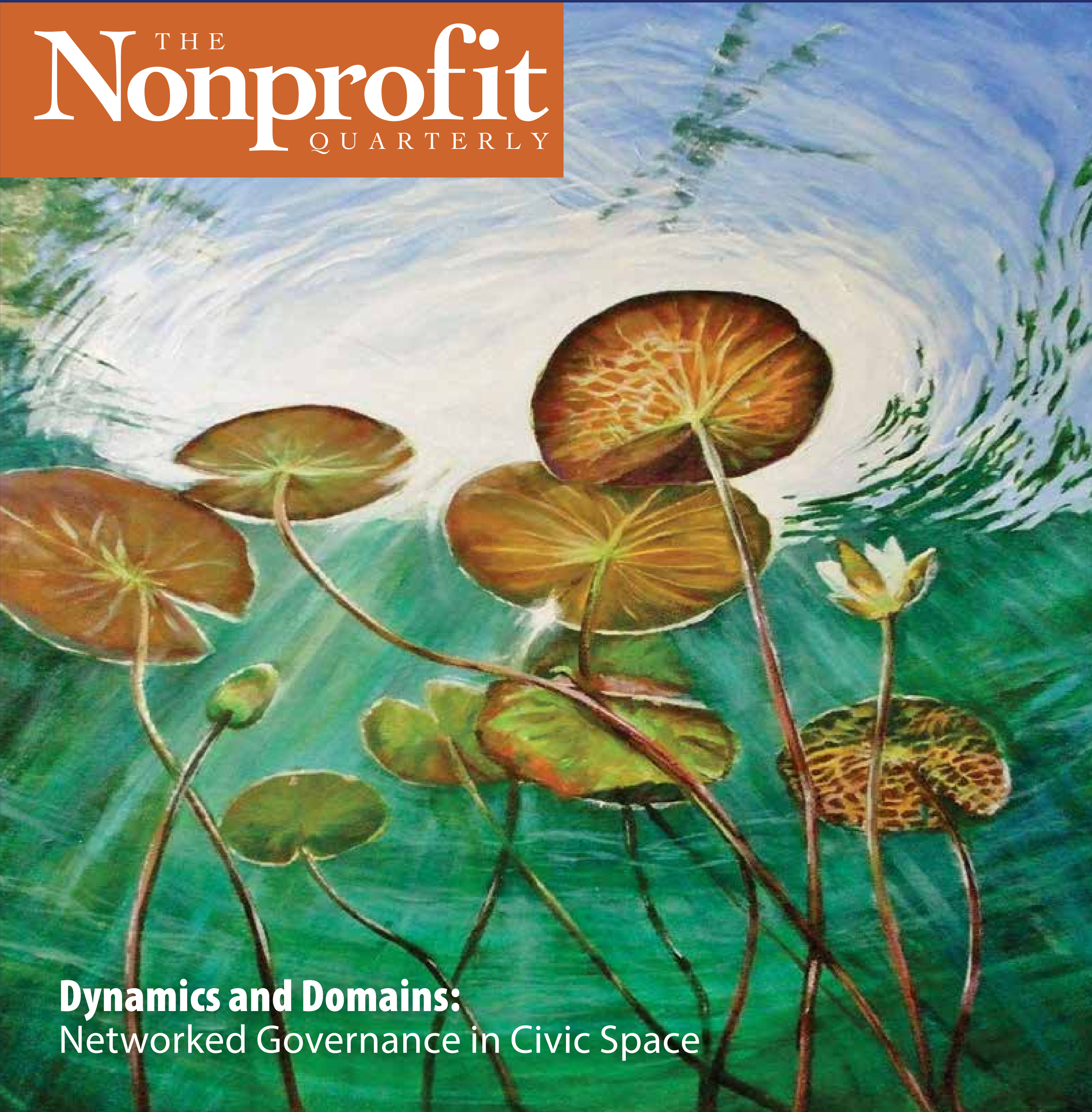
Promoting *Spirited* Nonprofit Management Spring 2018 $19.95

The Nonprofit Quarterly



Dynamics and Domains:
Networked Governance in Civic Space

Renz *on* the Boiling Up of Networked Governance

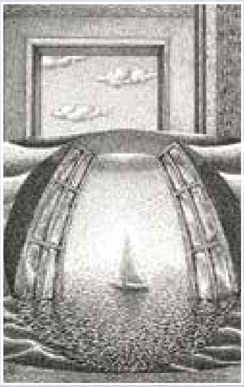
Millesen and Martin *on* Fear, Tradition, and Serendipity as Drivers of Governance

Cornforth, Hayes, and Vangen *on* Windows of Collaborative Opportunity

Volume 25, Issue 1

Spring 2018

Features



PAGE 8

PAGE 14

PAGE 24

COVER DESIGN BY CANFIELD DESIGN
COVER ART: "INTERCONNECTING WORLDS #1" BY ROSLYN RAMSAY/WWW.ROSLYNRAMSAY.COM

Departments

PAGE 30

PAGE 42

THE Nonprofit QUARTERLY

www.npqmag.org

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

ISSN 1934-6050

Nonprofit Information Networking Association
Joel Toner, Executive Publisher
Ruth McCambridge, Editor in Chief

Executive Publisher
Joel Toner

Editor in Chief
Ruth McCambridge

Senior Managing Editor
Cassandra Heliczer

Senior Editors
Steve Dubb, Cyndi Suarez

Contributing Editors
Fredrik O. Andersson, Shena Ashley, Jeanne Bell, Chao Guo, Brent Never, Jon Pratt

Senior Online Editor
Jason Schneiderman

Community Builder
Erin Rubin

Director of Digital Strategies
Aine Creedon

Graphic Design
Kate Canfield

Production
Nita Cote

Marketing and Development Manager
Amanda Nelson

Operations Manager
Scarlet Kim

Copy Editors
Christine Clark, Dorian Hastings

Proofreaders
James Carroll, Dorian Hastings

Subscriptions: Order by telephone (617-227-4624, ext. 1), fax (617-227-5270), e-mail (subscriptions@npqmag.org), or online (www.nonprofitquarterly.org). A one-year subscription (4 issues) is $59. A single issue is $19.95.

Welcome

Dear readers,

One of the most rapidly advancing topics in the sector right now centers on the shape and function of nonprofit governance. If you do not already know that, you need to take a moment to consider some of the more recent thinking on the subject.

The fact is, nonprofit governance has in the last fifteen years or so broken free of some preconceived assumptions that kept producing and reproducing the same problems—as systems tend to do unless you disrupt them.

Bill Ryan, nonprofit consultant and lecturer at the Kennedy School of Government, referenced this dynamic in the 2003 *Nonprofit Quarterly* article "Problem Boards or Board Problem?," where he and coauthors Richard Chait and Barbara Taylor noted that underperforming boards had apparently become more the norm than the exception, despite a boatload of consulting and normative literature from which consultants were taking their cues. They then detailed a thicket of prescriptions, including the clarification of roles and responsibilities and the stricter maintenance of the boundary between policy and management questions, and concluded:

> Rather than narrowing our sense of the board's work, we should try to broaden it. In fact, in developing managers or leaders, we do precisely this. We urge them to look beyond their narrow, official job descriptions to the more subtle, important, and personally satisfying aspects of their jobs. We might try the same for boards, asking how we can make board work more meaningful for board members and more consequential for their organizations. For those who want answers now, this may entail entirely too much thrashing about the problem. But a new sense of the problem of purpose may be more useful than still more solutions to the problem of performance. The right solution to the wrong problem rarely works.

In other words, maybe we had the problem framed all wrong, and thus the solutions to that problem were far less than effective. Ryan, it turns out, was not only disrupting the comfortable assumptions of those who made their living off diagnosing and fixing board dysfunction but was also laying the groundwork for a much richer understanding of the potential and limits of the nonprofit governance functions. He eventually began to refer to the somewhat haughty dysfunction-fixing dynamic as the "nonprofit governance industrial complex."

A few years later, David Renz, director of the Midwest Center for Nonprofit Leadership, took that thought to its next level by proposing that we had our terms of reference all wrong. In his landmark *Nonprofit Quarterly* article "Reframing

Governance," he advanced the notion that a nonprofit's governance activities do not reside only in the board, and that the two terms cannot and should not be used synonymously. Renz posited at the time that:

- Many of the shaping decisions that determine a nonprofit's future are made externally at levels where policy and practice standards are set.
- These loci are often more affected by organized action than by a single nonprofit.
- This often leaves individual nonprofit boards functioning at a secondary level of decision making that is, in fact, management, unless . . .
- . . . organizations network to take on the larger, complex, and more political questions of context.

The good thing, Renz explained, is that the best nonprofits understand all of this and do some measure of it already—but the not-so-good thing is that we do not acknowledge it as a powerful leverage point of governance. "Governance is a function," Renz wrote, "and a board is a structure—and, as it turns out, a decreasingly central structure in the issue of new or alternative forms of governance."

> Governance processes—processes of choice-making among courses of action based on and grounded in a shared sense of mission, vision, and purpose—include the functions of setting strategic direction and priorities; developing and allocating resources; adopting and applying rules of inter-unit engagement and relationship; and even implementing some kind of ongoing system of quality assurance that operates across all of the constituent organizations. In many key areas, these processes have moved above and beyond any one nonprofit organization. Individual organizations don't get to join or stay in the game if they do not work as an integral part of this larger whole.

Renz suggested that nonprofits sometimes act as willing prisoners to hierarchical, control-oriented organizing, and that we look toward social movement structures to understand the requirements of networked governance and to begin to work out how boards of directors could and should fit within that context.

These radical notions, from two of the best-known experts on nonprofit governance at the time, dislodged a cornerstone in what had been a solidly self-referential system of beliefs. For many, there was both an "Aha!" and an "Of course!" moment, and then all the attendant questions began to be explored both in literature and practice.

In our opinion, this is one of the most exciting and timely frontiers of practice, and a lens through which the sector may leverage great gains in its work. We think everyone will take away two or three things from a first read of these thoughtful articles. We are particularly taken by the notion of the window of collaborative opportunity referenced in the piece by Chris Cornforth, John Paul Hayes, and Siv Vangen—maybe because it evokes the fluidity of many networked governance moments. This is why readers may want to reread the articles even as the central notions being advanced sink in and they begin putting them into practice.

This edition of the *Nonprofit Quarterly* reflects some of the inquiries described above, but far more is being explored in the field and in other disciplines of research than we include here. We invite readers to add to this discourse so that our ideas about the possibilities of governance can advance apace.

One of the most rapidly advancing topics in the sector right now centers on the shape and function of nonprofit governance.

The Nonprofit Whisperer

If a former leader asks to come back as a board member, this may not be as problematic as once thought. However, there are cautions to attend to: Make sure that you understand the former CEO's motivations; complete as rigorous a vetting process as you would with any other candidate; and make sure that he or she understands the role of a board member with respect to supporting and helping to enable the organization's vision, mission, values, and strategy as a collective—not individual—effort.

DEAR NONPROFIT WHISPERER,

I was hired three years ago to run a nonprofit. It is thriving. Now the CEO whom I replaced has approached a few board members to see if she can come back as a board member herself. My recollection is that it is not a good idea to have an immediate-past CEO come back to serve when the new CEO is in place. Have you addressed this question before, and do you have any advice?

Anxious

Dear Anxious,

The nonprofit sector has a lot of prescriptive "dos and don'ts" that people sometimes hear and take to heart. Real life is not so black and white, and often the answer to a question like yours is, *it depends*.

Having a former CEO join a board has, for many years, generally been considered not good practice—but this may be changing a bit with studies having found that even the founder and his or her successor can, in fact, coexist in an organization given certain conditions.[1] These studies are worth reviewing before anything progresses any further, and perhaps you could engage your board chair in such a review so that the prospect can be fully discussed in light of what is known about success conditions.

That said, there are cautions to bear in mind when it is the former leader asking to rejoin the effort rather than the organization doing the reaching out. Why does the person want to help out at this point in time? His or her motivation should be crystal clear to all, and when it involves a governance role, the organization must do a rigorous vetting—as with *any* prospective board member—and be able to articulate the "value add" of the new member. The incoming board member must deeply understand that the governance role primarily calls upon collective action and decision making in support of the organization's vision, mission, values, and strategy, and should never be about promoting one's own agenda over the organization. And questions about power dynamics should be considered. For example, is the board likely to subjugate its collective wisdom to the incoming board member out of deference to his or her previous position?

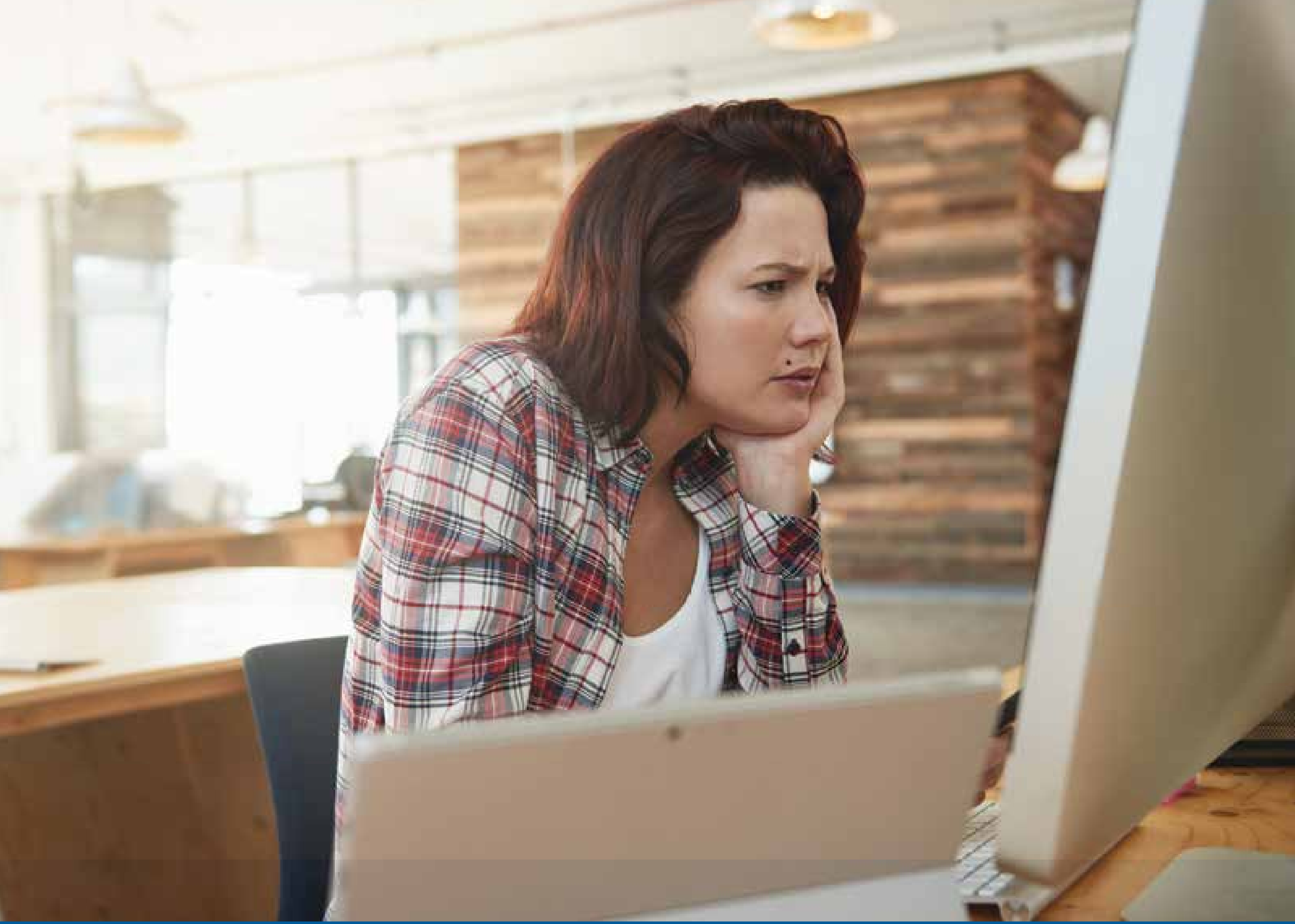
There *is* a red flag in your description of the situation, and that is that the former leader seems to be engaging only with the board of directors around this question and not also with you. Indeed, something feels amiss about the former leader not reaching out to you *first* to have a conversation about her desire to join the board. And, if the board brings on the former leader without engaging you deeply in the conversation, that would be a red flag, too.

Try to connect with your board members before they make their decision, and inquire about the process, criteria, and special situational questions that should be asked of a former leader joining the board. If, from your perspective, it is not a good idea to have this person join the board, hopefully you can nip it in the bud. But if the bud has already begun to bloom, so to speak, I suggest that you invite the former CEO to lunch so that you can create a bridge and set the tone for the relationship and future role definition.

Note

1. See, for example, Mark Leach, *Table for Two: Can Founders & Successors Co-Exist So Everyone Wins?* (Washington, DC: Management Assistance Group, 2009), leadershipintransition.org/docs/tablefortwo.pdf.

The Nonprofit Whisperer has over thirty years of experience in the nonprofit sector serving variously as nonprofit staff and board member, foundation staff, and nonprofit management consultant.



As the author explains, "Networked governance develops as an integral element of the strategies people and communities create as they organize and mobilize to address the dynamic needs and wicked problems that challenge them. . . . Each individual network must emerge organically in response to the conditions of its host community, and the governance system that emerges in each case can be effective only to the degree that it is aligned well with the community it is intended to serve."

Networked Governance:

Gaining New Insights into This Unique Approach to Leadership

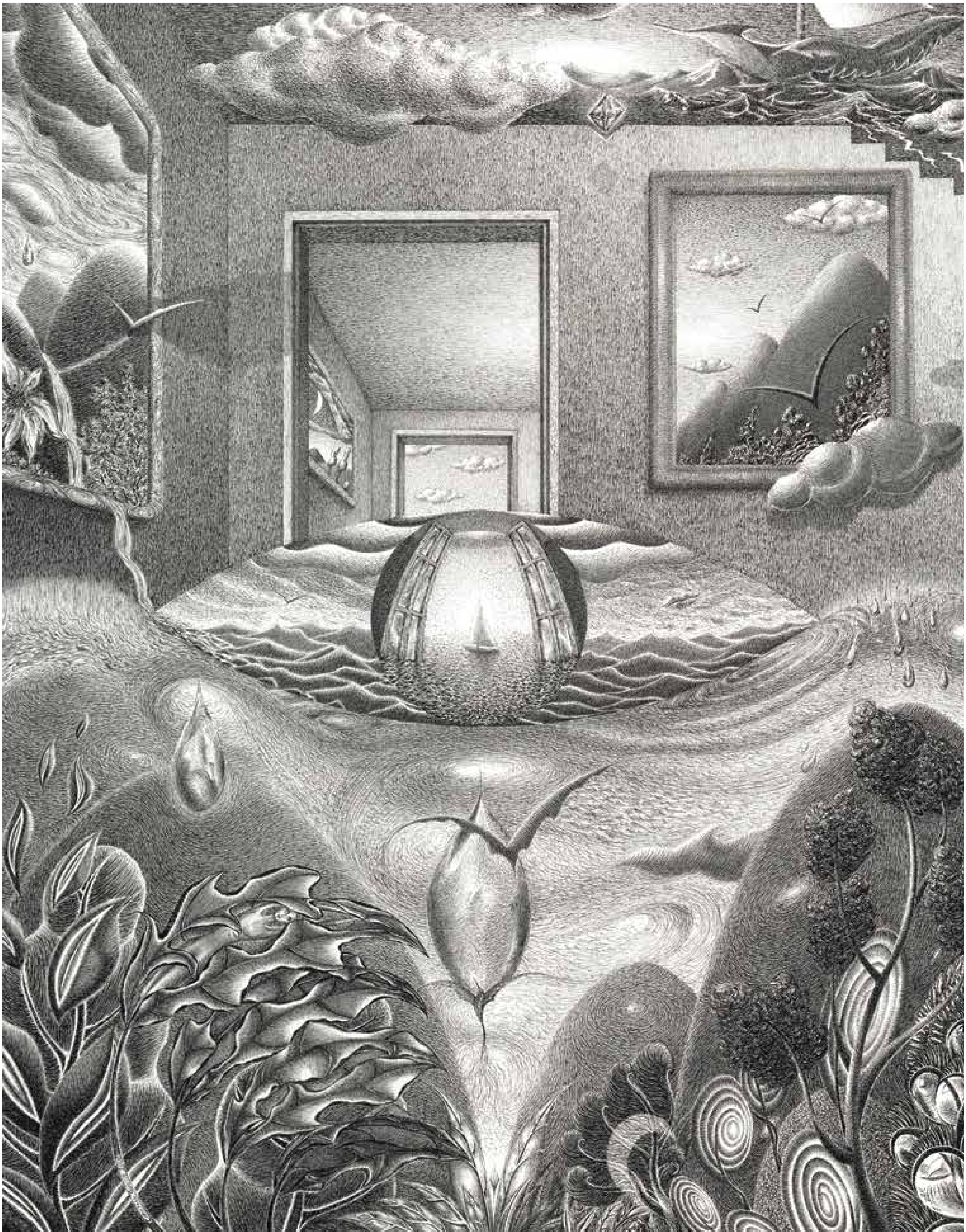
by David O. Renz

About a dozen years ago, a number of our colleagues around the United States and beyond began to examine the early manifestations of a unique and (sort of) new kind of governance: networked governance. These explorations opened our eyes to some intriguing new ways to understand the process of governance in our organizations and communities. Since then, much has been done in both the practice and academic worlds to learn more about this approach and form of governance and explore what it might mean for our organizations, communities, and constituents. So it is exciting to see this edition of the *Nonprofit Quarterly* focus on networked governance and how we continue to make sense of and understand this fascinating phenomenon.

My own exploration culminated in one of the early articles on the topic of networked governance—"Reframing Governance."[1] In that article, I asserted that governance is not about structures such as boards, per se—it is about a pivotal function and form of leadership. (My definition of governance was and is that it is the process of decision making, including setting mission,

David O. Renz is the Beth K. Smith/Missouri Chair in Nonprofit Leadership and director of the Midwest Center for Nonprofit Leadership in the Henry W. Bloch School of Management of the University of Missouri–Kansas City. Renz teaches and conducts research on nonprofit and public-service leadership, and, especially, governance and board effectiveness. Currently, he is particularly interested in governance and management processes in networks and in socially entrepreneurial organizations.

"THE OPEN DOOR" BY CHRISTIAN QUINTIN/CHRISTIANQUINTIN.COM



It used to be that boards and governance were substantially the same: the two concepts overlapped. But with time and a radically changing environment . . . the domain of "governance" has moved beyond the domain of "the board."

strategic direction, and priorities; developing and allocating resources; adopting and applying rules of interunit engagement and relationships; and implementing an ongoing system of quality assurance.) At that time, I observed that our understanding of conventional governance was less rich than we needed and, more significantly, that many communities actually had been developing new levels of governance most of us had overlooked.

As I explained in the article, we have created the "new nonprofit governance" at a new level within our communities. But we have not identified this shift, because we're so focused on the artifact that we know as "the board." It used to be that boards and governance were substantially the same: the two concepts overlapped. But with time and a radically changing environment (i.e., changes in the complexity, pace, scale, and nature of community problems and needs), the domain of "governance" has moved beyond the domain of "the board."

Governance and boards have greatly diverged in many of the settings where we address our most complex and demanding community needs. And in these complex environments, boards of individual organizations serve the functions of governance less and less well. In these environs, governance truly is leadership. And in this new generation of governance, which has most actively evolved in segments of the nonprofit sector where agencies strive to address these challenges, nonprofit boards are merely one element and no longer the primary "home" of the governance processes by which we address our most critical community issues.[2]

Networked governance develops as an integral element of the strategies people and communities create as they organize and mobilize to address the dynamic needs and wicked problems that challenge them. Given the need for these governance approaches to reflect and appropriately address the specific conditions that cause networked governance to develop, our discussions about it are of necessity quite varied and diverse. Each individual network must emerge organically in response to the conditions of its host community, and the governance system that emerges in each case can be effective only to the degree that it is aligned well with the community it is intended to serve.

One of the intriguing things about networked governance and our efforts to understand and effectively implement it is that it is so multidimensional and complex. I have been very impressed to see that the amount of research and writing on networked governance—coming from a diverse mix of researchers, community leaders, consultants, and practitioners—has grown exponentially in the past decade. While the variation among initiatives that exhibit some or all of the characteristics of networked governance can be mind boggling, the breadth and scope of the work is truly exciting to consider.

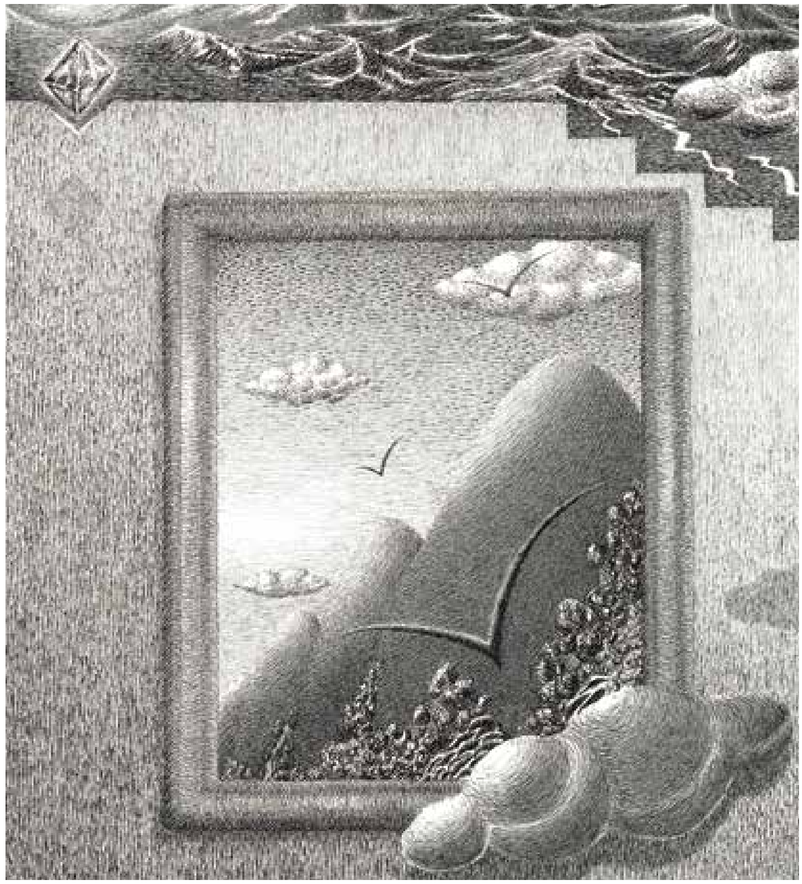
Some of the work has continued to focus on governance in and around conventional organizations and how their practice of governance (involving boards but actively engaging others as well) has continued to adapt to the changing needs and expectations of constituents, stakeholders, and communities. Other work has focused on governance and leadership in and for less permanent types of entities, such as advocacy and other social movements that work for policy and social change in communities. Still other work has explored the dynamics of governance in multiorganizational initiatives that form to address seemingly intractable wicked problems and challenges in our communities. Further, we have begun to learn about some very interesting work regarding how networked governance is developing in other nations and in various international networks.

The work is impressive, important, and growing in impact. And all of this has significance for nonprofit leaders in the United States and beyond as they continue to tackle the most important of these challenges.

As we work to understand and improve our practice of networked governance, we find it both interesting and challenging to recognize that there are so many ways to perceive and understand it. And as researchers of different disciplines home in on particular aspects of the phenomenon, each offers his or her own distinct contribution and perspective on specific facets of it. Sociologists, for example, will tend to focus on the institutional structures and processes that are integral to its development and practice and how they emerge and evolve, whereas anthropologists are more likely to look at the cultural dimensions and characteristics that relate to its emergence, development, and impact. Political scientists will tend to focus on the decision and policy systems and regimes by which actors are organized and decisions get made, including, especially, who has power, who gets to participate, and how they do so. Alternatively, social psychologists are likely to focus more on the behaviors and dynamics of individuals and people in groups and how they engage and interact as they work together (or do not).

Among the more elaborate and complicated of networks whose governance dynamics have been examined, especially by nonprofit and public administration researchers, are those whose constituent organizations and actors come together from multiple sectors to address complex and wicked community challenges. These often reflect efforts to organize and integrate the work of nonprofits, government agencies, and sometimes even for-profit businesses. Among the earliest work in this field was a set of studies by Keith Provan, Patrick Kenis, and H. Brinton Milward.[3] From their work, the authors determined that there are three typical approaches to the implementation of networked governance: governance by participants, governance by a lead organization, and governance by a network administration organization. Each approach is likely to align with certain conditions of the network and its members. Provan, Kenis, and Milward also found that there are four key factors that will fundamentally influence the form of governance employed for a network: the level of trust among members, the number of participants engaged in the network, the degree of consensus among the members about the goals of the network, and the network's need for unique network-level competencies to function. Their work has served as an important foundation for the network research of many subsequent public administration researchers.

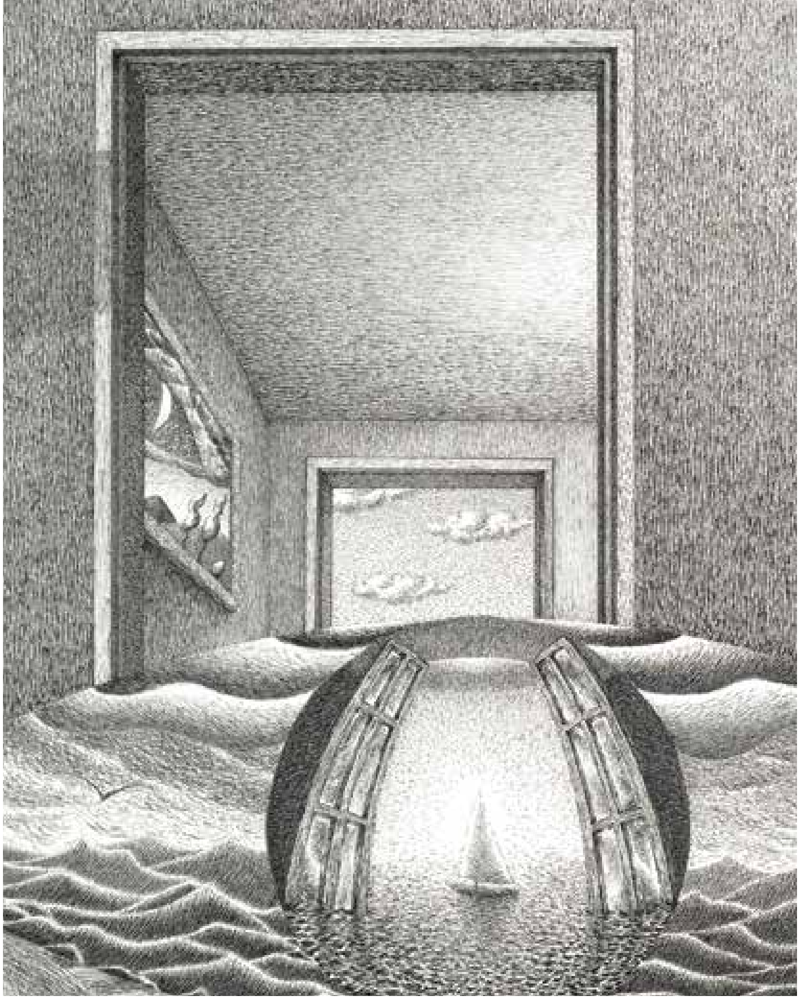
Building on the early networked governance research of public administration scholars, John Bryson, Barbara Crosby, and Melissa Stone have



prepared some of the most extensive recent work on networked governance in public service settings through their extensive review and synthesis of the literature of the field.[4] The research they examine has focused on networks that are designed to share power more broadly and be relatively inclusive of the range of the relevant stakeholders and constituents needed to address complex community problems. While they use words such as *collaboration* and *coproduction* to describe increased involvement of constituents and stakeholders in the work of governmental entities, they too discuss what it takes to be effective in network governance when it focuses on organizing and leading extensive community-serving initiatives and organizations. They have synthesized the results of multiple studies to highlight the factors and governance approaches that are most likely to work well and enhance the potential for such complicated networks to work.

They explain that, among the dimensions that are likely to have the greatest impact on network

Among the more elaborate and complicated of networks whose governance dynamics have been examined . . . are those whose constituent organizations and actors come together from multiple sectors to address complex and wicked community challenges.



1. It is important to use inclusive processes to develop inclusive structures, which in turn will (and will need to) sustain inclusive processes.
2. It is important to adopt flexible governance structures that can adjust to requirements that will change throughout the life cycle of the collaboration.[5]

These are more than arcane studies; they articulate the insights we need to employ to improve the potential for network success as we strive to include the diverse sets of actors who—and entities that—have a stake in the success of the network and to bring them together to capitalize on the essential assets, perspectives, interests, and capacities they offer. This truly is hard work.

The networked governance articles presented in this edition of the *Nonprofit Quarterly* reflect several of the variations in focus and scope that I have described. Collectively, they offer a nice cross-section of perspectives and insights from a variety of settings that further enrich our insights into the fascinating domain of networked governance and the potential it has for serving communities, organizations, and those whom they exist to serve.

effectiveness, one of the most important is the formal and informal structure for governance of the collaboration. Further, they explain that five key design tensions will have a significant impact on the effectiveness of the network's approach to governance. They are:

1. The need for inclusion versus the need for efficiency
2. The need to be adaptive versus the need to maintain stability in structure and process
3. The challenge of having legitimacy with those in the network versus legitimacy with those outside the network who have potential to affect success (e.g., resource providers)
4. Clarity about membership versus ambiguity about who gets to be in or out (and why)
5. Inevitability of imbalances in power among members and the need to address them

Bryson, Crosby, and Stone also offer two additional insights about networked governance in their synthesis:

Notes

1. David Renz, "Reframing Governance," *Nonprofit Quarterly* 13, no. 4 (Winter 2006): 6–13.
2. Ibid., 6.
3. Keith G. Provan and Patrick Kenis, "Modes of Network Governance: Structure, Management, and Effectiveness," *Journal of Public Administration Research and Theory* 18, no. 2 (April 2008): 229–52; and H. Brinton Milward et al., "Governance and Collaboration: An Evolutionary Study of Two Mental Health Networks," *Journal of Public Administration Research and Theory* 20, Suppl. 1 (January 2010): i125–41.
4. John M. Bryson, Barbara C. Crosby, and Melissa Middleton Stone, "Designing and Implementing Cross-Sector Collaborations: Needed *and* Challenging," *Public Administration Review* 75, no. 5 (September/October 2015): 647–63.
5. Ibid.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250102.

Fear, Tradition, *and* Serendipity:

The Unacknowledged Drivers of Governance Strategy

by Judith L. Millesen and Eric C. Martin

For meaningful organizational change to take place, boards must be aware of the real drivers behind board action (or inaction). Without this kind of self-assessment, boards may well find themselves stuck on a path to nowhere.

Editors' note: *This article was adapted from "Community Foundation Strategy: Doing Good and the Moderating Effects of Fear, Tradition, and Serendipity"* (Nonprofit and Voluntary Sector Quarterly *43, no. 5, 2013), with permission.*

Nearly every nonprofit is faced with the responsibility of balancing the needs of multiple stakeholders, and nonprofits do this with varying degrees of insight and success. As one example, community foundation leaders must successfully balance the expectations of donors, grant recipients, and community simultaneously. All of these

Judith L. Millesen is a professor and MPA director at the College of Charleston. Her research makes a strong link between theory and practice, and focuses on nonprofit administration and capacity building in the sector, with special interests in board governance and community philanthropy. **Eric C. Martin** is an associate professor in the Managing for Sustainability program at Bucknell University's Freeman College of Management. His work focuses primarily on international development assistance, cross-sectoral and interorganizational relationships, and nonprofit strategy and decision making.

"Microcosm" by Ariel Zachor/www.facebook.com/freshfromthebrush

Our data suggested that inertia tended to be related to fear or tradition. Fear manifested in two ways—fear of alienation or fear of the unknown. Tradition was closely associated with the notion that "we have always done it this way."

expectations must be taken into account in all functional areas, including fund development, strategy and planning, financial oversight, public relations, board member vitality, and policy oversight, among others. The selections they make among these competing interests help set the strategic course for the organization and its work.

The implicit assumption in much of this work, however, is that these roles compete for attention, and board members select, prioritize, or implicitly favor one role over the other. Furthermore, the presumption is that the selections they make among these roles help set the strategic course for the nonprofit. Thus, board decision making is typically characterized as a highly rational process in which individuals interpret organizational and environmental realities and transform them into strategic direction. We are not the first to address this. Over twenty years ago, in a study of managerial elites, Andrew Pettigrew suspected that the public availability of demographic data regarding boards of directors led to studies that made "great inferential leaps . . . from input variables such as board composition to outcome variables such as board performance with no direct evidence on the processes and mechanisms that presumably link the inputs to the outputs."[1] He strongly encouraged "serious social science research on the conduct and performance of boards and their directors."[2]

Francie Ostrower and Melissa Stone echoed this call for research when they asserted that there were "major gaps in our theoretical and empirical knowledge" regarding nonprofit boards of directors.[3] They concluded that future research must address the contextual and contingent elements of governance and make explicit the implications of these considerations. Elizabeth Graddy and Donald Morgan furthered this stream of work by isolating the organizational life cycle effects, community characteristics, and external forces influencing community foundation strategy.[4] Our study builds on previous work by providing insight into how board members interpret these elements, advocate the significance of their interpretation, and use those interpretations to inform decision making.

Drawing on conversations that took place in the boardroom and subsequent interviews with board members discussing those conversations, we focused on two types of decisions: those that led to inertia and those that preceded change. Our data suggested that inertia tended to be related to fear or tradition. Fear manifested in two ways: fear of alienation or fear of the unknown. Tradition was closely associated with the notion that "we have always done it this way." When boards participated in decisions that resulted in change, we found that quite often change was a result of serendipity—being in the right place at the right time—or what boards described as "visionary leadership." Interestingly, serendipity did not always result in change. Sometimes, even when there was a fortuitous event, board members engaged familiar tactics to thwart efforts at change (because of fear and tradition). And they used what we describe as "hedging tactics" to avoid painful decisions, or post hoc justification to rationalize the lack of bold maneuvers.

We argue that although the board is presumed to take a leadership role in setting organizational direction by balancing multiple competing expectations, these kinds of strategic discussions rarely take place. This is not to suggest that the board does not affect decision making; in fact, quite the opposite is true. What we found was that more often than not, even though board members might not be wrestling with competing expectations or envisioning a potential future, these groups spent a great deal of time justifying inertia or rationalizing serendipity. This finding is actually quite consistent with Graddy and Morgan's assertion that board decision making results in either adaptive strategy in the form of a proactive response to environmental stimuli (serendipity) or inertia (strategy that is constrained by fear or tradition).[5]

Thus, our data suggest that board decision-making processes rarely involve the kinds of balancing discussions posited in the literature. The choice between these roles (or role preferences) is not always a strategic one based on competing expectations but rather an expression of how the leadership communicates its commitment to "doing good" that is often moderated by fear, tradition, and serendipity. Even though our data come from a study of community foundation governance, the findings apply to all nonprofits, particularly if the leadership is open to considering how these same drivers might play out in their own boardrooms.

The Research

We gathered data for this project in two stages. We started with BoardSource self-assessment data, collected from a representative sample of forty-five community foundations from across the country, that evaluated board performance vis-à-vis thirteen specific responsibility areas. We then recruited fifteen organizations (representative of size and geographical considerations) from that initial study for more intense observations and interviews with CEOs and at least five members of each board.

Drawing on these data, we focused our analysis on developing a better understanding of board decision-making processes, particularly those choices regarding role preference and strategy. Our data show that a conservative, risk-averse desire to "do some good in the community" retrospectively justified most decisions. Factors such as fear and tradition profoundly influenced strategic direction irrespective of any focused planning efforts, which meant there was often very little strategic movement away from the status quo. When community foundations were engaged in community leadership activities, board members were quick to credit an individual "leader" or a serendipitous event.

Our findings are based on a sample of community foundations; however, as we allude to earlier, based on our experience we find that our insights are applicable across a broad spectrum of nonprofits and NGOs. While community foundation boards certainly face unique complexities, we suspect readers will recognize familiar patterns and similar behaviors, thus making our recommendations important to board members and executive directors serving many different types of nonprofit organizations.

As public institutions with a long-term commitment to specific geographic areas, community foundations are uniquely positioned to engage members of the community in philanthropy, develop a thorough understandng of community needs and nonprofit capacity, and lead strategic community-based efforts. But while that might be true in theory, organizations struggle when faced with competing interests and conflicting worldviews among important stakeholders.

Jennifer Leonard argued that community foundation growth and flexibility relate to the foundation's ability to balance needs among donors, recipients, and the community. She further asserted that most community foundation decision-making processes implicitly favor one or two of these basic elements of mission—such as donor services, grantmaking, or community leadership—resulting in "disparate fundraising strategies and rates of growth," particularly when investment strategies conflict with donor-service strategies or grantmaking strategies.[6]

Rebecca Wolfe noted that there was tremendous pressure from the field urging community foundations to assume a community-focused leadership role and promote social justice.[7] More-recent research supports the notion that community foundations take on these leadership roles by serving as knowledge brokers, facilitating the exchange of information across sectoral and organizational boundaries; coordinating collaboration among multiple stakeholders to formulate grassroots solutions to community problems; accessing necessary resources by connecting government and funding to community needs; and proactively involving private philanthropists by soliciting new money and by asking donor-advisors to direct their gifts to existing community needs.[8]

Because community foundations enjoy what Mariam Noland referred to as a "special double trust: a promise to respect and honor thousands of generous benefactors while advancing new visions for communities," it is essential that we understand how board decision-making strategies reflecting a particular mission-related orientation have the capacity to influence community capital.[9] Graddy and Morgan echo this call for

Factors such as fear and tradition profoundly influenced strategic direction irrespective of any focused planning efforts, which meant there was often very little strategic movement away from the status quo.

research, specifically noting the importance of understanding how leadership decisions influence strategic direction.[10]

Tradition emerged as a way to manage fear and influence strategic direction in ways that sometimes stagnated efforts at meaningful change—particularly when the board became complacent.

Findings

Board Decision Making and Inertia

Although board meeting minutes and individual interviews expressed both a desire to plan and actual engagement in planning processes, we noticed very little movement away from the status quo. Our interview data suggest that fear and tradition were frequently used to explain this inertia. Fear commonly played out in two ways. First, fear of *alienating* existing or potential donors was a dominant consideration. And second, fear related to *uncertainty* was often at the heart of stories shared by board members when they talked about not really knowing how to do something. *Tradition* (or adhering to the status quo) seemed like a perfectly reasonable way to manage both types of fear and legitimize adherence to the status quo.

Alienation. Many respondents expressed concerns about alienation. This manifested in two ways: fear that some might say, "You guys are too controversial, I'm not going to put my money in here," and fear about what might happen if the organization took on an issue that was "too heated." Consider this comment,

> We have to be careful not to get too politically charged on one thing or another. We had a proposal come before our board for trying to take a leadership position in community planning—growth issues, transportation issues, air quality, water quality, development and so forth. . . . After six to eight months of discussing this and talking about how we're going to do this, our board backed down and said "No, we're not going to do it because we could get into trouble." We could be viewed as anti-growth, pro-growth or something bad and it would damage our young reputation, our future ability [to raise money]. We can't afford that.

Uncertainty. How uncertainty influences decision making might best be understood by sharing an example of how board members talked about what the foundation was expected to accomplish with its grantmaking. Board members questioned whether it was better to grant small sums of money to many causes or to invest substantial amounts of money in one or two major issues. "Are we really making long-term changes to the community or just moving money around?" asked one board member. Another questioned, "Do we want to continue spreading bread crumbs or do we want to smack 'em in the head with a loaf of bread?" We were told, "This conversation has been going on for years and we still have not resolved it."

CEOs expressed similar concerns. For example, one chief executive asked, "How do we help the board emerge from a reactive grantmaking mode?" She explained that although the board expressed an interest in proactively learning more about community needs and leading change, it was stifled by its long-time involvement in reactive grantmaking procedures. These kinds of responses demonstrate how tradition was used as a way to justify the status quo.

The Rationalizing Power of Tradition. Tradition emerged as a way to manage fear and influence strategic direction in ways that sometimes stagnated efforts at meaningful change—particularly when the board became complacent—either after an unresolved debate about possible courses of action or by simply choosing not to engage and to continue with familiar practices. Yet, for both alienation and uncertainty, the end result was often inertia, or adherence to the status quo.

One of the most illustrative examples of the interplay between fear and tradition is in the realm of donor services. Community foundations in this study attracted resources in a number of ways, including planned gifts and bequests; donor-advised gifts; scholarship support; contributions to special interest or initiative funds; pass-through funds; gifts of appreciated assets or real estate; and managing endowment funds for local nonprofit organizations. Yet, in spite of Leonard's claim that "few community foundations have examined how their implicit preference for any of these three roles [grants-focus, donor-service, community-oriented] guides the way they ask for and accumulate money," our findings suggest that not all community foundations were that self-reflective.[11] That is, many community foundations did not articulate a clear role preference, and for many, their asset-development "strategy" was a result of past practices.

Rather than form dictating function, as Leonard suggested (we are a grants-oriented foundation, so our fund-development strategy should emphasize unrestricted funds), our data indicated that function (how funds have historically been raised) actually influenced form. This was particularly true among younger community foundations (less than ten years old) and those with less than $50 million in assets. Many of these foundations spent their infancy aggressively seeking growth by attracting many different types of funds, including donor-advised funds, scholarships, field of interest funds, endowment money, annual funds, and bequests. Now, in their adolescence, these same community foundations were dealing with the administrative quandary they had created and were struggling to define a clear role for themselves in their communities. One CEO nicely articulated this frustration:

> We have been so focused on our own growth and sustainability that we have not shifted to facilitating collaborative initiatives to address community problems. I think we all agree that we would like to get to that point, but right now we are challenged with raising enough money to keep the organization running.

Out of what was described as a sincere desire to be responsive to community needs, community foundations placed an emphasis on asset development. They did this by embarking on aggressive fundraising campaigns that attracted a broad range of donors, not because the foundation had a "donor-oriented" role preference but because it wanted to "do some good." As a result, many community foundations attracted a substantial amount of donor-advised, restricted money they are now expected to manage without adequate administrative capacity. Even when these boards articulate a desire to be community leaders, past practices and lack of knowledge about how to mitigate the effects of these previous decisions result in inertia: the community foundations continue to serve in the capacity they have traditionally served.

Again, although the specific quotes and examples were taken from community foundations, our experience suggests that it is not uncommon to hear board members expressing an interest in learning more about innovative approaches or alternative methodologies only to decide later that current or traditional practices seem to be working just fine. When boards were confronted with uncertainty or the possibility of alienation, the end result was often inertia or adherence to the status quo.

Adaptive Strategic Decision Making

Graddy and Morgan argued that strategy is adaptive when it is responsive to environmental changes. How exactly and under what conditions do nonprofit boards develop strategy that is responsive to trends in the community or in the field? We found that *serendipity* and *leadership* play important roles in determining a particular course of action. Board members provided stories about how "being in the right place at the right time had a profound influence on the way we now do business," or how having a "visionary leader" was essential to community foundation "success."

Serendipity. Several board members talked about significant charitable gifts that mobilized their organization around a particular course of action. For example, in one community, a donor provided the funding needed to purchase a building, with the condition that the community foundation agree to share the space with the local Chamber of Commerce and the United Way. In the end, the close proximity resulted in collaborative efforts not previously experienced. In another community, visibility "skyrocketed" because the "environmental trust fund put a lot of money through the foundation" to coordinate the construction of a community park. The board member noted that prior to this

How exactly and under what conditions do nonprofit boards develop strategy that is responsive to trends in the community or in the field? We found that *serendipity* and *leadership* play important roles in determining a particular course of action.

"pass-through gift," the community foundation had not assumed a convening role; but now with the responsibility to coordinate the construction of the park, the foundation embarked on a new direction of community leadership.

Perhaps it is somewhat serendipitous to be in the right place at the right time or have a visionary leader who can clearly articulate a strategy for the future. . . . Yet, more often than not, it is probably an evolutionary process prone to periodic setbacks and common traps.

While it certainly could be argued that the boards acted strategically by adapting to opportunities in the external environment, the leadership roles assumed by the organization in each of these examples was the result of serendipity. This is not entirely a bad thing; it is simply another way to think about how strategy develops. Rather than a zero-based effort focused on transitioning the work of the organization, strategy may be an emergent process in response to environmental stimuli, which may eventually lead to a new role for the organization.

Leadership. There was also some evidence to suggest that what board members called "visionary leadership" made a difference in strategic decision making. Our data certainly suggested that visionary leadership made a difference. For example, we found one community foundation that successfully institutionalized board structures and processes in ways that continually emphasized the importance of focusing on mission and strategic direction. The committee structure and quarterly meeting agendas were organized around the organization's three strategic goals. The board chair explained that the board participated in two annual retreats, "Where we think strategically and move our vision down the road so that all the activities can converge on that vision. . . . Are we doing what we said we wanted to do and is there anything else that we would like to do? . . . We answer these kinds of questions to make sure that we have accountability to the vision."

Perhaps it is somewhat serendipitous to be in the right place at the right time or have a visionary leader who can clearly articulate a strategy for the future, particularly one that encourages board members to conquer their fear and stretch beyond familiar practices to take on new roles or engage in innovative practices. Yet, more often than not, it is probably an evolutionary process prone to periodic setbacks and common traps. As one board member offered, organizational philosophy influences whether an organization challenges the status quo, and adopting this philosophy takes time.

When Serendipity Results in the Status Quo: Hedging and Post Hoc Rationalization

Even when board members may have every intention of embarking on a strategic planning process that sets a new course of action, things like fear and tradition can sometimes limit implementation. As a result, little meaningful change takes place. Every so often, a serendipitous event or a dynamic leader moves an organization closer to an articulated vision for the future. Yet even then, our data suggested that the board must consciously insulate itself from two very common diversionary tactics that impede this evolutionary process.

The first is a delay, or *hedge*, where the board spends so much time either debating potential courses of action or "scurrying about" that, when pressed for a decision, there is no way the board can process all the information and decide on a new course of action. The board simply cannot be sure it understands the implications for all stakeholders, and as a result, the choice is to not act. It just seems more practical to do things the way they have always been done to be sure there is no harm.

Conversations around the topic of the community foundation's role provide an illustrative example of the hedge. Many board members were familiar with trends in the field regarding community foundation leadership, yet many were unclear about how best to fulfill that role. For example, while we heard some board members express concerns about "taking sides" on issues or advocating one position over another, we heard just as many board members argue that taking a leadership role in the community was about bringing hot topics into the open and convening those with the resources and skills necessary to address those concerns.

We do have data to suggest that some community foundations led convening efforts; however, more often than not, the leadership efforts seemed to die off after the convening was complete, leading us to ask whether such convening was really meant to catalyze change. Leadership seems to demand not only recognition of a problem and identification of those with the resources to address the problem but also some effort at mobilizing action around solutions.

Over the years, we have heard similar rumbles from board members in many different settings. Although the specific topics may differ, unresolvable debates regarding strategic direction thwart efforts at meaningful change.

A second common diversionary tactic is *post hoc rationalization* to justify decision making, which can be seen most clearly in the area of board recruitment. Board member attitudes regarding board recruitment converge around the notion that to be effective, the right people need to be in the right place at the right time. These board members seem to understand that just because individuals have great wealth or specialized areas of expertise, that does not mean those resources will be deployed in support of the organization's mission-related goals and objectives. They claim that board recruitment goes beyond inviting influential community members to lend their name to the letterhead—it involves intentional strategies that align individual interest with organizational priorities.

The problem is that even though board members profess to be strategic in their recruitment efforts, according to recent findings from BoardSource the demographic composition of nonprofit boards of all types lacks diversity;[12] and as our data indicate, the rationale offered to explain this homogeneity is also quite similar across the sample. For example, several board members (serving on different boards) explained their board's decision to stop looking for demographic representation because the community was not diverse. In these instances, the decision was to seek out geographic diversity or to identify recruits who could contribute to the current or anticipated work with particular skills or connections. Consider this comment:

> There is constant pressure to find trustees, which is always a struggle on any board . . . there's the issue of minority [representation] . . . we have not had a lot of success in finding them. Anyway, just to weigh a vote because of someone's orientation, color, or whatever, it's not a good thing. It doesn't strengthen the board. It may look good, but what you need is hard-working people no matter what color they are or what gender they are.

A different board member offered:

> It takes a lot of expertise [to serve on this board] and that's why I feel like board members ought not to be solicited from ethnicity, gender, community residence as much as they should be for their expertise in knowing the bigger vision and how to strengthen the community. But there are a lot of people on this board, and I'm sure there are on every board, that feel like you've got to represent the Hispanic, represent the Black, represent the women, represent the poor, represent the rich, represent the hospital, you know, that kind of thing, and I think you get too bogged down in the little trees where you can't see the forest anymore.

Although board members could articulate the benefits of a diverse board, they did not engage in practices that would ultimately result in board diversification. Instead, they justified their decision-making process, arguing that the community was not really diverse so the board did not have to be either, or by saying the work was too important to leave to just anyone—what was needed were hard-working people who could get the job done. As a result, despite the rhetoric around diversifying the board in strategic ways, we find the demographics for people serving on nonprofit boards to be quite similar across the nation.

Although board members could articulate the benefits of a diverse board, they did not engage in practices that would ultimately result in board diversification. Instead, they justified their decision-making process, arguing that the community was not really diverse so the board did not have to be either.

• • •

At a time when American communities are struggling with major social issues due to divisive political rhetoric, increased unemployment, and poverty, nonprofit organizations are in a unique position to coordinate and lead change.

[L]eaders must encourage practices that discourage the responsive, passive nature of boards, so that these practices do not become institutionalized.

Yet many nonprofits operate in an environment where adhering to tradition has historically resulted in significant charitable gifts. It is no wonder decision making is constrained by fear of alienating powerful community members who control access to those resources. We saw these conservative, low-risk behaviors play out in board recruitment efforts, grantmaking strategies, and community leadership initiatives.

So, how might we combat the negative effects of board decision making that tend to result in adherence to the status quo? We offer three suggestions. First, capitalize on serendipity. Serendipity is fine, yet being in the right place at the right time should not be interpreted as being strategic. In fact, most of the people we talked to referred to these types of fortuitous situations as somewhat opportunistic. When not carefully thought out, these kinds of opportunities could be problematic and a burden for the staff, even though they may be a source of substantial administrative funding. However, although serendipity might not be a strategic stance, what the board does *in response to* these kinds of opportunities and threats could very well be strategic. The lesson for board members here is clear: boards must work closely with the staff to fully understand the operating environment, so that when change moments present themselves, the foundation is poised to act.

Second, do not allow visionary thinking to be thwarted by fear and tradition. Prudent decision making is a key aspect of governance. While careful balancing of competing board roles may not be the norm, prudent alignment of assets is an important aspect of "doing good." At issue is whether the board will continue to justify and rationalize past practices, or if the board will encourage action that positions the organization to deploy its resources (broadly defined) in ways that meaningfully align institutional strengths and leadership activities with significant issues facing each community.

And finally, leaders must encourage practices that discourage the responsive, passive nature of boards, so that these practices do not become institutionalized.

It is true that, historically, nonprofit boards have been expected to be risk-averse, status quo stabilizers that take their fiduciary responsibility seriously, so that future generations can benefit. Yet, so often, nonprofit organizations are promoted as change agents that should find innovative solutions to the most pressing local problems in ways that create real and dramatic change. Nonprofits seeking to take on a leadership role need not wait for a catalyzing event to mobilize people around a common purpose. Perhaps a bit of serendipity and a focused effort to overcome the fear of alienation and the desire for stability anchored in tradition could spur the change they want to see. Leaders might consider overtly addressing these fears, traditions, and serendipitous events by making them the subject of future strategic discussions.

Notes

1. Andrew M. Pettigrew, "On studying managerial elites," *Strategic Management Journal* 13, no. S2 (Winter 1992): 163–82.
2. Ibid.
3. Francie Ostrower and Melissa M. Stone, "Governance research: Trends, gaps, and prospects for the future" (paper presented at the Association for Research on Nonprofit Organizations and Voluntary Action Conference, Miami, Florida, 2001), later published in *The Nonprofit Sector: A Research Handbook*, 2nd ed., ed. Walter W. Powell and Richard Steinberg (New Haven and London: Yale University Press, 2006).

4. Elizabeth A. Graddy and Donald L. Morgan, “Community Foundations, Organizational Strategy, and Public Policy,” *Nonprofit and Voluntary Sector Quarterly* 35, no. 4 (December 2006): 605–30.

5. Ibid.

6. Jennifer Leonard, “Creating Community Capital: Birth and Growth of Community Foundations,” in *An Agile Servant: Community Leadership by Community Foundations*, ed. Richard Magat (New York: Foundation Center, 1989), 89–99.

7. Rebecca E. Wolfe, “Mapping the population: Survey of US community foundations’ current leadership activity,” paper presented at the Association for Research on Nonprofit Organizations and Voluntary Action Conference, Chicago, IL, 2006.

8. Lucy Bernholz, Katherine Fulton, and Gabriel Kasper, *On the Brink of New Promise: The Future of U.S. Community Foundations* (San Francisco: Blueprint Research & Design and the Monitor Institute, 2005); Ralph Hamilton, Julia Parzen, and Prue Brown, “Community Change Makers: The Leadership Roles of Community Foundations,” discussion paper, Chapin Hall Center for Children, University of Chicago, May 2004; Judith L. Millesen, *Inside the community foundation boardroom: Understanding strategic decision making* (Washington, DC: BoardSource, 2005); and Nancy Ragey, Jan Masaoka, and Jeanne Bell Peters, *Convergence & Competition: United Ways & Community Foundations—A National Inquiry* (San Francisco: CompassPoint Nonprofit Services, August 2005).

9. Mariam C. Noland, “Grants: Giving Life to the Public Trust,” in *An Agile Servant: Community Leadership by Community Foundations*, ed. Richard Magat (New York: Foundation Center, 1989), 121.

10. Graddy and Morgan, “Community Foundations, Organizational Strategy, and Public Policy.”

11. Leonard, “Creating Community Capital,” 95.

12. *Leading With Intent: 2017 National Index of Nonprofit Board Practices* (Washington, DC: BoardSource, 2017).

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250103.

Windows of Collaborative Opportunity: *Considerations of Governance*

by Chris Cornforth, John Paul Hayes, and Siv Vangen

For collaboration to function well, organizations must keep an eye out for resulting internal tensions and challenges. These are not necessarily a sign of dysfunction; in fact, quite often they are windows of opportunity leading to needed changes in governance and structure.

Editors' note: *This article was adapted from "Nonprofit–Public Collaborations: Understanding Governance Dynamics" (*Nonprofit and Voluntary Sector Quarterly *44, no. 4, 2015), with permission.*

Given the complexity of many social, environmental, and economic problems facing communities, nonprofit organizations are increasingly collaborating with public authorities. But the power dynamics of such arrangements can be extremely complex and fraught with institutional interests, as representatives of the various collaborating parties shift over time with changing political and other realities. The literature on such collaborations often does not do justice to what this means for the governance and life cycles of these efforts. In this article, we propose a conceptual framework that seeks to explain the formation, governance, and life cycle of public–nonprofit collaborations.

As is noted by Melissa Stone and Jodi Sandfort, "research on nonprofit organizations does not fully consider how the policy environment shapes organizational operation and performance and shapes how actors act strategically to advance their organizational interests."[1] And, in 2006, David Renz suggested that, in fact, many governance decisions are made at a meta level—above the realm of any single nonprofit board—in the funding and policy environments.[2] Thus, Renz writes, understanding governance as merely board activity is shortsighted and limiting; he advocates a new focus on interorganizational governance processes that occur as organizations work together to address social problems.[3] Such collaborations can be relatively long or short term, and they ordinarily contain power

Chris Cornforth is emeritus professor of organizational governance and management in the Department for Public Leadership and Social Enterprise at the Open University Business School, Milton Keynes, United Kingdom. **John Paul Hayes** is senior lecturer at Bath Business School, Bath Spa University, Bath, United Kingdom. **Siv Vangen** is professor of collaborative leadership in the Department of Public Leadership and Social Enterprise, director of the Centre for Voluntary Sector Leadership, and associate dean for research and scholarship in the faculty of Business and Law at the Open University Business School, Milton Keynes, United Kingdom.

"WINDOWS" (DETAIL) BY LUCILLE VAN STRATEN/WWW.URBANARTLUCILLE.COM


3
46

dynamics that must be worked out. But when the collaboration mixes public and private organizations, other issues often emerge having to do with changing institutional interests and tenures. This leads us to consider what the factors are that lead to the formation of public–nonprofit partnerships, how they are governed, and the influences on their life cycle.

We base our observations here, in part, on a longitudinal case study of a public–nonprofit collaboration in the United Kingdom. This partnership was aimed at neighborhood regeneration in deprived areas of one United Kingdom city.[4] The head of the regeneration team, an employee of the city council, initiated the collaboration and acted as a key coordinator. The research examined the development of the collaboration from its inception, focusing particularly on an attempt by the team director to redesign its governance structure.

Defining Terms

Many terms have been used to describe configurations of organizations that voluntarily agree to collaborate. This is confusing and impedes conceptual clarity. We use the terms *collaboration* and *partnership* interchangeably to refer to a formalized joint working arrangement between organizations that remain legally autonomous while engaging in ongoing coordinated collective action to achieve outcomes that none of them could achieve on their own. When the number of participants exceeds two or three, *network* is also often used, and there is little definitional distinction made.

The term *governance* is even more elusive. It is rooted in a Latin word meaning to steer or give direction, but it is used in a number of different ways, both within and across disciplines and entities. In fact, one of the more useful ways of distinguishing between different usages involves the level of analysis at which the concept is applied.[5]

In this article, however, we focus exclusively on the interorganizational level, examining how collaborations between organizations are governed. Keith Provan and Patrick Kenis argue that the governance of networks is important for their effectiveness, although this topic has been neglected in research.[6] They state that a focus on governance involves the use of institutions and structures of authority and collaboration to allocate resources and to coordinate and control joint action across the network as a whole. Unlike organizations, networks must be governed without the benefit of hierarchy or ownership.[7]

Building on these definitions, we propose that the governance of collaborations entails the design and use of a structure and processes that enable actors to set the overall direction of the collaboration, and that coordinate and allocate resources for the collaboration as a whole and account for its activities.

Within organizations, governance structures and processes are shaped by legal and regulatory requirements. The governance of collaborations is more elusive, as they are often established without any clear legal form or body in charge.

The Challenge

Within organizations, governance structures and processes are shaped by legal and regulatory requirements. The governance of collaborations is more elusive, as they are often established without any clear legal form or body in charge, and the relationships between partners are subject to change.[8] Public collaborations are often highly dynamic and even chaotic, as they must respond to complex and changing policy environments and deal with internal paradoxes and tensions.[9] The governance structures of collaborations are therefore more fluid than in organizational contexts, changing in response to internal and external drivers, as well as to participants' attempts to manage inherent tensions.[10]

A complex and changing national policy and economic environment can lead to changes in the opportunities for collaboration at the local level, changing the priorities of public partners, perhaps altering their commitment to the collaboration, and even leading to its decline or demise. Nonprofit organizations must remain aware of these potential dynamics and risks when engaging in public–nonprofit collaborations.

To provide a framework to better understand the formation and life cycle of public–nonprofit collaborations, we tested and refined an existing conceptual model developed by Douglas Lober, Lois Takahashi, and Gayla Smutny.[11] They extend John Kingdon's seminal work, which explains the formation of public policies in terms of the opening up of policy windows and the actions of policy entrepreneurs.[12] These windows are assumed to both open and, after a while, close, so the framework assumes a temporal dimension. Lober, Takahashi, and Smutny argue that the formation of collaborations can be similarly explained in terms of opening up collaborative windows that can be exploited by collaborative entrepreneurs. Takahashi and Smutny extend the model further to explain the short-lived nature of many collaborations. They suggest that "initial governance structures emanating from particular collaborative windows and entrepreneurs limit their adaptability and portend their short-term demise."[13]

Collaborative Windows, Collaborative Entrepreneurs, and the Formation of Collaborations

To explain how policy windows are formed, Kingdon proposes that three largely independent, temporal streams run through the political system: a *problem stream*, a *policy* (or *solution*) *stream*, and a *political stream*. The problem stream consists of issues or situations that interest groups identify as "problems" to be addressed. The policy/solution stream consists of policy proposals advocated by various groups to address the problems. The political stream consists of various influences on the political system (e.g., public opinion, the media, and elections).[14]

Kingdon argues that whenever these different streams converge, a "policy window" opens, presenting an opportunity to adopt new policies. For this to happen, however, policy entrepreneurs (either individuals or groups) must recognize that the window has opened and have the skills to exploit the opportunity and gain support for their proposals.[15]

In trying to understand the formation of collaborations, Lober adds a fourth stream—the *organizational stream*—that encompasses changes in organizational and industry behavior regarding the issues being addressed. He also suggests that the political stream needs to be broadened to include social and economic factors affecting the issues to be addressed (hereafter called the *PSE stream*). According to Lober, convergence in these four streams can create the conditions for forming a collaboration (i.e., a collaborative window rather than a policy window).[16] For this to happen, however, the opportunity must be exploited by collaborative entrepreneurs. For Lober, as well as for Takahashi and Smutny, the collaborative entrepreneur resembles the policy entrepreneur. Collaborative entrepreneurs act as the catalyst for forming collaborations by working across organizational boundaries to join organizations and identify solutions to problems.

To explain how policy windows are formed, Kingdon proposes that three largely independent, temporal streams run through the political system: a *problem stream*, a *policy* (or *solution*) *stream*, and a *political stream*.

The neighborhood regeneration partnership we observed was formed in 2009. The problem stream was that both national and local governments in the United Kingdom had long recognized that some neighborhoods suffer multiple deprivations. In 2008, the city council's neighborhood regeneration strategy recognized that the deprivation in those areas was growing in scale and intensity. The PSE stream contained several strands favorable to neighborhood regeneration, including an existing national strategy for neighborhood renewal, which emphasized the role of local public authorities in tackling deprivation, and a growing public awareness of the negative impacts of increasing inequality. The policy/solution stream within the city council was influenced by various complementary policies—for example, a sustainable communities strategy that emphasized the need to tackle problem areas in the city. The organizational stream consisted of a wide range of public and nonprofit organizations that operated in the various deprived neighborhoods across the city. The city council's head of regeneration acted as the collaborative entrepreneur, mobilizing contacts across various public bodies and nonprofit and community organizations, and generating new resources to bring organizations together to tackle the problem.

The neighborhood regeneration program was launched with a three-tier governance structure composed of neighborhood steering groups, to lead change in each of the deprived areas; a performance group, consisting of representatives from various partner organizations and heads of relevant services in the council, to provide overall direction and monitor the performance of work in the neighborhoods; and a sponsor group, consisting of senior executives from relevant public bodies, businesses, and nonprofits, to provide strategic challenge and accountability.

Governance Arrangements and Life Cycle of Collaborations

Takahashi and Smutny extend Lober's model beyond the formation stage to include the operational stage of collaborations. They argue that collaborative entrepreneurs "initiate alliances among . . . partners using specific initial governance structures that fit with the participants and the features of the collaborative window."[17] They further suggest that this initial governance structure seriously constrains the future adaptability and resilience of the partnership, because "organizational inertia and the time-consuming process of collaborative governance" make these structures resistant to change.[18] They suggest that collaborative entrepreneurs and other partners in the collaboration may not "have the skills to maintain, sustain, or adapt the collaborative partnership's initial governance structure to changing temporal and spatial conditions after the collaborative window closes."[19] They therefore propose that features of a collaboration's formation contain the seeds of its demise in a relatively short time, as initial governance structures fail to adapt. For nonprofit organizations and community groups, understanding what lies behind the dynamic nature of collaborations and their governance arrangements might help them advance their goals when collaborating with more powerful public authorities.

[C]ollaborations of all kinds—but particularly public–nonprofit partnerships—need to be aware of how changes in the collaborative window are likely to affect the partnership and may lead to its decline.

Our research suggests that the model developed by Lober and extended by Takahashi and Smutny needs further refinement. First, our research suggests that the four streams comprising the collaborative window are not independent, as stated in the previous models, but interdependent. In particular, once the collaboration is formed, changes in the political, social, and economic stream may influence both the solution and organizational streams. For example, the regeneration partnership was affected by several important changes in the collaborative window that occurred in the period of 2009 through 2012. The global financial crisis of 2008 led to cuts in public expenditure, which in turn led to cuts in the budgets of the council and other public bodies involved in the partnership. This impacted the organizational stream, as it led to cuts in the regeneration team and the resources available for neighborhood regeneration and a decline in the commitment of some of the other public partners. The government also relaxed some restrictions on local councils, allowing them to resume building public housing. This impacted the policy/solution stream as efforts of the council's regeneration team began to focus more on a major public–private partnership to redevelop one of the deprived neighborhoods.

Second, the model is overly pessimistic about the ability of collaborations to change their governance structures. While changing the partnership's governance structure was not easy, changes did occur, often driven by internal tensions and challenges arising from the different expectations and goals of participants and a tension between efficiency and inclusiveness. Particularly in the performance group, there were tensions over the purpose of the group—whether it was there to monitor the performance of the neighborhood steering groups and manage risk or to provide a forum to discuss problems and issues. The large size of the group also led to concerns over the efficiency and effectiveness of the group, with some particpants feeling it had just become a "talking shop." Eventually the group was allowed to wither away, and the council's regeneration team took over responsibility for coordinating the work across the neighborhoods.

While some neighborhood steering groups continued to be active despite the decline in support from the regeneration team, the regeneration program was not extended to new neighborhoods as originally planned. In our view, the changes in the four streams, which influenced the priorities and commitment of different partners to the collaboration and the resources available to achieve its plans, were more important to the collaboration's long-term future than were difficulties encountered in changing how it was governed.

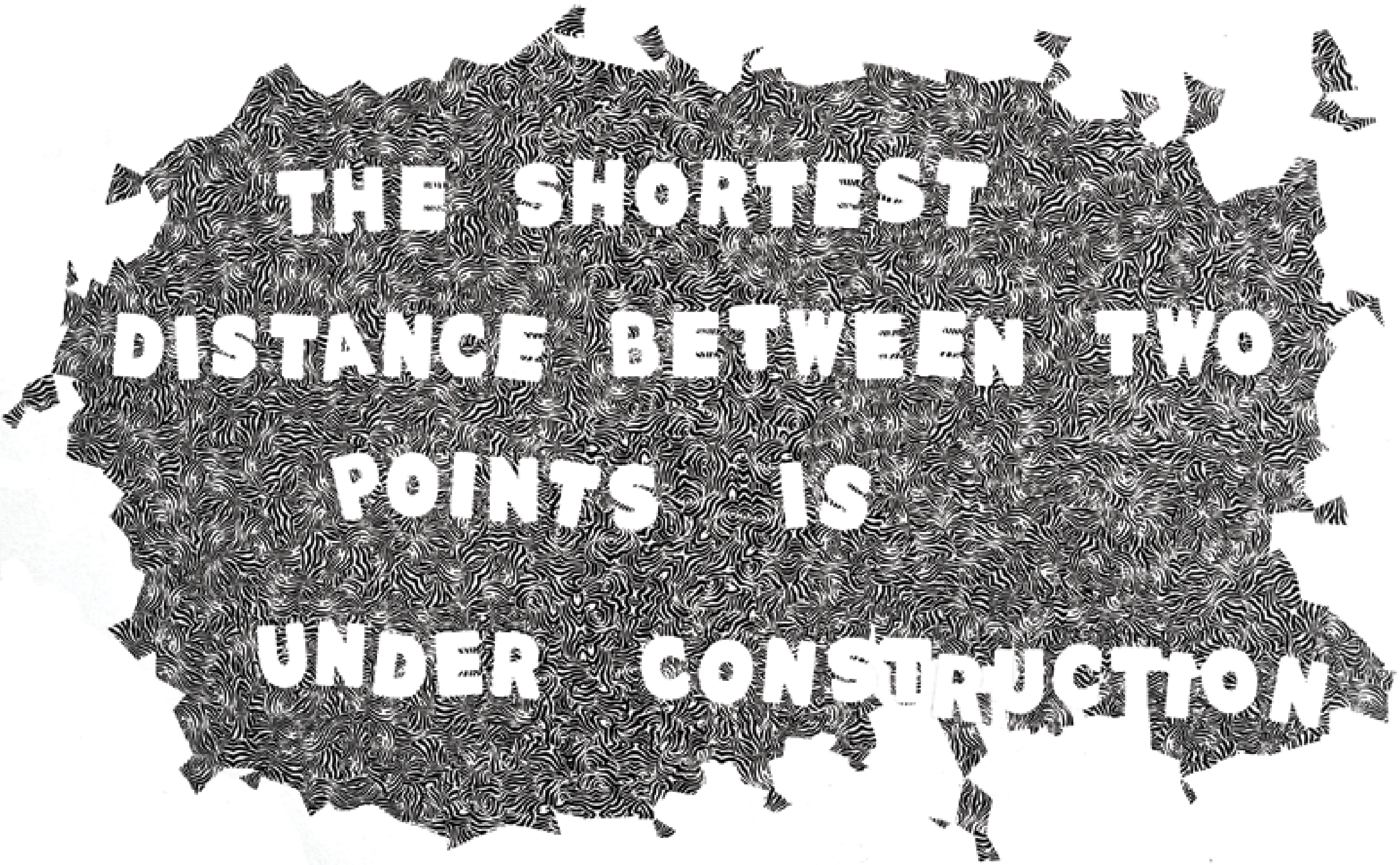
In conclusion, we posit that collaborations of all kinds—but particularly public–nonprofit partnerships—need to be aware of how changes in the collaborative window are likely to affect the partnership and may lead to its decline. In addition, these collaborations are likely to face important internal tensions and emergent challenges that must be addressed by those who govern and manage the collaboration. Some of these tensions may appear as a battle between efficiency and inclusiveness, or may seem to be about goals and ways of working, but the truth is that they are part and parcel of the effort and not necessarily a sign of dysfunction. They do have to be managed skillfully, but they quite naturally can be expected to lead to changes in governance structures and processes. In the end, however, understanding that there are windows of opportunity for some collaborations will help nonprofit participants, in the cases where that is necessary—recalibrating and redeploying their efforts to greatest stead while not losing the potential of future collaborative windows and partners.

Some of these tensions may appear as a battle between efficiency and inclusiveness, or may seem to be about goals and ways of working, but the truth is that they are part and parcel of the effort.

Notes

1. Melissa M. Stone and Jodi R. Sandfort argued for theory and research that take into account policy fields in the strategic actions of nonprofit organizations. One advantage of using and refining the model developed by Lois Takahashi and Gayla Smutny to make this link is that it can then acknowledge the influence of changes in the political, social, and economic streams (including relevant policies) on opportunities for collaboration. See Melissa M. Stone and Jodi R. Sandfort, "Building a Policy Fields Framework to Inform Research on Nonprofit Organizations," *Nonprofit and Voluntary Sector Quarterly* 38, no. 6 (December 2009): 1054–75.
2. David Renz, "Reframing Governance," *Nonprofit Quarterly* 13, no. 4 (Winter 2006): 6–13.
3. Ibid.
4. To protect anonymity, the name of the city where the research took place and the names of actors in the collaboration have not been revealed.
5. Jan Kooiman, "Social-Political Governance: Overview, reflections and design," *Public Management: An International Journal of Research and Theory* 1, no. 1 (March 1999): 67–92.
6. Keith G. Provan and Patrick Kenis, "Modes of Network Governance: Structure, Management, and Effectiveness," *Journal of Public Administration Research and Theory* 18, no. 2 (April 2008): 229–52.
7. Ibid., 231–32.
8. Melissa M. Stone, Barbara C. Crosby, and John M. Bryson, "Governing public–nonprofit collaborations: understanding their complexity and the implications for research," *Voluntary Sector Review* 1, no. 3 (November 2010): 309–34.
9. Chris Huxham and Siv Vangen, "Ambiguity, Complexity and Dynamics in the Membership of Collaboration," *Human Relations* 53, no. 6 (June 2000): 771–806; Melissa M. Stone, Barbara C. Crosby, and John M. Bryson, "Adaptive Governance in Collaborations: Design Propositions from Research and Practice," in *Nonprofit Governance: Innovative Perspectives and Approaches*, ed. Chris Cornforth and William A. Brown (Abingdon, UK: Routledge, 2013), 249–71; Provan and Kenis, "Modes of Network Governance"; and Angel Saz-Carranza and Sonia M. Ospina, "The Behavioral Dimension of Governing Interorganizational Goal-Directed Networks—Managing the Unity-Diversity Tension," *Journal of Public Administration Research and Theory* 21, no. 2 (April 2011): 327–65.
10. Stone, Crosby, and Bryson, "Governing public–nonprofit collaborations."
11. Douglas J. Lober, "Explaining the formation of business–environmentalist collaborations: Collaborative windows and the Paper Task Force," *Policy Sciences* 30, no. 1 (February 1997): 1–24; and Lois M. Takahashi and Gayla Smutny, "Collaborative Windows and Organizational Governance: Exploring the Formation and Demise of Social Service Partnerships," *Nonprofit and Voluntary Sector Quarterly* 31, no. 2 (June 2002): 165–85.
12. John W. Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little, Brown, 1984).
13. Takahashi and Smutny, "Collaborative Windows and Organizational Governance," 181.
14. Kingdon, *Agendas, Alternatives, and Public Policies*.
15. Ibid.
16. Lober, "Explaining the formation of business–environmentalist collaborations."
17. Takahashi and Smutny, "Collaborative Windows and Organizational Governance," 169.
18. Ibid.
19. Ibid.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250104.



Between Public *and* Private Action:

Neighborhood Organizations and Local Governance

by Robert J. Chaskin and David Micah Greenberg

"THE SHORTEST DISTANCE BETWEEN TWO POINTS IS UNDER CONSTRUCTION"
BY ROSA NADAY GARMENDIA/WWW.ROSANADAYGARMENDIA.COM

Far from simply being entities that step in when government cannot or will not provide services or where a crisis of trust turns consumers away from the private market, nonprofits have a larger, more central role to take in public decision making and governance.

***Editors' note:** This article was adapted from "Between Public and Private Action: Neighborhood Organizations and Local Governance" (*Nonprofit and Voluntary Sector Quarterly *44, no. 2, 2015), with permission.*

Recent decades have witnessed shifts in the relationship between government and nonstate actors—including nonprofit organizations and private firms—and how they shape the process of governing. Recently, there has been a particular emphasis on public–private partnerships, coproduction arrangements, and networked governance structures.[1] In the context of cities, this orientation is part of a broader reconsideration of how we think about urban governance—the particular set of arrangements between formal mechanisms of the state (local government) and some array of nongovernmental (private) interests and actors.[2] In this context, nonprofits are often called upon to represent neighborhoods in the governance of cities. This provides both opportunities and risks for communities, which may or may not see their interests well represented.

Nonprofits are often seen to respond to government or market failure—to step in where government either cannot or will not provide needed goods and services, or where a crisis of confidence or trust drives consumers away from private market providers to nonprofits.[3] Nonprofits are also often seen as outside advocates, putting pressure on state actors or providing input into agenda-setting and policy-framing processes.[4] However, nonprofits are also increasingly engaged as participants in forms of collaborative governance, contributing to policy implementation through contracting relationships but also, in some cases, to policy-making—for example, through consultation arrangements, government–nonprofit liaisons, and formal membership on decision-making bodies.[5] Cooperative arrangements that include such actors may be informal and fluid, as in the kinds of governing regimes described by Clarence Stone, or embedded in formal coalitions, like those represented by "governing nonprofits" that take on some

Robert J. Chaskin is a professor, UNESCO Chair for Inclusive Urbanism, and deputy dean for Strategic Initiatives at the University of Chicago School of Social Service Administration. **David Micah Greenberg** is director of research and evaluation at LISC. He was the primary investigator for MDRC's evaluation of Chicago's New Communities Program, and is a part-time faculty member at the New School for Public Engagement.

responsibilities for both policy formation and implementation, for instance, around economic development or education.[6]

At the neighborhood level, voluntary associations and nonprofit organizations have also been central to efforts to promote local governance and "neighborhood democracy."[7] By spearheading processes of deliberation, provision, and collective action, local organizations contribute to the capacity of neighborhoods to operate to some extent as "polities" in their own right, taking on executive functions that are sometimes acknowledged by, sometimes separate from, the workings of formal government but operating without the coercive authority of the state.[8] Government may intentionally develop relationships with such organizations as a way to facilitate communication, inform action, outsource provision, or manage expectations. And government may *create* such mechanisms to act as local arms of municipal government, take on specialized functions at the neighborhood level, or serve as an intermediary between the neighborhood and the government or corporate actors such as developers.[9]

By spearheading processes of deliberation, provision, and collective action, local organizations contribute to the capacity of neighborhoods to operate to some extent as "polities" in their own right.

Indeed, some recent scholarship argues that such organizations may go beyond their provisional and advocacy functions to play a much more central role in actually governing by contributing directly to public decision making and action as part of the governing process. To some, these arrangements represent an "opening of the political opportunity structure,"[10] providing organizations direct access to and influence in shaping policy agendas and responses. To others, they provide more symbolic than actual forms of power sharing, present the possibility of cooptation, or constrain nonprofits from engaging in contentious advocacy in the context of resource dependency.[11] To yet others, nonprofits may be able to effectively balance these tendencies, engaging in embedded public decision-making processes with formal government while retaining the flexibility and capacity to mobilize constituencies and advocate on their behalf outside of such processes.[12]

Building on these debates, this article examines how neighborhood nonprofits may contribute to local governance, beyond contracting arrangements or outside advocacy. Our argument is threefold. First, we make the case that many community organizations engage in governing processes in both direct and indirect ways, but that they often function at the interstices of public and private action. Our findings suggest that many nonprofits, and community organizations in particular, operate in a kind of liminal space in which opportunities to engage more directly in governance arise and recede, and where they may move along a continuum between more and less direct engagement in governance processes as these interstitial spaces open or contract.

The second component of our argument is that the interstitial space in which nonprofits may move to fill more direct governance roles is formed by absences or gaps in state policy—either because formal, neighborhood-based governance institutions do not exist, or because local action has carved out a zone of control that remains somewhat segmented from more centralized policy and governance institutions.

The third component of our argument is that even in this "in-between" space where nonprofits have gained a degree of independence and direct influence, conflict sometimes occurs among community organizations, and between them and the state, around the boundaries of control in ways that may constrain action on the part of neighborhood groups or, in some cases, create new opportunities to direct resources to low-income neighborhoods.

The New Communities Program

The New Communities Program (NCP) is a comprehensive community initiative funded by the John D. and Catherine T. MacArthur Foundation and led by the community development intermediary LISC Chicago. The initiative seeks to revitalize urban neighborhoods in Chicago by building the capacity of local organizations and interorganizational networks to plan for and implement community change strategies, both through their own productive capacities (such as through the implementation of a broad range of projects and investments) and by leveraging the actions and investments of actors and institutions beyond the neighborhood. Community-change goals are wide-ranging across sites, and seeking to attain them has included a broad range of activities focused on housing, economic development, youth development, education, safety, public space, and social service provision.

During the planning phase of NCP, a community-based organization in each of fourteen neighborhood planning areas was selected as the "lead agency" for the initiative in those neighborhoods. These organizations spearheaded a planning process that led to a "quality-of-life plan" to guide initiative action. They also continued to serve as local intermediaries for ongoing planning, resource allocation, and project implementation under the initiative. Lead agencies have different orientations to this role: in some cases, acting primarily to funnel resources and opportunities to other community organizations, and facilitating project implementation; in others, coordinating among partners toward implementation of collaborative projects; and in yet other cases, taking on the lion's share of implementation directly. Many lead agencies combined these strategies, with different relative emphases on each.

A critical component of the initiative is the central role played by LISC Chicago.[13] Serving as the managing intermediary for NCP, LISC Chicago was instrumental in designing the initiative and selecting neighborhoods and lead agencies within them, allocating initiative resources to select projects, facilitating access to additional resources, and providing a broad range of technical support to lead agencies. By virtue of its own long-term and carefully nurtured relations, LISC Chicago has also been instrumental in facilitating links between the initiative and influential outsiders—particularly city government—in ways that provided an "in" for community organizations that would not have been possible for community-based organizations operating individually. Indeed, in some cases (noted below), LISC Chicago served as a critical broker between neighborhood organizations and the city, leveraging embedded relations of senior LISC Chicago staff with the mayor's office and opening "space" for NCP lead agencies to contribute directly to city policy.

Neighborhood Intermediaries and Neighborhood Governance

In exploring how community organizations involved in NCP contribute to the broader process of governing in Chicago, the discussion that follows focuses on three functions central to democratic governance: *deliberation*, *representation*, and *resource allocation and the provision of collective goods and services*. First, we briefly describe the ways in which neighborhood organizations acting as lead agencies perform these functions. We then turn to three examples of how their embrace of these roles illustrates the interstitial space in which they have been able, to some extent and around some issues, to contribute more directly to governing with or on behalf of the city, and the promise and limitations of this positioning.

Deliberation

At a general level, all lead agencies fulfill a deliberative function relevant to neighborhood governance. This was initially organized around a structured, participatory process led by lead agencies toward the development of the quality-of-life plan. These plans, in turn, serve as "blueprints" for action that have implications for the actions of other organizations, private and public. The nature of deliberation and the scope of participation differed across neighborhoods, but all mobilized a wide array of community stakeholders to participate. Beyond the planning process, lead agencies continue to spearhead deliberation around program implementation and ongoing planning concerning specific issue areas and organized around renewal funding. To do so, lead agencies take different approaches to maintaining mechanisms for ongoing participation, communication, and debate regarding neighborhood priorities, investments, and strategic action. Some are focused on maintaining robust and ongoing involvement among a broad range of stakeholders. Others are more episodic in catalyzing connection at particular strategic points, such as an emerging crisis or funding opportunity. And a few have largely withdrawn from most collective deliberation to focus on implementing the plan, selectively

Community-change goals are wide-ranging across sites, and seeking to attain them has included a broad range of activities focused on housing, economic development, youth development, education, safety, public space, and social service provision.

In some cases, less robust ongoing deliberative processes have led to interorganizational tensions in the neighborhood, with formerly engaged participants feeling frozen out or needing to negotiate through or around the "gatekeeping" stance of the lead agency.

engaging partner participation based on strategic or relational considerations.

In some cases, less robust ongoing deliberative processes have led to interorganizational tensions in the neighborhood, with formerly engaged participants feeling frozen out or needing to negotiate through or around the "gatekeeping" stance of the lead agency. However, a strategy for continuing engagement and deliberation does not avoid tensions altogether, as issues of resource distribution, decision making, and power emerge over the course of planning discussions.

Representation

Beyond providing a site for deliberation about neighborhood priorities and plans, NCP lead agencies also serve a representative function, "speaking for" the neighborhood more broadly and acting on its behalf in pursuit of development goals. The deliberative processes that led to the development of quality-of-life plans, in which a broad range of neighborhood stakeholders contributed to their production, provide some basis for the legitimacy of these plans as representing broader neighborhood priorities.

Furthermore, the particular role that lead agencies played in convening this process, and the central role they continue to play in the effort to move these plans toward implementation (particularly to the extent that they demonstrate a track record of accomplishment), position them to be seen by key actors—politicians, city agencies, and private investors—as representing neighborhood interests in pursuit of these goals.[14]

The notion of legitimate representation is, however, often contentious, and there are limits to the extent to which lead agencies can be seen to perform this role unambiguously. First, there are inherent limits to lead agency claims of representation, given their position outside the formal structures of elected, representative government. Second, lead agencies are one among several community organizations in each neighborhood that can (and often do) claim to represent the neighborhood or particular constituencies within it. Claims to legitimacy are often both shared and contested among them, informed by historical relations and periodically renegotiated through participatory processes and concrete action.[15] In one neighborhood, for example, a well-established community development corporation was selected by LISC Chicago as the lead agency in spite of the fact that an organizational coalition had already been established for similar purposes. In another, historical tensions and competition among major organizations (some stemming from early conflicts over development activities under Urban Renewal half a century earlier) significantly complicated the planning process and undermined the ability of the lead agency to build consensus and marshal support. In a third, a new organization was created to serve as a lead agency for the initiative, in spite of the existence of several others with a long history in the neighborhood, including one established by the mayor's office to formulate development plans in light of the neighborhood's status as a designated conservation area. These dynamics are not always sources of conflict, however. In some cases, organizations view one another as complementary and establish a productive division of labor among them, or they work effectively together through collaborative mechanisms of planning and implementation. But they do complicate the notion of representation and the processes through which neighborhood goals are established, communicated, and acted on.

Resource Allocation and the Provision of Collective Goods and Services

The allocation and provision of resources and collective goods is another function central to governance, and lead agencies in Chicago act in this capacity in at least three ways. First, as neighborhood intermediaries they play a role in the allocation of resources provided or brokered by the initiative. This includes financial resources provided by the MacArthur Foundation, as well as information, technical assistance, and access to other potential sources of funding provided by LISC Chicago. LISC Chicago plays a major role in brokering these resources (and in providing them directly), but lead agencies are often influential in advocating for particular projects and active in making connections between community organization partners and LISC Chicago, as well as others.

In addition to these forms of philanthropic resources, lead agencies and their community organization partners have contributed to the allocation of *public* resources and collective goods through coproduction arrangements with the city. These take different shapes in different circumstances, with different roles played by government and community organizations. An ambitious instance of coproduction, for example, is provided by a land trust established in one NCP neighborhood. Here, a local nonprofit holds ownership of land on which affordable housing is built to be purchased, along with long-term ground leases on the property, by low- or moderate-income people. The neighborhood has a large number of vacant city-owned lots, and although some of the land allocated for these developments is purchased on the market, several vacant lots have so far been provided to the land trust by the city at minimal cost ($1 per parcel), with the expectation of additional ownership transfers in the future.

The Interstitial Space of Neighborhood Governance

As the foregoing suggests, lead agencies perform some of the key functions of governance at the neighborhood level and connect in different ways to how these functions are performed by the formal mechanisms of local government. To what extent does their performance of these functions contribute directly to the governing functions of local government?

In many cases, neighborhood-level governance functions remain separate from, or are only tangentially related to, the governing processes of formal government. Neighborhood quality-of-life plans, for example, were developed largely as a project of nonprofits and voluntary organizations (with some participation of neighborhood residents unaffiliated with either) rather than public officials or agencies. Although local government was not always entirely absent from the processes of deliberation in many neighborhoods, the majority of these activities took place beyond the formal process of city planning and outside the auspices of municipal government.

In other ways, however, the governance function of neighborhood intermediaries operates in what we describe as *interstitial space*, engaging more directly in governing processes where such space has been opened by government invitation or inaction, by collaborative opportunities or by initiative catalyst. This interstitial space places community organizations in a liminal position—"betwixt and between" the state and civil society, in which they have a foot in and a foot out of government, sometimes effectively wielding direct influence on public decision making and resource allocation and representing the interests of the neighborhood. While this liminal position can be powerful, it is also unstable and open to being marginalized in the context of volatility in the environment or in the face of action wielded by more powerful actors.

This interstitial space places community organizations in a liminal position—"betwixt and between" the state and civil society, in which they have a foot in and a foot out of government.

Three cases within NCP illustrate the interstitial quality of these governance arrangements in relationship to formal government functions. These examples cut across the governance functions of deliberation, representation, and allocation (see Table 1, following page), but each is more centrally concerned with one of these functions.

Case #1: Mayoral Recognition

The first example is grounded most centrally in the dynamics of deliberation and planning. It is epitomized by the impressive level of mayoral acknowledgment and acceptance of NCP quality-of-life plans and, more broadly, of NCP lead agencies as proxy representatives of neighborhood priorities regarding development. Although NCP planning took place outside (and in lieu of) government-led or government-facilitated planning, the resultant plans were explicitly embraced by the mayor—at the time, Richard M. Daley—both publicly and within his administration. Indeed, effectively brokered by LISC Chicago, each NCP lead agency met with the mayor to brief him on the planning process and the resultant quality-of-life

[P]lans in one neighborhood to redevelop a building for "green" technologies that could employ local residents in relatively high-wage jobs required substantial energies to align with local elected officials to ensure that the site was not accessed for luxury condo development.

plans, which the mayor anointed as recognized plans to guide city decisions about priorities, projects, and investment decisions. As a former city official described it:

> [The mayor would] say, you know: Housing commissioner, you do that. Planning, you do this. You know, help these guys. Instruct everybody: Now you help them carry this out. All of which was great. It was all just kind of amazing to me that . . . [this] city function had been outsourced, and it took these outside guys to develop plans which then went to the mayor.[16]

The mayor also appointed a staff liaison to NCP neighborhoods, thereby institutionalizing this link—although personnel turnover made the connection unstable and inconsistent over time. And some key public resources, including from federal stimulus funding won by the city, have clearly flowed to NCP neighborhoods because of this positioning. LISC Chicago's brokering role was again critical here, working directly with city staff to shape their application for funding and incorporating specific NCP sites into the proposed plans.

In this way, NCP plans have to a remarkable degree come to provide the outlines of the city's neighborhood development policy, at least in the case of a subset of city neighborhoods. In practice, however, the impact is less clear. First, not all elements of the plans implicate government action. Second, for those elements that do clearly fit within its purview, the extent to which city government is acting to implement them is less than certain, requiring the ongoing engagement of elected officials to advance local plans. For example, plans in one neighborhood to redevelop a building for "green" technologies that could employ local residents in relatively high-wage jobs required substantial energies to align with local elected officials to ensure that the site was not accessed for luxury condo development. In another, winning a zoning variance to allow construction of an affordable housing development despite "NIMBYism" on the part of some prospective neighbors meant mobilizing both aldermanic influence and the city housing department.

These efforts were not always successful. One neighborhood unsuccessfully ran up against mayoral opposition in trying to create space for a new public park, and needed to shift strategies as a result—even while the same lead agency was extensively engaged with another city agency around education reform projects. This example reveals some of the tensions that neighborhood organizations need to negotiate when acting at times in lieu of, at times in concert with, and at times in opposition to local government.

Table 1. Governance Functions: Deliberation, Representation, and Allocation in NCP

Form of governance	Implementation	Interstitial tensions	Implications
Deliberation	Conduct structured, participatory quality-of-life planning process; continue to engage other nonprofits and community members in collective decision making.	The mayor of Chicago's embrace of the NCP program. Although NCP planning took place outside (and in lieu of) government-led or government-facilitated planning, City Hall embraced them, providing de facto public plans but often without public mechanisms and funding to carry them out.	Intermittent successes in directing public resources or policy, sometimes requiring more confrontational relations with city government.
Representation	"Speak for" community priorities in planning and in representing plans to community and state stakeholders.	NCP lead agencies' relationship to specific aldermen and ward boundaries.	Tensions in "crossing ward lines," sometimes delaying implementation or causing other complications, especially when the lead agency is affiliated with one alderman over another.
Allocation	Distribute public and private resources among projects.	NCP lead agencies' relationship to special service districts established by local law.	While lead agencies act as sponsoring organizations for the districts and convene a local advisory committee, oversight and control by the state, especially by local aldermen, result in partial ability of local nonprofits to influence allocation decisions.

Case #2: Special Service Districts

A second example of the interstitial quality of neighborhood governance activities focuses more centrally on the function of resource allocation. In three neighborhoods, lead agencies spearheaded efforts to create Special Service Areas (SSAs) in their neighborhoods, which allow for the collection of a supplementary property tax that can be allocated to community improvement projects. In several others, lead agencies were instrumental in contributing to the establishment of Tax Incremental Finance (TIF) districts, or expanding the boundaries of existing TIFs, or influencing how TIF funds get allocated. Like SSAs, TIFs allow for the allocation of property tax dollars to neighborhood development activities, in this case setting aside all new tax revenues (from the development of new properties or tax increases on the existing ones) for twenty-three years from the date of the establishment of a TIF. In both cases, establishing these districts requires significant organization, outreach, and alliance building. As a lead agency representative described the process for establishing its SSA:

> [It] involved a lot of planning, partnerships, coordination with both local businesses, local residents. Local government entities are involved, like the city of Chicago. They had to approve the Special Service Area. The aldermen had to support it, the Cook County Assessor's Office had to approve it as well. So those local government entities, you know, approved our plan, you know, once it was packaged. And it was approved by City Council.[17]

Lead agencies were thus directly engaged in establishing mechanisms to govern deliberation about and the allocation of public resources, and retained a role in their implementation. But their role in the governance of these districts is variable and limited. In the case of SSAs, a community organization serves as a "sponsoring agency" for the district and drives its development, including establishing and convening a local advisory committee to oversee SSA investments, although ultimate oversight rests with the Department of Housing and Economic Development. The establishment and management of TIFs rest more directly with the city, although community oversight and participation are generally organized through the establishment of TIF advisory councils, on which community organizations (including the lead agencies in NCP neighborhoods with TIF districts) and aldermen are generally represented. In this way, the role and influence of NCP agencies are partial. The neighborhood plans build on prior plans and exist alongside others, and influence over SSA and TIF expenditures is shaped within the context of broader inputs from other neighborhood representatives and under government oversight.

Case #3: Aldermanic Relations

The final example of neighborhood governance in NCP taking place within an interstitial space between neighborhood and local government relates most centrally to the question of representation and to lead agencies' relationship to aldermanic authority. Although playing a neighborhood-representing role and acknowledged in that role by the mayor as described above, lead agencies remain structurally and legally outside the formal mechanisms of representative government. Formal political representation at its most local level rests with the alderman in each ward, and lead agencies need to contend with aldermanic power and claims to represent the community, which, after all, elected them to their positions on the City Council. This assertion is sometimes complicated by claims of the incompetence, or corruption, or nonresponsiveness of elected officials—particularly regarding the concerns of the most disenfranchised. It is also complicated by different definitions of the local "community." Regarding the first, aldermanic power is significant in Chicago wards and is often discussed by neighborhood actors in feudal terms, as fiefdoms in which aldermanic decisions (often wielded by long-term incumbents) are absolute, and can absolutely facilitate or stop dead development plans. Regarding the second, neighborhoods are variously defined and recognized by different actors, and the boundaries that define NCP neighborhoods are neither based on nor coterminous with ward boundaries. This sometimes

Although playing a neighborhood-representing role and acknowledged in that role by the mayor . . . lead agencies remain structurally and legally outside the formal mechanisms of representative government.

Beyond geography, there may also be fundamental questions of interest and alliance in the context of neighborhood diversity.

leads to complicated maneuvers, as in the case of one lead agency, which divided a single development project into four separate ones, "with the same architect, the same team, the same builder, and so the same participants except for the local not-for-profit partner,"[18] to garner support from four different aldermen in whose wards the project was to sit.

In two neighborhoods, aldermen are tightly linked to NCP lead agencies in concrete ways, and these embedded relations bring the organizations more intimately into the governing process within the aldermanic sphere of influence. In one, the lead agency is a new organization that was created specifically to perform the neighborhood intermediary roles required for the initiative, and was created with the direct and substantial involvement of the alderman, who initially served as chairman of the organization's board, convened several community meetings during the quality-of-life planning process, and provided the organization with space at the alderman's office in the neighborhood. In the other, the lead agency was already established as a community-based nonprofit and headed by a former state senator and alderman with strong personal and political ties to both neighborhood leaders and city officials. This includes the current alderman, for whom the organization's executive director served as an early mentor. Indeed, the current alderman counts the lead agency's director as part of the alderman's "kitchen cabinet" of neighborhood leaders. It is an organic relationship, built on years of interaction, and embedded in broader relationships:

> [The lead agency executive director] recruited me out of college, and then he hired me as his chief of staff, and then when he became senator, I became the alderman. Sixty percent of my kitchen cabinet is part of his kitchen cabinet, so we share advisors.[19]

In these cases, aldermanic and lead agency priorities are strongly allied, and each uses the other to mutual benefit. In other neighborhoods, however, the relationship to aldermanic power is more tenuous, or even at odds. Wards are in general larger than the neighborhoods identified under NCP, and even when NCP neighborhoods sit squarely within them, the alderman's constituency clearly extends beyond NCP boundaries.

Beyond geography, there may also be fundamental questions of interest and alliance in the context of neighborhood diversity. In one NCP neighborhood, for example, this has played out largely along racial and ethnic lines between Latinx and African-American populations (also largely segregated geographically within the neighborhood). In another, primarily Mexican neighborhood, it is defined largely between long-term residents and newer immigrants. In a third, predominantly African-American neighborhood, it is defined in part by class (made more contentious by redevelopment plans associated with the transformation of public housing in Chicago) and in part by tenure, with significant immigration of more affluent newcomers leading to complex dynamics around hopes for and fears of gentrification.[20]

Depending on where an alderman (or community organization) sits in the context of these divisions, the extent to which she or he is embraced as appropriately representative and working on behalf of any given set of "neighborhood" interests may be called into question. These dynamics around the negotiation of representation, legitimacy, and interest can sometimes open space for community organizations to wield greater influence on, and even direct contributions to, public decision making. At other times, however, they may constrain their ability to do so.

In most cases, engaging aldermen in deliberations about plans or seeking their support relied on efforts to influence aldermanic decisions in collaborative, uncontentious ways. As one lead agency representative describes it:

> I think what we discovered with the politicians is that they really need information and they need guidance to a great extent. . . . So if we can provide them that and build a relationship where we're giving them information that is important for them to maintain their—sustain their—positions, then they will work more collaboratively.[21]

Relationships built over time can thus be fruitful and foster a more direct link between community deliberation and government action. But they may also be unstable, as in the case of aldermanic turnover, which may fundamentally change the dynamic and reshape assumptions and expectations. A lead agency representative in a different neighborhood describes the impact of such turnover on moving forward a key project identified in the quality-of-life plan:

> [With plans for] the shopping center, we've hit a small snag since we've had a new elected official. So, he's feeling his political oats right now. So, he's basically put everything on hold, all that the previous, all that [the former alderman] approved. So, it's just a question of working through a different process to, you know, kind of get him on board and have to understand. You know we had several meetings with him, but this is not going to be that easy. It's just the thing to do, right now. So, it's politics more than anything else.[22]

• • •

What do these contributions and dynamics around the governance functions of deliberation, representation, and the allocation and production of public goods and resources suggest for the roles, potential, and limitations of neighborhood organizations to contribute more directly to governing? Clearly, NCP neighborhood organizations are engaged in policy processes and aspects of governing in different ways. Lead agencies have exhibited aspects of all three types of what James Ferris refers to as "policy process organizations."[23] They act as civic nonprofits, fostering collective decision making and political engagement. They engage in policy advocacy, aiming to influence political decision making and resource allocation. And they implement policy, through contracting and coproduction arrangements. Their role in this regard may be more or less "coupled" to the formal governmental processes of governing. The extent to which it is more directly or strongly connected is in large part a function of the organization's embeddedness in relationships with political actors, its ability to negotiate a kind of "insider" status within the context of collaborative governance mechanisms, or the extent to which it can leverage the embedded relations of key allies and partners (in the current case most clearly exemplified by LISC Chicago) with government actors to provide them with such status.

For the most part, NCP neighborhood organizations have been engaged in informal governance at the neighborhood level, seeking to connect these processes to the shaping of policy and allocation of resources in the public realm. They have connected to government in different ways, sometimes but not always in the anticipated roles of "outside" advocate, contracted provider, or cross-sector "partner" with government.

Indeed, they often play a kind of interstitial role relative to governing: filling in where governmental action is absent (as in the case of neighborhood development planning); representing neighborhood interests to both public- and private-sector concerns (in concert with, in opposition to, or independent of elected representatives); coordinating and overseeing actors and action at the neighborhood level around particular goals and projects (including both private- and public-sector actors from beyond the neighborhood); providing a mechanism for the provision of services or collective goods (independently or by contract or through coproduction arrangements); or acting as an anchor for specific government funding mechanisms (such as SSAs).

In some cases, these roles have produced outcomes with some quasi-governmental status, as evidenced by the mayor's embrace of quality-of-life plans and the establishment of SSA and TIF designations. In others, the ceding of interstitial space by government to neighborhood organizations can create policy proposals that are then taken up and adopted by government. In general, those neighborhoods with both strong organizations acting as lead agencies and the ability to mobilize strong networks of community organizations were best positioned to seize, and sometimes expand on, the boundaries of interstitial space—by demanding changes in formal institutional practices when their own governance efforts were insufficient, or by leveraging the particular influence of state actors with whom they had strong, embedded relations.

In general, those neighborhoods with both strong organizations acting as lead agencies and the ability to mobilize strong networks of community organizations were best positioned to seize, and sometimes expand on, the boundaries of interstitial space.

Developing these liminal spaces more fully may be an important factor in raising the influence of neighborhood organizations and their capacity to contribute directly to governing.

Developing these liminal spaces more fully may be an important factor in raising the influence of neighborhood organizations and their capacity to contribute directly to governing. The analysis above suggests that doing so can provide significant opportunities to influence change. But like the more quotidian, informal governance roles that lead agencies perform at the neighborhood level, such opportunities are also partial.

Neighborhood development trajectories are more powerfully affected by major public policy inputs—such as Chicago's public housing transformation plan or efforts to reform Chicago public schools—than by the kinds of projects that NCP organizations have been able to focus on given the resources and capacities available to them. Still, to the extent that such organizations can successfully open up this interstitial space, they can begin to inform and leverage governmental action and play more direct roles in governance. In the case of NCP, the arrangement in which local organizations were connected under the umbrella of a multisite initiative led by a well-connected central intermediary in LISC Chicago provided lead agencies with an important advantage over community-based organizations operating on their own. For those without strong connections to key political actors (such as the two with embedded aldermanic relations described above), other lead agencies benefited, in some cases at least, from being able to leverage the scale and stature of the initiative and, most critically, the relationships and influence of major institutions such as LISC Chicago and the MacArthur Foundation.

Notes

1. Anne Mette Kjaer, "Governance and the Urban Bureaucracy," in *Theories of Urban Politics*, 2nd ed., ed. Jonathan S. Davies and David L. Imbroscio (London: SAGE, 2009), 137–52; Marcus Andre Melo and Gianpaolo Baiocchi, "Deliberative Democracy and Local Governance: Towards a New Agenda," *International Journal of Urban and Regional Research* 30, no. 3 (September 2006): 587–600; B. Guy Peters, "Governance and Comparative Politics," in *Debating Governance: Authority, Steering, and Democracy*, ed. Jon Pierre (Oxford, UK: Oxford University Press, 2000), 36–53; Jon Pierre, "Models of Urban Governance: The Institutional Dimension of Urban Politics," *Urban Affairs Review* 34, no. 3 (January 1999): 372–96; and Lester M. Salamon, "The New Governance and the Tools of Public Action: An Introduction," *Fordham Urban Law Journal* 28, no. 5 (2001): 1611–74.

2. Pierre, "Models of Urban Governance."

3. Lester M. Salamon, "Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State," *Nonprofit and Voluntary Sector Quarterly* 16, no. 1–2 (January 1987): 29–49. Salamon argues that the reverse is true; given the lower transaction costs of voluntary action compared with what is required to rally a government response, it is government that steps in when confronted with a compelling voluntary failure requiring state action. See also Elizabeth T. Boris, "Nonprofit Organizations in a Democracy: Varied Roles and Responsibilities," in *Nonprofits & Government: Collaboration & Conflict*, 2nd ed., ed. Elizabeth T. Boris and C. Eugene Steuerle (Washington, DC: The Urban Institute Press, 2006), 1–35; Peter Frumkin, *On Being Nonprofit: A Conceptual and Policy Primer* (Cambridge, MA: Harvard University Press, 2002); and Burton A. Weisbrod, *The Nonprofit Economy* (Cambridge, MA: Harvard University Press, 1988).

4. Kenneth T. Andrews and Bob Edwards, "Advocacy Organizations in the U.S. Political Process," *Annual Review of Sociology* 30 (2004): 479–506; Bob Edwards and Michael Foley, "Social Movement Organizations Beyond The Beltway: Understanding The Diversity Of One Social Movement Industry," *Mobilization* 8, no. 1 (February 2003): 87–107; and Jennifer E. Mosley, "The Policy Advocacy Role of Human Service Nonprofits: Incentives, Involvement, and Impact," in *Human Services as Complex Organizations*, 2nd ed., ed. Yeheskel Hasenfeld (Thousand Oaks, CA: SAGE, 2009), 505–31.

5. Lester M. Salamon, "Government–Nonprofit Relations from an International Perspective," in *Nonprofits & Government: Collaboration & Conflict*, 2nd ed., ed. Elizabeth T. Boris and C. Eugene Steuerle (Washington, DC: The Urban Institute Press, 2006), 399–436.

6. Clarence N. Stone, *Regime Politics: Governing Atlanta, 1946–1988* (Lawrence, KS: University Press of Kansas, 1989); and James M. Ferris, "The Role of the Nonprofit Sector in a Self-Governing Society: A

View from the United States," *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 9, no. 2 (June 1998): 137–51; and Richard C. Hula, Cynthia Y. Jackson, and Marion Orr, "Urban Politics, Governing Nonprofits, and Community Revitalization," *Urban Affairs Review* 32, no. 4 (March 1997): 459–89.
7. Douglas Yates, *Neighborhood Democracy: The Politics and Impacts of Decentralization* (Lexington, MA: Lexington Books, 1973).
8. Matthew A. Crenson, *Neighborhood Politics* (Cambridge, MA: Harvard University Press, 1983); and John R. Logan and Gordana Rabrenovic, "Neighborhood Associations: Their Issues, their Allies, and their Opponents," *Urban Affairs Review* 26, no. 1 (September 1990): 68–94.
9. Jeffrey M. Berry, Kent E. Portney, and Ken Thomson, *The Rebirth of Urban Democracy* (Washington, DC: Brookings Institution Press, 1993); Richard P. Taub et al., "Urban Voluntary Associations, Locality Based and Externally Induced," *American Journal of Sociology* 83, no. 2 (September 1977): 425–42; and Yates, *Neighborhood Democracy*.
10. Derrick Purdue, "Neighbourhood Governance: Leadership, Trust and Social Capital," *Urban Studies* 38, no. 12 (November 2001): 2211–24.
11. Mark Chaves, Laura Stephens, and Joseph Galaskiewicz, "Does Government Funding Suppress Nonprofits' Political Activity?" *American Sociological Review* 69, no. 2 (April 2004): 292–316; Kirsten A. Grønbjerg and Lester M. Salamon, "Devolution, Marketization, and the Changing Shape of Government-Nonprofit Relations," in *The State of Nonprofit America*, ed. Lester M. Salamon (Washington, DC: Brookings Institution Press and the Aspen Institute, 2002), 447–70; Jennifer E. Mosley, "The Policy Advocacy Role of Human Service Nonprofits"; Salamon, "Government–Nonprofit Relations from an International Perspective"; Hillel Schmid, Michal Bar, and Ronit Nirel, "Advocacy Activities in Nonprofit Human Service Organizations: Implications for Policy," *Nonprofit and Voluntary Sector Quarterly* 37, no. 4 (December 2008): 581–602; and Steven Rathgeb Smith and Michael Lipsky, *Nonprofits for Hire: The Welfare State in the Age of Contracting* (Cambridge, MA: Harvard University Press, 1993).
12. Susan A. Ostrander, "Local Voluntary Associations and City Re-development: Governance Negotiated," paper presented at the Association for Research on Nonprofit Organizations and Voluntary Associations (ARNOVA) Annual Conference, Alexandria, VA, November 18–20, 2010; and Susan A. Ostrander, *Citizenship and Governance in a Changing City: Somerville, MA* (Philadelphia: Temple University Press, 2013).
13. Local Initiatives Support Corporation of Chicago (LISC Chicago) is the Chicago office of LISC, a national community development intermediary that has historically worked primarily with community development corporations to support their work through the provision of financing, technical assistance, and policy support.
14. Compare this to Robert Chaskin's findings regarding factors that contribute to outsiders' perceptions of legitimacy of community organizations as representatives of their communities. See Robert J. Chaskin, "Fostering Neighborhood Democracy: Legitimacy and Accountability within Loosely Coupled Systems," *Nonprofit and Voluntary Sector Quarterly* 32, no. 2 (June 2003): 161–89.
15. Ibid.
16. From confidential conversation with the authors.
17. Ibid.
18. Ibid.
19. Ibid.
20. The city of Chicago is engaged in the largest and arguably most ambitious effort to remake public housing in the country. Launched in 1999, the "Plan for Transformation" entails the wholesale demolition of the most "distressed" and problematic public housing complexes and the relocation of public housing residents to subsidized housing in the private market using housing choice vouchers, or to newly developed mixed-income developments built on the footprint of former public housing complexes (Chicago Housing Authority, 2008). See Robert J. Chaskin and Mark L. Joseph, *Integrating the Inner City: The Promise and Perils of Mixed-Income Public Housing Transformation* (Chicago: University of Chicago Press, 2015).
21. From confidential conversation with the authors.
22. Ibid.
23. Ferris, "The Role of the Nonprofit Sector in a Self-Governing Society."

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250105.

Organizing First:

A Case for a Hybrid Version of Stakeholder Engagement

by Alan Smith

As this article explains, "Many organizations have a very narrow or linear version of what makes for good engagement." Others, on the far end of the engagement spectrum, provide a looser platform. Here, the author describes a hybrid of these two approaches that can be a useful model for enhancing stakeholder engagement.

The Roosevelt Institute is a nonprofit organization consisting of "thousands of thinkers and doers—from a new generation of leaders in every state to Nobel laureate economists—working to redefine the rules that guide our social and economic realities."[1] This breaks down into a central office of established academics attempting to drive the national

Alan Smith is a community engagement specialist at Consumer Reports (CR), where he works with the Community Mobilization team to build power among CR's members by distributing leadership and investing in them as educators, organizers, storytellers, and testers in their own right. Smith has a master's in Nonprofit Leadership from the University of Pennsylvania. Previously, he was associate director of networked initiatives at the Roosevelt Institute.

"BRIDGING THE GAP" BY GARRY MCMICHAEL/ WWW.GARRYMCMICHAEL.COM

conversation on economics, and a network of college students on more than one hundred and thirty campuses around the country who are organized into a chapter system and who work on a diverse set of public-policy-based issues. Roosevelt is constantly engaged in a number of different experiments, but the process described in this article by which a network of students worked together to write documents collectively is a self-contained, new stakeholder-engagement model.

There are multiple theories of how to deepen engagement with stakeholders and reap the benefits such engagement can bring.

Roosevelt's work draws on and is informed by many other stakeholder-engagement models. Generational attitudes, new technology, and new social norms have created a "participatory society,"[2] and the nongovernmental organizations around the country and the world must adapt to keep up. The notion of simply listening to stakeholders no longer sets an organization apart.

The Status Quo

Many organizations have a very narrow or linear version of what makes for good engagement. Volunteers are asked for money or for concrete actions that are designed so that anyone can do them: letter writing, representative calling, social media engagement, and other tasks that fulfill an organizational need. An offshoot of this narrow engagement is the sort of polling that organizations such as MoveOn.org do in agenda setting. These polls are democratic, in that anyone in the organization's universe can participate, and useful for accomplishing such tasks as picking two new campaigns or focus areas from a list.

From the far, other side of the engagement spectrum, there are organizations that provide a looser platform for individuals to make use of. This can take the form of tools, like survey-gathering platforms open to any cause (Change.org),[3] or it can take the form of a more holistic suite of services that are customizable to the needs of different campaigns (NationBuilder, Wellstone, and the like). Roosevelt resembled one of these organizations in its conception and early years.

These two extremes, which I will define here as the *narrow linear end* and the *open sandbox end*, are both useful for certain stakeholder types and certain organizational needs. In its ideal form, Roosevelt exemplifies a hybrid of these two theories of engagement, and can split the difference between the two.

Theories in Play

There are multiple theories of how to deepen engagement with stakeholders and reap the benefits such engagement can bring. Judy Freiwirth's notion of Community-Engagement Governance™ hinges on breaking down traditional barriers among nonprofit staff, board, stakeholders, and other constituents.[4] Her framework posits a robust set of systems for incorporating feedback and expertise into decision making, and it suggests that any organization that engages its stakeholders in such a manner will see benefits not only to decision making but also to stakeholder buy-in and connection to the organization. This plays out in the collaboration among students, alumni, and staff that happened at Roosevelt around its collective writing process, with a clear increase in organizational buy-in as well as superior outcomes. The Roosevelt example differs from Freiwirth's focus on board-level decisions, however; while the project was part of the organization's mission and goal setting and did engage board members to a certain extent, it did not focus on board-level decisions.

Other studies of stakeholder engagement focus on board governance as vital to how NGOs operate. Chao Guo and Juliet Musso define what "representation" (an oft-cited concept) means for organizations, categorizing different dimensions that representation in a nonprofit can take. The categories include *substantive*, *symbolic*, *formal*, *descriptive*, and *participatory* representation, and the article then subdivides those categories into ways in which organizations archive representation (*formal*, *descriptive*, and *participatory*), and ways in which organizations go about standing for their members and exercising that representation in terms of using power (*substantive* and *symbolic*). Guo and Musso argue that an "organization can enhance its representational capacity by establishing representative structures through which the views and concerns of its constituents and the larger community are represented by those who speak on their behalf in the organization."[5] This gives us a useful framework for discussing Roosevelt, as the organization attempted to create avenues for undergraduate college student stakeholders to hold substantive, symbolic, and participatory representation during different moments of the work.

Another particularly relevant case study tracks the role of how Italian bank foundations have handled community representations, and extrapolates that role to the Guo and Musso framework above.[6] This analysis unearths a new set of mechanisms to be used in situations in which the community is legally required to be on the board and is thus baked into the decision making of the organization. This places Roosevelt in the context of organizations that have built in representation structurally at the board level, but also shows the limited methods and outcomes that are available for board-level stakeholder engagement.

Jason Mogus and Tom Liacas studied multiple organizations and outlined four key ways that nonprofits were making effective change. Successfully networked organizations, in their rubric, *open themselves to grassroots power*, *build cross-movement network hubs*, *frame a compelling cause*, and *run with focus and discipline*.[7] Roosevelt's collective writing processes engaged with the first, second, and fourth points of the Mogus/Liacas rubric, being driven by the grassroots power of the student chapters and featuring collaboration between chapters networked together while still providing a strong focus and direction from the central office of the institution. The view that a nonprofit that implements these theories will be more likely to build successful advocacy campaigns and make long-term change is perhaps the most utilitarian look at engagement discussed here.[8]

Roosevelt as an Example of a New Version of Stakeholder Engagement

The Roosevelt networks, with their college students loosely affiliated in chapters around the country, are useful to study as NGOs emblematic of a new generation's preferences and desires. The theories that were applied in the collective writing processes are not new, but the application—in an age where many promise engagement, and a stakeholder's ability to detect deception is at an all-time high—is instructive and perhaps unique. Given the limited number of people who can participate at the level of being on a board or substantively contributing to the high-level direction of an organization, these processes can be used as an example of how to blend participation and representation as well as linear and sandbox engagement techniques.

The theories that were applied in the collective writing processes are not new, but the application—in an age where many promise engagement, and a stakeholder's ability to detect deception is at an all-time high—is instructive and perhaps unique.

The creation of the *Next Generation Blueprint for 2016* (*NGB*) is useful for understanding how this sort of decision making can unfold.[9] This is the third document in Roosevelt's Blueprint series, and the organization iterated on each successive document, finally striking a balance between process and buy-in on the one hand and coherent products on the other.

The document lays out a student-created policy agenda that we hoped legislators would address, with values-based areas of focus paired with specific policy recommendations. Because, as Roosevelters wrote, "we believe that it matters *who* writes the rules, not just *what* rules are written, it includes recommendations for rethinking how young people engage in the decision-making process by increasing voter access and diversifying the pool of emerging leaders."[10] The final report also includes a lobbying tool—a tearaway set of recommendations for how political leaders can engage with the millennial generation.[11]

The writing of the *NGB* document involved a series of back-and-forth exchanges of information between groups of Roosevelt stakeholders and Roosevelt staff. Everything in the document, including our eventual thesis, came from spaces built with our stakeholders, and the result was a high degree of buy-in throughout the student network.

The process started with a group of twenty-two alumni and students who had demonstrated a long-term dedication to and interest in Roosevelt's work. To help guarantee that the early idea-creation phase never became completely open ended, participants were given an initial set of readings, which included a paper that had been written by Roosevelt thinkers. Discussion around this document, *Rewriting the Rules of the American Economy*, gave rise to the eventual thesis.[12]

The following, from participant student Beverly Harp, gives a sense of the early processes as students grappled with priorities and with applying some sort of structure to the document:

> I also really like what Adam said about the intersection of education and an inclusive democracy. It sounds like we might have one policy about improving access to education and another on political representation, so detailing this intersection could be effective in our thesis.
>
> I fully agree that creating real representation in our political process and figuring out a way to put people back at the center of our economy will be two of the biggest challenges our generation will face. A stronger education system and pre-K programs in particular would be the result of both, but at the same time improving access to education would strengthen participation in our democracy and mobility in our economy.[13]

The group brainstormed together, had a few calls, and used a collaborative tool called Loomio to come up with an initial framework for the document outlining that who rewrites the rules matters as much as what the rules are. This is, essentially, a pro-democracy idea, rising out of a space that was created as intentionally democratic. The original discussion group also attached a perspective to that thesis statement: that the unifying policy notion all our work fell under included the need for democratic access reform or a societal and legal investment in making sure that more people could be a part of writing the rules. This formative discussion was organized and shepherded by staff but not directed by us after giving them the original task.

With an initial thesis set, Roosevelt turned to the entire network of students. Using an online survey, Roosevelt recorded students' priorities vis-à-vis a series of different issue areas. Questions were designed to get both objective rankings of and subjective opinions on seven different policy areas: civil and human rights; education; economic development; energy and environment; healthcare; democratic access; and foreign policy. The survey was designed with assistance from the original steering group and then forwarded to the entire network. The one-thousand-plus results defined Roosevelters' political priorities, delineated the top three issue areas that the network believed were important in 2016 (education, economic development, and human rights), and dug into each of the seven policy areas to define how respondents believed the country should tackle important priorities in each area. For example, 28 percent of respondents identified an overhaul of how we fund K–12 education as the most important education issue to address in 2016, and 24 percent identified decreasing the burden of student debt.[14]

Using this data, Roosevelt staff built discussion groups of student and alumni experts in the top three issue areas. That meant guided two-hour video calls organized around education, economic development, and human rights, in which students and alumni reacted to the survey results and sketched the framework for concrete policy recommendations that accomplished the lofty goals put forward by the survey.

It was particularly exciting when these conversations moved us into the cutting edge of what was happening on the ground around the country. In late 2015 and early 2016, when the document was being constructed, there was an important conversation happening nationwide around human rights in the form of the Black Lives Matter movement. Two students who were engaged locally in that work joined our human rights working group and led an interesting discussion critiquing our first draft and bringing in examples of how current policy was failing people with whom they were working.

This gave rise to a philosophical discussion to complement the public policy one we'd been having. On the one hand, this resulted in a more robust set of recommendations of alternatives to incarceration, as well as a recommendation that the nation create more spaces for community oversight of police—things that have mirrored other groups working in human rights since then

It was particularly exciting when these conversations moved us into the cutting edge of what was happening on the ground around the country. In late 2015 and early 2016 . . . there was an important conversation happening nationwide around human rights in the form of the Black Lives Matter movement.

and proven relevant as the conversation has unfolded. On the other hand, one of the participating students wrote, "I think that focusing on holding police accountable doesn't really get at the core. What we're really asking for is a reduction in the mass criminality of black and brown bodies."[15] Thus, our discussion was both practical and theoretical, which we attempted to reflect in the eventual document. The student discussions here did more than give folks a chance to participate: they taught many participants new things and changed their perspectives, as well as actively improved Roosevelt's final paper.

The iterative process continued with staff writing up the conversations and the same groups meeting again to critique and improve the product. This yielded concrete recommendations, like the following regarding how to achieve the goals in economic development: "Utilizing the tax system to reduce actions that are overly risky by passing a financial transactions tax (FTT) and creating a Financial Infrastructure Exchange. This would limit some of the worst market distortions created by rapid trading and realign incentives away from short-termism."[16] Thus, feedback from participants on those calls became the core of the eventual document, with staffers integrating advice down to the level of wordsmithing each of the top three sections and developing individual policies. Finally, the document highlighted the successes of individual chapter projects or star students over the course of the year, and was supplemented by quotes that individuals had delivered as a part of the long-form answers requested in the survey. The final text was turned over to a set of editors and designers to achieve its final layout and construction.

This process, while lengthy, illustrates a fine line between the narrow linear end of engagement strategy and the open sandbox end of creating truly distributive leadership with no form of institutional oversight. As one can see, these discussions had aspects of collaboration and discussion on the one hand and gave each group a coherent set of inputs to react to on the other. This process was able to be engaging *and* resulted in a readable final project, because the document found a balance in having been written both by staff and by many disparate voices with no common thread. By setting achievable goals for each of these iterative levels of engagement, Roosevelt created spaces that were not too wide in scope yet allowed people to bring in their own expertise. Participants were left with a feeling of meaningful engagement while creating work that Roosevelt could easily use.

There was, of course, plenty of nudging, corralling, and reminding that went into this document. Some students left their working groups along the way, while others became excited by a particular idea and jumped in late in the process. However, it was remarkable to see the ways in which students *did* take ownership of the process, and how they embraced their cohort. Two years later, I've had students reference the discussions as the high point of their college experience, and connections were formed during these discussions that have resulted in interesting organizing collaborations like EveryDistrict (a political action group) and a student-run data-visualization project.

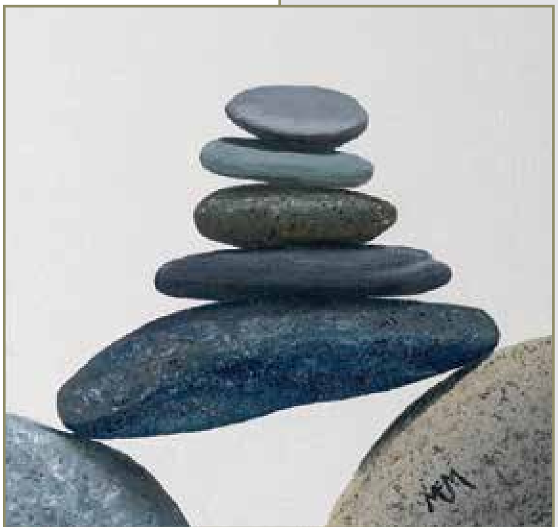
Roosevelt's flat organizational structure or lack of hierarchy was useful with regard to how this project unfolded. That is not to say that every moment of engagement was democratic—it wasn't. Rather, we didn't give preference to any set of ideas, part of the organization, or hierarchical system with respect to how we chose the different groups.

The process of collective document creation must begin far ahead of collecting the data one intends to use, to avoid any top-down decision making that might feel forced or not organic. It begins with organizers listening and talking with constituents, gathering up and (sometimes) dismissing ideas, starting over, and building things together. It looks like the slow build of a campaign. The clearest signals we've received at Roosevelt have been when we assign projects without collaborative input: students don't say no—they just fade away.

This process, while lengthy, illustrates a fine line between the narrow linear end of engagement strategy and the open sandbox end of creating truly distributive leadership with no form of institutional oversight.

• • •

It is clear that Roosevelt is an organization with many of the theories of Community-Engagement Governance™ baked into its organizational DNA. Within the network, there have never been



Applying a Hybrid Model of Stakeholder Engagement Elsewhere

The writing of *Next Generation Blueprint for 2016* was specific to Roosevelt's needs and audiences. However, there are stakeholder engagement theories that can easily be applied to other types of organizations.

Community Foundations

Due to their inherent mission, community foundations can and should be playing a leadership role in the community. They are, in fact, chartered to do so. This hybrid model of stakeholder engagement can be applied to making sure a foundation's grant giving is focused on issues that are relevant to and connected to the needs of the community. As participatory budgeting and other democratic-focused projects suggest, the result of such an approach would stretch beyond simply more relevant grant giving (an important prize unto itself) and into improving the foundation's relationship with the community it represents. Building trust between an institution and its constituency is important.

Membership Nonprofits

These groups can be taking better advantage of their supporters and gaining more in terms of buy-in and loyalty. Taking advantage of an engaged membership allows a nonprofit to punch above its weight class, having outsized effects on its mission work. The extra resources that must be spent in creating a hybrid level of engagement pay off when you consider successful organizations that are taking advantage of their membership—from 350.org to the National Rifle Association (NRA). The challenge, however, is having enough knowledge about one's own stakeholder set to source the right people and put them in the right positions to succeed.

Networks of Organizations That Have a Similar Issue Area or Goal

Collaboration among different organizations can be difficult, as each group has a unique mission and a need to establish its own brand as relevant and important to funders and constituents alike. The flat hierarchy of the Roosevelt writing process can be useful in this context for building a process of collaboration among organizations.

governance structures other than this flat, stakeholder-driven model. Within the larger Roosevelt organization, the stakeholder-driven model of the networks has often run counter to the more top-down structures of the economic-focused think tank. Clearly, the networks have embraced some aspects of Freiwirth's framework, while others remain untapped: planning and advocacy are strongly represented, while fiduciary care and evaluation responsibilities are less robust.

In addition to membership organizations, Roosevelt can be a useful model for groups working in coalition. Building a small group of passionate individuals from different organizations (like the core group of students and alums from different chapters who opened the *NGB* process) can work as a frame for a coalition. This, followed by large numbers of rank-and-file members of each organization contributing in small ways (via survey or the like), can also be engaged toward a common goal in a similar manner. Many coalitions fail because one organization holds dominance due to history, resources, or the like—creating an unequal playing field. The Roosevelt model helps to ameliorate this problem.

Conversely, however, if a major selling point is that the stakeholder is engaged with building the project or the idea, this can make long-term campaigns difficult. In this context, stakeholders learn to have the expectation of being involved from the ground up and thus do not join in or continue something that is already up and running. We saw this in the Roosevelt case—students who came to the network late in the *NGB* process or after publication were interested in the fact that the document existed but not as excited to use it as a jumping-off point for their own work. In an organization where turnover is built into the system, with constant matriculation and graduation, this represents a serious problem. For long-term engagement, we need other methods of bringing stakeholders into a project or organization already at full speed.

Many coalitions fail because one organization holds dominance due to history, resources, or the like—creating an unequal playing field. The Roosevelt model helps to ameliorate this problem.

Notes

1. "Let's Reimagine the Rules: Until economic and social rules work for all, they're not working," About the Roosevelt Institute, Roosevelt Institute, accessed January 26, 2018, rooseveltinstitute.org/about/.
2. Gregory D. Saxton, "The Participatory Revolution in Nonprofit Management: The Emerging Participatory Society and Its Implications for Nonprofit Organization, Governance, and Management," *Public Manager* 34 (2005): 34–39.
3. See Greg Beato, "From Petitions to Decisions," *Stanford Social Innovation Review* 12, no. 4 (Fall 2014).
4. Judy Freiwirth, "Community-Engagement Governance™: Systems-Wide Governance in Action," *Nonprofit Quarterly* 18, no. 1 (Spring 2011): 40–50.
5. Chao Guo and Juliet A. Musso, "Representation in Nonprofit and Voluntary Organizations: A Conceptual Framework," *Nonprofit and Voluntary Sector Quarterly* 36, no. 2 (2007): 308.
6. Gina Rossi et al., "Towards community engagement in the governance of non-profit organisations," *Voluntary Sector Review* 6, no. 1 (March 2015): 21–39.
7. Jason Mogus and Tom Liacas, *Networked Change: How progressive campaigns are won in the 21st Century* (Ganges, BC: NetChange Consulting, 2016).
8. Ibid.
9. *Next Generation Blueprint for 2016* (New York: Roosevelt Institute, 2016).
10. "Next Generation Blueprint for 2016: Report," Roosevelt Institute, accessed January 26, 2018, rooseveltinstitute.org/next-generation-blueprint-2016-report/.
11. *Next Generation Blueprint for 2016*, 32.
12. Joseph Stiglitz et al., *Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity* (New York: Roosevelt Institute, 2015).
13. Beverly Harp, in response to a question posed by the group via Loomio, on May 22, 2015: "What is the greatest economic/social challenge our generation faces?"
14. *Next Generation Blueprint for 2016*, 8, 11.
15. Ibid., 21.
16. Ibid., 16.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250106.

You First: Leadership for a New World

"Three Tests of Leadership"

by Mark Light, MBA, PhD

When the author first encountered the notion of servant leadership, he wondered how to put it into action. Then he realized that the concept was not so much a toolkit for leading as a tool for evaluating the efficacy of one's leadership.

About a decade ago, I decided to be the best leader ever. Okay, maybe not the best—that's beyond my reach—but certainly better. I got things done, that's true. Our organization accomplished a lot. But it wasn't always pretty from the corner office.

I came across servant leadership by accident, and it just sounded good. So straightforward. How hard could it be? Surely, once I understood the "whats" of servant leadership it would be a snap.

According to Robert Greenleaf (the man who coined the term), servant leadership "begins with the natural feeling that one wants to serve, to serve *first*."[1] (Although many give credit for servant leadership to Greenleaf, others say that Jesus Christ beat him to the punch.[2]) Servant leadership is intuitively appealing. It just makes sense, and has what researchers call "face validity." Who wouldn't want to be a servant leader? We're in the nonprofit sector after all, and who among us doesn't come to the work wanting to serve? Says leadership expert Peter Northouse, "Servant leadership argues unabashedly that leaders should put followers first, share control with followers, and embrace their growth."[3] What's not to like?

But, appealing as servant leadership sounds, some aren't so sure. One argument is that the concept is "often confounding upon cursory examination, is not easily captured, and is not amenable to quick application."[4] Per James Showkeir, criticism of servant leadership tends to be that it is "too touchy-feely; it does not have enough business focus; it has too many religious overtones; it is not for companies under financial strain; or it is good when times are good, but, under stress, 'business as usual' prevails."[5] And one last thing: "along with the 'value-push' prescriptive quality," writes Northouse, "there is an almost moralistic nature that seems to surround servant leadership."[6] As my mother used to say, "Goodness gracious, sakes alive!"

If servant leadership is all that, plus underresearched and largely philosophical, why do experts in the field like Ken Blanchard, Peter Block, Stephen Covey, Peter Drucker, Jim Kouzes, Peter Senge, and Margaret Wheatley endorse it so enthusiastically?[7] Count positive orientation, spiritual foundation, and consistency with accepted management principles.[8] Another reason servant leadership may be so beguiling is that people are reluctant to criticize such a positive movement; another equally credible rationale may be, "Why not?" After all, any leadership theory that seeks to enhance individual consideration and has ethical underpinnings has legitimacy in my book.

With all this said, servant leadership as a practical tool does seem pretty hard to put into action. What does it mean to serve first? How are you supposed to do that in practice? Compare servant leadership to the pragmatic category killers in the leadership literature like James Kouzes and Barry Posner's *The Leadership Challenge*, now in its sixth printing and still a top seller. The authors argue that exemplary leaders should "Model the Way, Inspire a Shared Vision, Challenge the Process, Enable Others to Act, Encourage the Heart."[9] Now this is what I call practical. Not so with servant leadership. I get that I should be, as Northouse puts it, "altruistic and humanistic," but where's the toolkit?[10]

Here's what I finally figured out: servant leadership isn't a toolkit for leading per se, but it *is* a darn good tool for evaluating how good a leader you are. Eureka!

The price of admission to be a servant leader is to want to serve. Use whatever leadership approach you want. Use *The Leadership Challenge*, transactional leadership, transformational leadership, web of leadership, leadership secrets of Captain Underpants, whatever. Your approach, style, how you roll is your call, but the test of your leadership is where the rubber meets the road:

> The difference manifests itself in the care taken by the servant, first to make sure that other people's highest priority needs are being served. The test I like best, though difficult to administer, is: Do those served grow as persons; do they, *while being served*, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged person in society; will she or he benefit, or at least, not be further deprived?[11]

I'm a big fan of Frank Capra's *It's a Wonderful Life*, and I'll use it to illustrate the three-part test of servant leadership outlined above. The first test is whether those you've served grow as people. On the morning of Christmas Eve, Uncle Billy (George's lovably incompetent finance guy) loses a payment to old man Potter's bank (Potter actually stole it). In three possible variables explored in the movie, George pays up, goes under, or kills himself for the life insurance money to pay off the loss. But thanks to his altruism over the years, George's community of customers take it on themselves to cover the loss. Everyone sings "Auld Lang Syne," and the movie ends. Cue tissues.

The second test of servant leadership is whether or not those served become servants themselves. This is the servant leadership rule: "Do unto others as you would have others do unto others."[12] During the 1932 banking crisis, Tom (George's "Grumpy Cat" customer) leads a rebellion to sell George out to old man Potter. Guess what? On Christmas Eve, thirteen years later, he's among the first to dig deep into his wallet.

The last test of servant leadership is the effect on the least privileged, which is clearly substantial. What would Bedford Falls (where George lives) be like had George not been born? It would have been Pottersville: a tawdry, unseemly place populated by down-on-their luck people—including Mr. Gower, the town drunk castigated and ridiculed for accidentally poisoning a customer. But George *was* born, and none of that Pottersville stuff happened.

When we leaders look back upon our lives, will we really spend time remembering the deficits or surpluses, the boards of directors that didn't raise enough money? Not a chance. If we use the servant leadership tests, we'll help others transform their lives. And that's something to remember—that's a wonderful life!

Notes

1. Robert K. Greenleaf, *The Power of Servant Leadership*, ed. Larry C. Spears (San Francisco: Berrett-Koehler Publishers, 1998), 123.
2. Sen Sendjaya and James C. Sarros, "Servant Leadership: Its Origin, Development, and Application in Organizations," *Journal of Leadership and Organizational Studies* 9, no. 2 (2002): 57–64.
3. Peter G. Northouse, *Leadership: Theory and Practice*, 7th ed. (Thousand Oaks, CA: SAGE, 2015), 240.
4. Hamilton Beazley and Julie Beggs, "Teaching Servant-Leadership," in *Focus on Leadership: Servant-Leadership for the Twenty-First Century*, ed. Larry C. Spears and Michele Lawrence (New York: John Wiley & Sons, 2002), 53–64.
5. James D. Showkeir, "The Business Case for Servant-Leadership," in *Focus on Leadership*, 153–66.
6. Northouse, *Leadership: Theory and Practice*, 241.
7. Robert F. Russell and A. Gregory Stone, "A review of servant leadership attributes: Developing a practical model," *Leadership & Organization Development Journal* 23, no. 3 (2002): 145–57; Sendjaya and Sarros, "Servant Leadership"; and John Burkhardt and Larry C. Spears, "Servant-Leadership and Philanthropic Institutions," in *Focus on Leadership*, 223–43.
8. Mary Ann Bowman, "Popular Approaches to Leadership," in *Leadership: Theory and Practice*, 1st ed., ed. Peter G. Northouse (Thousand Oaks, CA: SAGE, 1997), 239–60.
9. Ibid.
10. Northouse, *Leadership: Theory and Practice*, 239.
11. Greenleaf, *The Power of Servant Leadership*, 123.
12. Jeree H. Pawl, "On supervision," *Zero to Three* 15, no. 3 (December 1994-January 1995): 21–29.

Mark Light is a trusted coach advisor, top-grade teacher, and street-smart writer. He is founder and president of First Light Group (www.firstlightgroup.com) with a mission to bring your future within reach.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250107.

Life in the Fishbowl: Culture, Cognition, and Communication

by Nat Kendall-Taylor

As this article explains, "For those trying to make sense of current social and political events and communicate ideas into a complex stew of messages and meanings, an understanding of how culture works in our own backyards—and in the backs of our minds—unlocks the door to social change. It is the key."

Culture concerns every one of us, wherever (and whenever) we live. It is ubiquitous, it is common, and it is quotidian. Culture shapes how we think and act as individuals and as members of society. It drives our deepest beliefs and attitudes, supporting how we think about issues big and small, mundane and extraordinary. It shapes how we see our lives, how we think about our work, how we understand our health, and how we perceive the places in which we live. As a set of cognitive constructs, culture gives rise to the policies that structure our world and that determine our individual and social outcomes. It is the force that incites change to the very policies that many of us in the nonprofit sector are working to transform.

Understanding culture—what it is and how it informs our collective understandings and perspectives—is essential to driving social change. If we understand how culture affects our thinking, and see the power that these understandings and assumptions have to drive civic behavior and action, then we can develop and test ways to reframe our thinking and shift the way our society sees and acts on social issues. For those trying to make sense of current social and political events and communicate ideas into a complex stew of messages and meanings, an understanding of how culture works in our own backyards—and in the backs of our minds—unlocks the door to social change. It is the key.

Channeling Perceptions

The debate over education reform offers an illustrative example. For most Americans, the first image that comes to mind of what good education looks like is that of a teacher.[1] And for most Americans, this image is highly gendered. Indeed, it's not just any individual who comes to mind, but a woman—and, specifically, a kind, caring woman who loves her students and has a personal, innate concern for their well-being.[2]

When considering educational quality, Americans' shared focus on teachers and on their level of caring is an example of how culture shapes thinking. It channels our perceptions in particular directions and away from other ideas and possibilities. In this case, as we focus on whether a teacher cares or not, culture directs our attention away from the importance of curricula, resources, learning materials, administrative support, and teacher training. That the gender most associated with the idea of a teacher is female contributes to these issues, by strengthening our focus on caring and further obscuring the importance of external supports and resources. We share an implicit sense that teachers should be willing to make sacrifices for their students, a concept that is rooted in the cultural assumption that mothers—above fathers—should be willing to make sacrifices for their children. And it becomes this willingness of a teacher to care deeply and sacrifice selflessly—rather than the degree of support, access to resources, or quality of curriculum a teacher has access to—that determines whether students succeed or not.

And culture doesn't just shape how we think about teachers—it also shapes how teachers think about their students. Important work by Walter

Gilliam (director of the Edward Zigler Center in Child Development and Social Policy and associate professor of child psychiatry and psychology at the Child Study Center, Yale School of Medicine) is finding that culture shapes how teachers see and treat students—monitoring behavior and attributing blame to young students of color in different ways when compared to their white counterparts.[3]

What about educational outcomes? Why do some students do well while others don't, even when they are from similar backgrounds? For most Americans, most of the time, the answer is a short list of individual factors—a student's innate intelligence or level of effort, or his or her parents' commitment to education and involvement in school.[4] This is also a function of how culture affects thinking. Here, culture focuses our attention on isolated facets of a much more complicated phenomenon, obscuring an important part of understanding why some kids succeed in school and others don't. It blocks out systemic and environmental factors, such as poverty, racism, and access to healthcare, safe housing, nutritious food, play spaces, and more.

Culture? What Culture?

Like the air we breathe, our culture constantly influences how we see the world, organize it, and act in it. For the most part, culture plays its role without our even knowing it. In the words of prominent psychological anthropologist Naomi Quinn, culture is "referentially transparent," nudging us into connections that seem so natural and commonsensical that we cease to see them as connections made and view them as natural truths.[5] This way of thinking about culture is captured by the above cartoon.

It may be tempting to believe that culture affects thinking for many Americans but surely not those of us who are highly informed and attentive to issues, but think again. Ask yourself what determines a child's development, why a child turns out the way that he or she does. I'm guessing that for most, the answer will be "parents." Indeed, for most Americans, most of the time, parents is the top-of-mind answer. But while it's undeniably true that parents powerfully and uniquely shape how a child turns out, there are many other factors that explain developmental outcomes and shape individual differences. For one thing, the context in which a family lives and where a child grows up is one of the most powerful shapers of development;[6] this, at a minimum, ought to show up on people's lists. But it doesn't. Despite the fact that context determines access to resources, sources of supports, and stressors in a way that shapes every aspect of life, American culture promotes a focus on parents and a way of seeing family as insulated from rather than connected to wider environments.

A Steady Stream of Stories

At FrameWorks, we call this narrow focus on the family, the "family bubble"; it is a powerful pattern of thinking that screens out other shapers.[7] And this cognitive meme is the result of exposure over time to a common information and experience environment that has led us in a deep and powerful way to focus our attention on certain ingredients of the developmental process and away from others. Looking at media messages over time helps us to make sense of this. We see a steady and selective stream of cues, ideas, images, and stories that have over time shaped the arc of our attention and filed our focus to a narrow edge. Our thinking is honed and sharp when it comes to certain ideas but unpracticed and dull when it comes to others.

How about what determines whether (and explains why) someone is obese? In a discussion about obesity, most Americans will talk about a person's choices, willpower, and discipline. While people may think they are expressing a private view or even a factual "truth," in reality that's culture again, sneaking in and shaping how we see the world. Culture is not wrong, but it is limiting—it keeps us from seeing the whole picture and hearing the whole story. As a result, we fail to see how our environments influence our health, whether through access to bike paths and safe play spaces in our communities or to healthy food and physical education at school. It pushes our attention and traps it in certain ways that make it hard to see other important parts of the story. And when we've decided that we "know the story," we stop thinking. We stop trying to figure it out. We stop being open to new information, and are unlikely to engage with new ideas or change our views.

Culture is surely about the behaviors, practices, materials, and patterns of social organization that mark membership in and differences among groups. Culture is absolutely out there in our material and social worlds. But culture is also *in here*. It is psychological. And the locations of culture are connected in what cultural models researcher Bradd Shore has called the "double birth" of meaning.[8] Forms of culture in the mind—assumptions, implicit understandings, patterns of reasoning—also exist in the material world: in architectural forms, rituals, and, most famously, language. In this way, our ability to make sense of our worlds is born both from the culture we hold in mind and from the way that our constructed social and material realities embody and reinforce these understandings.

An elegant example of this interplay between culture on the inside and culture on the outside can be found in Shore's structural analysis of the American sport of baseball. Shore describes the ways in which the very rules and structure of the game engage cultural tensions and tropes in our thinking about individuals and collectives, home and away, and time and space—reinforcing the way we think and see the world. Like this, culture is built into our sports and rituals in ways that remind us, in this case, of some of the deepest tensions that we constantly straddle and negotiate. Baseball, according to Shore, gives us a way to play with culture, and in so doing, drives it deeper into our collective psyche.[9]

Culture Shapes Cognition

Cultural psychologists and psychological anthropologists have long thought about culture and cognition as fundamentally intertwined. With this lens, culture can be seen as a set of shared assumptions and implicit understandings that shape how groups of people think about how the world works and why it is the way that it is.

This view on culture is born out of a drive to understand *how* people think, not just what they say or the opinions that they hold. From a communications perspective, understanding how thinking works and understanding the models that people use when thinking is an infinitely more flexible, durable, and powerful tool than a tally of responses to a set of questions. The explanatory *how* yields a deeper strategy than the descriptive *what*. With an understanding of how thinking works, communicators can predict and anticipate how people will respond to issues and how they will work with information. This enables communicators to arrive at sound and testable hypotheses for cutting through unclear and/or incorrect assumptions and models and communicating ideas more effectively.

The study of how culture influences thinking offers another strategic insight—people are rarely, if ever, of a single mind on any given complex issue. Rather, culture in mind comes as a set of lenses that, with the right cue, can be applied to thinking about the same issue in dramatically different ways. This is why I can think about children as little adults one second, and as not really people but rather their own individual species in the next. And this is the meta-connection between anthropology and framing: this "of multiple minds" way of thinking about thinking lies at the core of strategic framing. In its cues and contexts, our communications (linguistic and otherwise) have the power to activate one or another cultural lens on how an issue works, what it's about, and what can and should be done to address it.

This way of thinking about the culture we are all swimming in allows us to explain why we think the way we do about the social issues we care about. It enables us to predict the directions people will go in when we ask them to think with us about how issues work: how climate change happens, why some people become addicted and others do not, how the immigration system functions, where people end up living.

Culture Complicates Communications

Understanding how culture shapes cognition is key to cutting through mired communications and moving people in new directions. We can't hope to make progress on issues like immigration, addiction, climate change, and affordable housing if we don't understand the culture we are communicating from and into, and the power it has to block, morph, or amplify our messages and ideas. If we understand that most Americans see housing as a consumer good that offers us quality we can pay for—and that we deserve what we get—we can see why framing housing issues around the values of hard work and deservingness only make affordable-housing reforms harder to think about and more difficult to get behind. Seeing culture in mind allows us to predict the effects of messages on thinking, feeling, and acting, and provides insight into how alternative messages might change the tint of culture and lead to new optics.

If you're a communicator, culture is constantly complicating your job. If you're not aware of *how* culture filters and shifts the meaning that people make of your messages, your communications are likely to go unseen or unnoticed—or worse, be distorted, compounding the very problems you're seeking to solve. If, on the other hand, you understand the shared cognitive equipment that people have and use to understand your issues, you can be intentional and strategic in helping people to take in what you're trying to say. This is what being a strategic communicator is all about.

If you know that Americans have two distinct ways of thinking about government—one in which government is inept, wasteful, and corrupt, and another in which government performs vital public services that we all rely on—and if you know what activates these ways of thinking and where these ways of thinking take people, then and only then can you be strategic in your issue framing.[10] You can avoid the traps of ill-conceived framing and use your messages to lure and pull forward more positive and productive ways of thinking. If you know that people think about climate change as a huge, scary, and unapproachable problem yet also realize fundamentally that nature exists as a set of beautifully balanced and interconnected systems, you can use this knowledge to boost engagement with climate change.[11] If you know that people can think of immigrants as "them" yet simultaneously as "us," you can choose cues that activate dramatically different responses to discussions of immigration. In this case, different cultural lenses can be cued by something as seemingly insignificant as the pronouns you pick.

• • •

We live in culture our whole lives. It's with us everywhere we go and in everything we see. Realizing how it shapes thinking and using our messages to bring its various facets productively to light are the core of communications and at the heart of being strategic about them. To effect real and lasting change, we must understand culture as a system of beliefs that exists inside our minds and in our collective consciousness. If we want to change the culture around us, we must first change the culture in mind.

Notes

1. Susan Nall Bales and Moira O'Neil, *Putting it Back Together Again: Reframing Education Using a Core Story Approach*; *A FrameWorks Message Memo* (Washington, DC: FrameWorks Institute, November 2014).

2. Nathaniel Kendall-Taylor, *Understanding Teachers' Collective Role in Reform: Mapping the Gaps Between the Expert and the Public Understandings of Teachers' Unions*; *A FrameWorks Research Report* (Washington, DC: FrameWorks Institute, June 2010).

3. Gaby Galvin, "Even Preschoolers Face Racial Bias, Study Finds," *U.S. News & World Report*, September 28, 2016, www.usnews.com/news/articles/2016-09-28/yale-study-finds-preschool-teachers-watch-black-boys-closer-for-bad-behavior.

4. Susan Nall Bales et al., *Talking About Skills and Learning: A FrameWorks MessageMemo for the Core Story of Education Project* (Washington, DC: FrameWorks Institute, February 2012).

5. Naomi Quinn, ed., *Finding Culture in Talk: A Collection of Methods* (New York: Palgrave Macmillan, 2005).

6. Joseph J. Tobin, David Y. H. Wu, and Dana H. Davidson, *Preschool in Three Cultures: Japan, China, and the United States* (New Haven, CT: Yale University Press, 1991); and Thomas S. Weisner, "Ecocultural Understanding of Children's Developmental Pathways," *Human Development* 45, no. 4 (July-August 2002): 275–81.

7. *Talking Early Child Development and Exploring the Consequences of Frame Choices: A FrameWorks MessageMemo* (Washington, DC: FrameWorks Institute, July 2005).

8. Bradd Shore, *Culture in Mind: Cognition, Culture, and the Problem of Meaning* (New York: Oxford University Press, 1996).

9. Ibid.

10. Lynn Davey and Susan Nall Bales, *How to Talk About Budgets and Taxes: A FrameWorks MessageMemo* (Washington, DC: FrameWorks Institute, October 2010).

11. Susan Nall Bales, Julie Sweetland, and Andrew Volmert, *How to Talk about Climate Change and the Ocean: A FrameWorks MessageMemo* (Washington, DC: FrameWorks Institute, September 2015).

Nat Kendall-Taylor is CEO of the FrameWorks Institute. Kendall-Taylor oversees the organization's pioneering research-based approach to strategic communications, which uses methods from the social and behavioral sciences to measure how people understand complex sociopolitical issues and tests ways to reframe them to drive social change.

"Click to Donate": Which States Have Jurisdiction over My Online Fundraising?

by Karen I. Wu

As the author points out, "Over the last decade, the Internet and social media have radically changed the nature of charitable fundraising. Today, even the smallest local charity can raise or receive funds from individuals all over the country and the world." This article, which outlines the regulatory requirements for online fundraising, is a must-read for any organization that raises or receives funds over the Internet.

Over the last decade, the Internet and social media have radically changed the nature of charitable fundraising. Today, even the smallest local charity can raise or receive funds from individuals all over the country and the world. Donations are often made through websites, social media platforms, mobile apps, and an ever-growing array of peer-to-peer and other online fundraising platforms and technologies.

I am frequently asked whether and to what extent these online fundraising activities trigger state charitable fundraising registration and related compliance obligations. The inquiries come from all types of organizations: local, regional, national, and international; public charities and private foundations; start-up businesses and publicly traded companies; and entities formed in the United States and in foreign countries.

The one thing they all have in common is that they are conducting fundraising activities on the Internet and realize that there could be multistate regulatory implications. For entities that are already registered nationally, the question is whether specific contractual relationships are subject to the laws of the various states (including registration, filing, contract language, and disclosure obligations) when fundraising activities will be conducted online only.

Online fundraising compliance has been written about frequently. Most articles seem to lead readers to one rather simplistic recommendation: *Register nationally if you fundraise online*. The argument is usually presented as follows: Once a charity has received an online donation from a resident of a state, any follow-up solicitation to that donor constitutes soliciting in that donor's state. In order to solicit in the donor's state, the organization must register there. Under the assumption that the charity would want to solicit that person again, the advice is that the organization should just register. This one-size-fits-all recommendation makes a bold supposition that an organization wants to send follow-up solicitations to anyone who has donated online from any state. However, here are some alternate hypothetical scenarios that may warrant another approach:

- A youth charity based in Boston provides educational programs to children from low-income families. The charity has a website, including a donation page, through which it primarily receives donations from Massachusetts residents. It occasionally receives donations from residents of other states, but typically they are small in dollar amount and few in number (e.g., three online donations per year and $150 total from New York residents). The charity sends its out-of-state supporters a donation tax receipt by e-mail but otherwise does not send any solicitations to these donors.
- A start-up T-shirt company located in Vermont has created a special custom-designed T-shirt made from recycled plastic bottles. The

company has produced two thousand limited-edition T-shirts to be sold at $20 each, and advertises on its website that it will donate 20 percent of the sales price from each T-shirt sold on its website to a national environmental-awareness charity. If all of the T-shirts are sold, the company will donate $8,000 to the charity.

Many online fundraising activities in which there is a limited nexus between the charity/fundraiser/company and the state whose regulatory jurisdiction is in question exhibit several or all of the following characteristics:

- The opportunity to donate or make a purchase that benefits a charity is only available online.
- Only a small number of donations (or sales transactions leading to donations) are generated (or likely to be generated) from the state.
- The fundraising activities are short term.
- The charity has no plans to actively target residents of that state now or in the foreseeable future.
- The charity's role is largely passive (this is particularly the case with peer-to-peer fundraising activities and charitable sales promotions).

Charitable fundraising is no longer just a top-down activity initiated by the nonprofit. In fact, opportunities to benefit from ad hoc fundraising activities are being presented to charities by businesses, technology companies, and individual supporters at an unprecedented rate. As such, it is imperative that charities establish a clear compliance strategy to manage the barrage of fundraising opportunities coming their way.

Regulatory Framework

In outlining the regulatory framework for online charitable fundraising, I will review the current status of Internet charitable fundraising regulations, discuss the underlying constitutional and policy concerns with various regulatory approaches, and then outline a systematic approach that organizations can follow to evaluate their compliance obligations on an ongoing basis.

In order to understand the current status of online charitable fundraising regulation, it's helpful to take a quick trip back in time to October 1999. Internet fundraising was in its infancy when members of the National Association of State Charities Officials (NASCO) and the National Association of Attorneys General (NAAG) met in Charleston, South Carolina, and agreed to adopt a set of principles to clarify how state charitable solicitation regulations apply to Internet fundraising. Two years later, in March 2001, *The Charleston Principles: Guidelines on Charitable Solicitations Using the Internet* (the *Principles*) was published. The principles are not binding laws but rather advisory guidelines for state charity officials to consider in applying their charitable solicitation statutes to Internet-based fundraising activities.

The *Principles* asserts that existing registration statutes apply to Internet solicitation. What does that mean exactly? As an example, let's take a look at section 172 of the New York Executive Law, which states that "Every charitable organization . . . [with certain exceptions] which intends to solicit contributions from persons in this state . . . shall, prior to any solicitation, [file with the attorney general]. . . ."[1] If a local organization in Utah puts a "donate" button on its website or hosts a crowdfunding campaign on a third-party fundraising platform's website, for instance, does the charity "intend" to solicit contributions from persons in New York? The principles were established to help regulators apply existing laws to this new frontier of fundraising by *defining and limiting* the circumstances in which a nonprofit must register with a given state based on its online fundraising activities. According to the *Principles*, state registration and reporting regimes apply to Internet solicitations in the following three circumstances:

1. The "entity is domiciled within the state. . . ."[2]

If an organization is soliciting online—that is, it has put up a "donate" button on its website or Facebook page—the organization will be considered to be soliciting in its state of domicile. It is likely that most organizations have registered to solicit in their state of domicile because of their non-Internet fundraising activities (e.g., local, in-person fundraising events or direct-mail solicitations). However, this prong may be newly relevant to one group of organizations—private foundations, which typically do not solicit contributions because they are generally funded by one or a limited number of donors. Increasingly, many private foundations are becoming interested in adding a donation feature to their websites. This is often their first public solicitation activity and would trigger registration in their state of domicile (if the state requires registration to solicit, as most states do).

2. An out-of-state entity that "solicits through an interactive Web site; and . . . specifically targets persons physically located in the state"[3]

If an organization is conducting state-targeted solicitation activities in conjunction with its Internet solicitations, it will need to register in that targeted state. An example of this might be an online charitable sales promotion in which a company advertises through its print brochures—which are mailed into all fifty states—that 10 percent of all sales made through its website during a given month will be donated to a designated charity. This type of promotional activity would subject the promotion to registration and compliance obligations in all applicable states, even though the actual sales transactions only take place online.

The requirement that an out-of-state entity specifically target persons physically located in the state also raises questions when applied to e-mails. According to the *Principles*, a person will be "specifically" targeted if the sender knows, or reasonably should know, the recipient is "physically located in the state."[4] Although e-mail addresses do not generally include geographic identifiers, the *Principles* suggests that there are ways an entity reasonably should know where an e-mail is being directed—for example, if the e-mail address is linked to a physical address as a result of a prior credit card transaction.

3. An out-of-state entity that solicits through an interactive website and "[r]eceives contributions from the state on a repeated and ongoing basis or a substantial basis through" or in response to the website solicitation[5]

Most organizations get stuck on this third prong because the *Principles* does not define with any specificity the terms *repeated and ongoing* (referring to the number of separate contributions) and *substantial* (referring to the total dollar amount of contributions).

The "Annotations to the Principles" section of the document recognizes that for the principles to be useful, "states must draw a bright line, even if that line is somewhat arbitrary and even if it is not the same in all states."[6] In 2006, I cowrote an article arguing that these bright lines are especially important for out-of-state charities soliciting contributions through a website whose contacts with most states is minimal.[7] More than a decade later, we still have very little concrete guidance on this point, and organizations and their fundraising partners are left wondering and worrying about whether they've crossed the line.

To date, only three states have adopted rules or regulations with specific numerical thresholds for applying the "repeated and ongoing" or "substantial" concepts.[8] Their approach to the third prong of the *Principles* involves analyzing three specific data points:

- Number of online donations received from a state in a fiscal year;
- Total online donations received (in dollars) from a state in a fiscal year; and
- Percentage of total contributions comprising the *online* contributions from a state in a fiscal year.

The chart below indicates the three states that have issued regulations defining online donation thresholds. In addition to these three state-specific requirements, the Connecticut Department of Consumer Protection's website includes the following declaration: "The State of Connecticut has not legislatively adopted the Charleston Principles, but we do abide by them."[9]

Where does that leave the remaining forty-six states? While many have not clarified their positions in any way, some have verbally communicated their approaches to certain organizations but have not otherwise provided public written clarification, passed legislation, or adopted regulations. Alarmingly, a few have taken an extremely broad view of their regulatory jurisdiction, including that a charity is required to register in its state if just one resident donates through its website or if residents of its state simply have the *ability* to donate through its website, regardless of whether any donations are received from that state's residents or any targeted solicitations have taken place. Such a broad jurisdictional position could significantly harm smaller organizations within the charitable sector, and—for entities of all sizes—ignores the realities of the borderless world created by the Internet.

The *Principles* acknowledges that a charitable organization needs to have "sufficient minimum contacts with the state to require registration" in that state.[10] The minimum-contacts standard is a constitutional requirement that protects one's right to due process. The Supreme Court has repeatedly reaffirmed that it is unfair for a court to assert jurisdiction over a party unless that party's contacts with the state in which that court sits are such that the party "should reasonably anticipate being haled into court" in that state.[11] Similarly, minimum contacts are required for a regulatory agency to impose its regulations on a charitable organization or fundraiser. It is worth noting that the "Annotations to the Principles" warns that, "If states assert jurisdiction to require registration under circumstances in which constitutional

State	Regulation	Repeated and Ongoing	Substantial
Colorado	Section 10.1.2 of the Rules for the Administration of the Colorado Charitable Solicitations Act	50+ donations	The lesser of $25,000 or 1% of the organization's total contributions in online contributions from Colorado[12]
Mississippi	Rule 2.08 of the Mississippi Charities Act Rules	25+ donations	$25,000[13]
Tennessee	Rule 1360-03-01-.07 of the Rules of Secretary of State Charitable Solicitations Division	100+ donations	$25,000[14]

principles clearly preclude that jurisdiction, then we risk negative court rulings, pre-emptive federal legislation, or both." Let's not forget that the *Principles* also notes that states can still enforce their laws against "deceptive charitable solicitations, including fraud and misuse of charitable contributions" on organizations that are not required to register in the state.[15]

What Now? Developing an Informed Online Fundraising Compliance Strategy

Here are some key considerations and steps that organizations can take to formulate and carry out a strategic compliance plan:

1. *Be aware of all of the organization's (and its fundraisers') fundraising activities.* Examine all affirmative, state-targeted solicitation activities (e.g., in-person, direct mail, television, radio), as well as Internet fundraising activities. Charities should also take account of the activities of their fundraisers—paid or voluntary—as well as the marketing activities of their corporate supporters conducting charitable sales promotions to benefit the charity. Development staff should have basic familiarity with the regulatory framework in order to be able to identify when a fundraising activity may trigger compliance obligations, and should discuss any unclear scenarios with the organization's legal counsel.
2. *Track online donations on a periodic basis.* In light of the "repeated and ongoing or substantial" prong of the *Principles*, it is increasingly important for organizations to monitor how much they are generating in donations online, and from whom.[16] This information should be reviewed periodically, so that when the appropriate thresholds are met the organization can promptly take steps to register or file appropriate contracts. For the time being, the numerical thresholds issued by the three states serve as formal guidelines for Internet fundraising activities in those states, and may be helpful as informal points of reference for fundraising activities in states that have not provided guidance.
3. *Understand the full obligations that come with registration and contract filing.* It may seem a simple solution for a charity to decide it will register everywhere "to be safe," and perhaps the Single Portal Initiative will make that more time- and cost-efficient down the line, but it's important to understand that registration often triggers one or more related compliance obligations in certain states.[17] Those include:
   - Qualifying to do business;
   - Obtaining a registered agent;
   - Submission of audited financial statements (note that an audit costs thousands of dollars, a significant expense for small charities);
   - Prefiling of contracts with commercial co-venturers;
   - Special contract provisions; and
   - Specific disclosures in all solicitation materials.

   Most states assess an annual registration filing fee, and once registered, the process will need to be repeated every year unless or until the organization withdraws or closes its registration.
4. *Ensure that every fundraising contract is separately analyzed, and that there is a coordinated understanding of applicable state compliance obligations.* One way that smaller or newer charities can get into trouble is by being the beneficiary of a charitable sales promotion and failing to register while the company conducting the promotion is submitting the contract to the applicable states.[18] This could result in a deficiency notice being issued to the unregistered charity for soliciting (by participating in a charitable sales promotion in the state) without being registered. Similarly, businesses conducting charitable sales promotions can get into trouble when charities disclose that they acted as a fundraiser or commercial co-venturer for them in a particular state, and the company failed to register there.

• • •

Charities should make sure that each professional fundraiser, fundraising counsel, and commercial co-venturer with which it is working understands where the charity intends to disclose its contract, as well as where the co-venture needs to be registered and/or file contracts and campaign reports because of its fundraising activities for the charity. Do not assume that a general statement in a fundraising contract, such as "Each party agrees to comply with all applicable laws and regulations," provides sufficient protection. Experience shows that the parties often do not have a shared understanding of the applicable laws and regulations. In light of the rapid growth in online fundraising opportunities driven by technological innovation, it is imperative that nonprofits and their fundraisers understand how the current charitable solicitation regulatory framework applies to their online fundraising activities, and put in place appropriate steps to systematically evaluate those activities and carry out any related compliance obligations.

Notes

1. The New York State Senate, Executive Article 7-A, Section 172, accessed January 17, 2018, www.nysenate.gov/legislation/laws/EXC/172.
2. "An entity is domiciled within a particular state if its principal place of business

is in that state." In *The Charleston Principles: Guidelines on Charitable Solicitations Using the Internet*: Final—Approved by NASCO Board as advisory guidelines, National Association of State Charities Officials, March 14, 2001, 3.

3. *The Charleston Principles*, 17. *The Charleston Principles* discusses a distinction between interactive and noninteractive websites. This distinction is largely moot today, because virtually all organizations soliciting contributions have, at a minimum, a "donate" button on their website, which is an interactive feature. The "non-interactive" option was included when the *Principles* was written back in 2001, when many websites were not yet interactive.

4. Ibid., 18.

5. Ibid., 3.

6. Ibid., 13.

7. Seth Perlman and Karen I. (Chang) Wu, "Legal Fundraising in Cyberspace: The Current State of Internet Law, Fundraising, and Revenue Generation," *NonProfit Times* 20, no. 12, June 15, 2006.

8. *The Charleston Principles*, 3.

9. "Frequently Asked Questions from Charitable Organizations and Paid Solicitors," Connecticut Department of Consumer Protection, *Sections 21a-175 through 21a-190l, Connecticut General Statutes*, last modified March 24, 2015, www.ct.gov/dcp/cwp/view.asp?q=467354.

10. *The Charleston Principles*, 16. The constitutional standard of "minimum contacts" sets forth the minimum amount of contacts necessary for a state to exercise jurisdiction over a person or entity.

11. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297 (1980).

12. Secretary of State, Rules for the Administration of the Colorado Charitable Solicitations Act [8 CCR 1505-9], Section 10.1.2, November 9, 2012, 12, www.sos.state.co.us/pubs/rule_making/CurrentRules/8CCR1505-9Charitable.pdf.

13. "Rule 2.08 Determination of Online Solicitation," *Mississippi Charities Act Rules: Promulgated Pursuant to the Mississippi Charitable Solicitations Act*, updated April 2017, Delbert Hosemann, Secretary of State, 8, www.sos.ms.gov/Charities/Documents/Mississippi%20Charities%20Act%20Rules_4%202017.pdf.

14. "1360-03-01-.07: Application of Registration Requirements to Internet Solicitation," *Rules of Secretary of State Charitable Solicitations Division: Chapter 1360-03-01: Regulation of the Solicitation of Funds for Charitable Purposes*, March 2009, 2, sharetngov.tnsosfiles.com/sos/rules/1360/1360-03/1360-03-01.20090320.pdf.

15. *The Charleston Principles*, 8, 1.

16. Ibid., 11.

17. *Single Portal Multistate Charities Registration: A NASCO Public Interest Initiative for Information Sharing and Data Transparency*, September 2015, www.urban.org/sites/default/files/state_regulators_gano_1_-_single_portal_summary_one_page_summary_2015sept.pdf.

18. A "charitable sales promotion" refers to a promotion conducted by a for-profit company in which it advertises that a portion of the purchase price from goods or services sold will be donated to a named charity. Companies conducting these promotions are referred to as "commercial co-venturers."

Karen I. Wu is a partner at Perlman & Perlman, where she advises nonprofits on a variety of issues relating to federal tax exemption, corporate governance, and state charitable solicitation regulation. Wu represents a variety of nonprofits—including organizations addressing issues such as anti-poverty/economic development, the environment, animal welfare, health, and education, as well as churches and other religious organizations and ministries—and counsels both nonprofits and a broad range of for-profit businesses on emerging issues involving corporate philanthropy and cause marketing, including corporate sponsorships, commercial co-ventures, crowdsourced fundraising, and social media campaigns. *Admitted to the New York State Bar only. District of Columbia practice supervised by D.C. Bar member Anthony P. Bisceglie, Bisceglie & Walsh, during pendency of D.C. Bar admissions application.*

Are You a Dipper?
Nonprofits, Sin, and Shadow Loans

by John MacIntosh

Dipping into your restricted funding isn't exactly illegal—and, as the author points out, it "represents an important, perhaps irreplaceable source of informal 'shadow' financing." But dipping is dangerous, and this article advises nonprofits to focus on getting the majority of their working capital self-financed or through appropriately structured third-party debt.

It seems self-evidently bad to borrow money from someone without permission. Yet nonprofits do it all the time. Sometimes, though very rarely, it's fraud; far more often, the nonprofit doesn't *know* it's borrowing or doesn't think of it *like that*. Let me explain.

For-profit businesses require working capital, because they make things before they sell them or provide services in advance of getting paid. The amount of working capital depends on the length of time between the cash outlays and receipts. A successful business satisfies its working capital needs by borrowing or by self-financing through retained earnings.

It might seem that nonprofits don't require much working capital, since their cash revenues often arrive *before* the associated expenses. And this is certainly true for grants. In fact, restricted net assets reflect revenues that have already come in and where the associated expenses have yet to be incurred. But this is not the case for government funding, which is generally provided on a cost-reimbursement basis, with an associated need for working capital to bridge the timing gap. How can a nonprofit finance this need?

One way is to borrow—but this is tricky, since most nonprofits have few unencumbered assets to offer a lender. In addition, the monies coming to them from the government are often too conditional to be considered good receivables by conventional banks, and the payments cannot usually be assigned to third parties (as required by many asset-based lenders). And even if the nonprofit *can* borrow, the interest payments must be funded through philanthropy, because few government contracts treat interest as a reimbursable expense. Debt also introduces a new risk that the organization may not have the people or processes to manage.

A second way is to self-finance through retained, uninvested surplus.[1] In theory, this is the best approach, but in practice it's very tough for many organizations. Consider a typical human services nonprofit: 80 percent government funded, 20 percent privately funded (of which 75 percent is restricted), an average surplus of 1 percent. If the working capital need associated with the government funding is forty-five days, then it would take about six years of average surpluses—with no bumps in the road—to self-finance through internal reserves.

The third way is to dip into restricted private funding, which, unlike government money, is usually paid in advance. The "typical" human services nonprofit described above has more than enough restricted grants to fund the working capital associated with its government contracts. The problem is that if a portion of the restricted grant for program Y is tied up as working capital for program X, then how will program Y ever be fully funded? By using a portion of the restricted funding associated with (future) program Z![2] In effect, the organization borrows from Y to support X and then borrows from Z to support Y, and so on.

It's pretty easy to tell if you are a dipper (and we're not talking about tobacco-stained teeth!). If your operating reserves (unrestricted net assets less fixed assets and associated debt) are negative, then you have dipped into your restricted funding and probably can't make good on your current obligations to restricted funders without dipping into future restricted funding.[3] If your operating reserves are positive but less than the difference between your maximum working capital need during the prior year and the working capital as of your current financial statements, then you probably dipped at some point during the year but are in the clear for now.

Dipping is dangerous because the organization can easily find itself on a debtor's treadmill, where the only way to pay off one unwitting lender is to borrow from another, with no end in sight. Dipping for working capital can also be the gateway for dipping to cover operating deficits: the nonprofit road to perdition. Dipping is also exhausting for all concerned, and hardly the recipe for running an effective organization. It only ends when the organization is finally able to earn its way to self-financing or reaches the breaking point when it cannot fulfill its obligations to funders and must fess up.

Is Dipping a Sin?

Dipping may be dangerous and exhausting, but is it a sin? It all depends on the nature of the understanding—written and tacit—between the nonprofit and the restricted funder(s) into whose cash it has dipped. These funders fall into five categories:

1. **Cost-reimbursement.** Cost-reimbursement funders make it impossible to dip into their cash by releasing it only after the allowable program costs have been incurred. However, the transaction costs (reporting, compliance, wire transfers, and so forth) associated with this type of funding are high. Cost-reimbursement grants are also challenging for foundations to include in their cash-out-the-door-this-fiscal-year grant budgets, given the uncertain timing of the disbursements. Many funders also recognize that without the associated working capital, some nonprofits will not be able to incur the costs to be reimbursed in the first place, making the grant self-defeating. Very few foundations make cost-reimbursement grants.
2. **Cash-is-king.** Cash-is-king funders require that their cash be held in a separate bank account and disbursed only to cover the costs of the program that they have agreed to support. While this no-commingling requirement comes at the cost of maintaining a separate account, it works well when the funds are to be regranted or used to pay a small number of third-party costs. It's more of a hassle when the funds are intended to cover program costs—usually staff—that are incurred on a frequent basis, given the resulting bank transfer and bookkeeping needs.
3. **Control-by-accounting.** Control-by-accounting funders expect their funds to be treated *as if* they were separate, but do not require the money to be segregated in a separate account. They assume that the nonprofit has the accounting and control processes in place to treat the grant as separate, even though the cash is commingled.[4]
4. **Funds-are-fungible.** Funds-are-fungible funders believe that money is fungible. They expect cash *equal to the grant amount* to be spent on the supported program over the grant period. While they don't explicitly allow their cash to be used for other programs, they are okay with it because they expect that someone else's cash will be used for *their* program.
5. **Best-efforts.** Best-efforts funders expect the nonprofit to use its best efforts to spend an amount equal to the grant on the supported program, but they recognize that their favored program won't be delivered if the organization falters. They are happy if their cash is commingled with cash from other funders. They believe that it makes no sense for their cash to be sitting around doing nothing if it could be used as a zero-interest loan to support the working capital needs of the nonprofit. They understand that there may be circumstances beyond the nonprofit's control that make fulfilling the grant terms impossible. They accept this risk as an unavoidable cost of doing philanthropic business.

In my experience, restricted grant agreements are pretty vague, though most are probably closest to the funds-are-fungible category. But the vagueness leads to misunderstandings, because many nonprofits think that they have received best-efforts funding while the funders believe they have made control-by-accounting grants. This results in many bad feelings if the nonprofit hits a bump and its best efforts turn out not to be enough. And while a nonprofit will always have to grapple with how to balance its conflicting obligations to clients, staff, and funders in times of duress, a lack of clarity around the deal with funders doesn't make things any easier.

• • •

Dipping represents an important, perhaps irreplaceable, source of

informal “shadow” financing for nonprofits, but the sector would be better off if more of its working capital were self-financed or provided through appropriately structured third-party debt. Not only is shadow financing inadequate or unpredictable for many organizations, the practice also erodes trust between funders and their grantees. Three things could help wean nonprofits off of shadow financing:

1. Every nonprofit should do the work to understand the extent of its dipping. It should also recognize that dipping—inadvertent or otherwise—is very tempting when the alternative is to cut programs or not make payroll. So, processes should be put in place to reduce the risk of its happening without the knowledge and concurrence of the board. Every nonprofit should also develop a plan to increase the extent to which it can self-finance—either through retained surplus, special-purpose unrestricted gifts, or by appealing to funders to consider making socially motivated working capital loans in addition to grants.
2. Government should reduce the working capital needs associated with its contracts through faster, more predictable payment (better yet, more payment in advance) and by granting explicit permission for nonprofits to assign government payments to third-party lenders.
3. Private funders should be clearer about their expectations. They should tilt their restricted grantmaking to best efforts or, better yet, provide unrestricted support. They should consider making working-capital loans to grantees in addition to grants. They should recognize that working capital—while perhaps less “sexy” than pay-for-success bonds, double–bottom line social enterprise investing, and so forth—is a large and important impact-investing opportunity that is available right now.

None of this will happen overnight, but we’ve all got work to do, so let’s get moving. The next few years are going to be tough, and nonprofits need all the help they can get.

Notes

1. The nondistribution requirement means a nonprofit must retain any surplus. However, amounts retained but invested in assets—IT, real estate, etc.—will be unavailable for working capital needs. Fiscal Management Associates (FMA) calls these uninvested, “liquid unrestricted net assets” (LUNA).
2. Program Z might be the continuation of program Y, but the problem remains the same.
3. This is not technically true. You may be able to make good on your obligations to funders by stiffing vendors, though this is less common, since vendors (for example, the auditor, landlord, accountant, food provider) have high-powered ways to make life difficult, and your biggest vendor—your staff—is your most important asset. You might also be able to earn your way out of the problem, but this is unlikely within the period of your current grants.
4. A nonprofit with little margin for error needs very timely accrual accounting at the fund level to avoid inadvertent dipping. This is more challenging than many funders realize.

John MacIntosh is a partner and board member at SeaChange Capital Partners, a nonprofit merchant bank in New York City.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 250110.

NPQ is very clear about who it serves. . .

YOU

If you work in a community-based nonprofit that is trying to turn the corner on opioid use. . .

If your group is providing an organized way for refugees to gain political voice and safe refuge all at once. . .

If you have spent decades in a network that has been working on criminal justice reform, even in times when that made you a pariah. . .

If you are the deeply grieving parent of a murdered child, working against gun violence. . .

If you are taking an opera on the road in Memphis—flash mob style. . .

If you are working on ways to change the economy to be more equitable. . .

If you are making dental care available to children in the far rural reaches. . .

If you believe that climate change exists, and that maybe—just maybe—there is a chance to halt its steady progress. . .

If you spent November and December getting out the vote in Alabama, and already have plans to replicate that process. . .

If your Boys & Girls Club in Puerto Rico has been transformed into a multiservice center by Maria. . .

All of us doing such work know from personal experience how important it is to never neglect the vehicle for the destination. In other words, if the organization from which we are doing world-changing work throws a rod, it can distract us and even do us in.

And the world can't afford for that to happen.

So, *NPQ* thanks all of its reader donors, not just for supporting *NPQ* but for advancing justice and peace in the world.

You are our heroes—and you are the ones who give *NPQ*'s work meaning.