest examples of best practice. In addition, some of the truly great ideas that have shaped the profession have come not from marketers but rather the research conducted by the academics that serve that profession and help shape its thinking. Individuals with degrees from the top schools are now highly sought after, not only because of what the degrees say about the individual's qualities but also because employers are eager to leverage what graduates have learned, in order to benefit their organizations. The days when you could just walk in off the street into a senior marketing role are, thankfully, gone forever.

The picture in fundraising isn't so rosy. There are only a handful of institutions offering relevant master's level courses, and, quite incredibly, there is nothing at the undergraduate level. It beggars belief that there is now nowhere in the United States that a talented young person,

"WINE ROAD IN CAPPADOCIA" © GEORGE STEINMETZ/CORBIS

Just as with any other profession, there should be a substantive bar to entry—one that can be surmounted (at least in part) by progression through a properly accredited degree program.

eager for a career in fundraising, can pursue a dedicated degree with that focus. There are a plethora of institutions that offer an occasional course module, but none that offers a dedicated degree that would prepare a bright young person for entry to our profession.

Why? Well, just as with marketing thirty years ago, fundraising isn't looked upon as a proper profession. It's viewed as "easy"—something that pretty much anyone can do, irrespective of educational background or attainment. If we are serious about our claim to a profession, that perception is something we need to change, and change swiftly. Just as with any other profession, there should be a substantive bar to entry—one that can be surmounted (at least in part) by progression through a properly accredited degree program.

Not only do we lack a depth of academic provision, our sector is also awash with low-quality training programs based largely on fundraising folklore and the illusion of best practice. To raise the level of what is on offer, trainers need guidance from our professional bodies with respect to what they should teach and to whom. Certification is also an issue. Certificates that proudly proclaim "knowledge" to employers are routinely awarded for mere participation in a class rather than genuine achievement, with the resulting confusion in the marketplace. Participation is not the same as achievement, and we must facilitate employers' ability to easily distinguish between the two.

The issue of systemically poor-quality provision is tougher to address. Unfortunately, none of the major professional organizations in the U.S. fundraising field have as yet delineated an up-to-date and detailed body of knowledge that they would expect every competent member of their profession to know. As a sector we do, of course, have the Certified Fund Raising Executive (CFRE) credential, but in truth this too fails to provide an adequate level of detail. The credentialing body, CFRE International, expects fundraisers to demonstrate a knowledge of giving behavior and direct mail, for instance, but nowhere are these standards defined, leaving trainers the scope to sink back to the lowest common denominator in what they choose to deliver.

What, for example, would we expect a competent grantwriter to know—what skills should this knowledge underpin? What would we expect a direct-response fundraiser to know, and again—what skills should this knowledge underpin? No one is specifying this level of detail. Little wonder, then, that fundraising education and training is of such variable quality, and that fundraisers are still being exposed to the same tired old ideas now well past their sell-by date.

It is long past time for the sector to move on. Giving in the United States has remained stubbornly static, at around 2 percent of GDP for as long as anyone can remember. Americans are routinely generous with their resources, but they are apparently no more generous today than their parents, grandparents, or even great-grandparents were. Upping the quality of fundraising education could make a tangible difference in this pattern of behavior by dramatically improving the quality of the experience that donors have when they give and by ensuring that they optimize the utility of their giving.

So what needs to happen? In our view we should begin by mapping out the variety of roles that fundraisers typically perform. Over the past fifty years, fundraisers have increasingly begun to specialize, and that needs to be reflected in the routes to our academic qualification and certification. We now have fundraisers who specialize in grantwriting, community fundraising, major gift, direct response, new media, etc. The skills these individuals should possess and the knowledge that would allow them to perform these roles are very specific. They must all be defined and then updated on a regular basis, integrating emerging new ideas from professional practice, but also drawing on the very latest academic research. The resulting standards could then form the basis of job descriptions, appraisals, and reward/recognition systems, and—critically—could also be used to identify individual training and development needs.

As an overall framework, these standards might then inform the syllabi of educational and training programs, both at the undergraduate and the postgraduate level around the United States. Educational providers could certainly continue

to deliver whatever they wish, but only properly accredited programs would provide automatic access to the profession and its associated credentials. This would have the effect of compelling educational providers to "up their game" to meet the needs of our modern profession, and help reassure employers that sponsoring their employees' attendance would genuinely benefit both the participant *and* the organization. Think what a difference it would make if every fundraiser knew the three key drivers of donor loyalty and/or drivers of trust in an organization, why they matter, and the practical steps that could be taken to build them. Think too about the difference it could make if every fundraiser understood the social context of fundraising and how, by simply changing the words in their solicitation to provide donors with social information, they could increase the value of giving by an average of over 10 percent.

Unfortunately, many practitioners have been burned by their experience of trying to learn from academics, discovering that their academic counterparts failed to understand their real-world situation, or simplified real-world situations to such an extent that their elegant theories were of no practical relevance. As a consequence, academic research has frequently failed to address the questions that frontline fundraisers urgently need answered. But things are changing.

The *International Journal of Nonprofit and Voluntary Sector Marketing* is one of a number of academic journals that now routinely publish fundraising research. Major academic conferences, such as the Academy of Management and the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA), now have fundraising tracks that are accessible not only to an academic audience but also to fundraising professionals. There are highly specialized new fields beginning to emerge, too, such as philanthropic psychology, which has already generated results in increasing giving. All these developments have aided in the accumulation of a meaningful body of knowledge that, while academically rigorous, can now add genuine practical value for practitioners.

As a profession, we should be working to encourage educational providers to take an interest in our field and open up access to this knowledge. As a sector, we should also be raising our profile, campaigning for every nonprofit management program in the country to include at least one course on fundraising. At present, only around 40 percent of such courses in the United States offer this provision, which means that 60 percent of students in the field will graduate knowing nothing about the so-called "easy" topic of fundraising.

As a profession, we should be working to encourage educational providers to take an interest in our field and open up access to this knowledge.

Increasing provision at the graduate level would undoubtedly be a positive step forward, but let's also see what can be done at the undergraduate level to try to get to the point in the coming decade where at least a dozen or so campuses across the nation offer a degree that would promote entry to our profession. We can then encourage bright young people to consider what might be an immensely rewarding career, and steer them in the right direction.

We also need to draw a firmer distinction in the minds of employers between fundraising training and formal academic fundraising education. Both have their merits, but they are different. Take for the sake of argument a training session that is designed to explore the use of emotion in appeals. In most training scenarios, participants are not required to complete any specific readings before attending the class, so they will typically start from a zero base. They might begin by brainstorming all the emotions that could possibly be used in aid of fundraising. A list of ten emotions including happiness, sadness, and guilt are the usual suspects that would probably find their way onto most discussion boards. Depending on the instructor's background or the audience's

Agreeing on standards and investing in rigorous educational programs is the logical first step toward bringing fundraising into the twenty-first century.

experience, participants in these training courses might then share their own "best practice" experiences or anecdotes demonstrating the kinds of emotions that can generate higher revenue. Most of the time, details are highly simplified and few precise figures are provided. If the instructor is relatively experienced, participants might then go on to summarize the similarities of the successful cases in terms of the communication media used (for example, face-to-face or online), the people involved (for example, male or female donors), and the context (for example, raising annual gift or bequest). In many situations, however, even this low level of abstraction is not reached. There is rarely any discussion on:

1. Whether the reason why the fundraising practice worked was in fact due to the emotion being discussed;
2. The validity of the conclusion (i.e., what kind of control groups were in place to show that the superior practice was indeed superior); and
3. How generalizable the approach might be in other situations.

By contrast, academics do pose these questions, and are concerned that the research they introduce meet the requirements of high validity and reliability. With respect to validity, researchers must use experimental or other research methods to prove that what they say is causing the effect is indeed what is causing the effect, ruling out other possible factors. With respect to reliability, researchers must use statistical analysis to disclose the exact conditions under which each effect is found, and the probability that it can be replicated. When doing so, researchers are laying out all the key factors that may prevent an outcome from being replicated. Since all the conditions are disclosed, students can monitor and modify the factors suited to their situation and replicate the outcome without necessarily replicating the procedure. This is so students will leave an academic program having the ability to create their own success rather than being able to articulate just the vaguest of generalizations.

Although we are only at the beginning of the push to design such educational programs, both within the professional fundraising community and within universities and graduate schools, the movement is underway. The Center on Philanthropy at Indiana University established the first academic chair in fundraising in 2005, graduated its first PhD in donor behavior and philanthropic psychology in 2008, and is now working with the Association of Fundraising Professionals (AFR) to develop a new, knowledge-based Diploma in Fundraising qualification. American Humanics (the body that assists colleges around the United States with curriculum) redeveloped its fundraising syllabus in 2008, and there are now fundraising textbooks and associated web resources available to students. In Europe, the Institute of Fundraising is currently working on a new suite of qualifications, and it is already possible in the United Kingdom to access a set of occupational standards for fundraising as well as an associated body of knowledge.

These are just a selection of recent developments that should mark a turning point in fundraising education. As we said at the outset, we are only just now setting out on a journey begun by the profession of marketing over thirty years ago. We've a long way to go to catch up, but in our view it's a journey well worth making. We owe it to our donors and to ourselves to provide the best possible experience that we can—and if we want to grow giving, the profession must evolve. Agreeing on standards and investing in rigorous educational programs is the logical first step toward bringing fundraising into the twenty-first century.

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The Good, *the* Bad, *and the* Ugly *of* 360° Evaluations

by Michelle Gislason and Marissa Tirona, JD

In order to accomplish a successful 360° evaluation, organizations should—among other factors—have a clear purpose and strategy going in, properly educate staff and board on the process and goals of the assessment, and ensure assessors are credible. But perhaps most fundamental to the process is leaders' commitment to across-the-board evaluation as well as willingness to be an integral part of the enterprise.

Before we introduce the reader to the wonders and significant benefits of the 360° evaluation, we would like to place a warning label on the whole process—something like, "Don't try this at home." There are many ways in which a 360° process can go wrong, and it is generally the result of carelessness on the part of people who may be well-intentioned but underinformed about the prerequisites for a strong 360° process.

Here are a couple of stories that demonstrate how it can go awry. . . .

Damon recently became the executive director of a small organization focused on sustainable food practices. Although hoping for a fresh start with Damon at the helm, the board was still concerned about how staff would work with him, given that they were not involved in his hiring. A board member had heard about a 360° assessment, and thought it would be a good way to get a sense of what staff thought of Damon's potential as an executive director. They asked staff to

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"CEILING OF TEMPLE FROM HEAVEN" © JIM ZUCKERMAN/CORBIS

Structuring a way to provide leaders with honest feedback allows for a kind of "stop-action" play. Honest feedback interrupts the usual barriers to information about one's own performance.

complete an anonymous survey. Because Damon was new and staff were unclear about the 360° process, they were not sure how to evaluate him. The board members met to discuss findings and next steps, but didn't know how to interpret or present the results. As a result, the feedback was vague and unhelpful. Damon was disheartened by the board's feedback and their inability to assure him of their confidence in his leadership. He left the organization a few months later.

Tamara is the human resources manager for an arts education organization. It had been about five years since the organization had done formal performance reviews, and feedback was given inconsistently across the board. Tamara wanted everyone to get a performance review, but didn't have the time to create a template and train staff on the process. A board member gave her a copy of the 360° feedback tool his corporation used, and Tamara instructed the staff on its use. Knowing the feedback would be anonymous, some staff used the process as an opportunity to express frustration with colleagues. As Tamara reviewed the feedback she realized that parts of it were very negative, and, hoping to preserving peoples' feelings, edited out all critical feedback before forwarding the reports to the recipients. As a result, legitimate issues identified by staff were neither acknowledged nor addressed, resulting in staff frustration and then apathy toward the 360° assessment process. The tool went unused the following year.

In both instances, the organizations mistook the intent and purpose of the 360° assessment tool and missed opportunities to leverage a process that has the potential to facilitate staff capacity building and foster an environment that supports leadership development.

What the 360° Process Is For

A 360° assessment tool systematically collects candid feedback about job performance, skills, and behaviors from an individual's supervisor, colleagues, subordinates, clients, and other key community stakeholders, as well as from the individual who is being assessed. It identifies those leadership and management competencies that are critical to the organization's impact and reflect the organization's values and strategies. A 360° assessment may gather feedback about a range of skill types:

- **Technical:** The ability to develop and manage complex project budgets;
- **Strategic:** The ability to make high-quality, organization-wide decisions;
- **Operational:** The ability to manage multiple stakeholders in a complex work process; and
- **Relational:** The ability to negotiate or "manage up."

The assessment includes both quantitative (numerical ratings) and qualitative (comments) data. Ratings are generally shown in the aggregate; scores from an individual's supervisor, colleagues, subordinates, clients, and others are averaged and then compared to the individual's ratings of his or her own performance. Comments are similarly presented in summary fashion, with key themes and patterns identified.

Living in a Feedback Desert

Feedback is a critical component of leadership development, because only by understanding one's strengths and challenges can a leader effectively get things done in an organization.[1] And yet we live in a feedback desert. Our well-intentioned efforts to serve our communities and deliver on our missions often come at the price of sacrificing the kind of feedback that fosters self-awareness and promotes improved performance. "I have been in this job for three years and I have never received any kind of formal feedback about what I do well and what I don't," said a caseworker who provides education and support to homeless youth. "I'm not really even sure how I contribute to my organization." Staff can feel lost if they do not know what is expected of them. Without feedback from partners and collaborators, an individual's view of his or her role in an organization will remain static, despite having invested days, weeks, or even months working on a project.

Structuring a way to provide leaders with honest feedback allows for a kind of "stop-action" play. Honest feedback interrupts the usual barriers to information about one's own performance. It supports "relentless learning," and can enhance leaders' ability to scan for new ideas, absorb them, and translate the new learning into productive action for their organizations.[2] Much has been written about the desire of the Millennial Generation (those born between 1977 and 1997) for a constant stream of feedback as a way to connect skills-building to a larger purpose.[3] Given that Millennials will account for nearly half the employees in the world in a few years, organizations need to have the skills, systems, and culture in place to deliver the feedback this generation requires. Feedback also reinforces collaboration, because the ability to grow and flourish in one's workplace requires that colleagues hold up a mirror and reflect back one's behavior and performance.

The 360° process provides a framework that ensures feedback is received in a balanced way and from a variety of stakeholders, a common language for naming the behaviors and skills that reflect an organization's values, and strategies for improved individual performance. As a result, *the process promotes a performance-based organizational culture*. The explicit and unspoken behaviors and cultural values of an organization can get in the way of enhanced individual and organizational performance. Resistance to giving and receiving feedback ("I don't want to evaluate my colleagues' performance" or "Aren't I effective enough if I'm out there doing the work?") can make it difficult for the adaptive learning that must take root for an organization to successfully bring about social change. By demonstrating how performance feedback and reflective self-assessment are critical to supporting organizational impact, an organization can create a culture of performance that undergirds everything it sets out to do.

Who Uses 360° Assessment Processes?

An organization's ability to design and use this type of tool has less to do with the kinds of services it provides or how large a staff it has than it does with the quality of its orientation toward learning, collaboration, and performance accountability. The Center for Creative Leadership has developed extensive 360° assessment tools to complement its well-respected leadership development programs. The Gap Foundation has adapted a corporate 360° assessment tool to be used in the leadership work it does with its nonprofit community partners. At CompassPoint, we use 360° assessments in many of our leadership development programs. And, over the past five years, managers and leaders from organizations representing various sectors of the nonprofit field—housing, health, human services—have used the 360° assessment process to accelerate their learning and support professional development.

What Does an Effective 360° Assessment Process Look Like?

At its core, the 360° assessment provides increased clarity regarding an individual's strengths, and reveals blind spots and areas for improvement. Effective 360° feedback reflects back to staff the skills that are valued in the organization. The ratings, comments, and emphasis that colleagues, supervisors, subordinates, and other key stakeholders provide should give a clear picture of the behaviors and competencies that make staff effective members of an organizational team.

Indeed, *an effective 360° process gathers balanced feedback from a wide range of collaborators and partners*. Feedback from a single source (usually a supervisor) can be biased and subjective; moreover, the source's assessment is only one view of the staff member's performance, because the source does not observe or is not affected by all aspects of the staff member's behavior. The 360° process systematically collects opinions about performance, skills, and behaviors from a wide range of individuals whose divergent and various vantage points can provide fairly comprehensive and well-rounded feedback. When implemented properly, the tool can surface themes and patterns emerging from the data that provide valuable insight to the staff member.

Consequently, *the 360° process accelerates personal growth and serves as a springboard for effective individual development planning*. Its primary function is to increase self-awareness and support one's ability to self-manage. Self-awareness is foundational to effective leadership development; it is only in deepening understanding of one's strengths and weaknesses that a leader can clarify a sense of personal purpose and then align that purpose to organizational decision making

At its core, the 360° assessment provides increased clarity regarding an individual's strengths, and reveals blind spots and areas for improvement.

Figure 1:
Feedback and the Leadership Ripple Effect

This diagram represents the various domains in which leadership appears. To be effective in any of the four outer domains, leaders must first be effective in leading themselves, armed with the knowledge of their talents and limitations and how to manage for them. It is only with heightened self-awareness that a leader can be more effective in leading others, the organization, and beyond. As an essential component of leadership development, feedback can have a ripple effect on organizations, communities, and entire movements.

and vision. When working with participants from the various leadership development programs we create and facilitate, we connect the 360° feedback process to an Individual Development Plan (IDP). Effective IDPs align personal purpose with organizational impact, and the information a leader gets from the 360° feedback process can help answer some critical questions:

- What can I do differently that would make the greatest positive impact in my work?
- What developmental priorities will give me the greatest leverage in improving my individual leadership and management competencies or my organization's performance?
- What development goals motivate and energize me?
- Will achieving these goals help me to be more effective in my current position?

The Pitfalls and Drawbacks of 360° Leadership Assessments

While there can be many benefits for nonprofits that engage in 360° assessments, the tool should be used carefully. There are pitfalls to this particular type of feedback, the primary one being anonymity.

The dearth of specific examples when raters don't want the recipient to guess who gave the evaluation is the biggest drawback to anonymous feedback. Without specific examples of a person's behavior or performance, the recipient has little to nothing to work with. Also, as Tamara from the earlier example discovered, anonymous feedback can create an organizational culture that permits staff to express frustration with colleagues indirectly. At its worst, anonymous feedback can provide fuel for personal retribution, and, if tied to appraisal, may even affect an individual's compensation or opportunity for promotion.

Another pitfall involves administration of the tool itself. Who chooses raters and how many are chosen, how the data is collected and interpreted, and how the feedback is processed by the recipient and turned into actionable next steps in his or her professional development planning can make the difference between a successful or an unsuccessful assessment.

360° assessments can also be costly in terms of staff hours or consultant time. According to the Center for Creative Leadership, implementing a 360° initiative is inherently labor-intensive despite technological advances in data collection and reporting.[4]

Finally, it is important that consistency be maintained throughout the process, which can be a challenge for large organizations. The Center for Creative Leadership suggests that larger organizations run a pilot first: "Start small, run a pilot, and then address the larger numbers. Make sure that the first person and the last person going through the process will have the same high-quality experience."

Essential Ingredients for a Successful 360° Process

Nonprofit consultant Renee Okamura, who has assisted organizations and leadership programs in implementing 360° assessments, has said, "I believe they are good tools for individual development, best administered through external leadership development programs and with good coaching to process the results." But for those organizations that are unable to engage in a 360° process through a neutral third party or program, here are some

The dearth of specific examples when raters don't want the recipient to guess who gave the evaluation is the biggest drawback to anonymous feedback.

essential ingredients to keep in mind:

- Be clear about your purpose. What outcomes do you intend to accomplish with a 360°? Who will receive the feedback? How will you use it? Is everyone else clear about the intended outcomes?
- Select an assessment tool that is relevant to the organization and its needs (see Figure 2, "Buy or Build?," on the following page).
- Coach the staff and board in advance on what to expect from the 360° process, including how best to process the results with recipients and how to address performance issues and broader organizational issues that may surface.
- Be sure there is support from positional leadership, such as the executive director, board, and senior management team. Many suggest that positional leaders engage in a 360° assessment process *first*, to model their commitment to and support of the process.
- Include multiple raters with diverse perspectives to ensure balanced feedback. Some organizations simply have recipients select their own raters, and some ask that they select with input from a supervisor. Make sure the raters are credible, and that they are focused on the organization's needs rather than on their individual relationship with the recipient.
- The best 360° assessments focus on strengths and talents *first* and then on areas needing improvement. Train staff in how to provide specific appreciative and developmental feedback, and provide individual coaching or support to assist the recipient in interpreting that feedback.
- Ensure individual and organizational readiness. For instance, does the timing work? If the executive director is being evaluated, is there a good relationship between the board and the executive director? If staff are being evaluated, do they trust the people conducting the 360° process?

Case Study: Anatomy of a Successful 360° Process

Jackie is the executive director of a multicultural agency that serves survivors of domestic violence. Her staff is comfortable giving feedback to one another, but Jackie would like to formalize a process that incorporates individual development planning in order to build and develop leadership among her staff (including herself). She does not want to create an assessment tool from scratch, but she feels it is important that the tool reflect her organization's unique values of collaboration and consensus-based decision making.

Jackie asks her operations manager, Devin, to research tools that are already built but that can be customized. Devin identifies an easy-to-use tool that employs a bar-graph format to compare ratings from different groups, including superiors, peers, subordinates, and the employee being rated. It also easily highlights positive blind spots (strengths being underutilized) and negative blind spots (challenges the participant isn't aware of), summarizes top strengths and challenges, and proposes key questions to consider as well as suggestions for addressing those questions. Jackie and Devin customize the tool to incorporate questions on how staff members make decisions in collaborative partnerships, how they communicate with others regardless of cultural background, and how they facilitate strong networks with key stakeholders.

Once the tool is ready, Jackie and Devin brief staff on the process and assist them in determining how to select coworkers and other staff as raters who (1) will provide candid and insightful responses, (2) have known recipients professionally for at least six months, (3) have worked closely with them in the recent past, and (4) know their position and work responsibilities. Each staff member selects a diverse group of raters. The lists are sent to Devin, who sends an e-mail to the raters that contains a link to an electronic survey.

Sarah, a trusted and longtime volunteer with a background in human resources, receives and compiles the results in a neutral and confidential report with anonymous responses. The following month the reports are sent to staff, who make appointments with Sarah for hour-long, one-on-one debriefing.

Joshua is one of the staff members who will be meeting with Sarah. Sarah reviews the report with Joshua and helps him to identify trends, answer questions, and pinpoint two or three

The best 360° assessments focus on strengths and talents *first* and then on areas needing improvement.

Figure 2: **Buy or Build?**

There are many 360° tools out there, a good number of which are incredibly expensive and contain extraneous information. Should you purchase an out-of-the-box assessment tool, or create one from scratch? Consider the following criteria in order to select a tool that fits your needs.

If you . . . • are a small to midsize nonprofit; • are new to the 360° assessment process; and/or • have limited human resource support	. . . then you might consider purchasing an existing survey tool or one that is affordable to customize.	**Example:** Bank of America's Neighborhood Excellence Initiative provides Pfeiffer's 360° Leadership Practices Inventory ("LPI 360") to each participant in their program (www.lpionline.com). At just over $100 per person, the tool is relatively affordable. **Example:** Several nonprofit organizations have worked with CustomInsight's 360° assessment tool (www.custominsight.com). Assessments can be customized and are available in a number of languages. Costs vary.
If you . . . • are a larger nonprofit; • have the staffing capacity to implement an intensive feedback process; • are familiar with using 360° assessments; and/or • have unique organizational needs	. . . then you might consider building a tool that includes competencies more tailored to your needs. For example, an organization that does advocacy for transition-age youth may find that it requires competencies that address developing strategic partnerships and alliances or engaging multiple stakeholders in a consensus-based culture.	**Example:** The Center for the Health Professions at the University of California custom-designed a tool by Censeo Corporation (www.censeocorp.com/solutions/360-degree-feedback.asp), which can be purchased with no, some, or extensive customization. Costs vary. **Example:** Enterprise for High School Students (EHSS) provided the Lominger Voices 360 survey (www.lominger.com) as part of their participation in the Gap Inc. Leadership Initiative. Costs vary, and the debriefing session must be led by someone who has been certified by Lominger.

Some 360° tools can be purchased and customized, which might appeal to organizations wanting a tool that has been tested as well as which can be tailored. But whether you buy or build, *keep it simple*.

areas of development that are in line with both his motivations and aspirations and his organizational priorities. Because Joshua has been receiving feedback in other ways at work, the 360° assessment surfaces few surprises for him. Instead, it formalizes and reinforces things that have already been discussed, and highlights a couple of areas where his self-assessment is out of alignment with how others perceive his performance. Additionally, it reinforces strengths that Joshua can continue to build and develop. Joshua then sets up a meeting with his supervisor to discuss the two or three areas of development he has identified and create an individual development plan. Joshua's supervisor was not privy to his 360° report, but he decides to share the feedback with her anyway to ensure they are both on the same page regarding priorities. They agree on his plan and set up quarterly supervisory check-ins.

When Not to Use 360° Assessments

Not all organizations are ready to use 360° assessments. For example, it is not recommended to introduce a 360° process in the middle of a large organizational change such as a merger, downsizing, or executive director transition. Think back to Damon's example. If the person participating in the 360° process is new to the organization, raters will be unable to adequately assess the individual's behavior or performance. Similarly, if there are not enough people who truly understand the full scope of the individual's responsibilities, it will be difficult to generate a balanced assessment.

You may also want to consider forgoing 360° assessments if staff members are experiencing survey fatigue from other organizational projects or if they work in an environment where there is a high degree of mistrust.

Finally, do not engage in a 360° process if staff have not been properly trained to provide specific appreciative and developmental feedback *or* if you do not have a process in place to accurately and objectively summarize the results. Think back to the example with Tamara. Her inability to share difficult feedback in a specific and supportive way ultimately undermined the credibility of the process.

Creating a Culture of Feedback

As we've mentioned, 360° assessments are a good way to systematically collect candid feedback about an individual's performance, skills, and behaviors. At its best, a 360° assessment should formalize feedback that has already been communicated. Susan Scott, author of *Fierce Leadership: A Bold Alternative to the Worst "Best" Practices of Business Today*, writes, "Creating real impetus for change requires extraordinarily compelling feedback that is clear, insightful, well thought out, specific, and delivered face to face by someone who has observed us in action long enough and thoughtfully enough to tell us something about ourselves." But, as Scott explains, while anonymous feedback may be useful in some instances (for example, for staff who feel marginalized or who fear personal retribution from someone who holds positional power), it can often do more harm than good.

A useful alternative or complement to a 360° assessment process involves creating a culture of feedback. Organizations with feedback cultures are fiercely committed to learning and growth, open communication, and high-trust working relationships.[5] To that end, they invest in the skills, systems, and culture needed for feedback to take root. These organizations train staff to give specific feedback to one another in an open, constructive, and nondefensive way. They also practice and model those skills by incorporating feedback into both formal and informal supervision meetings. They ensure feedback is both given and received by organizational decision makers, and they address trust issues by engaging staff in conversations about how power and privilege manifest in their organizations.

Conclusion

As James Kouzes has remarked, "If there is one thing leaders can do to understand their own behavior, it is the willingness to ask for feedback."[6] Without feedback, leaders will not have the most complete picture of what they need to do to mobilize others to tackle tough challenges. Without feedback, leaders will not know how they can improve their ability to make strategic decisions. Without feedback, leaders will be unable to recognize when new behaviors, skills, or attitudes are needed, nor will they accept responsibility for developing them.[7] But with 360° feedback, learning can happen. And it is in that space of learning that a leader can develop those short- and long-term future capabilities that the complex and uncertain landscape we work in demands.

A useful alternative or complement to a 360° assessment process involves creating a culture of feedback.

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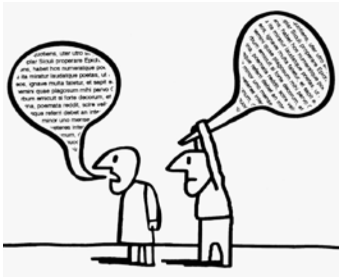

Dr. Conflict

by Mark Light, MBA, PhD

As Dr. Conflict succinctly explains, if you don't ask, you don't get. Recognizing your worth and making sure that your employer does too is the first part of the battle. But a word of caution: it's never a good idea to lead with a threat. As the doctor says, "No one wants to negotiate with a terrorist."

Dear Dr. Conflict,

I am a major-gifts fundraiser at a large university in the Northeast. I have been doing a good job while working without a supervisor for the past year. My organization has finally selected a new supervisor, and is making an offer of employment to that person this week. This person has about eighteen months more experience than I do but no management or supervisory experience.

Meanwhile, I have a master's degree in nonprofit administration. The new supervisor will be earning close to double my salary while I train and show this person the ropes, and my promotion from assistant director to director is yet again delayed. I feel like walking into the vice president's office and demanding a raise or quitting, but that's just not realistic, and I truly love the organization I work for. But I feel like I've been kicked-in-the-teeth kind of wronged.

What's a good fundraiser to do?

Seriously Frustrated

Dear Seriously Frustrated,

Dr. Conflict hears questions like yours all the time in his work as an executive coach. It is a story of unrequited love, of clueless bosses who neglect the talent right under their noses—or their feet, in your case. Dr. Conflict found the clues to your solution when he was on the advisory committee for a study a few years back: half of the 2,000 executive directors surveyed wanted a raise, but only one out of four ever asked for one beyond what was offered.[1] What's going on here? Why do these "Don't ask, don't get" executives behave this way?

Jan Masaoka, guru par excellence at Blue Avocado, tells a story about an executive who, upon receiving a larger-than-expected raise, began worrying about how she was going to come up with the money to pay for it.[2] Dr. Conflict calls this the "Be careful what you wish for" syndrome. A slightly different explanation for not asking—a glass-half-empty viewpoint—is that the executive director knows the money's not out there to be raised and doesn't want to put the budget in the red.

A third reason for not asking is that executive directors want more money to go to the clients. They didn't get into this work to get rich, after all. A more cynical twist is that by keeping your compensation low, you gain a perverse form of job security. "The board can't afford to replace me," is how that goes.

Why should you be paid what you're worth? First, consider the old saying "You get what you pay for," which is a tenet of the social enterprise movement. Once an agency stops giving away its services, the recipients are no longer charity cases but rather customers who have skin in the game. As such, quality typically improves because customers can (and do) vote with their feet. The same theory applies to the employer-employee relationship.

If the employer pays less than an employee thinks he or she is worth, performance degrades accordingly. Underpaid people tend to expect less of themselves, waste time griping and searching for better jobs, feel "kicked-in-the-teeth kind of wronged," as you put it, and are generally chip-on-the-shoulder unhappy. When it's "good enough," compensation doesn't motivate performance, and it can be quite demotivating when it's not. And you're demotivated for sure, and certainly underperforming. Simply put, if you "truly love the organization," as you say you do, you owe it the opportunity to deal with this issue.

Second, you owe it to those who work with and for you. That's because your unwillingness to ask for a raise yourself is actually hurting them; your salary is their top tier. If you're allowing your compensation to be capped at below-market rates, all of your employees and colleagues will be penalized accordingly. If you're worried about raising the money or causing a deficit, make a contribution to the agency, but don't penalize others because of your reticence to ask.

You ask, "What's a good fundraiser to do?" You give the answer in your own letter: "I feel like walking into the vice president's office and demanding a raise." So what's stopping you? Surely it's not because you don't know how to ask; Dr. Conflict ran a Google search for "how to ask for a raise" and got 167,000,000 responses in 0.9 seconds. No, what's holding you back is flat-out simple: fear. You're like the Cowardly Lion in *The Wizard of Oz* who needs a courage medal.

Think about the message you are sending to those who pay you by not asking. What are you saying to them about the value of your work? In the words of Marianne Williamson (often misattributed to Nelson Mandela), "Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. 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?"[3] Let Williamson's words be your courage medal. And, consider the possibility that your boss is not aware of the problem; supervisors are many things, but clairvoyants they're not.

So here's what you must do: First, know what you're worth; don't guess. Identify three or four agencies like yours that you admire and which are comparable in size. Dr. Conflict likes to call these your BOBs—the best of the best in your field.[4] Go to GuideStar and pull their 990s to see what they're paying. An even easier route for a fundraiser like you is to go to the Association of Fundraising Professionals (www.afpnet.org) and download their 2011 *Compensation & Benefits Report*; it's free to members and only $95 for nonmembers. That's money well spent.

Second, make your case for why you're worth it. You know how to make a case; you do it every day. Use Bernard Ross and Clare Segal's questions: What is the need? What evidence is there that this is a pressing need? How are you uniquely qualified to tackle this need? What will be the benefits of your action? What are the negative consequences if you fail?[5] Too complicated? Use the *Glengarry Glen Ross* AIDA method promoted by Blake (played by Alec Baldwin in the movie): Attention, Interest, Decision, Action. Watch the clip on YouTube for a refresher.

Third, practice. That's right, practice. Go to your local flea market this Saturday and haggle yourself silly. Google "how to haggle" before you go and bone up on the topic. Then put twenty $1 bills in your pocket and fire away. Remember the *Glengarry Glen Ross* ABCs: "Always Be Closing."

Fourth, schedule an appointment and then make the pitch, do the ask, close the deal.

Fifth, if you don't get what you want, ask why not. You might learn why you're not worth it or what's holding you back. Don't threaten to resign—Dr. Conflict knows executives who make it a policy to always fire those who make threats; no one wants to negotiate with a terrorist. That said, sometimes the only way to know what your house is worth is to sell it. If despite all your efforts you can't get the raise you want, put yourself on the market and move on.

Notes

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Dr. Conflict is the pen name of Mark Light, MBA, PhD. In addition to his work with First Light Group (www.firstlightgroup.com), Light teaches at the Raj Soin College of Business at Wright State University and the Mandel Center for Nonprofit Organizations at Case Western Reserve University. His new book *Results Now for Nonprofits: Purpose, Strategy, Operations, and Governance* was published by John Wiley & Sons in 2010. Along with his stimulating home life, he gets regular doses of conflict at the Dayton Mediation Center, where he is a mediator.

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Social Entrepreneurship as Fetish

by Fredrik O. Andersson

We are apt to praise the entrepreneurial spirit, but entrepreneurship is not automatically tied to success—a fact that has not stopped proponents from prescribing it as a cure-all for our sector's woes, and which may have blinded some to the very real challenges that await those eager to put the concept into practice. Until the value of social entrepreneurship has been empirically assessed and established, it would be wise to proceed with care.

How to thrive in turbulent times, improve organizational sustainability, and generate significant social impact are crucial questions currently confronting many nonprofit leaders and boards. There appears to be an answer within reach, and its formula is as simple as it is powerful: you and your agency need to become more entrepreneurial.

Over the last ten years, the fascination with and interest in social entrepreneurship seem to have grown exponentially. Today, this concept has positioned itself at the very heart of discussions about the future and evolution of the nonprofit sector, as a number of nonprofit executives have "embraced social entrepreneurship as a model of management."[1] There are several reasons behind this fast development, and I want to mention two in particular.

First, despite the many constructive and positive impacts created by nonprofit organizations both locally and nationally, there exists a looming fear that our current efforts are not reaching far enough fast enough, and that traditional ways of addressing community needs and social issues lack the transformational capacity to deal with many of today's complex and new social problems. In other words, the search is on for a new paradigm—a "game-changer"—based on fresh and different ways to create systemic change.

Second, corresponding with this search for novel and innovative ways to deal with social issues, a new generation of philanthropists and institutional donors has been eager to promote the idea that the key to solving all sorts of pressing social predicaments is to be found in business principles and practices. As the story goes, the challenges and perceived inefficiencies of our current approach to social problems will, as Forbes.com described it, "ultimately be properly managed, or maybe even solved, when desperate governments and NGOs finally surrender their ideologies and tap the private sector for help."[2]

Social entrepreneurship has united these two ideas to form a powerful fusion from which a new approach is indeed emerging, one that is backed by high-profile advocates like Bill Clinton and Nobel Peace Prize–winner Muhammad Yunus. The nonprofit literature has also noted that the means and tactics of social entrepreneurship and social enterprise "[are] being accorded a status of—if not quite a panacea—then at least a significantly important emergence in the societal management of key social needs."[3]

Despite the tremendous energy and excitement surrounding social entrepreneurship, many nonprofit practitioners find it a highly elusive and difficult topic. I believe that one of the fundamental reasons behind this elusiveness lies within the social entrepreneurship phenomenon itself. More specifically, in contrasting what is being said with what we know about this phenomenon, I have started to believe that in many aspects social entrepreneurship is a fetish, an object of desire—more important for what it symbolizes than for its substance and applicability to nonprofits. My purpose here, then, is to discuss some of these symbolic properties and illustrate what makes them powerful, but also what makes them problematic.

Social Entrepreneurship as Dream Catcher

What exactly does it take to be more (socially) entrepreneurial? Given the praise for the concept and the frequent calls for a more entrepreneurial nonprofit sector, one might think this basic and crucial question has an obvious answer, which is why it is almost ironic that one of the few areas of agreement in this field is that there is no agreement about how to define or operationalize social entrepreneurship. But rather than undermining its legitimacy, this lack of precision has only added to the mystique and power vested in the social entrepreneurship phenomenon. Absent any right or wrong way to conceptualize social entrepreneurship, it has transcended into a shape-shifter that can take on almost any form—or, as Humpty Dumpty formulated it: "When I use a word, it means just what I choose it to mean—neither more nor less." This becomes evident when one considers the vast number of activities that all manage to fit under the social entrepreneurship conceptual umbrella, ranging from seemingly vague efforts to be more "creative," "innovative," and "bold" to more targeted strategies such as the application of business/market principles or the creation of earned income–generating programs. As a consequence, there is a huge smorgasbord of options and recommendations from which nonprofits can pick and choose.

The obvious problem with this Humpty Dumpty aspect of social entrepreneurship is that a concept that means everything means nothing, and therefore has virtually no utility for practitioners. For example, how will nonprofits be able to differentiate entrepreneurial actions from non-entrepreneurial actions? How and in what way do the various social entrepreneurship menu items differ from one another, and do organizations need to use all of them to be entrepreneurial? Nonprofit managers and boards will find that it is far from easy to get precise answers to these types of questions. But rather than opting for clarity, advocates have skillfully used the plasticity of social entrepreneurship to craft it into a vessel for carrying the ideas, dreams, and hopes of a new and improved nonprofit sector. By predominantly stressing intangible qualities, the social entrepreneurship debate recurrently manages to sidestep the uncomfortable challenge of being specific or concrete. In other words, a key reason why it is so hard to find a specific and concrete answer to the initial question above, regarding what exactly it takes to be more socially entrepreneurial, is that what often needs articulating is not *how* to be socially entrepreneurial but rather *what* social entrepreneurship stands for.

When we look at social entrepreneurship from such a symbolic perspective, we can also see that one of its principal symbolic assets is what it promises. This imagery has indeed been very successful in captivating many nonprofits, foundations, and policy makers. Today it seems virtually impossible to find any aspect of nonprofit organizational life that is not alleged to benefit from being a bit more entrepreneurial. This feature is further accentuated as nonprofits struggle to find their way in times of turbulence and uncertainty.

As Lee Bolman and Terrence Deal have pointed out, when faced with confusion and ambiguity we often turn to symbols that can provide some sense of direction and help anchor hope and faith for the journey ahead.[4] Social entrepreneurship neatly fits this description, as it promises a better tomorrow. As stated by many social entrepreneurship evangelists, by embracing the role of social entrepreneur, we charge our organizations and ourselves with the capacity to transform our communities and even the world into a better place. But it is here, at the very core of the symbolic power vested in social entrepreneurship, that we also find one of its greatest limitations: no matter what nonprofits want, they cannot engage in something they do not fully understand how to do. Impetus does not equal ability, and as several social entrepreneurship scholars have indicated, until we know more about the determinants of social entrepreneurship, this critical shortcoming will remain for nonprofits to wrestle with.[5] So what if we really don't know what "it" is that fuels this notion that social entrepreneurship makes a difference? How do we know it works?

Success Stories

Based on the numerous stories, dramas, and anecdotes of successful social entrepreneurs across the globe—which can be found in the fast-growing segment of literature discussing and depicting social entrepreneurship, as well as the types of information found on websites of foundations and other groups that support social entrepreneurs—proof of the effectiveness of social entrepreneurship seems indisputable. But, while celebrating success is important, the frequent use of hero stories and individual accounts must be treated with caution. First, while it is good to know when social entrepreneurs succeed, we also need to know when they do not. After all, whether the success rate is 5, 15, or 50 percent makes a difference when assessing just how effective being socially entrepreneurial really is. Second, there is a major difference between describing success and explaining success. To be valuable to people in the nonprofit sector, simply showcasing success only makes partial sense unless these stories also explain what caused the success in the first place. Third, from a scholarly perspective, while individual success stories are valuable for descriptive and exploratory purposes, they are less useful for drawing aggregate and wide-ranging conclusions in terms of overall effectiveness or performance. In short, success stories are useful but not sufficient to verify that social entrepreneurship works.

Ask what academics and current researchers have concluded about the overall impact and success of social entrepreneurial activities, and the short answer is: it is too early to tell. The picture emerging from the research literature is that our knowledge about social entrepreneurship is growing but still in an emergent stage, and the literature is noteworthy for its lack of sound quantitative empirical inquiry, overemphasis on the heroic social entrepreneur, and slow theoretical progress.[6]

Thus, we have two very different assessments regarding the effectiveness of social entrepreneurship. As discussed in the previous section, one might think that such lack of agreement could challenge the legitimacy of social entrepreneurship, or at least result in some caution before prescribing it as a universal solution to social problems; but this is obviously not the case. Instead, as mentioned earlier, while various academics are attempting to move this mosaic field forward in a more balanced direction, there are equally as many impatient advocates who continue to push social entrepreneurship as a panacea for dealing with social problems.[7]

So why do leading philanthropists, prime ministers and presidents, the Nobel Peace Prize-committee, and Bono continue to praise, support, and prescribe what many scholars still consider an untested approach to success? Again, to make sense of this situation we must realize that much of the value of social entrepreneurship is located in the intangibles: its meaning and desirability. Viewed from a scholarly perspective, marshaling facts and analyzing data may indeed be the correct or rational way to gain support, but if you want to foster belief, purpose, and passion you are better off using drama and storytelling. It is not difficult to understand that many academics are indeed befuddled by such passion—as a recent research review noted, "There tends to be an underlying assumption that these heroic social entrepreneurs will somehow save the world."[8] But it is precisely the stories and dramas of successful social entrepreneurs that perpetuate and keep the fetish alive, so that when we hear and think of social entrepreneurship, it is not what is being produced that matters the most but rather what is being *expressed*.[9]

To put it somewhat differently, as the popularity of social entrepreneurship has grown, many of the more spectacular and recurring stories have turned into myths, and myths can legitimize just as well as any statistic. Scott Shane explored the myths of business entrepreneurship and concluded that they appeal to our sense of voyeurism because they provide "a window on a life that seems exciting and exotic."[10] In addition, myths are light-footed and travel easily in the sea of information, whereas scientific evidence often gets lost in academic journals or trapped in tables and figures. Finally, myths are not bound by either rationality or reality. As Chuck Palahniuk eloquently phrased it, "The unreal is more powerful than the real. Because nothing is as perfect as you can imagine it."

To be clear, I'm not suggesting that the efforts and impact created by social entrepreneurs are not real or relevant. But the symbolic properties and lack of academic evidence discussed here do raise concerns about the merits of selling social entrepreneurship as a best practice, when the effectiveness of this "thing" is still very much unknown. Ultimately, nonprofit executives and boards must be held accountable for their readiness to critically examine the different aspects and evidence of social entrepreneurship rather than be passively enamored of it. Still, when considering the mix of myths and success stories associated with social entrepreneurship, it is easy to understand its appeal. As a self-labeled social entrepreneur recently told me, social entrepreneurship is a practice in which "everybody wins."

Social Entrepreneurship as Best Practice

In this final section, I want to concentrate on one myth in particular: that social entrepreneurship represents something inherently good—a best practice that you and your agency ought to engage in. Let's begin with the "goodness" aspect. Especially in the practitioner-oriented literature, social entrepreneurship is explicitly presented as something positive: it's good for individual organizations, good for the internal and external stakeholders, good for the nonprofit sector, good for society. Everybody wins. Several entrepreneurship scholars, on the other hand, are dubious about this assumption. While certain forms of entrepreneurial activity are undoubtedly very positive and productive, there are other activities that tend to be unproductive—and some are even destructive. Consequently, this plurality of forms "reminds those engaged in the research, practice and policy planning of entrepreneurship that entrepreneurial activities are not fundamentally 'good' and should be examined in their entirety."[11]

Again, we have an area where scholars seem to approach social entrepreneurship somewhat differently from its advocates. Still, it is not difficult to understand why supporters of social entrepreneurship are eager to highlight the positives. In particular, by constantly reinforcing the image of social entrepreneurship as "good," a rationale and basis for prescribing it as an advantageous practice is created. Moreover, as Shane has observed, we tend to want to believe that social entrepreneurship is creditable, and this emphasis on its desirable elements breeds conformity and effectively prevents discussions about potential adverse and destructive components from ever reaching the surface.

In addition to being touted as "good," social entrepreneurship is persistently advocated as being something one can choose to do—a sort of best practice that can be taught and implemented. For example, in the opening chapter of Peter Brinckerhoff's popular book *Social Entrepreneurship: The Art of Mission-Based Venture Development*, we are told that the benefit of the author's approach is that "you will learn how to be a social entrepreneur and how to develop or improve your business development skills, which in turn will make you a better manager in pursuit of your mission."[12] But there is something very disconcerting about this whole viewpoint.

First, this is an example of the notion that adopting business practices is a way to make nonprofits more entrepreneurial so that they can better solve social-sector problems. Besides the lack of evidence that this works, if business enterprises and their practices were any better than nonprofit or public agencies at solving social problems, why haven't they already done so? After all, they are the ones that use business best practices all the time. Perhaps the dearth of for-profits trying to address social problems exists simply because many business methods and practices do not work in the nonprofit sector, rendering businesses mostly ineffective in dealing with social-sector issues. There is something paradoxical about recommending business and market-based logic and practices as suitable and effective solutions for nonprofits, given that market failure is seen as one of the principal reasons for the very existence of the nonprofit sector in the first place.

Second, consider the term "best practice." It represents something with a proven track record, an established path to success that can be replicated and copied by others. As mentioned earlier, business enterprises are not necessarily any better than public or nonprofit agencies at solving social problems, which raises questions about the merits of prescribing them as best practices in the first place. But there is an even more fundamental question: if social entrepreneurship is, ultimately, about finding a new paradigm and breaking away from existing frameworks and approaches, how can it also be defined by a set of best business practices that, by definition, draw on those same established models? Furthermore, if business practices tend not to be all that effective at solving social-sector problems when used by business organizations, it seems almost preposterous to assume that such practices would work any better if taken up by nonprofits.

I view the "goodness" and business best practice myths as two of the most problematic from a nonprofit practitioner perspective because of the illusion of certainty they portray, when the fact is, one of the fundamental aspects of entrepreneurial action is the absence of certainty. The price to pay for being socially entrepreneurial is that there is no way of predicting when such entrepreneurial actions will be successful, and when they will fail. Those agencies that are willing to commit to such uncertainty may indeed create substantial impact, but they may also crash and burn. When, in the mid-1980s, Manfred Kets de Vries set out to describe the dark side of entrepreneurship, he warned that the possibility of accomplishing great change and creating value often comes with difficult decisions to be made, making the entrepreneurial dynamic a disruptive and turbulent one for many organizations.[13] In other words, entrepreneurial activities are not business as usual; they can seriously challenge the way nonprofits operate internally, and add additional burdens and tasks to volunteers, staff, and board.

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The aim of this article was to examine some of the symbolic underpinnings of what I have described as a social entrepreneurship fetish that continues to attract followers in the nonprofit, public, and private spheres. Let me be clear: social entrepreneurship is a tremendously exciting subject, with much potential to augment and advance nonprofit theory and practice. It is also a phenomenon that will continue to spur debate and discussion as organizations, policy makers, and communities seek solutions to both current and future social issues and challenges. So my purpose here has not been to reject social entrepreneurship but rather to problematize and perhaps liberate it from some of its theatrical properties. In particular, there is a gap between what we know and what we hope social entrepreneurship will accomplish in the nonprofit sector. From this perspective, social entrepreneurship fetishism is not dangerous—not until it starts forcing itself onto unwilling objects, and I do not think we are there yet.

Nonprofit organizations certainly must continue to play a significant role in American civil society, and in order to face the challenges ahead it is clear that nonprofits need good management, engaged boards, and sound financial practices. Some will also need more resources, staff, and volunteers. But the question to ask is whether there is in fact a need for all nonprofits to be socially entrepreneurial. Given the lack of rigorous research and evidence of what it is, what works, and what doesn't, it appears premature to urge nonprofits to become more entrepreneurial and send them off not only into uncertain territory but, more important, to a place where the consequences of such actions can have serious implications for their existing operations, the people they support, and the communities they serve.

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E-mail Voting: A Simple Trap for Nonprofit Boards

by Leah Cohen Chatinover, JD

E-mail voting is quick and convenient, but there are legal issues to take into consideration. In order that the integrity of decisions made via e-mail vote remain intact, executives should follow the statutory procedures governing the practice, and make sure to stay engaged, informed, and compliant with their fiduciary duties.

E-MAIL, FACEBOOK, TWITTER . . . these and other diverse modes of electronic communication have exploded over recent years. We are now able to communicate faster, cheaper, and with more people simultaneously than ever before.

The busy schedules of nonprofit board members make face-to-face meetings seem like a luxury. Consequently, a new trend has surfaced that may run afoul of the law—the vote by e-mail option.

Responding to the difficulty of wrangling a geographically diverse and time-crunched board, many nonprofit organizations are now allowing directors to "vote" by e-mail. This seems like the perfect solution. An issue or opportunity arises that calls for a quick response. Directors are reluctant to attend an extra meeting. Why not circulate an e-mail, ascertain that there is general agreement, and take action?

E-mail voting is seductively simple and fast, but that ease and speed is a trap: a board that relies on e-mail voting fails to comply with legal requirements for a proper vote and exposes its decisions to attack. Nonprofit corporate statutes typically provide for board action to be taken either at a meeting (including by phone or video conference) or by unanimous written consent. Since an e-mail vote technically does not fit either category, it is quite possible that a court would consider an e-mail vote nothing more than an "informal action," which is not legally valid. Even more likely, an attorney representing a nonprofit organization in a loan transaction might not be able to issue the "opinion of counsel" typically required by a lender, and this could delay or derail the entire deal.

Let's take an example.

Playball (PB) runs a youth baseball program. A local business owner offers to donate land for playing fields, and arranges for a loan to cover construction costs. As interest rates are rising, PB needs to lock in the rate quickly. PB's president tries to schedule a special meeting of the board to approve the loan, but can't find a time when a quorum of four of the seven directors can meet.

So, she sends an e-mail seeking approval for the loan. Five directors respond "Sure," while two object. With a majority vote in hand, PB's president signs the commitment letter and pays a commitment fee.

The closing approaches. PB's attorney prepares the required opinion, which must state, "All corporate proceedings required by law or the provisions of PB's Certificate of Incorporation or bylaws to be taken by PB in connection with the transaction have been *duly* and *validly* taken."

"Let me see the minutes of the meeting approving the loan," says PB's attorney.

"We couldn't call a meeting, so we voted by e-mail," responds PB's president.

"Okay," says the attorney. "You need a unanimous written consent, or to ratify the vote at a meeting or by teleconference."

Unanimous consent is unattainable because two directors object. Meanwhile, one of the five original consenting directors has changed his vote to "No." Of the remaining four consenting directors, two are traveling in Asia and cannot meet even by teleconference. With five of seven directors available—but only two who will vote in favor of the loan—PB's attorney can't deliver the opinion, the bank won't make the loan, there is no deal, and PB forfeits its commitment fee.

While far-fetched, this scenario illustrates the danger of relying on informal board action.

Prohibition on Proxy Voting

In most states, *directors* may not vote by proxy. The theory behind this prohibition is that the discussion and interchange of ideas that occur at board meetings are essential to the informed exercise of the directors' fiduciary duty to the corporation.

An e-mail vote—that is, a proposal circulated and responded to by e-mail—is essentially a proxy vote delivered electronically.

The prohibition on proxy voting by directors originated in case law developed over many decades (what is known as "common law") and was eventually codified in statutes. The law regarding proper board action is substantially the same under the common law and under most statutes governing business corporations and nonprofit corporations. In fact, most of the law developed in the business (or stock) corporation arena, but is applicable to nonprofit (or nonstock) organizations as well. But nonprofit organizations, whose directors are usually uncompensated volunteers, may be particularly prone to allowing their directors to vote by e-mail.

The following principal case in Connecticut on the issue of proxy voting by directors is a fairly typical one. In the 1956 business corporation case *Greenberg v. Harrison*, the court invalidated the repayment of a loan by a corporation to its lender. The loan was to continue for one year unless earlier repayment was approved by unanimous consent of the directors. Finding that there was no unanimous consent because one director gave a proxy to another director but did not attend the board meeting, the court explained:

The affairs of a corporation are in the hands of its board of directors, whose duty it is to give deliberative control to the corporate business. This requires the physical presence of a director at directors' meetings, and he cannot act by proxy.

Alternatives

In our PB example, the attorney tried to implement the typical statutory exceptions to the requirement that directors meet in person. These exceptions can be easily adapted as modern technology progresses, and should be incorporated into an organization's bylaws. State statutes do differ. It is crucial to verify the specific statutory requirements in the state in which an organization is incorporated.

Teleconference

Typical state statutes allow meetings to be conducted by "any means of communication by which all directors participating may simultaneously hear each other during the meeting." This provision allows teleconferences, and should permit web conferencing that combines voice or video communication with document sharing.

Unanimous Consent

Closer to the concept of e-mail voting, most statutes also permit a board to act by unanimous written consent, if each director signs "a consent describing the action taken or to be taken." This protects a director's right to question the action or insist that the board discuss the matter, as a director may compel a meeting simply by withholding consent.

Combining the formality of unanimous written consent with the simplicity of e-mail, an organization's staff member or officer may circulate the proposed resolution as a formal consent attached to an e-mail. The organization must then collect all of the directors' signatures. In many states, the consent may be signed electronically—\\John H. Smith\\—for example, and delivered electronically as a PDF attached to an e-mail.

E-mailed Resolution

An organization might also send an e-mail containing the full text of the resolution, and ask each director to specifically respond and sign electronically. However, this procedure increases the risk that a technicality will be overlooked, and it is no simpler than attaching a formal consent to an e-mail.

The distinction between a formal consent circulated as an attachment to an e-mail and an e-mailed poll of the board may seem inconsequential. But there are three important differences. Most important, *all* directors must vote *unanimously*. The directors must also receive a complete description of the proposed resolution, and they must "sign" the consent.

E-mail is a useful tool for taking the pulse of a board. An organization may informally poll its directors and then ratify the decision with a formal in-person or teleconference meeting, or by unanimous written consent.

The risk that an informal e-mail vote will prove problematic is small if the decision is unanimous, if no one litigates to pursue an objection, or if no opinion of counsel is required. Nonetheless, directors should protect the integrity of their decisions by adhering to the statutory procedures and ensuring that through active and meaningful participation they stay informed and comply with their fiduciary duty of care.

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Destroy Your Executive Committee

by Simone P. Joyaux, ACFRE

Before rushing to establish an executive committee, ask yourself both why you are doing so and what will be its value to your organization. As the author enjoins, if your board is disengaged or otherwise malfunctioning, *fix the board*. Bringing an executive committee into the mix only disempowers the board and further disengages it from the organization it is supposed to govern.

Editors' note: *This article was originally published as a two-part blog on* NPQ*'s website, on May 26 and June 10, 2011.*

I'M ON A WORLDWIDE MISSION TO DESTROY all executive committees. And more and more people are joining me.

Here's what one executive director told me after she had shared one of my executive committee rants with her board: "I fear it won't be long before services will be scheduled for our soon-to-be-passing executive committee. Though it'll be remembered with fondness, I can almost smell a board of directors that gives a crap again."

Imagine. Revitalizing your board. Maybe your executive committee prohibits that.

So here's the story: I have several worldwide missions. These missions define my life's work. At every opportunity, I speak out and challenge people to talk about these issues. Things like philanthropy and equity . . .

And destroying all executive committees.

"Amen, sister!" said another executive director. And yet another executive director was jumping up and down with joy and figuring out how he would raise the issue with his board chair.

Eventually, a board member called me. His organization was thinking about establishing an executive committee. As we talked, he had a brilliant insight: "Our idea of establishing an executive committee is a response to deficiencies in the board."

Wow. Talk about questioning the status quo. Talk about self-awareness. Has your organization asked itself "why?" Why do you want an executive committee? How will an executive committee add value?

Or are you just following what others have done, and those others didn't ask themselves why? Are you compensating for a weakness instead of fixing the actual weakness? Do you just like the idea of a small, select group that kinda takes care of things and . . . and what?

So: back to my worldwide mission to destroy all executive committees.

Here's my perspective, which is gaining lots of traction whenever I share these thoughts. (And I talk about executive committees and their dangers every chance I get—and that's often!)

First, let's start with board committees in general. Most boards establish a number of committees, for example, finance, governance, fund development (hopefully).

But the premier committee, the trump-all committee, is the executive one. It's different from any other committee. The others have specific and limited scopes of work. The executive committee does not. Instead, it . . . well, it exists to . . . kinda . . . well, you know. . . .

Here's what yet another executive director said to me after reading my original blog about executive committees: "The sentence that really resonated with me is, 'Some organizations establish an executive committee to compensate for a weak board. Fix the board.'"

She added: "A person who is willing to sit on a board that uses an executive committee the way you describe it might be wise to think about being part of that board. The fiduciary and oversight responsibility that belongs to a board member isn't diminished by the number of meetings s/he attends. The full responsibility falls on all the board members."

Then she summarized: "My most recent board has had difficulty in getting members to attend meetings because they're so disengaged. So the board decided to have meetings less often, with executive meetings on the off months. Now, more of the members don't have any idea what's going on, and I can't see how that's going to make them feel more useful. Scary."

Scary, indeed. Destroy your executive committee. Or, at least talk about its purpose, its value, and its dangers.

Who talks? The board. The full board. Not the executive committee. Not the board chair only. The full board. The board decides what committees it wants or doesn't want.

But wait. Yes, I know. There are all these reasons people cite for having an executive committee. But I have answers. Answers for every single reason anyone has ever raised to me.

Five False Rationales

1. *The executive committee meets in case of an emergency, in lieu of the board. Because it's hard to get the full board together.*

Excuse me? It's an emergency, something vital to the organization. And you disregard the full board and bring together the executive committee. Ask the rest of your board members how they feel about giving this emergency power to a subset of the board. And in this day and age, with conference call capability and e-mail? Please. A true emergency belongs to the board.

2. *The CEO needs a small group to talk with about very confidential items; a kind of think tank or kitchen table cabinet.*

Stop right now! Nothing is confidential to a subset of the board. If any committee of the board knows something, it's the right and responsibility of the full board to know it also. Governance is the legal and moral authority of the board. The board cannot delegate that to any single individual or entity.

If a CEO wants a smaller group to chat with first—and it doesn't fall within the purview of an existing committee, for example, governance, fund development, finance—he or she can bring together people who have the expertise in that particular issue. But if the issue falls within a committee's purview, the CEO takes the issue to the appropriate committee. And then, of course, if it is a corporate governance issue, the CEO eventually takes it to the board.

Or, let's say you have a personnel issue. It's actually a management issue, and you won't take it to the board because it isn't corporate governance. But you want to chat with a couple of board members. Since this isn't governance work, it isn't board committee work. Call (or bring together) a few board members (and outside experts, too, if you wish) to chat with you.

Remember, the CEO can chat with any board member he or she wishes to. The CEO doesn't need to get permission from the board chair. The CEO doesn't need to pass everything by the board chair.

3. *The executive committee includes the officers and committee chairs, and sets board meeting agendas.*

It seems to me that's a waste of time. (Wow, lots of time. Imagine you are the treasurer. You chair the finance committee and go to those meetings. You serve on the executive committee and go to those meetings. And you go to board meetings. Ugh.)

I recommend that the CEO and board chair develop board-meeting agendas together. The CEO should know what's happening in every single committee. Either the CEO is the staff person for a particular committee, or another staff person staffs the committee (e.g., the chief development officer staffs the Fund Development Committee) and keeps the CEO informed.

4. *The Executive Committee does the performance appraisal of the CEO.*

You don't need an executive committee to do that. You need an ad hoc task force that includes the right people. For example, someone with experience in personnel/human resources. Perhaps a couple of board members who chair committees that have worked closely with the CEO recently. Maybe the current board chair. Maybe the immediate-past board chair or the incoming board chair.

Put together a task force that lasts for the few months of the appraisal process. Then, terminate the task force.

5. *Processing information over and over (till you lose the edge).*

So, a committee discusses an issue and then refers it to the executive committee. Then the executive committee takes it to the board. It would be great if the issue deserved lots of discussion. And sometimes, issues do indeed.

But beware. Repeat discussion may not add value. And by the time the issue gets to the board, some people have already talked themselves out. They're kinda bored. They're a little impatient. They act like that. So the full board—some of whom were not on the previous committees—feel like the discussion is getting short shrift. There's nothing quite like trying to have a discussion when others say, "Oh yes, we already talked about that and . . ." Exclusionary!

Executive committees are just too dangerous. To me, their danger far outweighs any particular benefit. There's nothing an executive committee does or might do that cannot be done by another existing committee or an ad hoc task force.

(And, by the way, an executive committee by any other name . . . . If it walks like a duck and quacks like a duck, it's a duck! I worked for an organization that used its Finance Committee as an executive committee. I know an organization right now that is using its Governance Committee as an executive committee.)

Most of what an executive committee does should be done by the board itself. Quit disempowering the board! Quit creating a shadow board. Join my worldwide mission to destroy all executive committees. Starting with your own.

Simone P. Joyaux, ACFRE, is an internationally recognized expert in fund development, board and organizational development, strategic planning, and management. She is the founder and director of Joyaux Associates, and a frequent contributor to *NPQ*. Visit her website at www.simonejoyaux.com.

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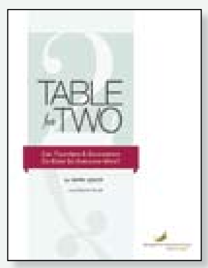

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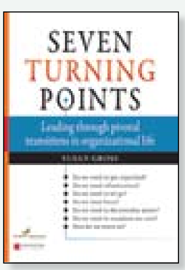

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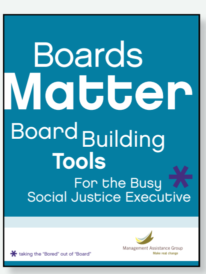

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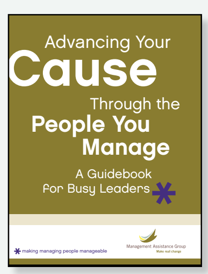

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