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The Nonprofit Quarterly

Are Humans Resources? Moving from Extraction to Reciprocity in Our People Practices

AND…

Toward a More Equitable Tax Agenda: A Plea to Reinstate the Universal Charitable Deduction

McCambridge, Bell, Suarez, Polanco, and Misra ON Developing Human Capital

Rooney and Bacalao ON the Lack of a Universal Charitable Deduction and Other Undemocratic Trends

ALSO…

A Personal Journey into Pracademia

The Role of Nonprofits in Restoring Equity and Reciprocity

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Welcome

Dear readers,

In this edition of the *Nonprofit Quarterly*, we take on two major topics: (1) big changes in the employment market, and how nonprofits should respond; and (2) the serious crisis in U.S.-based giving, and what to do about it.

As you will discover, both topics end with expectations of action; and that is our first point—we are writing, more than ever before, for immediate use.

As we write this Welcome, the country is in no end of turmoil; but in the midst of that turmoil is a palpable longing for new ways of governing ourselves—ways that embody attention to racial and economic justice and equity. A wave of change is occurring, as the successful candidacies of people of color for elected positions at every level indicate, even as one regressive policy after another is proposed or enacted—policies that will affect the environment, the health of our communities, our ability to be free of violence and overincarceration. Some of these policies and their effects have been extreme and therefore deservedly commanding of our attention; but, like the new, differently diverse candidates for office, nonprofits and social movements are also here to offer alternatives that will act as models for establishing greater equity—as in a more reasonably shared and fair ownership of our common resources, including our rights.

So, both topics in this magazine take on issues of equity, and the only way forward for both is by establishing models and policies for the kind of change we want to see.

In terms of the crisis in giving, we have based our call to action on a research finding that is explicitly revealed for the first time here, which is that there are fewer households donating to nonprofits of any kind, even as the dollar amounts given have increased. This has disastrous implications for democracy, especially considering that large donors are inserting themselves increasingly frequently into our public systems—essentially, offering money for outsized influence. There is a policy proposal that could potentially mitigate this trend, but right now this sector remains less than well organized around it.

In terms of what we may need to change in the nonprofit/employee contract, we contend that most nonprofit human resource constructs do not recognize the major shifts in the employment market nor the twenty-first-century requirements for nimbleness and adaptive strategy. We recommend here a new way of thinking about hiring and retaining employees—a way that speaks to the best interests of both the employee and the organization.

As always, we welcome your thoughts and invite your contributions to these conversations in the form of articles and comments. Let us know what you think!

The Nonprofit Whisperer

Many organizations are stuck in less-than-useful modes of operating, “but change is here to stay in our sector,” writes the Nonprofit Whisperer—and learning to manage it well is critical. “The first step to creating a healthy organizational culture,” she writes, “is to create alignment across the staff and board by revisiting purpose and mission and, ideally, values.” This kind of change takes a lot of time and effort, she warns, but if the whole organization opts in, the process will ultimately be rewarding.

Dear Nonprofit Whisperer,

My organization’s culture suffers from department silos. Departments in this small and venerable museum don’t communicate and work effectively with each other, and there is quite a bit of gossiping and undermining among coworkers. Help! How can we break down these barriers and begin to respect one another better?

We also suffer from a “We have always done it this way” and “That won’t work” ethos, which stunts our creativity and frustrates newer staff.

Alignment Seeker

Dear Alignment Seeker,

A healthy organizational culture is really important for staff to do their best work and, as a result, for a nonprofit to thrive. Sometimes, mature organizations enter a phase post-start-up (often characterized as the third stage of organizational development) in which, due to strength of programming, robust fundraising, and sound operations, programs proliferate. Staff can sometimes retreat into their department or program area fiefdoms and become siloed—working chiefly for the mini-mission of the department and forgetting the overall purpose. If such behavior is not caught and addressed, departments can compete with or get snarky about other parts of the organization. Small museums in particular can be somewhat weighted toward administrative positions, may have a smaller program staff, and their program will often drive the mission—and such tendencies may be leading to some of the issues in your case.

The big step here, which is also the first step to creating a healthy organizational culture, is to *create alignment* across the staff and board by revisiting purpose and mission and, ideally, values. This kind of organizational change management is not easy. It takes a savvy leader who can stand up on the balcony, watch the activity below, and understand where to start moving the culture to more positive places. It is not a fast process, and may entail weeding out some bad actors who thrive in dysfunction and would rather not be a part of creating a healthy workplace. It necessitates attention and energy from leadership, who must be brave enough (like you) to identify the issue and gather in staff leaders (and possibly board members) to begin to create a change-management process.

Small, long-standing organizations regularly need to discuss who they are right now (current reality). For instance: Are you a house museum? A curated tribute to a key artist? A place for historians to do specialized research? A wedding and events venue? All of the above? If so, how are any or all of such facets contributing to overall purpose and vision? Then, you must discuss your preferred future reality—both strategically and operationally, but also regarding workplace culture. Finally, create an alignment of staff and board, so that all are rowing in the same direction toward that future.

Aligning is typically the job of the executive director; however, it is often helpful to have a consultant come in as part of revisiting the strategic plan or coming up with a new one—with the knowledge that the organization has become too siloed. The executive, optimally with expert consultant support, needs to create a special focus on revisiting *purpose* (the reason the museum exists), *vision* (a long-term, aspirational view of where you want to be in, say, ten years), and *mission* (a five- to ten-year description of how the organization will move toward its purpose and vision). And this is where values should be discussed, which then should be translated into behaviors. Ask yourselves: "What would we want visitors to the museum to witness regarding our behavior toward each other?" Those values, with attached agreed-upon behaviors, should then be reinforced through supervision and evaluation. Allowing a culture of gossip and disrespect will only lead to a downward spiral for the organization. You may want to institutionalize some communication standards to which everyone adheres.

Now to the system pushback of statements like "We have always done it this way" or "That won't work" that you describe. This points to a group of folks who have become comfortable with the status quo. But change is here to stay in our sector, and learning to manage it well is a critical point of emphasis for nonprofit boards, managers, and staff. Multiple articles in the *Nonprofit Quarterly* have spoken to the struggles of museums to remain relevant and survive.[1] These are challenging times for museums, and many are in the process of reinventing themselves for younger and more diverse audiences. Creating programs and curating experiences for a changing world is an opportunity that calls for constant evolution and adaptation.

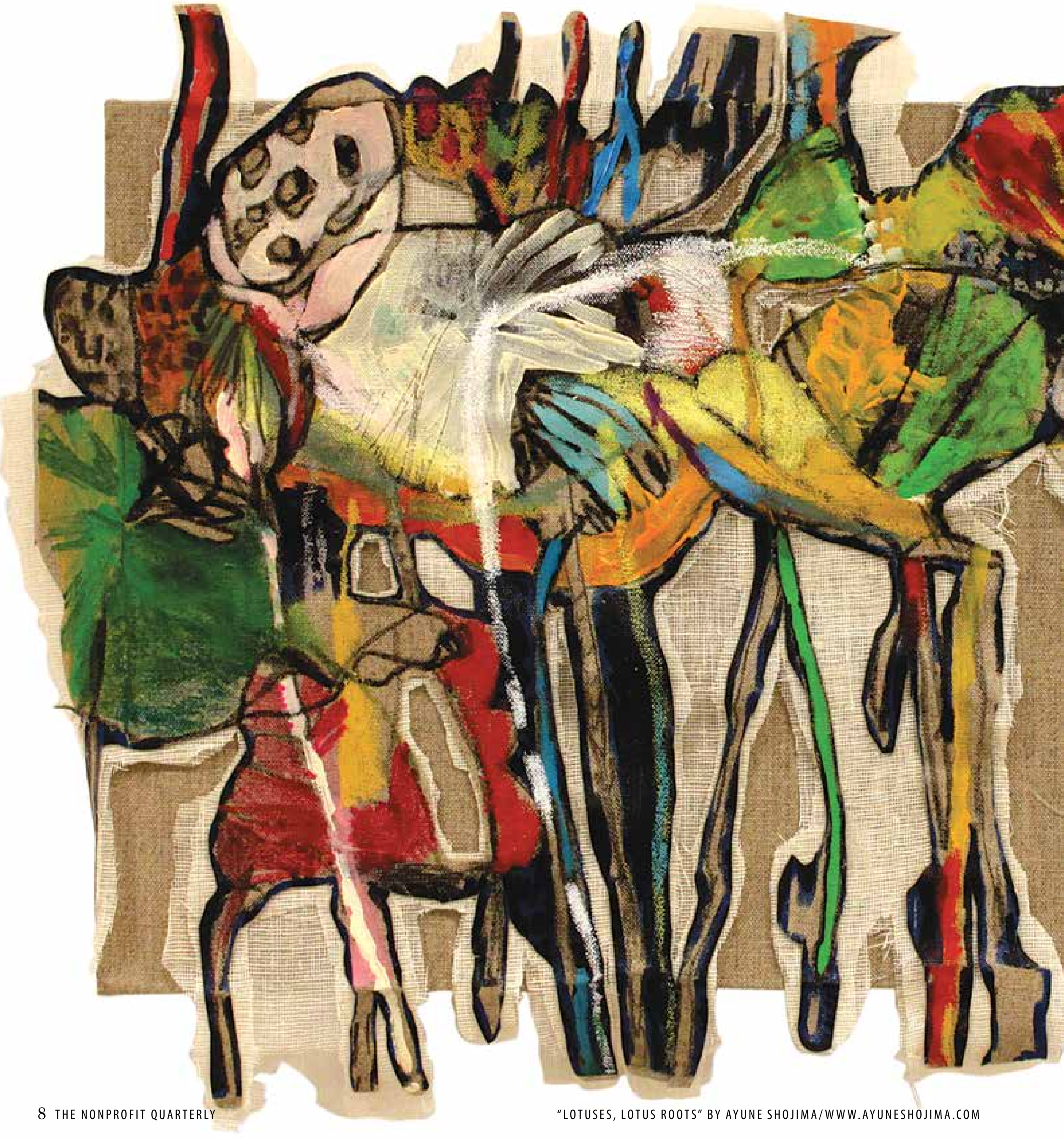
I wish you good luck! The alignment/change-management path, if colleagues are willing to join you, will be rewarding—but plan on at least a couple of years of working it to see results. And if you continue to see resistance—or leadership does not move to align the organization and culture—you may wish to seek opportunities elsewhere.

Note

1. See, for example, Erin Rubin, "Decolonize This Place: Brooklyn Museum Remains Flashpoint of Displacement," *Nonprofit Quarterly*, May 2, 2018, nonprofitquarterly.org/2018/05/02/decolonize-place-brooklyn-museum-remains-flashpoint-displacement/; Eileen Cunniffe, "Nonprofit Museums Face a Core Quandary: At What Price Art?," *Nonprofit Quarterly*, January 17, 2018, nonprofitquarterly.org/2018/01/17/nonprofit-museums-face-core-quandary-price-art/; Anna Berry, "Beyond Bake Sales: How Small Nonprofit Museums Stay Afloat," *Nonprofit Quarterly*, March 27, 2017, nonprofitquarterly.org/2017/03/27/beyond-bake-sales-how-small-non-profit-museums-stay-afloat/; and Anne Ferola, Jennifer Ginsberg, and Martice Sutton, "Saving the August Wilson Center," *Nonprofit Quarterly* 22, no. 4, Winter 2015, nonprofitquarterly.org/2016/01/20/saving-the-august-wilson-center/.

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

It's Time *to* Re-form Human Capital Assumptions *in* Nonprofits



"LOTUSES, LOTUS ROOTS" BY AYUNE SHOJIMA/WWW.AYUNESHOJIMA.COM

"If we were to think of the human capital in and around our organizations as explicitly including social, intellectual, and cultural capital, what changes might it engender in our nonprofits' human resource practices?," asks Ruth McCambridge. Jeanne Bell replies, "If we can shift from thinking of our organizational relationships as 'human resources' to be managed—their capital to be extracted over the life of the relationship—and shift to a frame of deep reciprocity, we will find as nonprofit leaders that it is indeed those relationships above all else that allow our organizations to accomplish the most extraordinary things." The four articles in this cluster explore what it looks like to expand, rather than expend, human capital.

If there is one ethos that is at the core of the purpose of the nonprofit sector, it is that collective action can engender change, and the spirit and experience of working together (or in common) for the common good is central to the practice of a pluralistic democracy, which protects all the parts in service of the health of the whole. This value, or set of connected values, underlies the public's trust in us, which underwrites their willingness to give of their money, their time, and their faith. They expect us to be good stewards of the resources invested in our causes. One of those resources is the focused human spirit (and energy) involved with our work—at the staff level, but also among volunteers and active participants, and on the board.

This cluster of articles addresses human resource practices in nonprofits and the assumptions that underwrite them, starting at the very level of the transaction: what is being given for what in return, and how does that turn into the highest possible value for both the individual employee and the organization simultaneously?

The ideas contained in this section have all emanated from a transition in the larger economy that has resulted in shorter tenures of employment, and in an information and operating environment that is ever more complex and fast moving. It also draws from the increased use of networks of action within fields of practice. All of these contextual issues call out for a new reciprocal approach to "human capital."

Not coincidentally, the practices we are presenting here are sustainably oriented, in that they serve our fields and the world as well as our organizations better in any number of ways, and—in the end—model practices that are not only aligned with sectoral purpose but are also oriented toward justice.

But none of this will matter if we do not, as organizations, address issues of internal inequities. Unaddressed, these issues will fester as an undiscussed secret until they have been resolved.

WHAT TO DO WITH THESE ARTICLES

- As you read, reflect on key systems or processes across your organization. Ask yourself: "Whose needs do these systems or processes center? Do they center only the organization's needs? How can we also respond to the needs of other parties engaged in the system or process (e.g., our employees, our board members, and our volunteers)?" Also ask: "Are these essentially generic, traditional approaches we are taking? How could they better reflect our particular organizational philosophies?"

- Distribute the articles among your board and staff, and have conversations about what might need to change in order for your organization to adopt the practices described therein. Ask: "What would we hope for as results? Are there things that our leaders would need to do differently in order to enable change?" Think about the possible benefits of and barriers to managing in this way.

- Distribute the articles to colleagues, and set a time to talk about who is already implementing some of the practices the articles describe and what you may be able to learn from their experience.

While human resource systems and processes may seem the most likely places to address human capital differently, don't stop there. There is human capital involved in all of an organization's work (such as strategy, fundraising, advocacy, etc.), and your approaches to that work will change, too, with application of an updated lens.

DETAIL FROM "LOTUSES, LOTUS ROOTS" BY AYUNE SHOJIMA/WWW.AYUNESHOJIMA.COM

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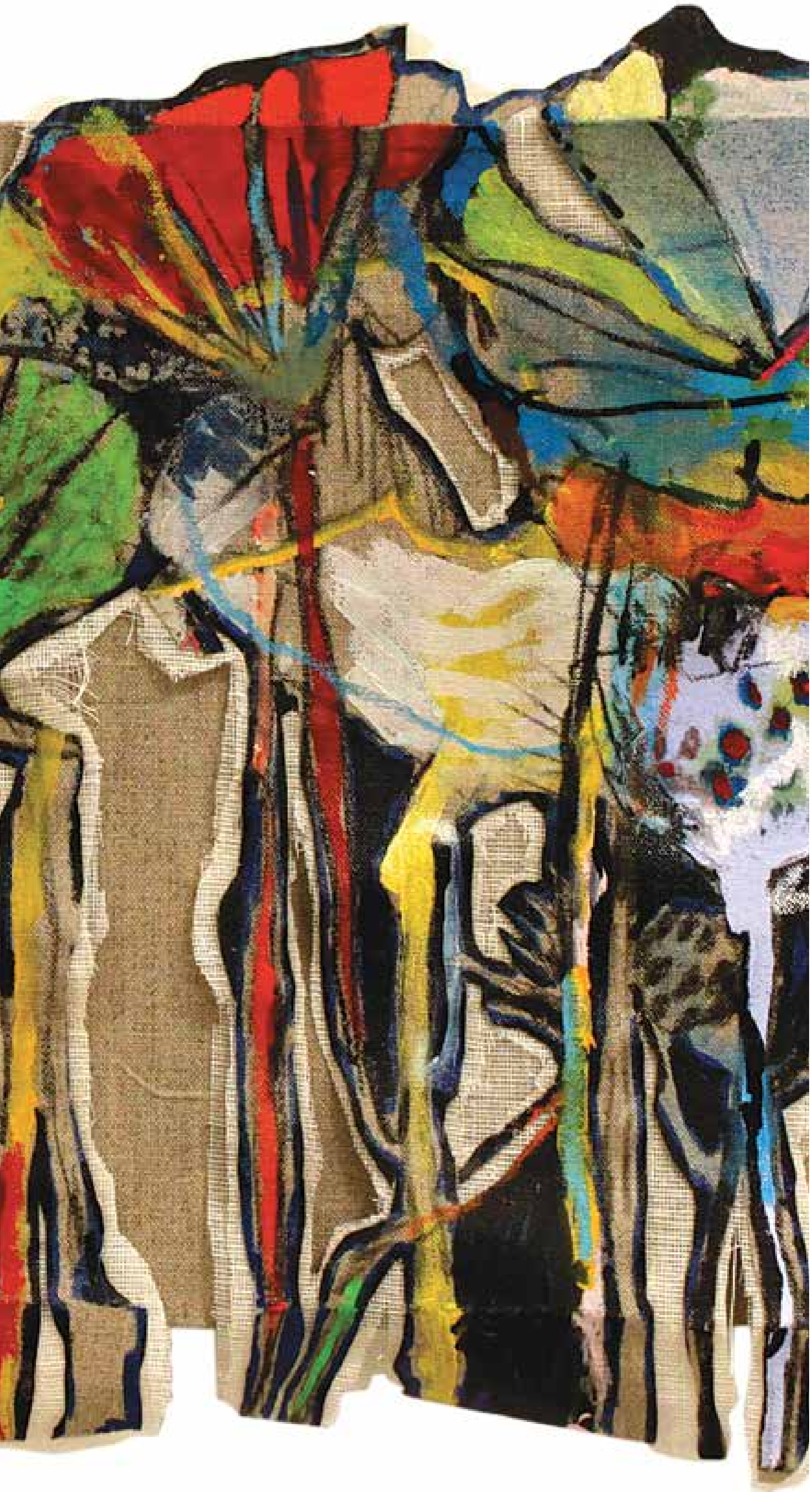

Nurturing Renewable Human Capital *in the* Nonprofit Workplace

by Ruth McCambridge

If we were to think of the human capital in and around our organizations as explicitly including social, intellectual, and cultural capital, what changes might it engender in our nonprofits' human resource practices? Such a shift, one could argue, would fundamentally change the employment contract in order to allow both parties to benefit optimally from the relationship. Additionally, these kinds of capital are grown through access to decision-making tables, relationships, networks, and the opportunities staff are provided to take risks, work collaboratively, and be a responsible "face" of the organization. And unless the resulting currency is squandered—which it certainly can be—we would do well to think not of *expending* but, rather, *expanding* it.

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

DETAIL FROM "LOTUSES, LOTUS ROOTS" BY AYUNE SHOJIMA/WWW.AYUNESHOJIMA.COM

In 2016, the median tenure at a job in the United States was a little over four years. This means that progressing from one level to another in one's career may just as likely entail an external move as an internal one. The employee, then, is taking her human capital (which consists of knowledge bases, tested skills, discernment capabilities, leadership capabilities, and built networks) while leaving behind some of what she may have contributed over her tenure. Thus, both parties get sustainable benefit beyond the immediate exchange of pay for work. This, I would argue, is the new employment contract; it is a construct that responds to:

- the expectation that we are in an employment environment that requires employees to be constantly learning and retraining; and
- the reality that nonprofits are as strong as their networks and deployed collective intelligence, and these can be far larger than a cash budget would indicate.

Social Capital, Cultural Capital, and Intellectual Capital

To shift to this framework, one would have to assume that each hire brings with it *social* (and *reputational*) *capital*; *cultural capital*; and *intellectual capital*.

Social capital is a set of resources rooted in relationships; as Janine Nahapiet and Sumantra Ghoshal describe it, "The central proposition of social capital theory is that networks constitute a valuable resource for the conduct of social affairs, providing their members with 'the collectivity-owned capital,'"[1] which both parties keep in whole even as they give it away and gain additional amounts. *Reputational capital*, as a subset of social capital, similarly flows both from the organization to the individual and from the individual to the organization. Both parties are enriched through the other's relationship resources, and, in all likeliness, the working networks of both are enlarged. Further, these networks, perhaps built for one purpose, can be used for other purposes over time, and no one has exclusive rights over them. In other words, the organization's assets are mixed with the individual's assets for a time, building the asset bases of both. Given that the likelihood of a long-term contract is low, the individual with these assets wants to invest them in ways that not only advance the work of the organization but also advance the course of the individual's life's work. Alignment between the two entities, then, becomes critical.

Cultural capital is a term that needs a good refresh. It is generally understood to mean characteristics displayed that provide entrée into and credibility with "elite" circles, but if we were to broaden that definition to mean characteristics that provide entrée and credibility in cultural communities in which we do not currently have currency, the term begins to mean something different and to require something different from us. This is, of course, important in terms of nonprofits' ability to represent and serve, and be inclusive of non-dominant cultures. For social theorist Pierre Bourdieu, cultural capital describes such elements as dress, "tastes," mannerisms, education, activities, etc., that accord with those of others in one's social class. Such elements create a sense of collective identity, but they also contribute to social inequality:

> Certain forms of cultural capital are valued over others, and can help or hinder one's social mobility just as much as income or wealth. . . . According to Bourdieu, cultural capital comes in three forms—embodied, objectified, and institutionalized. One's accent or dialect is an example of embodied cultural capital, while a luxury car or record collection are examples of cultural capital in its objectified state. In its institutionalized form, cultural capital refers to credentials and qualifications such as degrees or titles that symbolize cultural competence and authority.[2]

This ability of nonprofits to legitimate other than elite currencies of embodied knowledge and culture, then, is still an elected value (which is itself a threshold infused with privilege), but electing to be inclusive provides a nonprofit not only with a deeper knowledge base and analytical capacity but also, potentially, with access to

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We might make the assumption that organizations that wish to hang on to human capital (otherwise known as a person) will invest not just in the straight transaction of salary for work but also in the effort of development in partnership with the individual.

support and advocacy networks. But inclusion with equity is an asset that must emerge from a core value in order to leave additional capital with both the organization and the individual.

Intellectual capital in this usage refers both to the knowledge and learning capacity, and it acts in much the same way that human capital does, in that both the employer and the employee bring something to the relationship that is built upon in combination, and both keep what they initially bring to the table as well as whatever is built in the relationship with the other. Additionally, whatever either party has learned readies them or creates what is called "absorptive capacity" for another level of knowledge development. For the organization, write Nahapiet and Ghoshal, this "absorptive capacity does not reside in any single individual but depends, crucially, on the links across a mosaic of individual capabilities."[3] Two conditions must be met to build intellectual capital:

- The opportunity must exist for people with different knowledge bases to exchange and build knowledge together.
- The parties expect that they will get value from the exchange even if they cannot predict a particular outcome.

A development process that tracks the employee's progress toward his or her own goals in terms of mastery is helpful in building both types of capital. Psychologist K. Anders Ericsson generally refers to the process for this as "deliberate practice"[4]—a practice whereby the practitioner is continuously kept between the zone of bored (because the material being worked on is fully known) and the zone of being completely in over one's head. The trick to mastery is to stay in the realm where one is challenged by what is not yet known but has enough basic knowledge to work further into that unknown space through coaching and study and informed experimental practice.

If an employer expects too little development, the employee may be less engaged (if looking at advancing his or her own future). If the employer pays no attention to the development needs of the employee (and the program on which he or she is working), the employee may become frustrated and discouraged with his or her own lack of efficacy. It is the organization's job (through coaching, training and encouragement of risk taking) to help employees accurately judge what they and the organization need, and the next frontiers for mastery.

The job, then, is to keep employees in the middle zone, always heading for the goal of increasing what has already been mastered, and always identifying and touching that which is mostly foreign to them.

This requires an investment in the development of the individual, which requires tailored attention that responds directly to the individual's development arc. Thus, the track record built at the organization accrues to the individual as well as the organization.

So, we might make the assumption that organizations that wish to hang on to human capital (otherwise known as a person) will invest not just in the straight transaction of salary for work but also in the effort of development in partnership with the individual.

Hiring, Engaging, and Managing on the Trajectory

In "Intellectual Capital, Accountability and Sustainability in Non-profit Organizations," Roshayani Arshad et al. describe one of the barriers that nonprofits may face in building these ideas into hiring and engagement practices as difficulty in determining which capital is relevant to the organization.[5] Hiring and managing in this way requires that leaders are constantly scanning the landscape and horizon to determine what questions the organization must answer within the next few years and with what kinds of human resources (coming, as they do, with embodied intellectual, social, and cultural capital).

But the structural practices embedded within the enterprise—the organizational routines, procedures, culture, and databases—are another barrier or facilitator to making this kind of orientation work. These can support, extend, and sustain—or squander—the human capital brought into the organization over time. For more on this, turn to Jeanne Bell's in-depth look at how to develop human capital in an inclusive and regenerative way.

The Role of Vision and the Primacy of Purpose

In "Metanoic organizations in the transition to a sustainable society," Charles Kiefer and Peter Senge discuss what makes an organization with actively deployed intelligence at every level excel rather than collapse from its own chaos—and the glue is a relatively simple one: the organization must be intensely focused on its purpose or vision.[6] But that vision cannot be a fixed point that becomes stale over time; instead, it is itself developmental, in that the change process of a thing alters our understanding of what we hope the outcome will be. So, it is not just the vision that must be maintained as an aspirational point toward which we strive as an organization—it is also the learning we acquire in doing the work that informs how the vision we originally created may fall short of the possibilities, and even of what is just. Since that learning should be occurring continuously if all staff see themselves as active agents of the vision, cross-pollinating within the organization is also essential.

The fixation on the vision, by the way, is a tension held inside of the organization that keeps questioning alive among engaged stakeholders of all kinds. It must be present to create a system of this sort.

The Spoiler of Race and Class

Finally and crucially, nothing can make all of this new, reciprocal way of working with human capital more nonsensical and unworkable than unacknowledged dynamics set up by a tradition of race- or class-based exclusion from power in an organization. This often sits heavily as an undiscussable barrier in organizations that badly need all of the capital they have on hand—including the generative innovation that comes from true inclusion. For more on this topic, readers might turn to Cyndi Suarez's excellent profile of an organization that wrestled successfully with its own lack of inclusion to transformative effect.

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Most of these ideas are not new; organizational specialists have for years been advancing an alternative management model that can act as a good foundation for this kind of organizational approach to human capital. But it is almost as if we have been growing into what our operating environment requires while kicking and screaming to stay in a more hierarchical and "controllable" form. But this hierarchical form is not the future. Honoring our staff, volunteers, and board members means that we must invest more creatively in them, staying more involved in their development as it connects to that of our organizations, organized by a vision and values, and with a structure that emphasizes development, adaptability, and resilience all around.

Finally and crucially, nothing can make all of this new, reciprocal way of working with human capital more nonsensical and unworkable than unacknowledged dynamics set up by a tradition of race- or class-based exclusion from power in an organization.

Notes

1. Janine Nahapiet and Sumantra Ghoshal, "Social Capital, Intellectual Capital, and the Organizational Advantage," in *The Strategic Management of Intellectual Capital and Organizational Knowledge*, ed. Chun Wei Choo and Nick Bontis (New York: Oxford University Press, 2002), 674.
2. "Cultural Capital," *Social Theory Re-Wired*, accessed August 21, 2018, routledgesoc.com/category/profile-tags/cultural-capital.
3. Nahapiet and Ghoshal, "Social Capital, Intellectual Capital, and the Organizational Advantage," 680.
4. See, for example, K. Anders Ericsson and Robert Pool, *Peak: Secrets from the New Science of Expertise* (New York: Houghton Mifflin Harcourt, 2016).
5. Roshayani Arshad et al., "Intellectual Capital, Accountability and Sustainability in Non-profit Organizations," *Asian Journal of Scientific Research* 9, no. 2 (March 2016): 62–70.
6. Charles F. Kiefer and Peter M. Senge, "Metanoic organizations in the transition to a sustainable society," *Technological Forecasting and Social Change* 22, no. 2 (October 1982): 109–22.

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Developing Human Capital:

Moving from Extraction to Reciprocity in Our Organizational Relationships

by Jeanne Bell

Environmentalists and systems thinkers underscore the fundamental distinction between extractive and interdependent modes of interacting with one another and the natural world. They warn us that the extractive economy we are attempting to sustain now is, by very definition of its continuous mining of natural and human resources, unsustainable. As the writer and farmer Wendell Berry has written:

> The expert assumption appears to be that the products of the soil are not included in the economy until after they have been taken at the lowest possible cost from those who did the actual work of production, at which time they enter the economy as raw materials for the food, fiber, timber, and lately the fuel industries. The result is inevitable: the industrial system is disconnected from, is unconcerned about, and takes no responsibility for, its natural and human sources. The further result is that these sources are not maintained but merely used and thus are made as exhaustible as the fossil fuels.[1]

This ecological framework should give us pause as we consider notions of "human resource" and "human capital" in nonprofit organizations. In traditional business terms, a "resource" may be fully extractable, as Berry described, and "capital" may be under the full control of the corporation to expand its resource extraction as much as possible. These terms and their underlying belief systems, if left unchallenged, can lead us into dangerous waters if

Jeanne Bell directs *NPQ*'s Advancing Practice program to foster critical conversations about nonprofit management and leadership. Bell is the former CEO of CompassPoint, where she stewarded the strategic evolution of the organization to focus on emerging leaders and emergent leadership practice with an explicit orientation to social change. She is the author of numerous articles on nonprofit leadership, strategy, and sustainability, and coauthor of several books, including, most recently, *The Sustainability Mindset* (Jossey-Bass, 2014). Bell's board leadership has included officer positions at the Alliance for Nonprofit Management and Intersection for the Arts. She currently serves on the advisory board for the Master of Nonprofit Administration program at the University of San Francisco's School of Management.

DETAILS FROM "LOTUSES, LOTUS ROOTS" BY AYUNE SHOJIMA/WWW.AYUNESHOJIMA.COM we are committed to the social sector modeling inclusive and regenerative ways of being. In "Are humans resources?," Kerr Inkson writes: "In common usage of the term, therefore, resources are passive objects to be utilized by superior agents."[2] He counters by arguing, "It is not that individuals are resources, more that they possess resources, which they may or may not choose to share with the organization and develop within it."[3]

In fact, many of us in the nonprofit sector aspire to make our organizations *more* human, *more* personally sustainable, and *more* conscious of the full humanity of the people with whom we work. For many of us this means revisiting, if not entirely revising, our approaches to "human resource management." Moreover, many nonprofit organizations are interrogating their legacy theories of change, including programmatic assumptions and methodologies. This is taking a myriad of forms: exploring the real and perceived boundaries between social service and social change work; confronting the intersectional forces at play in traditionally siloed areas of expertise (e.g., environmentalism and racial justice); and unearthing the ways in which internal management practices do and do not reflect the vision of equity and justice we espouse externally, to name several.

These complementary aspirations—more-human organizations, and organizations whose work reflects an acute and strategic collective intelligence coupled with a rigorous social change analysis—should inform how we think about developing social, intellectual, and cultural capital in our organizations. Rather than conceiving of these forms of capital as something our organizations extract, we should think of them as precious resources to be shared and amplified across all of the organization's relationships. We can think of this as shifting from an extraction to a reciprocity frame.

From Extraction to Reciprocity in Hiring and Staff Development

In hiring and staff development, the starting premise is that all staff positions have capacity to contribute to these forms of capital development,

We cannot be "color blind" in our hiring; that vestigial notion is a powerful hindrance to nonprofits becoming truly inclusive workplaces. The notion of reciprocity is paramount here.

and that each potential candidate brings a unique existing set of relationships and competencies. Moreover, these relationships and competencies may derive from well beyond a staff member's employment history to his or her lived experience and past and current volunteerism, board service, or activism. Further, staff will continue to nurture their forms of capital while working with a given organization and, obviously, beyond their tenure there, as well.

Recruitment

In the recruitment phase, don't merely describe the work your organization needs done; instead, emphasize its commitment to being a learning organization, broadly defined. Peter Senge described a learning organization as one "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together."[4] No matter the position being announced, articulate the opportunities for engagement with peers in the development of all forms of capital. View your job announcement as sharing publicly a commitment to the ongoing learning and career development of every staff person in your organization. Imagine the well-qualified candidate choosing between two opportunities with the same title and compensation, but one organization effectively communicating that it honors and invests in the learning trajectory of every staff person. The choice will be straightforward.

Selection and Contracting

Since many organizations are actively working to diversify their staffs and build institutional knowledge and credibility in communities new to them, the risk of tokenization is very high in the selection and contracting process. As the attorney, activist, and coach Helen Kim Ho recently wrote in "8 Ways People of Color are Tokenized in Nonprofits":

> When done without awareness, those in power will only think to hire POC professionals when it's about race and diversity, while all other "non-racial" projects seem automatically better suited for your White colleagues. Minority professionals not only bring unique perspectives having lived and thrived in a country built on racism, but they also have exceptional skills in fundraising, strategic planning, marketing, facilitation, legal and more. Now that you know that POC professionals are doubly qualified, it's time to stop tokenizing and reassess your hiring practices.[5]

Leaders, especially white leaders, need to build skill in talking openly and with humility about the social, intellectual, and cultural capital that their organizations seek to enrich through the hiring process. There is no way to become the deeply diverse organizations we need to become if we do not. We cannot be "color blind" in our hiring; that vestigial notion is a powerful hindrance to nonprofits becoming truly inclusive workplaces. The notion of reciprocity is paramount here. Our work is not merely to recruit and select diverse candidates, but to be all in for the work of becoming an organization where everyone's full self is seen and valued.

Once a candidate is selected, the reciprocity frame on human capital is tailored to the unique individual who is joining forces with the organization. We shift from a hypothetical relationship to a very specific contracting process. Who is this person? What is she already in the midst of learning? What relationships and networks does she bring with her? What communities and cultural competencies can she introduce the organization to or deepen its understanding of? This frame challenges the uniform, job-description-driven onboarding processes that human resource functions have traditionally employed. In this frame, we are responding and adapting in each case to who the new hire is and where the organization is; we are seeking to marry their respective forms of capital with some intention, and, as Ruth McCambridge writes in the preceding article, to do so such that both parties "benefit optimally." Practically speaking, this reciprocity could take the form of the organization's supporting the new hire to continue with "outside" commitments that the organization had not anticipated during the recruitment phase, such as participation in networks or collaborative projects. Or, the new hire may agree to partner with the development team to increase the organization's access to donor relationships she maintains from other contexts.

Employment and Development

During employment, the key is to attend to the dynamism of both the employee's and the organization's ongoing development and deployment of social, intellectual, and cultural capital. This can be done at the individual, team, and organizational levels. In one-on-one supervision, the employee's learning and relationship development is nurtured in concert with the organization's strategic direction. But again, we should move past the overly employer-centric frame to a reciprocal one here. As Inkson writes: "If I am to contribute to the competitive advantage of my employing organization, I want to do so not as an asset invested in, but as an investor who actively chooses to do so for my own profit, intrinsic as well as material."[6]

In team development, team leaders can articulate the learning edge for their group and support team members in building intellectual capital together through reading and discussion, outside training, and perhaps most important, intentional experimentation and debriefing of lessons learned. Team meetings can alternate between an execution orientation and a learning orientation, to accommodate and prioritize group learning.

At the organizational level, we can apply network and network leadership theory to nonfinancial capital development. Network mapping is an example of a practical exercise that can help all staff and board to understand and thus better contribute to the social capital essential to the organization's relevance and impact. The exercise can also surface weaknesses to be addressed in the organization's network of relationships given its strategic direction. For accessible examples of how you might undertake network mapping with your team or organization, see Beth Kanter's work, including "How Networked Nonprofits Visualize Their Networks."[7]

Separation

When an employee decides to leave the organization, the objective is a separation that acknowledges the stewardship of joint relationships, codeveloped content, and other forms of capital that have been intertwined during the employee's tenure. If the relationship has been a fruitful one, this may take considerable time to plan, and encompasses far more than what could be addressed in a traditional "exit interview." There should be reciprocity even in separation, in that both parties remain invested in each other's success, and that success is dependent on the continued valuation of the capital they codeveloped.

This approach to an employee and an organization codeveloping social, intellectual, and cultural capital does not only pertain to senior positions, nor only to programmatic ones. Younger staff bring these forms of capital, too. Consider their participation in community organizations and recent graduate work, for instance, or their access to or participation as younger activists trained in emergent forms of protest, or their deep comfort with using social media, just to name three examples. And, especially as we are in an era of reimagining organizations to be more human and more reflective of a rigorous social change analysis, the historically "internal" management spheres such as finance and, certainly, "human resources" are also equally critical seats of innovation.

Lastly, this reciprocal form of employee–organization human capital development makes an organization eminently more succession-ready at all key positions, including executive director. Perhaps the most common fear long-term executives have of leaving is that the more intangible ingredients of the organization's success—competencies, perspectives, relationships—will not be well understood or sufficiently transferred in their transition. When these forms of capital are explicitly and democratically developed across staff and board, the risks associated with executive transition are greatly reduced.

Perhaps the most common fear long-term executives have of leaving is that the more intangible ingredients of the organization's success—competencies, perspectives, relationships—will not be well understood or sufficiently transferred in their transition. When these forms of capital are explicitly and democratically developed across staff and board, the risks associated with executive transition are greatly reduced.

Organizational strategies are often crafted in disembodied language that doesn't conjure the web of relationships and competencies it will take to accomplish them. . . . What if, instead, we were explicit about the anticipated social, intellectual, and cultural capital requirements of each strategy?

From Extraction to Reciprocity in Board Recruitment and Development

Orienting recruitment and development of board members around social, intellectual, and cultural capital development gives us perhaps the most powerful answer yet to the age-old question, "What are my board members supposed to do besides raise money?" Just as with staff, we should not approach board recruitment and development as though board members are here simply to give the organization access to whom and what they know; rather, the organization should give board members access to whom and what *it* knows, too, based on their individual interests and passions. To be clear, this is not about facilitating board-member involvement in any and all organizational projects and relationships. The way forward has to be discussed openly and strategically with each board member. During recruitment conversations, we can use a line of inquiry like: "Our organization's top three learning edges right now are X, Y, and Z; do these issues energize you, too? If you were to join the board, are there people or networks or forms of knowledge you could introduce us to as we pursue these questions? And to whom and what might we introduce you?"

Just as with staff selection, the risk of tokenization in the selection of board candidates is very high in mainstream and primarily white organizations. BoardSource, the national board-focused, capacity-building organization, has been surveying boards vis-à-vis their diversity for over twenty years, and in its 2017 study, it found little to applaud:

> The figures have improved little since BoardSource's first survey on the issue in 1994, and while 65 percent of CEOs and 41 percent of board chairs expressed dissatisfaction with the racial/ethnic diversity of their current boards, only 24 percent (CEOs) and 25 percent (board chairs) said demographics were a high priority in board recruitment.[8]

These numbers tell us that too many nonprofit boards have homogenous forms of social, intellectual, and cultural capital in the boardroom. This bodes terribly for the strategic relevance and impact of these boards as well as the organizations they govern. Thus, as with recruiting staff of color, organizations have to engage new board candidates openly and with humility about where the organization is in its work on racial equity, and be prepared to spend meaningful time in the boardroom engaging in honest conversation and group learning.

From Extraction to Reciprocity in Strategy Development

Organizational strategies are often crafted in disembodied language that doesn't conjure the web of relationships and competencies it will take to accomplish them. They read as though the "organization" is going to activate the strategy rather than a specific group of people in a specific time frame and operating context. What if, instead, we were explicit about the anticipated social, intellectual, and cultural capital requirements of each strategy? This exercise would entail an honest reflection on the organization's current, relevant, and available capital in each of these areas as well as those that will have to be developed for the strategy to fully mature. Briefly, what do we mean by *current*, *relevant*, *and available*?

- **Current:** We are being careful to consider who and what knowledge and networks are currently available rather than relying on historical assumptions. This factors in key staff or board members who may have left the organization recently, as well as any shifts in the organization's reputation or its standing in networks externally.
- **Relevant:** We are being careful to consider how up-to-date the organization's analysis, methodology, and overall theory of practice are.
- **Available:** We are being careful to consider the real capacity of the people in and around the organization. Very often, the most leading edge of our staff, board, and collaborators are in high demand and are overdeployed. This may be especially true for people of color in high demand in historically white-dominated organizations and networks.

MAKING HUMAN CAPITAL EXPLICT IN ORGANIZATIONAL STRATEGY

Sample strategy: The Neighborhood Performing Arts Group will strengthen our surrounding community by engaging low-income and often marginalized local residents in art making.

Social capital requirements: Our senior staff have strong networks in the performing arts. They will build new relationships with their counterparts at human service organizations in our community who already have strong relationships with local residents. Our executive will join the neighborhood coalition addressing housing and gentrification issues in the neighborhood.

Intellectual capital requirements: Our staff are highly experienced in programming to "traditionally trained" artists. All program staff will receive training in working with all types of artists in community settings. We will form a learning and evaluation team that focuses on new methods and impact lessons from our art-making work with residents.

Cultural capital requirements: Our staff and board do not live in the immediate community, nor do they have lived experiences of poverty. We will focus our next rounds of staff and board recruitment on candidates who live and work in the neighborhood and have a personal connection to the history of the community. Further, we will institute quarterly staff field trips to local restaurants, artistic events, and other places of interest in the community.

As whole fields and their respective funders explore new methods of contributing to positive social change, leaders have to exercise caution not to underestimate the real human capital requirements of these theoretically exciting shifts in strategy.

As whole fields and their respective funders explore new methods of contributing to positive social change, leaders have to exercise caution not to underestimate the real human capital requirements of these theoretically exciting shifts in strategy. An indicative example is the push over the last decade by arts organizations and their funders to play active roles in community development. For many arts organizations, this is a profound expansion of their founding purpose and, as such, demands a profound expansion of their social, intellectual, and cultural capital. Consider the evaluative conclusions of ArtPlace America, a decade-long, highly resourced initiative to fuel the collaboration of the arts sector with other sectors, such as housing and health:

> Investing more than $100 million in local practice through the National Creative Placemaking Fund and through Community Development Investments, we have come to realize that there is certainly knowledge that can be gleaned at the national level and knowledge that is generally applicable when the arts and culture sector partners with other sectors. We've also learned that lasting change—to have these sorts of partnerships be standard operating practice and not just a grant-funded one-off—must happen on the local level, within an existing ecosystem. And for that change to take root on the local level, there must be local ownership of both the resources and the responsibility. To achieve that future, we are not continuing the National Creative Placemaking Fund and instead we will transfer funding in up to six geographies to strengthen the local ecosystems of creative placemaking.[9]

In other words, the human capital requirements of these largely unprecedented collaborations are necessarily local and, as such, relational and idiosyncratic. They can't be accomplished in a "one-off" mind-set. It takes years and great

A strong communications program is a natural lever for building and amplifying an organization's social and intellectual capital.

intellectual commitment for arts organizations to build relationships with residents and businesses and city officials. It takes years to expand the competencies of staff and board beyond a traditional arts model to include human service program design, community development, attention to issues of gentrification, and government advocacy.

Finally, across all organizations and fields, leaders need to use caution with respect to human capital as they pursue strategies for growth. Growth often entails entering another geographic community, for instance, where the organization's staff and board may not have relationships or credibility. Investing the time to get to know the culture, dynamics, and existing leadership in a community *before* bringing programming to it is exercising reciprocity in strategy. This same idea applies if the growth is not geographic but rather expansion to a new population. Leaders should ask themselves: Do we have the social, intellectual, and cultural capital to work respectfully and effectively with this group? If not, how, specifically, will we invest our time and resources to build it with humility?

From Extraction to Reciprocity in Communications

A strong communications program is a natural lever for building and amplifying an organization's social and intellectual capital. We know from recent research that nonprofits are more likely than ever to have dedicated communications staff, which means that establishing a consistent, reciprocal approach to communications strategy is more possible today. According to research by Kivi Leroux Miller in 2016:

> In each size category the number of people devoted to communication is larger than was the case several years back. In fact, in previous years having a full-time communications person for a charity with one million or less in annual budget would be considered a luxury. Now it is commonplace, as indicated in the report.[10]

Your staff and board members can share what they are learning through blogging, social media, and long-form reports and publications. As important, you can apply principles of reciprocity by lifting up the work of other organizations with which you collaborate or that you simply admire. This approach has the added benefit that your team does not have to generate all of its own content to have a consistent communications presence—*and* you are helping to build the social and intellectual capital of organizational allies. Build explicit assumptions and targets around sharing the work and perspectives of allies into your annual communications calendar and your approach to social media. Those ally organizations are also now more likely to do the same for you when you have something important to share with the field. Social media, if it is indeed used socially rather than self-promotionally, is an immensely powerful platform for reciprocity.

From Extraction to Reciprocity in the Annual Budgeting Process

While social, intellectual, and cultural capital may be less quantifiable than financial capital, they do, of course, cost money to develop. As with so many organizational endeavors, the largest and most hidden cost is time. If we want to support a program director in being a nationally recognized thought leader in our field, for instance, then we have to consider the days—if not weeks—out of the office this will require of her each year. That is, developing and amplifying nonfinancial capital becomes a visible part of her job and a percentage of her time allocation that has to be paid for in the annual budget. This means work that she might otherwise have done with that time—supervision of staff or facilitation of team meetings, for instance—has to be picked up and paid for elsewhere.

The bottom line is that learning organizations, as Senge described them, have to invest seriously in learning. This is far, far beyond the uniform professional development stipends for every employee so often employed in the annual budgeting process. That minimal strategy may be part of a much larger investment in learning and human capital development, but it hardly stands in as one. In team or departmental budgeting processes, for instance, ask directors not to just plug in a number—i.e., we need $5,000 for this work—but to articulate in words their anticipated approaches to social, intellectual, and cultural development for the team in the coming year. Think, too, about travel, conferences, and study trips—all expenses that are essential to staff and board members building and sustaining relationships and intellectual currency. A note of caution here: these investments in human capital development, if they are the last to be included and the first to be cut in the annual budget, are still merely symbolic of aspiration rather than fundamental to an organization's way of being.

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In *Reinventing Organizations*, Frederic Laloux writes:

> Most organizations today feel that they are in business to get stuff done, not to help people figure out their calling (and in these soulless organizations, many people would be reluctant to explore subjects as intimate as one's personal calling). Yet individual and organizational purpose go hand in hand. It's at the juncture where organizational purpose and individual calling start to resonate with and reinforce each other that truly extraordinary things happen.[11]

If we can shift from thinking of our organizational relationships as "human resources" to be managed—their capital to be extracted over the life of the relationship—and shift to a frame of deep reciprocity, we will find as nonprofit leaders that it is indeed those relationships above all else that allow our organizations to accomplish the most extraordinary things.

Author's note: *I am grateful to my former colleagues at CompassPoint, especially Lupe Poblano, Asha Mehta, and Shannon Ellis, for teaching me so much about how white dominant culture extracts resources from people and communities. Our experiences working together to adapt our internal management practices at CompassPoint informed much of this piece.*

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"Most organizations today feel that they are in business to get stuff done, not to help people figure out their calling. . . . Yet individual and organizational purpose go hand in hand. It's at the juncture where organizational purpose and individual calling start to resonate with and reinforce each other that truly extraordinary things happen."

BALLE—Change *from the* Outside In

by Cyndi Suarez

Editors' note: *This article inaugurates the* Nonprofit Quarterly*'s "Racial Equity Change Process" series. We offer the stories with full knowledge that we are recording the histories of these efforts from the points of view of the participants, who may have their own recollections about how the processes in their organization developed and resolved. We hope these stories provide insights into how various kinds of nonprofits can create their own transformative processes, and we welcome you to share your own racial equity change process with us by submitting to editorinchief@npqmag.org.*

The Business Alliance for Local Living Economies—or BALLE, as it is known—is a seventeen-year-old national organization with the simple and powerful mission to "create local economies that work for all." A commitment to this mission has taken BALLE on a journey that is transforming it into an organization that made the choice, in 2011, to center racial equity in its work. Now, seven years later, *NPQ* has spoken with some of the key leaders in this change to learn what sparked it, how it developed over time, and where the organization is today.

But first a little history. When BALLE was founded in 2001—by Judy Wicks (owner of Philadelphia's White Dog Cafe, and creator of the Sustainable Business Network of Greater Philadelphia) and Boston local business owner Laury Hammel—its initial model was to support, help launch, and recognize and learn from the efforts of Local First networks, which it called "a foundational concept of the emerging new economy movement." (In fact, BALLE claims to have coined the term *Local First*, in 2002.[1]) As these networks grew and learned from each other, the movement gained steam, and by 2002, BALLE was

Cyndi Suarez is a senior editor at the *Nonprofit Quarterly*. She is author of *The Power Manual: How to Master Complex Power Dynamics* (New Society Publishers, 2018), in which she outlines a new theory and practice of power. Suarez has worked as a strategy and innovation consultant with a focus on networks and platforms for social movements, and her studies centered on feminist theory and organizational development for social change.

hosting its first (and now annual) national conference. By 2009, BALLE consisted of eighty Local First business networks across North America.

However, while networks serve many purposes (including connectivity, learning, and action), they also tend to be self-reinforcing, in that the trust and knowledge that are built over time privilege those already in the network, and can create obstacles to openness, innovation, and access. Michelle Long, who had been BALLE's founding director, came back to BALLE in 2010, in the midst of inquiry and a strategic planning process that involved looking back at the organization's first ten years.[2] As Long described it:

> We looked around and everyone was white and middle class in the network across North America. It didn't reflect North America. That was obvious. So we said, okay, what we built so far was not inclusive to, attractive for, supportive of people of color. It was only attracting white, middle-class people. It was a big flag. We knew we couldn't build an economy that works for all if only a few are represented.[3]

BALLE started providing scholarships to the annual conference to attract people of color, but that didn't really work. I attended the 2010 conference and quickly noticed that out of six hundred to eight hundred people (the numbers varied over the four days of the conference), only around twenty-five people were of color. Further, upon meeting each other, many could be heard commenting—in what sounded like awareness of a common diversity tactic—that they were there on a scholarship. Long reflected, "I don't know that it was having an effect. When people say, 'You don't just invite me to the party. . . .' People were coming to a conference focused on supporting white business owners."

Sandy Wiggins, senior advisor with RSF Social Finance, and BALLE board member at the time, recalled:

> I can't pinpoint a single moment in time as a discrete spark. It was an evolution followed by a cluster of synchronous events. In 2009, in reaction to BALLE's faltering effectiveness and viability, we began a major strategic rethink of the organization, including a deep examination of our vision, mission, and values. That process led us first to a new, clear mission: within a generation, to "create local economies that work for all."[4] [The original mission was "Catalyze, strengthen and connect networks of locally-owned, independent businesses dedicated to building strong Local Living Economies."] It also led us to a new theory of change focused on identifying, connecting, and resourcing emergent leaders in the space, which was manifest by the launch of our fellowship program. The key words *for all people* began to bubble up right away, particularly in the fellowship, and pushed us to look at who we were and begin the long process of exhuming our collective and individual structural and implicit bias.

In 2011, BALLE launched its Local Economy Fellowship, described on its website as a "two-year program designed for leaders who are advancing the development of healthy, equitable local economies." Long said, "We were finding the people who were building the most regenerative and prosperous local economies in North America in spaces that were inequitable—a criterion we added."

However, even with this new criterion, BALLE still privileged its existing network. Long explained, "What we did was identify ten that were in our network. Before, BALLE was a self-organizing network. We weren't recruiting people into the network. We included two more people who did not have networks but were trying to build one: Anthony Flaccavento, a white man who was working in Appalachia, and Kimberlee Williams, a Black woman from Newark, New Jersey."

Long recalled one key event in which the fellows were doing a movement exercise that involved organizing themselves in the room based on how they felt in relation to one another, the BALLE network, staff, and board: "Kimberlee was at the edge and looking out, not at the center at all. And she said, 'The future is going to

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DETAIL FROM "LOTUSES, LOTUS ROOTS" BY AYUNE SHOJIMA/WWW.AYUNESHOJIMA.COM

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Another key breakthrough moment came during BALLE's 2012 annual conference, held in Grand Rapids, Michigan, at which Maggie Anderson, author of *Our Black Year: One Family's Quest to Buy Black in America's Racially Divided Economy*, spoke.[5] In her research for the book, Anderson found that during Jim Crow segregation, Black people couldn't shop at the same stores as white people; but once desegregation occurred and it was permitted, many abandoned Black-owned stores and went to Sears and other white-owned businesses. Anderson told Long, "We had tremendous purchasing power, and we need to support Black-owned businesses. But this local ownership thing . . . if I were to shop only in some of the neighborhoods where people in my community live, they're owned by Korean people who live outside of the community. They come in during the day and bar the windows at night and leave."

Long acknowledged, "The local ownership approach was not helping Black communities. We knew we were not going to accomplish our goals unless we put equity in the center." Kimber Lanning, executive director of Local First Arizona and BALLE board cochair, was in the first fellows cohort. As she described it:

> Those two years together in [the fellowship] were critical and shined a light on how insufficient BALLE's overall composition and approach were in terms of readiness to address the needs of the moment. The African-American leader voiced her feelings of being tokenized, which absolutely forced BALLE to examine this truth and stare it in the face. I credit this leader, Kimberlee Williams of Newark, with being our catalyst for change. The weight she carried, and her willingness to continue to show up with her whole self and speak the truth, remains an inspiring story of patience and wisdom.

Lanning also noted that the leadership responded. "BALLE's executive director at the time, Michelle Long, immersed herself in deepening conversations around equity with leaders of color, and brought new enlightenment back to staff and board, whose openness and generative thought in the space were remarkable. Michelle very quickly moved to action around changing priorities, programs, and board and staff composition to reflect the field and values."

Long remarked, "I remember for a while we had a contract with Ashara Ekundayo, cofounder of Hub Oakland, to help us identify leaders working in communities of color building local economies, but in different ways than we had set out initially."

Christine Ageton, BALLE's vice president of experiential learning and funder education, joined BALLE in early 2010 as senior director of fellowship and alumni. She dug a little deeper:

> Hindsight is twenty-twenty, but I now see that, like many white organizations, we had goodwill and intent but were missing the analysis, including internal inquiry, to address racial equity well in the early years. Many fellows and BALLE network members were extremely generous with their willingness to educate and invest in BALLE's growth in this area. I also think that BALLE leadership overall demonstrated a willingness to learn and change, which was unusually open and brave amongst white-led organizations.
>
> Most of these conversations were extremely uncomfortable for white BALLE leadership, myself included, who were on a steep learning curve about the differentiation between diversity, inclusion, and equity. My sense is that these conversations were also uncomfortable and at times frustrating for fellows, who appreciated BALLE's willingness to grow but did not want their time in the fellowship to be dominated by this.

According to Wiggins, each successive cohort of fellows pushed BALLE further, and eventually diversity became a hallmark of the recruitment process for the fellowship, staff, and board:

> Leaders often say their organizations are not ready for racial equity and power sharing, but these leaders tell us it's not about being

> ready, and we may actually have to look at *who* is not ready.

Jess Daniel, BALLE's director of local economy fellowship, said, "I don't think people were ready [but they responded to the demand for change]. I think the culture in the organization was that people show up to listen and learn, so as new information came in, people were relating to it." Rodney Foxworth, BALLE's executive director, was also a fellow before joining the staff. He said, "Maybe the organization wasn't ready, but people we were accountable to were."

Ageton continued: "I think that the field required us to become ready, meaning that there was no way we were going to meaningfully work to help advance equitable economies in the United States and Canada without addressing equity, and particularly racial equity."

Wiggins took it further: "Taking the temperature for readiness isn't really a relevant question. BALLE is a mission-driven organization with a clear vision, populated with staff and board who care deeply about the issues it seeks to address." As Wiggins noted, however:

> There was resistance within the community about the shift in focus that resulted in some people feeling BALLE was straying off mission. Unconscious bias is just that . . . unconscious . . . so it took concerted and often uncomfortable effort to surface that in the ranks of staff and board, and some people opted out. There was also some justifiable skepticism among leaders of color working in marginalized communities when the BALLE staff started to reach out to them. The deep wounding of race has fomented difficult moments in different ways in each of the communities of practice that BALLE hosts.

Foxworth concluded:

> You have to weigh the opportunities and the beliefs that we have as an organization against the challenges. Are we alienating individuals, particularly white men? There's always that challenge. Hopefully, we're building the empathetic muscle to be able to have these conversations. You can't create safe spaces [in this context], but you can create *brave* spaces where you will be held and attended to. There are always challenges when you engage in not just conversations about power, but action.

How It Developed

According to Ageton, there were three main areas in which BALLE deepened its commitment and conversations. "First, we changed who was in the proverbial room. This meant actively pursuing diversity in our programs, on our staff, and on our board. This was a slow process, but between 2010 and 2014 we made massive change in who made up our network and team, and that changed everything, from what conversations we were having, to how they were curated."

BALLE started by increasing diversity on staff, starting with lower-level staff at the assistant level. Over time, as people asked who actually had power on staff, BALLE decided to hire higher-level staff of color. It also increased diversity in its fellowship program: while the first cohort had one person of color, the latest comprises 60 percent people of color, and has more diversity across intersections of identity. BALLE made the decision to have its board consist predominantly of fellows, its core constituency. Having a board consisting of a majority of people of color has shifted the board's dynamics. Foxworth admitted, "When you ask the question, who holds power at BALLE?, we're still on that journey; but in terms of board governance, it's reflected."

Second, according to Ageton, BALLE hosted training for its staff and board. Since 2011, they have worked with four different professional diversity and equity trainers. Ageton said, "Candid conversations about power, coupled with greater distributed leadership among an increasingly diverse team, led to much greater rigor in how we systemically addressed equity within our conversations. The change that I think was most significant was having more people of color in senior positions on staff, coupled with serious—and at times uncomfortable but ultimately essential—conversations about positional power and how it was playing out on our team."

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It's an ongoing learning journey. One of the lessons BALLE has learned is that it's important to honor the self-care of people of color, who do most of the heavy lifting and often pay the highest price in systems of inequity and their change processes.

Long pointed out that this change process needed a "budget commitment." She said, "Having a significant line item in the budget for professional development on racial equity for staff and board was necessary. We had a lot to learn. I had a lot of naiveté. There was a lot of privilege that was unexamined amongst our staff and board."

On the program side, in 2013, the fellowship program transformed its facilitation team by bringing on people with the ability to facilitate conversations about diversity, inclusion, and equity. The whole team is now made up of people of color. Daniel said, "I think who's hosting is super important." Further, BALLE is clear about the kinds of conversations it wants to host. Daniel continued:

> We are interested in continuing to have a diversity of exposure to conversations about equity and knowledge and facility with those topics within our network. We're not interested in only people who speak the same language. These conversations can be about "are you down enough, are you using the right words?" I can feel when people are starting to feel shamed or alienated because they don't understand something, or are afraid of using a word wrong, or are afraid of offending someone if they say what they think.

In 2015, the staff formed an equity committee, which produced an equity statement and staff commitments and ensured internal and external accountability around equity. But this took time—two years according to Ageton. Daniel said, "We try to make a statement. It doesn't get published for another year. It was the fellows who were pushing and [as the director of the program] I felt it, so I wanted the whole organization to hear this. We wanted to get on the same page as staff about what we believe about equity and the way forward."

These commitments are now updated and operationalized every year, and posted on Medium.com.[6] They are very intentionally public. BALLE continues to build diversity within its program staff and facilitators, with strategic partners, and with program participants.

It's an ongoing learning journey. One of the lessons BALLE has learned is that it's important to honor the self-care of people of color, who do most of the heavy lifting and often pay the highest price in systems of inequity and their change processes. Foxworth said:

> Oftentimes, when we think about how to keep places safe, we don't think about people of color who have been impacted. They're the ones that bear the labor of educating and holding comfortable space for those who are not as impacted. We all have different responsibilities and accountability in this work. If we're talking about anti-Black racism, it should not just be Black people talking about their experiences.

Further, at this point in his career, there are certain conversations Foxworth is not willing to have: "I'm at a point where I'm happy to engage in discussions if they're not 1.0, if I'm not explaining simple stuff. It's too draining. I've been here too long. It's emotional labor. I have other things to focus on." He allowed that having a diverse staff of color means there are others on staff who can and are more willing to host those conversations.

Where They Are Now

At BALLE, conversations about equity are now a regular feature of the work. Daniel said, "It's less of a stop-and-start and more of an ongoing, consistent drumbeat or rhythm." There's clarity among staff that BALLE is trying to disrupt business as usual and that equity is at the center. Its staff and network are becoming more and more skilled at hosting nuanced conversations about equity for its fellows and its newer network of foundation leaders, even when they come in with different amounts of experience or comfort in those conversations. They are becoming more comfortable with not knowing things, with being a little awkward sometimes, with being straightforward in times when they are still unclear on how to proceed.

Over the past few months, BALLE has been hiring for five new positions. Something staff has noticed that's very different is that applicants seem clear about why they want to be at BALLE: its commitment to economic and social justice. Daniel said, "Somehow, what we're putting out there and who we are is making it more clear that this is what we're about—and that's really cool!"

Every programmatic team has a staff member or facilitator who has deep experience addressing issues of equity. Ageton added that staff is able to evaluate its efficacy in a depersonalized way. She said, "We have an active culture of colearning that is ongoing regarding equity, and my perception is that it is part of the appeal for our team of working at BALLE. My sense is that our team—staff and contract facilitators of programs—appreciates the opportunity to bring their whole identities to work, including their own personal growth edges around equity." This candor allows for rigor in BALLE's strategy and programmatic approach. Ageton remarked, "We are in constant collective inquiry about our own approaches to equity in our programming and strategy, and able to develop and assess metrics around where the work meets our broader mission."

On a more personal note, Ageton said, "It feels gratifying to be, in my estimation, the organization most congruent and aligned with the change we hope to bring in the world. As a team, we get to partner with humility and commitment toward this."

Wiggins said, "I can't find the words. BALLE, its staff, its board, its community, truly reflect its vision. It is an exemplar for the future. That doesn't mean there isn't still plenty of work to do, both collectively and individually, but there is a deep, palpable, and inextinguishable current of understanding, connection, power, and determination regarding equity that runs through the organization. We're helping to change the world."

Ageton concluded, "Eight years in at BALLE and about five years into a deep dive into racial equity, my main learning is to embrace a structural analysis and evaluation of power and equity as early as possible and with as much openness as possible. My second main takeaway is to find consultants and advisors who can invite learning with as minimal shame or bias as possible. The field of equity and diversity consulting, in my estimation, is as varied as any other. The key is to find partners and advisors who are able to welcome change without losing the essence of what works within the organization and network."

Long said, "You can look at the data—a more diverse team of leaders makes better decisions, is more financially prudent. The data also support that more diversity leads to more creativity and better results." She continued:

> I also know the data don't always influence people. People may know that logically but think they don't have time. What really changes people is to feel something, so making the case needs to be done by having people get to know each other—whether it's face-to-face or heart-to-heart—like going to each other's communities, eating together, dancing together, or art that helps you to feel something and not just think. When you have an organization that is actually multicultural, you get the benefits of more ideas, more creativity, more joy.

She leaves us with this vivid image: "I feel like we were living in a monocrop soybean field versus the Amazon Jungle."

"My sense is that our team—staff and contract facilitators of programs—appreciates the opportunity to bring their whole identities to work, including their own personal growth edges around equity."

Notes

1. "Our Mission," *Local First*, accessed August 29, 2018, local-first.org/about-us/; and "Local Economy Framework: Act Local First," BALLE, accessed August 29, 2018, bealocalist.org/local-economy-framework/local-first/.
2. Long left again, in 2017, to start another organization.
3. All quotes are from interviews with the author in July and August 2018, unless otherwise noted.
4. *Balle 2016 Impact Report* (Oakland, CA: Business Alliance for Local Living Economies, 2016).
5. Maggie Anderson, *Our Black Year: One Family's Quest to Buy Black in America's Racially Divided Economy* (New York: PublicAffairs, 2012).
6. See "2018 Commitments to Prioritize Equity at BALLE," Medium.com, accessed August 29, 2018, medium.com/@bealocalist/2018-commitments-to-prioritize-equity-at-balle-ef01e0b999ef.

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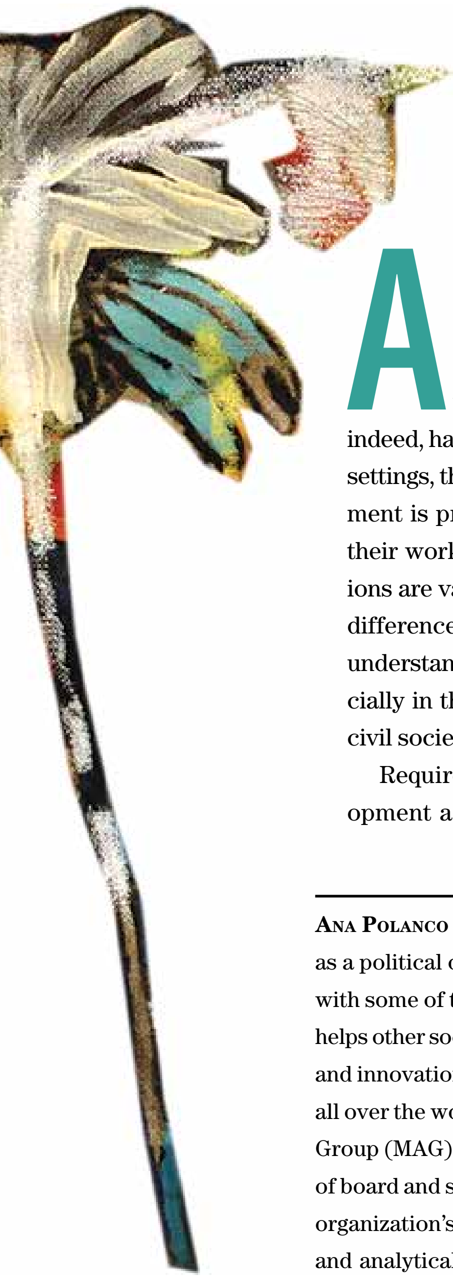
Emergent Coaching:

Becoming Nimble in Complex Times

by Ana Polanco and Susan Misra

Clouds are not spheres, mountains are not cones, coastlines are not circles, and bark is not smooth, nor does lightning travel in a straight line.

—Benoît B. Mandelbrot[1]



As the other articles in this series about human capital suggest, our assumptions about how work should be structured to be highly effective are changing—indeed, have changed—rapidly. Even in corporate settings, there is an acknowledgment that engagement is prized—that people want to know that their work matters and has meaning, their opinions are valued, and their work makes a positive difference. Yet, we are only on the threshold of understanding what this means in practice, especially in the complex, dynamic environments of civil society organizations.

Required are practices that support the development and advancement of the whole, while supporting the development and advancement of the individuals who bring their intelligence, spirit, and experience to the organization. This can be accomplished in part through coaching, which is an emergent practice that focuses not just on upper-level management (as has often been the practice in the past) but also on developing staff at all levels.

Emergent coaching is not new, but it is being used differently to build capacity exponentially by helping to evolve the skills, instincts, and depth of the organization—characteristics that enable organizations to be more strategic and nimble, even under the most chaotic of circumstances.

Ana Polanco is a New York–based international coach, speaker, and educator. Having spent over two decades as a political organizer, Polanco has helped advance the economic, social, and cultural rights of communities, with some of the most recognized organizations in the world. Today, as the founder of Polanco Consulting, she helps other socially conscious leaders catalyze change in their communities from a place of authenticity, purpose, and innovation. Polanco also serves on the faculty of Leadership that Works, an organization that trains people all over the world to fully empower themselves and others. **Susan Misra**, codirector of Management Assistance Group (MAG), has worked with over two hundred nonprofit organizations and networks on leaderful practices of board and staff, complex systems change and strategy, and capacity building. Misra specializes in aligning an organization's internal operations and structure with its social justice values through inclusive, participatory, and analytically rigorous processes. Her work is grounded in three decades of activism to bring about love, dignity, and justice with an intersectional equity lens.

DETAILS FROM "LOTUSES, LOTUS ROOTS" BY AYUNE SHOJIMA/WWW.AYUNESHOJIMA.COM

Who We Are

We are an Afro-Indigenous Latinx coach, facilitator, and trainer, working with movement leaders globally to reimagine conversations on social change, liberation, and leadership; and a queer South Asian coach, working with social change groups to truly live their values and advance love, dignity, and justice. Our work has involved learning about complex systems change and emergent strategy, and we began to reflect on how we use coaching to build adaptive capacity among individuals, organizations, and networks. We felt it was important to consult past leaders and previous clients on their coaching experiences, to understand how they were using coaching to navigate their complex and emergent environments.

There are many coaching program methods, but the interviewees we spoke with mostly used Leadership that Works' Coaching for Transformation model and CompassPoint's peer-coaching model.[2] Coaching for Transformation is one of the top international coaching programs, reaching a culturally diverse community of leaders from dozens of social change organizations and movements throughout the United States, India, Latin America, and Europe. These leaders continually influence this emergent coaching program, bringing to it tools and philosophies that grow our understanding of the Coaching for Transformation method and principles. The CompassPoint peer-coaching model is based on Carter McNamara's Authenticity Circles and the Fieldstone Leadership Network's Learning Groups.[3] Many capacity builders such as TCC Group and Management Assistance Group (MAG) have trained nonprofits throughout the United States to use this model. Once it is adopted within an organization, it evolves organically as people learn and integrate other coaching practices.

Principles of Coaching That Align with Emergence and Complexity

Organizations are using coaching in different ways to foster flexibility and agility in these unpredictable and contentious times. Some organizations are using more traditional coaching models to help individual executives, managers, and directors strengthen their communication, leadership, and

By viewing people as whole and complete, coaching shifts from a one-size-fits-all problem-solving orientation to leveraging the unique, sustainable, and diverse resources and innovation that live inside every person.

INTRODUCTION TO THE INTERVIEWEES

Isela Gracian is the president of the East LA Community Corporation (ELACC). ELACC believes in accountable, community-driven development, equitable housing, transformation through socioeconomic justice, and building wealth through financial empowerment. ELACC builds grassroots leadership, develops affordable housing and neighborhood assets, and provides access to economic development opportunities for low- and moderate-income families in East L.A. and Boyle Heights.

Alexa Kasdan is the former director of research and policy at the Community Development Project at the Urban Justice Center. The Community Development Project provides legal, participatory research, and policy support to strengthen the work of grassroots and community-based groups in New York City to dismantle racial, economic, and social oppression.

Maria Rogers Pascual is executive director of Prospera. Prospera is an Oakland, California–based nonprofit that partners with low-income Latina immigrants to build co-ops—collectively owned local businesses—to transform communities and local economies, building prosperity for the benefit of all.

Nancy Smyth is the leadership development director of both the Los Angeles Alliance for a New Economy (LAANE) and Partnership for Working Families. LAANE is a nationally recognized advocacy organization dedicated to building a progressive labor movement for economic and racial justice. Combining dynamic research, innovative public policy, and strategic organizing of broad alliances, LAANE promotes a new economic approach based on good jobs, thriving communities, and a healthy environment. Partnership for Working Families is a national network of leading regional advocacy organizations that support innovative solutions to the nation's economic and environmental problems. They connect and enhance worker and community organizing, expand democracy, and combat poverty by raising job standards and addressing the needs of low-income communities.

culture-building skills. Other organizations are using coaching to strengthen, unify, and advance the adaptive-management skills of teams. Still others are taking key coaching skills and applying them to actual projects to help reimagine the outcomes, build resilience among project participants, and strengthen their connection and ability to manage conflict.

As coaches, we have been reflecting on our experience coaching hundreds of people and groups. We noticed a trend: when coaching broadens to a critical mass within a group, it can help build the group's capacity to navigate emergence and complexity. We wondered, what is it about coaching that supports this capacity? As we thought about this question, we were inspired by *Emergent Strategy: Shaping Change, Changing Worlds*, by adrienne maree brown, and *The Systems Grantmaking Resource Guide*, by Grantmakers for Effective Organizations and Management Assistance Group.[4] There are five principles of emergence and complexity outlined in these resources that we saw reflected in the types of coaching that were having a transformative impact across individuals, organizations, networks, and communities. These five principles are:

- Wholeness
- Ferning
- Pattern recognition and change
- Starlings, shocks, and landslides
- Nonlinearity

Through our interviews with nonprofit leaders who are using coaching in different ways, we discovered how these principles are brought to life with staff, members, and partners, and explored how important they are to being able to navigate complexity and emergence.

Wholeness

The concept of wholeness posits that people are already whole and complete—that they are filled with endless resources for solving the challenges they face. By viewing people as whole and complete, coaching shifts from a one-size-fits-all problem-solving orientation to leveraging the unique, sustainable, and diverse resources and innovation that live inside every person.

The intersectional identities that make up our true self are not segmented pieces like a jigsaw puzzle but more blurred and blended to form a whole picture. This self is an expression of histories: lineages that came before us, systems and cultures in which we are located, and experiences we have had. Coaching helps us to access a deeper awareness of our self—our mind, body, and spirit—so that we can uncover the roots of our emotions and experiences, and the ways that we protect ourselves from accessing this wholeness.

In other words, coaching supports people in exploring their identity, wholeness, and evolution to a way of being in the world that engages more of their whole self. For Maria Rogers Pascual of Prospera, for example:

> Integrity of our humanity is central to our programs. We are more than business owners. We are also moms and immigrants. We recognize our whole story, and that means understanding we are connected to the larger complex financial system that is based on gender and racial oppression. So we want to make sure that we acknowledge our own powerful history of entrepreneurship in the face of this oppressive system. Money is about justice and recuperating our voice.[5]

In this way, in its programs Prospera uses coaching with Latina entrepreneurs to support their analysis of their world view and their agency to make choices about their lived experiences in a way that embraces their full identity and power. The coaching can often be quite healing and transformative, because it unearths the entrepreneurs' hidden resources and insights, even in the face of the trauma of oppression.

Similarly for ELACC, coaching "is not only about the hard-skill building but also about the transformational piece of individuals." As Isela Gracian explains:

> If we aren't intentional about supporting both—the technical ability to implement the work and personal development—they aren't successful in their project.

For example, an ELACC staff member was struggling with writing a report, even though he understood the mechanics underlying such writing as espoused by the organization. The coaching process helped him to explore the linkages among his identity, writing, and the organization's identity, giving him the space to activate his whole self and surface the unspoken challenges of writing for an organization with a different cultural identity and set of assumptions from his own.

Ferning—or Embracing the Simple Order in Complexity

Complexity can look like chaos until you identify the ordering central forms. This rule is central to complexity theory, and refers to universal aspects of a system that are replicated at various levels to form a whole that replicates the parts but still retains a uniqueness from any other similar entity—a randomness. That randomness emanates from the differences in the parts as they make up the whole. In some literature, this effect of the parts on the whole is called "ferning." Ferns are a form that replicates a simple shape from its most elemental part to its entirety, yet no fern is exactly like another fern—and no part is exactly like any other. These concepts are inextricably linked to the idea of individual and organizational wholeness, in that purpose and a drive for purpose are often what align the parts in a system—what is alike about us. This could be a yearning for justice around an issue, associated with a drive to a particular outcome—but it is what is shared and drives us to coordinate our work ever more effectively. Thus, we will see similar characteristics reflected in different parts of the whole, including individuals, teams, organizations, and communities. We will also see ripples across these parts as systems adapt—cascading from small to large and large to small, since some randomness and variation also occur from one level to the next, and because sometimes forms change in response to their environments.

Coaching recognizes the power of mutual influence among individuals, teams, organizations, networks, and communities, and strives to align change among these levels while adapting.

Coaching recognizes the power of mutual influence among individuals, teams, organizations, networks, and communities, and strives to align change among these levels while adapting.

Traditionally, people have focused on using coaching to strengthen individual performance, which, in turn, strengthens organizational outcomes; but there are four other ways that we have seen the principle of ferning show up in our coaching practice.

First, a critical mass of individuals adopting norms and practices that support organizational or community transformation can emerge. Nancy Smyth of LAANE shared:

> There is something about scale—when a lot of people are doing inner work—and how it can influence the organization . . . and help shift the culture. Training people in coaching skills contributes to conscious relationships, curiosity, deep listening, believing in people's capacity, letting go, and lots of experiments.

ELACC, also, has introduced coaching skills to all staff. According to Gracian:

> The team sees and understands that we are creating an environment of learning, thinking, and growing. . . . [Sharing with all staff fosters] mutual accountability; staff need to be honest, transparent, and have brave conversations with folks.

Prospera's members also received one-on-one coaching, and are trained in such coaching skills as the three levels of listening: *self-focused*, *other-focused*, and *transformational*. Collectively, Prospera is able to bring peer coaching to all members in the community. As Pascual said, "They become arbiters and facilitators with the other women—[helping people] work and collaborate together."

Second, information and interpretations from the parts can emerge more as a ripple, moving from powerful, individual inquiry to team or organizational questions that, when raised, lead to or support change processes. At Community Development Project, coaching was paired with a management training initiative. Alexa Kasdan explained:

> Coaching was the place where individuals could practice [and explore] the problems or challenges they were having at work [and] get clear about whether the organization aligned to their values. . . . [It] allowed lots of blind spots to become visible. . . . The work we did created a ripple effect to bigger changes—to call to question issues of equity, inclusion, strategy, and even roles.

At LAANE, training the entire team to use coaching principles created more authentic conversations leading to changes in performance. "There are teams where coaching is about how they do their work—like the organizing team," said Smyth. She noted:

> Where there is a "shadow" [i.e., something that's not working on a team or in the organization] identified in coaching, it can lead to the person bringing it back to the team space and the team reflecting, digging in, and doing the change work together.

For example, an interviewee shared an experience in which a person being coached became aware of how her rigidity was eliciting a negative reaction from her peers. By shifting her perspective, she was able to transform relationships and build trust. Then, when a group conflict arose later on, she had a different way of approaching it that resolved the conflict and built more trust among the team.

Third, the same principle of parts to the whole and whole to the parts can show up when organizational change processes are coupled with individual coaching to support people in their own transformation (essentially, rippling from other levels to the individual). Within the social sector, we have found this to be a common part of a deep equity-transformation process. As the organization gets clearer about its transformational goals, individual coaching provides a space for people to explore what this means for them individually and to challenge themselves to undergo their own equity journey. As an example, coaching for one woman of color helped her to confront internalized oppression and develop the grounding and confidence to set boundaries with program partners and speak up with friends when her identity was devalued.

Fourth and finally, these principles of

As the organization gets clearer about its transformational goals, individual coaching provides a space for people to explore what this means for them individually and to challenge themselves to undergo their own equity journey.

self-organization can look like multiple individuals or teams embodying organizational principles, values, and unique ways of being in both good and bad times. At Prospera, cooperative members reflect the organization's vision, values, competencies, and ways of being. While each member discovers her own unique journey to transformation, all of these individual experiences add up to organizational alignment. Prospera embraces a Mayan principle that is reflected in many coaching models: *In Lak'Ech*, which means "I am your other you and you are my other me." This principle is a true reflection of ferning, as it reinforces the idea that, like an organization's members, all the leaves of a fern are connected and have shared responsibility to one another.

By doing the inner work and working on performance in coaching, organizational members build up a new capacity to hold space in times of conflict, generate unexpected growth, and leverage idea generation. When Prospera's cooperative members disagree or show up in ways that are not aligned with their leadership values, they don't have to wait for the coach or executive director to step in. Instead, all organizational participants have the capacity, skills, and agency to coach one another, promote the organization's values, and as a result advance the organization's mission. This, in turn, informs how the mission evolves and generates more alignment and more capacity to move the mission forward in ways that are generative, iterative, and transformational.

Pattern Recognition and Change

There is much debate about the number of thoughts we have in a single day—scientific studies put it in a range of fifteen thousand to seventy thousand per day. Whatever the number might be, we aren't aware of a majority of these thoughts because the brain, much like nature, creates patterns of behavior in response to the environment. We have diminished awareness of these patterns over time because they help us to meet basic social needs and confront and cope with the complexity of life's daily challenges. So, when an individual begins to do inner work, he or she can often have one agenda and, through inner work, discover that there is a deeper and more transformative agenda yielding different results. The same goes for organizations.

Coaching expands coachees' awareness of their own patterned behavior under current conditions, and enables them to alter those patterns as the situation changes. Individuals engage mind, body, and spirit to deepen their understanding of how the roots of their experiences and emotions inform their leadership at work and at home. This pattern recognition is critical to an individual's resourcefulness in changing these patterns, and is not based on someone else's lived experiences. Where coachees become aware of their patterns and their source, it creates enough space to choose whether to make a new choice or begin building the capacity to make new choices.

Prospera embraces a Mayan principle that is reflected in many coaching models: *In Lak'Ech*, which means "I am your other you and you are my other me."

For leaders Pascual and Gracian, becoming deeply aware of their emotional and behavioral patterns through coaching helped their organizations recognize that creating permanent change around the patterns of behavior was much more nuanced than just trying to fix surface problems. For example, when a leader recognizes that she has a problem building trust, through coaching she may also recognize the need for safety in relationships. This helps the coachee acknowledge the ethos she aspires to and how her current pattern of behavior might prevent that from manifesting.

For the Community Development Project's leadership team—who underwent a process of coaching combined with management training—awareness of individual patterns increased the team members' ability to ask for help when they were stuck on a problem. As Kasdan noted, opening up that opportunity helped contribute to increased collaboration between team members and a shift in how problems were solved in some key areas.

Another interviewee shared how one leader was struggling with time management, which was affecting his ability to build successful relationships with other leaders. Coaching helped him to become aware of this pattern and the ways in which it was affecting many other aspects of his life, including getting his kids to school on time. This inspired him to make a choice about the kind of leader and role model he wanted to be in his

The more people experience transformation, the more agility teams and communities have, like starlings, to reconfigure and change direction in the face of change.

community, and he ended up shifting his behavior both at work and with his family, leading to more harmonious, collaborative, and successful relationships all around.

In another example, a leadership team member acknowledged the difficulty she was having engaging in personal conversations during check-ins with other team members instead of getting right into the business at hand. Creating awareness around this issue helped her to change direction and make space for more casual conversation at the beginning of each check-in, which allowed her to build a better working relationship with team members.

While pattern recognition is an important part of the change process in coaching, it is not a guarantee that change will be permanent. Smyth has described seeing both "snapback and permanent" change. Many of our interviewees spoke about the difficulty of permanent change around behavioral patterns, particularly those tied to personal trauma and systemic oppression. Kasdan noted that "how deeply rooted" an issue is can affect the capacity for new patterns to take hold. Our interviewees also noted that readiness and desire to change are aspects of the change process that affect permanence.

As more and more nonprofits begin to address and uplift the value of equity and inclusion in the workplace and to tackle systemic power and privilege issues in the coaching process, it's important that coaches be prepared to recognize their own patterns of behavior in order to avoid colluding with those systemic patterns during the change process. In order to support others to make authentic choices around power and privilege, coaches, managers, and peers must work on their own beliefs about power and privilege to support transformation in themselves and in others. As Pascual noted, "We can't talk about transformation if we don't understand our relationship to power."

Starlings, Shocks, and Landslides

The naming of a pattern can lead to "Aha!" moments (also known as transformations); we think of such moments as *starlings*, *shocks*, or *landslides*.[6] The idea of *starlings* derives from the swooping and spinning together in unpredictable patterns (known as murmurations) that happens when hundreds of starlings shift their flight at once. *Shocks* are abrupt and unexpected changes. *Landslides* are slow shifts that lead to permanent change. When multiple people in a system experience an "Aha!" moment, those individual transformations can cause them to shift and reconfigure how they approach change within the system—and this, in turn, leads to "Aha!" moments (starlings, shocks, or landslides) at other levels (such as teams, organizations, and communities).

"Aha!" moments are rarely about sustainability and more about nonlinear change. In coaching, recognition of these "Aha!" moments can create opportunities to open up choice, self-reflection, and experimentation with new ways of being. The more an individual practices change and experiments with new behavior, the more resiliency and recovery she can generate to engage in authentic dialogue and transformative change within herself and inside the organization.

A critical mass of individuals being coached or using coaching principles to change how programs are delivered can generate the kind of collective "Aha!" moments we desire. The more people experience transformation, the more agility teams and communities have, like starlings, to reconfigure and change direction in the face of change. This ability can significantly affect the pace of change, as well. In one example, coaching enabled individuals to see patterns of misalignment between how leaders behave and organizational values. Individuals made choices to shift those patterns. Slowly, there were new roles and different meetings, and then there was the rapid creation of a new leadership team.

Powerful transformation can result by giving all the members of an organization a shared set of coaching tools, resources, and language with which to create—but they can't be used in a vacuum. Pascual noted that a person's cultural identities, past traumas, power, privilege, economic mobility, and the stability or not of his or her immigration status are born from a set of institutions, systems, and structures that impact how we experience our ability to change in relationship to the larger world context. As

Kasdan explained, the people undergoing the change must be aware of and understand the societal realities in which they operate—and a coach, too, must understand that transformation is happening in the context of those historic and present-day societal realities, and be prepared to work with them.

Coaches and peer coaches inside organizations, stressed Kasdan, must be well trained and prepared to navigate trauma and inequity in order to create transformation in ways that are meaningful, build toward agility, and encourage individual and collective change. In this way, organizational leaders should be clear about the purpose of using coaching and what other skills are needed to advance and build toward transformation. Some examples of complementary skills may include understanding equity and inclusion frameworks, learning trauma-informed ways of communicating with others, and tapping into other skill sets that encourage recognition of others' individual experiences and assumptions. By having multiple skills, a professional or peer coach may be better able to support others in moving from temporary transactional changes to transformational change, which can have a lasting effect on the individual and the group.

Nonlinearity

Nonlinearity means that things happen in unpredictable and seemingly irrational ways. What works today may not work tomorrow, new behaviors may not become permanent habits and mind-sets, and there may be larger-than-expected, smaller-than-expected, or even just unexpected results from implemented strategies. Nonlinearity applies to coaching in three ways.

First, coaching itself evolves in nonlinear ways. Half of the organizations interviewed developed coaching plans with intended outcomes, while the other half did not specify expected results in advance. At the same time, all of the interviewees agreed with Smyth that they were "not attached to what people do—[but to] challenging them if they were not moving into what they wanted to change." As Gracian shared, "I tell people it is a practice. There are moments when they may not do it, [and] we call them back into a practice. It is not one time or an endpoint but an ongoing [body of work]." Coaching also creates the space for people to grow in ways that might be unexpected. One interviewee, for instance, noted that coaching had led to several people choosing to leave their positions. Another interviewee talked about how a coachee decided to close down her business in order to start another business that was more aligned with her purpose.

Second, the length of time it takes to see the results of coaching can be unpredictable and inconsistent. Going back to the example of the staff member who wanted to work on the issue of timeliness, through the coaching he realized very quickly that constantly being late derived from an unconscious desire for getting attention, and he was able to identify more positive ways to get that attention. Another interviewee shared an example of someone who spent a few years working on embracing a more curious stance, and it wasn't until he went through formal coaching training that it finally clicked for him and he was able to evolve. But all of the interviewees agreed with Kasdan that when coaching is implemented for several people at once, the results can be simultaneously slow and fast, or can happen in waves. Further, there may be a gap between when the coaching impact is felt by the person being coached and when it is felt by the organization, network, and community. As Pascual observed, individual transformation may be noted more readily than new group habits and norms.

Third, coaching builds people's ability to embrace emergence and be flexible and nimble as things change. As Kasdan described it, coaching can result in staff having "a higher capacity and resilience to respond to chaotic change. . . . [Coaching] helps people become more open to asking for help—that in and of itself provides agility." Pascual remarked, "It's not simple to stay grounded despite our best efforts. [Members are] learning a new language, changing migration status, and navigating the U.S. system to generate stable income and housing. . . . [Coaching] changes how [they] listen to friends and family members [and how they] flex that muscle in conversations." Smyth also works in unpredictable situations, and

Coaches and peer coaches inside organizations . . . must be well trained and prepared to navigate trauma and inequity in order to create transformation in ways that are meaningful, build toward agility, and encourage individual and collective change.

Coaches are continually learning about their identity and power and how these impact the coaching process. As Pascual reflected, "We can't talk about transformation if we don't understand our relationship to power, where it came from, and prejudices—how I can be oppressed and how I can oppress others."

she has used peer coaching to help "women find their power and voice. . . . Coaching [enables us] to have courageous conversations and authentic relationships in our coalitions and with partners, helps people understand each other more, and [helps people] take a stand with each other."

As Gracian noted, it is particularly important for staff to continually challenge assumptions, test what is working now, and continue to move forward in an environment of rapid change:

> The coaching method really helps people have an internal shift to the brain . . . and cultivates people's ability to manage [their] challenges. . . . [For] newer staff that are used to being in spaces where they are told what to do . . . the process of coaching helps build this [self-led] capacity.

As a result of coaching multiple staff, Gracian continued, more people are becoming willing to take risks. "What I'm seeing right now is there is a lot of energy to pilot work, noodle through, and push the boundaries of existing programs." She concluded, "Part of the coaching is getting people to manage what they are feeling around making decisions. . . . There [was] nervousness around making decisions, being wrong, and making mistakes. . . . [Now] if I'm not there or not available, I've noticed they connect with each other, ask each other questions, and can move forward with a decision."

How Does a Coach Show Up for the Most Effective Coaching?

The five principles outlined above are not sufficient for coaching to support emergence and complexity. What we learned from the interviews is that the intention with which an organization or individual approaches coaching also matters. There were three themes around this coach's "stand" that were common across all the coaches we interviewed and that we have seen in our own work: *consideration of power and privilege*; *mindfulness of multiple ways of knowing*; and *openheartedness and curiosity*.

The coach's "stand"—or, foundation from which a person coaches—is a higher purpose and commitment that a coach embodies in order to support the client's exploration of change, free from the coach's own experience. These commitments often take physical, visual, intellectual, spiritual, and/or energetic form, and support coaches in managing their own biases and expectations for transformative change. In this way, a coach's perspective on cultural identity, racial equity, engaging in multiple forms of knowing, and ability to embrace deep curiosity and inner work are critical.

First, *coaches explicitly consider power and privilege*. Coaches are continually learning about their identity and power and how these impact the coaching process. As Pascual reflected, "We can't talk about transformation if we don't understand our relationship to power, where it came from, and prejudices—how I can be oppressed and how I can oppress others." A coach will likely talk about this explicitly with the person he or she is coaching to make sure they are a good fit in terms of cultural understanding and power dynamics. In some cases, coaches may reveal aspects of themselves to support the people they are coaching in challenging assumptions and exploring different questions. For instance, Gracian sometimes shares her story of growing up working class and learning to be invisible while helping to clean homes, and how she has challenged what she was taught in order to become more visible. In addition, coaches support the person they are coaching to become more grounded in terms of their identity and in relation to systems of oppression. As Smyth stressed:

> I support people in being in their authentic selves and not having to code-switch. I work with people to be in their true stand and power so they can bring all they want to bring and challenge systems of oppression.

Second, *coaches are mindful of multiple ways of knowing beyond the brain's problem-solving capabilities*, which we know are slow. Instead, coaches who embrace multiple ways of knowing access other forms of energy to help clients discover their own insights. Metaphors, intuition, somatics, art, and other spiritual or creative fields help coaches to access what clients think they don't know. "Like a windmill," as Smyth said, "there is a whimsical and intuitive feel to coaching—and coaching done well generates energy and movement." At Partnership for Working Families, it feels like this is the water in which all staff are swimming, and they are aligning the inner work of the staff with the energy of the network. The more time coachees spend accessing multiple forms of knowing, the deeper their awareness becomes of their own transformation as a process. Gracian also spoke to this: "Supporting transformation is part of the recipe, and opening one's ability to sense energy and observe a person" is an important condition of successful coaching.

Third and finally, *coaches are open-hearted, curious learners*. They hold people who are being coached with compassion, understanding that individual transformation is deep work and that it is important for people being coached to embrace learning and a willingness to pick themselves back up after stumbling, and try again. They are mindful of creating spaces where people feel comfortable sharing their truth and taking risks. Coaches who embrace deep curiosity are not trying to fix, judge, or advise their clients; instead, they are focused on the process of helping people to uncover opportunities, honor their cultural experiences, discover hidden resources, and develop their own solutions.

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The examples we have shared demonstrate that coaching is being used in many different ways within nonprofit organizations, networks, and communities. The innovations certainly go beyond traditional models of coaching for leadership development and performance improvement. As more nonprofits explore living their values around equity and inclusion, coaching combined with training on systemic oppression, power, and privilege offers organizations the opportunity to grow and deepen their mission by recognizing the leadership of women of color and other stakeholders who have traditionally been excluded. The future will bring many more innovations and much more development of coaching across the sector. This article is only a snapshot of part of what we have experienced and heard so far. The field and our understanding of it will continue to evolve.

Coaches who embrace deep curiosity are not trying to fix, judge, or advise their clients; instead, they are focused on the process of helping people to uncover opportunities, honor their cultural experiences, discover hidden resources, and develop their own solutions.

Notes

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5. All quotes are from interviews conducted by the authors between February and May 2018, unless otherwise noted.
6. The concept of *shocks* and *landslides* is inspired by the work of Movement Generation Justice and Ecology Project. The concept of *starlings* is inspired by our own birdwatching, and the following article by George F. Young et al.: "Starling Flock Networks Manage Uncertainty in Consensus at Low Cost," *PLOS Computational Biology* 9, no. 1 (January 31, 2013).

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The Rich Get Deductions *and the* Poor Get Ruled:

A Burning Platform for a Universal Charitable Deduction

One of the most alarming trends in philanthropy today is the ever-higher proportion of U.S. giving coming from the ultrarich and the decline in the number of households giving at all. The implications for democracy and for many non–name brand or community-based nonprofits in this dynamic are profound, but the nonprofit sector has allowed the charitable deduction to become, for all intents and purposes, regressive. It is time to make a whole-sector push for the universal charitable deduction, and, while we are at it, for a more equitable economy.

For a while now at *NPQ*, we have been keeping an eye on a trend we were sensing beneath the findings of recent reports by *Giving USA* and others—that although more money than ever is being donated, fewer people are making donations. This works out to mean that high-income donors represent an ever-higher proportion of overall giving. We asked Patrick Rooney, executive associate dean for academic programs, and professor of Economics and Philanthropic Studies at IUPUI's Indiana University Lilly Family School of Philanthropy, to confirm or deny that impression—and for the first time, we have firm corroboration of this trend, which should send loud alarms throughout the sector.

There are a number of problems with this pattern, as has been pointed out in numerous articles and books over the last decade. First and most simply, wealthy people generally give to different recipients than do the rest of us, and their priorities can run counter to what a community might want for itself. This becomes even more layered as a problem, of course, when the money being used for philanthropy has been made through the exploitation of others, and also when that philanthropy is used to influence public systems like our schools or even whole municipalities. The new pattern, many worry, is indicative of the rise of a philanthropic plutocracy, whereby eventually all systems are primarily responsive to the ultrarich.

The tendency of the ultrarich to minimize their personal and their corporations' tax payments—and of government to facilitate such arrangements—is, at least in part, responsible for the starvation of public services. Then, under the current tax arrangement and at their whim, those same ultrarich step in with philanthropic dollars for which only they get a deduction. These public services, then, are removed from the control of the public and "given" as alms with strings attached—i.e., they are turned into private charity projects, of interest to the rich philanthropists but not necessarily the individuals and communities being starved because of the lower tax revenues.

The nonprofit sector, as we have said previously, is not very good at pursuing affirmative legislation, generally playing a defensive game—and in this case, that will just not suffice. There is an urgent need for a decisive, equity-based tax agenda to reverse this antidemocratic tax measure.

It is not as if no one has been paying attention to the issue. We spoke with the National Council of Nonprofits' Tim Delaney, who helped us to contextualize the issue. In summary: to protect charitable giving incentives, well over a

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hundred associations, groups, and networks of nonprofits and foundations convened through the Charitable Giving Coalition. In 2016, and more intensively throughout 2017, coalition members blanketed Capitol Hill multiple times in multiple ways. Teams of nonprofit staffers, board members, and funders attended countless meetings with senators, representatives, and staff (on the Hill and back in their districts) to deliver (1) key messages about the importance of retaining the charitable deduction; (2) data about the severe consequences of weakening the charitable deduction; and (3) support for expanding the charitable deduction so it would be available universally to all Americans to support their communities through enactment of a nonitemizer deduction.

Such an incentive existed in the early 1980s, and for more than twenty years, United Way led the charge to have it reinstated. These efforts brought in more supporters; however, reinstatement did not happen. Then, late last year, Americans watched as Congress moved at record speed in passing comprehensive tax "reform." The "Tax Cuts and Jobs Act" did not directly change the then one-hundred-year-old tax law that incentivizes giving by allowing individuals to claim a deduction from their taxes for their charitable contributions. However, Congress made an indirect, yet related, change that significantly undercuts that incentive. The new tax law nearly doubled the standard deduction, to $12,000 for individuals and $24,000 for couples. That change alone will reduce the number of people who itemize—that is, those who will still claim deductions for their charitable contributions. Congress's own Joint Committee on Taxation estimated that the change in the standard deduction will reduce the number of taxpayers itemizing their deductions by about 28.5 million, from 46.5 million down to 18 million, a drop of 61 percent of taxpayers to only 12.5 percent. The conservative American Enterprise Institute (AEI) predicted in June that "27.3 million tax filers will switch from itemizing their deductions to claiming the standard deduction in 2018." Consequently, the tax law, per AEI, "will reduce charitable giving by $17.2 billion (4.0 percent) in 2018 according to a static model and $16.3 billion assuming a modest boost to growth." AEI estimates that four-fifths of the decline will be the result of the change in the standard deduction. So, while technically the federal tax incentive for charitable giving remains untouched, other changes mean that approximately 27 to 28 million fewer taxpayers will be filing for itemized deductions. It will impact who gives and who receives. Those 27.5 million people aren't tech titans or hedge-fund billionaires giving megagifts to create new foundations or build new colleges at their alma mater in order to have their names live on in perpetuity. Rather, the bulk of those 27.5 million people who will no longer be itemizing their deductions live in local neighborhoods and gave in the past to local groups that relied on those local contributions to meet local needs.

Delaney told *NPQ*, "While the experts on both ends of the political spectrum are projecting huge losses in charitable giving of between $17 billion to $21 billion annually, I don't think it will be quite that bad this first year, because most Americans won't realize the full consequences of the new tax law until after they've filled out their tax forms a time or two. Whatever the early data show—now and even [over] the next couple of years—the harm will only get worse for the small and midsize nonprofits that serve people in their local communities."

The universal deduction approach, also called a non-itemizer or above-the-line deduction, has a proven track record in the states for increasing charitable giving for all income levels of taxpayers. Currently, two states—Colorado and Minnesota—provide a giving incentive for taxpayers even when they do not itemize their deductions. Research by the National Council of Nonprofits on the Colorado tax law found that taxpayers in that state donated on average about $2,000 per year to charities. In response to concerns that the federal tax law could depress charitable donations, the legislatures in both Colorado and Minnesota considered bills to enhance the incentive by removing thresholds and limits. Neither bill prevailed this year, but state lawmakers are expected to promote the expanded deduction in 2019.

The Growth in Total Household Giving Is Camouflaging *a* Decline in Giving *by* Small and Medium Donors:

What Can We Do about It?

by Patrick M. Rooney

Research on giving in the United States has now produced definitive empirical evidence to show a decline in the participation and amounts donated by "small" and "medium" (actually, median) donors and an increasing reliance on "large" donors. That lead sentence should make every reader stop and envision the future of philanthropy in our democracy. The data presented below will demonstrate that there are two seemingly unrelated trends that are both affecting the nature of how America gives. The growth in total giving and total giving by households is to be chronicled and celebrated; however, while I do not share the antipathy expressed by some toward large gifts from wealthy and high-income donors, I am concerned about the causes and the effects of the loss of gifts from lower- and middle-income households. This makes our philanthropic sector less vibrant as well as less reflective of our overall society, thereby diminishing our civil discourse and civil society generally. But there is one policy proposal that would likely attenuate the decline of the small donor: reinstate the universal charitable deduction for all households, regardless of whether or not they itemize deductions. This would provide incentives to all to give, and reinforce our philanthropic values in the tax code—for one and all, regardless of income level. This measure was a part of the federal income tax code from 1982 through 1986, so it is hardly uncharted territory—and it is well past time that the sector get firmly behind it.[1]

Patrick M. Rooney is the executive associate dean for academic programs and professor of Economics and Philanthropic Studies, Indiana University Lilly Family School of Philanthropy at Indiana University Purdue University Indianapolis (IUPUI).

Philanthropic Trends

We know from *Giving USA 2018* that both total giving and household giving have grown to record levels.[2] For example, as Table 1 shows, total giving in 2017 was $410 billion, which is almost triple the amount that total giving was forty years ago, even in inflation-adjusted dollars (i.e., $142.4 billion in 1977).

Similarly, total household giving last year was $286.65 billion, which is 2.4 times now what it

Table 1: Changes in Levels and Shares of Aggregate Giving

Sources of Giving	1977	2017	% Change
Household giving	119.5	286.65	140%
Total giving—excluding households	22.9	123.35	439%
Total giving	142.4	410.0	188%
Household giving as a share of total	84%	70%	
Noncorporate foundation grantmaking	8.1	66.9	726%
Total giving (excluding foundations)	134.3	343.1	155%
Foundations as a share of total	6%	16%	

Source: Author's calculations using data from *Giving USA 2018* (expressed in billions of 2017 dollars)

DETAIL FROM "RISE OR FALL" BY BRIAN ROMEIJN/WWW.PRECIOUSDECAY.COM was forty years ago, after adjusting for inflation ($119.5 billion in 1977). While household giving has grown at an impressive rate, its growth has not nearly kept pace with the growth in total giving, which manifests itself most clearly in the decline of household giving as a share of total giving over the last forty years: 84 percent versus 70 percent. More conspicuously, household giving has grown an impressive 140 percent over the last forty years, but the other sources of giving (corporations, bequests, and foundations) collectively have grown 439 percent over the last forty years, which reflects an increasingly important role for the "large" donors.

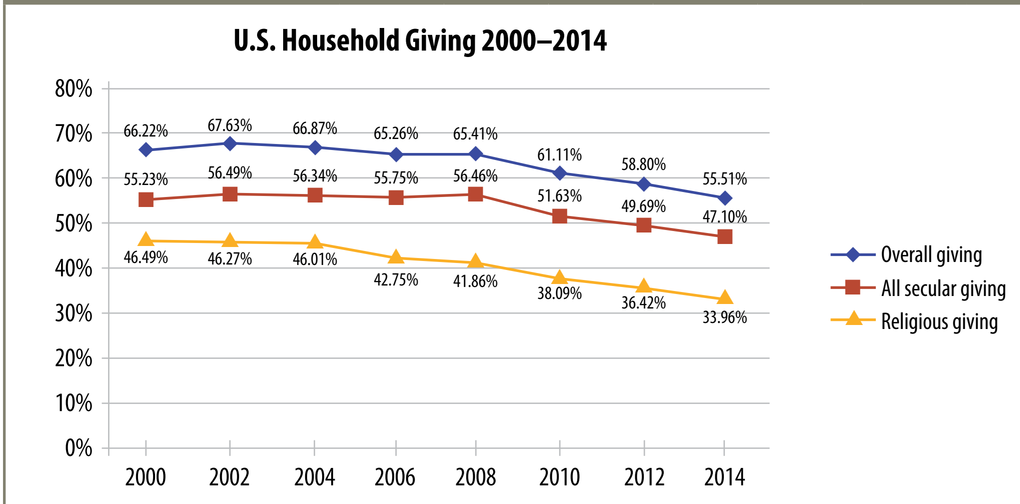
However, it is important to note that this increase in total giving and in total household giving is occurring in spite of the decline in the percentage of households that have donated at all between 2000 (the first year for which we have these data) and 2014 (the most recent year for which we have these data). As Table 2 shows, the share of households donating at all dropped from approximately two-thirds in the early 2000s to just over half in 2014. It is likely that the drop following the Great Recession is linked to the remaining hardships; if one loses one's job or consumes one's lifetime's savings during a period of economic distress, then philanthropic giving likely will not be viable. The graph also delineates the decline in the shares of the population that donate to religious charities and to all secular charities combined. It should be noted that both types of philanthropic giving follow the same pattern as overall giving, but the giving to religion drops more precipitously.

These numbers are based on the Indiana University Lilly Family School of Philanthropy's Philanthropy Panel Study (PPS), which is a module of the University of Michigan's Panel Study of Income Dynamics (PSID), a biennial survey of the same households over time.[3] The PSID is the largest (13,472 households) and longest running (since 1968) panel study in the world. It is widely considered to be the "gold standard" of social science research. Following the same households over time (rather than examining a series of different cross-sectional samples over time) allows us to measure the effects of changes in the economy or of public policies on philanthropy much more precisely.

We can see from Table 2 that the median total giving per donor household has also declined modestly over the last fourteen years. The decrease in

Household giving has grown an impressive 140 percent over the last forty years, but the other sources of giving (corporations, bequests, and foundations) collectively have grown 439 percent over the last forty years, which reflects an increasingly important role for the "large" donors.

Table 2: Median U.S. Household Giving



Donor median—2016$	2000	2002	2004	2006	2008	2010	2012	2014
Overall giving	$962	$921	$1,040	$1,028	$979	$977	$929	$900
All secular giving	$412	$395	$451	$470	$440	$543	$428	$480
Religious giving	$825	$789	$877	$951	$880	$869	$1,031	$1,000

Source: Philanthropy Panel Study (2001–2015), calculated by Xiao (Jimmy) Han

We must ask the following questions: Are these trends good signals for philanthropy specifically and society more generally? If not, what can be done to remedy these circumstances?

overall giving, as well as religious giving and all secular giving, would be more conspicuous if we looked at all households—but this table includes only donors, so as smaller donors drop out altogether, the median donor values seem better. If we look at this same time period and adjust for inflation (to make a more apples-to-apples comparison), total household giving (according to *Giving USA 2018*) increased 5.4 percent. There is one inevitable conclusion from these trends: if total household giving is growing but the share of donor households is declining, and the typical (median) amounts donated per donor household are declining (all after adjusting for inflation), then gifts at the higher end (minimally greater than the median) are driving the increases in total household giving. We must ask the following questions: Are these trends good signals for philanthropy specifically and society more generally? If not, what can be done to remedy these circumstances?

Not only can we infer that the growth in household giving is resulting from increased giving at the "high" end of the income and giving range, there are also several pieces of data that are consistent with that inference. Together, these pieces create a pattern of data that seems to "triangulate to the truth" (as we say in research methods courses).

First, as Table 3 demonstrates, over twenty-two years (1993 to 2015, the most recent data available from the IRS for these purposes), total itemized giving by households earning more than $1 million per year (adjusted gross income) has grown almost tenfold, from $7 billion in 1993 to $66 billion in 2015. (These differences are not adjusted for inflation, so some of the growth is caused by inflation and some is attributable to the increase in the number of households earning $1 million or more annually.) Some of the growth over time is also due to itemizing households of all income levels (column 1) and individuals and households with AGIs greater than $1 million per year (column 2) giving more to charities.

Second, the table shows that the share of total itemized giving by those earning $1 million or more per year has nearly tripled over the same time period: it grew from 10.3 percent in 1993 to 29.8 percent in 2015. This suggests that not only are those earning a million dollars or more annually giving more in absolute terms, but also their share of all itemized giving has grown dramatically.

Table 3: Itemized Charitable Deduction, 1993–2015

Year	Total Itemized Charitable Deduction (Billions of current $)*	Itemized Charitable Deduction for Households at AGI $1M+ (Billions of current $)*	% of AGI$1M+ of Overall Itemized Charitable Contribution
1993	$68.35	$7.05	10.3%
1994	$70.54	$7.87	11.2%
1995	$74.99	$8.84	11.8%
1996	$86.16	$13.65	15.8%
1997	$99.19	$18.62	18.8%
1998	$109.24	$21.14	19.4%
1999	$125.80	$27.24	21.7%
2000	$140.68	$32.63	23.2%
2001	$139.24	$24.93	17.9%
2002	$140.57	$20.81	14.8%
2003	$145.70	$24.20	16.6%
2004	$165.56	$34.12	20.6%
2005	$183.39	$45.41	24.8%
2006	$186.65	$48.98	26.2%
2007	$193.60	$55.49	28.7%
2008	$172.94	$39.13	22.6%
2009	$158.02	$29.18	18.5%
2010	$170.24	$36.57	21.5%
2011	$174.47	$37.91	21.7%
2012	$199.27	$59.42	29.8%
2013	$194.66	$50.50	25.9%
2014	$210.60	$61.80	29.3%
2015	$221.85	$66.01	29.8%

*"Current $" means current at the time (versus inflation-adjusted $). Source: IRS SOI Tax Statistics (1993–2015), calculated by Jon Bergdoll[4]

Donor-Advised Funds

Additional evidence of the growth in giving at the high end of income and wealth is from data on donor-advised funds (DAFs) and foundations. The dramatic increase in both the number of DAFs and the accelerating growth of the total value of contributions to DAFs is consistent with growth in giving at the high end (see Figure 1 through Figure 3, following page). While some DAF providers are increasingly lowering their entry thresholds, DAFs remain an opportunity for organizing one's giving that most lower- to middle-income households would (could?) not consider. For example, as we see in Figure 3, the average DAF account in 2016 was nearly $300,000—not your typical donor.

Noncorporate foundation grantmaking is another proxy for the impact of high-income households. While some foundations are called family foundations and others may be called private or independent foundations, virtually all are created by one or two generations of the same family. According to *Giving USA 2018*, noncorporate foundation grantmaking has grown more than eightfold in the last forty years (726 percent; see Table 1, top of article). This growth rate is 4.7 times that of the rest of total giving. The share of total giving from noncorporate foundation grantmaking has almost tripled over the last forty years (6 percent in 1977, compared to 16 percent in 2017). This strongly suggests a disproportionately large effect of donors from the high(est) ends of the income and wealth strata.

We see further evidence of the impact of giving at the high end from the Lilly Family School of Philanthropy's Million Dollar List (MDL), a list of all publicly reported gifts of a million dollars or more.[5] The original Million Dollar List began in 1963 with the work of Arthur C. Frantzreb (1920–2004), who gifted the MDL to the then Center on Philanthropy at Indiana University (now the Lilly Family School of Philanthropy) in 2000.

A few things stand out from the MDL data. First, foundations only receive 1.1 percent of the number of all MDL gifts, but they receive 33 percent of the total dollars given in MDL gifts (over the time period 2000 through 2014). During that period, MDL gifts totaled $329 billion, approximately the same amount as total giving in 2000 ($327 billion) or 6.5 percent of total giving over the entire time period (2000–2014). Clearly, the highest end of the high-end donors provides a disproportionate share of total giving.[6]

The Growth of Donor-Advised Funds, 2012–2016

Figure 1. Total Value of Contributions to Donor-Advised Funds ($B)

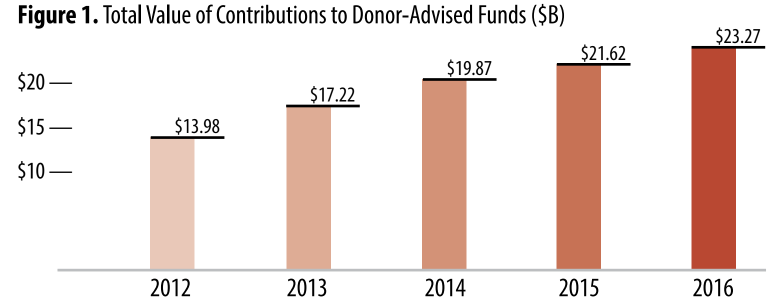


Figure 2. Total Number of Donor-Advised Funds

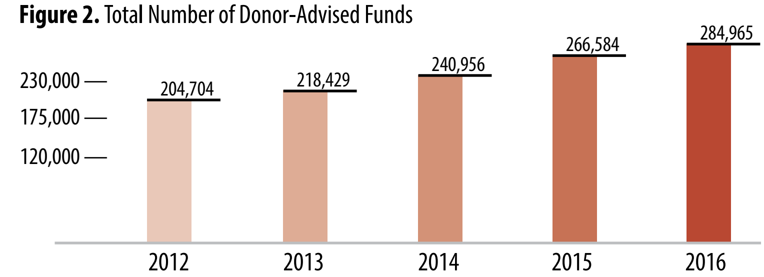
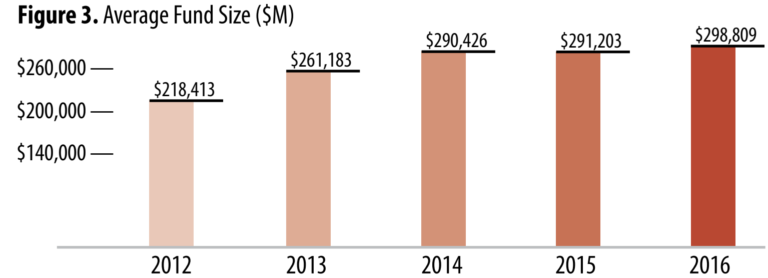


Figure 3. Average Fund Size ($M)



Source: National Philanthropic Trust (2017)[7]

Philanthropy and Civil Society

Historically, in each presidential election cycle for which there are data, more people donated to charities than voted for president (see Table 4; note that we do not yet have the giving participation rates at the household level for 2016). The trend over the last decade for which data are available reflects a slight increase in the voter turnout rates and a meaningful decline in the incidence of giving (donating at all). While this "voter-donor gap" has been getting smaller over the past four presidential election cycles (for which we have data), it still demonstrates that for many people, philanthropy is an important part of their "voice" in their efforts to help build a civil society. In fact, for our society overall, it consistently looks like giving is more important than voting for president.

Table 4: A Comparison of Presidential Election Voter Turnout Rates and Incidence of Giving, 2000–2012

Election year	Voter turnout rates	Incidence of giving
2000	51.21%	66.22%
2004	56.70%	66.87%
2008	58.23%	65.41%
2012	54.87%	58.80%

Sources: Giving statistics: Philanthropy Panel Study (2001–2013); voting statistics: The American Presidency Project (1999–2012)[8]

If it is an important part of our American democracy that people are expressing their "voice" through philanthropy, then, on a philosophical level, should we not honor and respect that voice by allowing all households at all income and wealth levels to deduct their charitable gifts? We might question whether that voice is effective. We might ask, do the "small" gifts even matter? But observationally, we see that many charities rely on a large number of "small" gifts, and virtually all charities try to raise funds across the entire spectrum of donors and gift sizes.

If it is an important part of our American democracy that people are expressing their "voice" through philanthropy, then, on a philosophical level, should we not honor and respect that voice by allowing all households at all income and wealth levels to deduct their charitable gifts?

Empirically, the deductibility of all gifts became even more important than ever with the near doubling of the standard deduction as a part of last year's final tax bill. It is unknown how many households will be itemizers under the new law, but in recent years, it has been approximately 30 percent of all tax-filing households, and it is now estimated that only 5 to 10 percent of tax filers will itemize in the future. The research that my colleagues at the Lilly Family School of Philanthropy and I did for Independent Sector found that when compared to the current tax law in place in 2017, implementing a universal deduction for charitable giving would have increased household giving by 4.5 percent; and that even with the large increase in the standard deduction and the reduction in the top marginal tax rates—both of which would have deleterious effects on giving if the universal deduction were added—household giving would increase by 1.7 percent.[9]

Research done independently by the American Enterprise Institute (AEI) modeling the effects of the final tax bill on giving in 2018 estimated that a universal deduction (without a floor or ceiling) would increase household giving by $21.5 billion in 2018.[10] It also estimated that the final tax bill (without the universal charitable deduction) would decrease giving by $17.2 billion (or 4.0 percent), with most of the effect (82.5 percent) coming from the near doubling of the standard deduction. Their methods and some assumptions are slightly different from ours, but their results parallel ours and are of similar magnitudes. Both studies show that the empirical impact of the universal deduction is not trivial.

• • •

Over the past fourteen years (for which we have data), we have seen a decline in the share of Americans who are donating at all, and a decline in the amounts donated by the typical American household. Conversely, we have seen the growth of aggregate household giving and total giving overall. Evidence presented here suggests that this growth at the aggregate levels is being fueled by gifts from donors who are at the higher ends of the income (and presumably wealth) distribution.

Implementation of a universal deduction for charitable contributions is important both empirically and symbolically, now more than ever. The empirical effects are now more important, given that very few households are expected to be itemizers under the new tax law. Instead, according to recent estimates from AEI, "among the 8.6 million taxpayers with an AGI greater than $202,000, the number who claim the standard deduction is expected to increase from approximately 550,000 to 3.3 million."[11] These households likely were in the 39.6 percent top marginal tax bracket. If they become non-itemizers, their after-tax cost of donating $100 will increase from $60.40 (under the old tax law) to the full $100 (under the new tax law). This represents a 65.6 percent price increase in the cost of making a donation.

It's important to stress that people give for many different reasons, and it is not rational in an economic sense to give solely or primarily because of the tax effects (i.e., it's not rational in the sense that one would never give at all if one only cared about the after-tax consequences for one's income). However, empirically, we know that some people will change their behaviors somewhat when faced with a 66 percent price increase: some may elect not to give at all, and others may reduce their giving. It's also likely that many donors will be unaffected—but historically, the "price" of giving has an impact on enough households that changes in the tax code do affect the total amounts donated.

While the universal deduction is a part of our "recent" history (1982–1986), it was not part of the final tax bill passed last year. There are two proposals in play now to reinstate the universal deduction. First, a proposal from Rep. Mark Walker (R-NC) and Sen. James Lankford (R-OK) would allow non-itemizers to deduct their charitable deductions, but with a limit of one-third of the value of the standard deduction. This would likely increase the amounts donated by non-itemizers and would reduce the fiscal burden on federal tax revenues—but it would also reduce the amounts donated when compared to an unlimited universal deduction. AEI's results (June 2018) modeled something close to this (but not exactly this) proposal, and estimated that the effects on the deficit would be greater than the effects on giving, so such a limit may appeal to budget hawks. Second, a proposal from Rep. Chris Smith (R-NJ) would create a universal charitable deduction without a limit, which would be better for philanthropy overall.

This leaves us at an important inflection point in the balance for charities, philanthropy, and society. Establishing a universal deduction for charitable giving is a step in the right direction for both empirical and philosophical reasons. It would increase charitable giving by households by a significant amount; and, in a meaningful manner, it would more closely reflect our nation's democratic principles. While more people give to charity than vote for president, it is important that our tax code reinforce this philanthropic and fiscal linchpin of our democracy by democratizing philanthropy with the implementation of a universal deduction for charitable contributions.

Author's note: *I thank Xiaoyun Wang, Jon Bergdoll, and Xiao (Jimmy) Han (all at the Lilly Family School of Philanthropy) for their excellent research assistance. The views expressed are mine and may not represent those of the others helping me gather the data: the Lilly Family School of Philanthropy, IUPUI, and Indiana University.*

Notes

1. Patrick M. Rooney, "Why Congress should let everyone deduct charitable gifts from their taxes," *The Conversation*, June 27, 2017 (updated September 28, 2017), theconversation.com/why-congress-should-let-everyone-deduct-charitable-gifts-from-theirtaxes-78323.
2. Indiana University Lilly Family School of Philanthropy, *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017* (Chicago: Giving USA Foundation, 2018).
3. Survey Research Center, Institute for Social Research, University of Michigan, *Panel Study of Income Dynamics* (data file and codebook), 2001–2013, psidonline.isr.umich.edu/.
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5. Indiana University Lilly Family School of Philanthropy, *Million Dollar List* (data file), 2018, milliondollarlist.org/.
6. Calculations are by the author.
7. National Philanthropic Trust, *2017 Donor-Advised Fund Report* (Jenkintown, PA: National Philanthropic Trust, 2017).
8. *Panel Study of Income Dynamics*; The American Presidency Project, *Voter Turnout in Presidential Elections: 1828–2012* (Santa Barbara, CA: UC Santa Barbara, 2018), www.presidency.ucsb.edu/data/turnout.php.
9. Note that our research was based on proposed legislation introduced by former (retired) Rep. Dave Camp (R-MI) during the previous Congress. The final tax bill passed in December 2017 was similar in many ways to the Camp proposal, but the Camp proposal had a more modest cut in the tax rates and a smaller increase in the standard deduction. We used the Camp proposal as the baseline for our research then, because there was no clear indication of what would or would not be in the final bill, and there were shifting announcements about what might be in the final bill up until the time it actually passed. So, we used a baseline that we expected to be close to the final bill and would not be subject to changes.
10. Alex Brill and Derrick Choe, "Charitable Giving and the Tax Cuts and Jobs Act," *AEI Economic Perspectives*, June 18, 2018, www.aei.org/publication/charitable-giving-and-the-tax-cuts-and-jobs-act/.
11. Ibid.

This leaves us at an important inflection point in the balance for charities, philanthropy, and society. Establishing a universal deduction for charitable giving is a step in the right direction.

Nonprofit Contracting:

Breaking the Cycle of Public Underinvestment

by Mary Kate Bacalao

Editors' note: *This article is paired with Patrick Rooney's important reveal about the problems in the current tax code around charitable deductions and argument for our championing of the universal charitable deduction as policy, because they are both about public expenditures on civil society. As most readers recognize, the entire nonprofit sector is subsidized through tax exemption on the assumption that we are serving the greater good. Additionally, government money raised through taxes comprises approximately one-third of revenues flowing into the nonprofit economy (per the Urban Institute in 2015). But some years ago, famed fundraising guru Kim Klein suggested that nonprofits' lack of interest in our tax structures exhibited a shortsightedness bordering on malfeasance. Taxes, Klein posited, represent not only the government's revenues but also many of its expenditures, since tax breaks and incentives are expenditures as much as payments into, for instance, privatized outsourced services provided through nonprofits. Both types of payments and how they are handled—whether they truly serve the greater good—exhibit the overriding values system in play. Some might suggest that it is all part of the same neoliberal tangle. We make this connection explicit to encourage readers and the sector's infrastructure to do a better job of building a tax agenda that includes a rewrite of the value assumptions that cause problems like those cited here.*

Nonprofit financial performance may not seem high stakes, but it can be a matter of life and death when people lack access to the emergency services nonprofits provide. Consider homeless youth in San Francisco: those without shelter have a mortality rate that is ten times higher than their peers with a safe place to sleep.[1] Nonprofits exist in part to redress inequities like this, but their ability to do so is constrained by the restrictiveness of some public money—which can limit a nonprofit's capacity to buy essential services for the people who need them most. For unsheltered youth, the question is, how easy is it for a line item in a public budget to become a service, such as an emergency shelter stay?

Too often, the answer is: not easy at all. Line items in federal and state budgets become line items in nonprofit budgets before they become essential services. And public funders dictate

Mary Kate Bacalao is director of public funding at Larkin Street Youth Services, San Francisco's largest provider of housing and services for young people experiencing homelessness, where she raises and maintains public funding for programs, leads budget advocacy and policy efforts, and supports programs with all aspects of public contracting. Prior to joining Larkin Street, Bacalao consulted for federally funded continuums of care across the Bay Area.

DETAIL FROM "RISE OR FALL" BY BRIAN ROMEIJN/WWW.PRECIOUSDECAY.COM down to nickels and dimes how taxpayer money must be spent across each line item. In the case of a licensed youth shelter, there are strict upper limits on how much public funders will pay to staff the facility and how much per square foot the nonprofit can invoice for rent. Regulations may stipulate that a nonprofit can buy towels, but not bath mats, for shelter bathrooms, or that food can be reimbursed at $2.50 per breakfast per youth—an amount that wouldn't buy coffee for the budget administrator.

It is a failure of public priorities that lifesaving services can be so prescriptive about what young people eat for breakfast. It shows an equal lack of priorities that such burdensome regulations come with only partial payment for nonprofits doing the lifesaving work. Government contracts for social services pay about 70 cents on the dollar of a nonprofit's direct program expenses, and less than 50 cents on the dollar of its indirect expenses—the overhead required to coordinate the invoicing for towels but not bath mats, so that the funder pays the invoice, so that the youth shelter doesn't run into deficit spending, so that the nonprofit can continue operating it, so that fewer youth will be forced to sleep in the streets, and so on.[2]

Nonprofit leaders shouldn't assess nonprofit financial performance without this context. According to a recent report by the Alliance for Strong Families and Communities and the American Public Human Services Association, nearly one in eight human services nonprofits is technically insolvent or unable to pay its debts; nearly three in ten nonprofits don't have cash on hand to cover a month's worth of expenses; and nearly half of nonprofits report a negative operating margin, meaning they're losing money multiple years in a row.[3] The financial straits are most dire for nonprofits operating housing and shelter programs, like the youth shelter described above: one in three is insolvent, more than seven in ten don't have cash to pay their debts, and six in ten report losing money over a three-year operating period.[4]

The Budgetary Ecosystem

This isn't an accident or a case of pervasive incompetence. There's a key causal link between a nonprofit's financial performance and the budgetary ecosystem in which it operates. Government budgets have grown this ecosystem with artificially low investment levels and overly burdensome regulations that anchor what nonprofits and other stakeholders (private foundations) consider "market" across the sector. Government agencies decide what counts as expensive—$500,000 is considered a lot of money in social services, but it might buy a single statue in a public park—and also what counts as restrictive. This directly affects a nonprofit's financial bottom line and its ability to invest and reinvest in delivering impact over time.

Central to a nonprofit's ability to reinvest is its ability to generate a *surplus*—the nonprofit word for profit. A surplus is the key to a nonprofit's long-term financial health: it generally comes from extra money without restrictions that can go where it's needed most. In an underfunded, overregulated budgetary ecosystem, money that would have been surplus most often goes to the gap between what programs cost and what contracts pay. If it's not enough (or barely enough) to plug the gap, the nonprofit loses money (or breaks even), and nonprofits that lose money or only recover costs will never generate a surplus for reinvestment. All they can do is pay today's expenses and hope they're not in the red tomorrow.

This tension surfaces in the audited financial statements in several ways: in the nonprofit's cash flows, the sizes and types of its liabilities (what it owes), and its changes in net assets over time (the assets left over when the liabilities are subtracted). The nonprofit needs an equilibrium between cash going out and cash coming in, so that it can grow reserves for unexpected setbacks and maintain liquidity to pay short-term debts as they become due. This preserves the equilibrium between assets and liabilities, keeping net assets stable and maintaining the nonprofit's overall solvency. These are the levers that tip a nonprofit toward or away from financial health from year to year.

But it's clear from the budgetary ecosystem in which nonprofits operate that they're not supposed to generate surplus (exhibit A, according to Susan Dreyfus, president and CEO of the Alliance for Strong Families and Communities, is

Government agencies decide what counts as expensive . . . and also what counts as restrictive. This directly affects a nonprofit's financial bottom line and its ability to invest and reinvest in delivering impact over time.

This perpetuates a vicious cycle in which public funders underinvest in nonprofits, which underperform financially, which justifies continued underinvestment in the name of efficiency. It's a game of misdirection on a massive financial scale.

the word *nonprofit*).[5] Nonprofits are supposed to spend down every line item to the nickel on their program budgets, leaving no money on the table to reinvest in other needs. (If nonprofits do leave money on the table, funders almost always deobligate the funds, or take them back.) The imperative to fully utilize funds is antithetical to the goal of generating surplus, and surplus is key to nonprofits' long-term financial health. It's reasonable to conclude that public investment is designed to make social services available, but not in a viable way.

This perpetuates a vicious cycle in which public funders underinvest in nonprofits, which underperform financially, which justifies continued underinvestment in the name of efficiency. It's a game of misdirection on a massive financial scale—the management consulting firm Oliver Wyman and other experts calculate that it would take \$40 to \$50 billion to restore U.S. nonprofits to solvency—and the worst part is that real people's lives hang in the balance (remember the mortality rate of young people without access to shelter beds).[6] If public agencies invested sustainably in social services, and if public dollars were less restrictive, nonprofits could translate public investments into a stable service infrastructure, with the potential not only to save lives but also to produce better life outcomes, creating wealth and reducing healthcare costs substantially.

Advocating for More

Breaking the cycle of public underinvestment will require collective action and structural reforms to nonprofit contracting. *First, the sector must address artificially low investment levels.* Government agencies must put real money on the table, and nonprofits must negotiate for full costs. These include program costs, such as the costs of operating the youth shelter in our example, but they also include agency costs, including (but by no means limited to) the costs of measuring impact: Do shelter residents exit to stable housing? Is the nonprofit ending homelessness or merely interrupting it with temporary shelter beds? Public funders should want—and they should pay for—the answers.

Second, the sector must address overly burdensome regulations. Nonprofits must comply with the major rules of the road—generally accepted accounting principles (GAAP), for example—but a narrow focus on compliance diverts resources away from delivering outcomes. As Claire Knowlton, director of consulting at the Nonprofit Finance Fund (NFF), writes, compliance and outcomes can be "at odds."[7] Compliance looks backward: did the nonprofit invoice properly for the youth shelter's bathroom towels and other allowable costs? Outcomes look forward: how can the nonprofit use its shelter budget to help young people permanently end their homelessness? Compliance plays a role—it must deter mismanagement—but public funders should incentivize and pay for outcomes.

Third, nonprofits can and should act individually to disrupt the cycle of public underinvestment. Nonprofits can use sector-wide trends to tell bigger financial stories than the results presented in their quarterly reports and yearly

RECOMMENDED READING

- Oliver Wyman and SeaChange Capital Partners, ***A National Imperative: Joining Forces to Strengthen Human Services in America—2018*** (Alliance for Strong Families and Communities and the American Public Human Services Association, 2017).
- George Morris et al., ***The Financial Health of the United States Nonprofit Sector: Facts and Observations*** (Oliver Wyman, SeaChange Capital Partners, and GuideStar, January 2018).
- Thomas R. Ittelson, ***Nonprofit Accounting & Financial Statements: Overview for Board, Management, and Staff,*** 2nd ed. (Cambridge, MA: Mercury Group, 2017); and its companion, Thomas R. Ittelson, ***A Picture Book of Nonprofit Financial Statements*** (Cambridge, MA: Mercury Group, 2017).
- Thomas A. McLaughlin, ***Streetsmart Financial Basics for Nonprofit Managers***, 4th ed. (Hoboken, NJ: John Wiley & Sons, 2016).

audits. Financial reports are important: they can warn a nonprofit that its youth shelter has more cash going out than coming in—a red flag for the shelter's (and the agency's) financial health. But reports lack the context that sector-wide trends can help provide. The shelter may be underfunded and overregulated, with a contract that imposes costs out of proportion to what it pays. This may speak more to the nonprofit's budgetary ecosystem than to the shelter's quality of financial management.

This distinction—between how well a nonprofit operates a shelter and how well its regulatory environment allows it to operate—can shift how we understand nonprofit financial performance and how we advocate for more (and more permissive) public dollars. And that can make all the difference for the unsheltered young people who need the beds.

Notes

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6. George Morris et al., *The Financial Health of the United States Nonprofit Sector: Facts and Observations* (New York: Oliver Wyman, SeaChange Capital Partners, and GuideStar, January 2018), 1.
7. Claire Knowlton, "Why Funding Overhead Is Not the Real Issue: The Case to Cover Full Costs," *Nonprofit Quarterly* 22, no. 4 (Winter 2015): 71–76.

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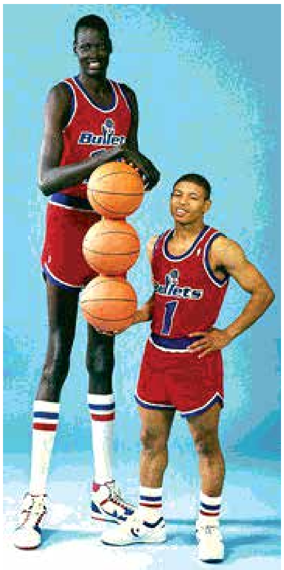

You First: Leadership for a New World

"SWOT'samatteryou"

by Mark Light, MBA, PhD

SWOT be damned—it should really be called *SWAG*, declares Mark Light: "Short for *sophisticated wild-ass guess, silly wild-ass guess, semi-wild-ass guess, stupid wild-ass guess*, or *scientific wildly aimed guess*." Why? The SWOT model is presented as rigorous, but really it leads to educated guesses at best, and at worst it can be a drag on your creativity and ambition.

Editors' note: *Part of this column was adapted from Chapter 5 of Mark Light's* Results Now for Nonprofits: Strategic, Operational, and Governance Planning *(John Wiley & Sons, Inc., 2011).*

As I was packing up my office for a recent move, I stopped for a moment to reflect on my framed 1987 *Life Magazine* centerfold of the National Basketball Association (NBA) Washington Bullets players Tyrone Curtis "Muggsy" Bogues and Manute Bol, standing side-by-side. It still amazes me that Muggsy is five feet three (and still the shortest NBA player of all time) and Manute is seven feet seven (still the tallest, although he shares this honor with Gheorghe Muresan).

Why do I like this picture so much? First and foremost, it's inspiring. It reinforces a wonderful quote from Arthur Ernest Morgan: "The chief limitations of humanity are in its visions, not in its powers of achievement." If Muggsy Bogues can become an NBA first-round draft pick, what's holding *me* back? Or *you*?[1]

Second, I like the juxtaposition of Muggsy and Manute as a cautionary tale, which I often use when asked about the SWOT model. SWOT is the poster child of the design school model of planning that, per Henry Mintzberg, author of oldie-but-goodie *The Rise and Fall of Strategic Planning*, "underlies virtually all of the proposals to formalize the process of strategy formation."[2] For those not familiar with SWOT, here is Michael Allison and Jude Kaye's summary from their ever-popular book, *Strategic Planning for Nonprofit Organizations*:

> Briefly, *strengths* are your organization's internal strengths—what it does well. *Weaknesses* are internal areas in which the organization could improve. *Opportunities* are external occasions to pursue your organization's mission, as well as changes taking place in the external environment that might provide such opportunities. *Threats* are factors or changes in the external environment that might hinder your organization's mission.[3]

Your best strategies lie at the intersection of your strengths, weaknesses, opportunities, and threats. "And once a strategy has been chosen, it is implemented. That is essentially all there is to it," says Mintzberg.[4] Think of a funnel—or a sausage grinder, if you'd like. You put the information in the SWOT's grinder, and out come your best strategies—kind of like Athena, the goddess of war, who was born fully grown from the head of Zeus.

But let's get a grip, folks, and grab a big old cup of reality here. SWOT analyses give you the patina of rigorous analysis, but they are really an educated guess at best, or what the jaded among us call a *SWAG*. SWAG is short for *sophisticated wild-ass guess*, *silly wild-ass guess*, *semi-wild-ass guess*, *stupid wild-ass guess*, or *scientific wildly aimed guess*.[5]

Why so? The strengths and weaknesses portion of the process, as Mintzberg describes it, "may be unreliable, all bound up with aspirations, biases, and hopes. . . . Who can tell, without actually trying, if the strength will carry the organization through or the weakness will undermine its efforts?"[6] This echoes Gary Hamel and C. K. Prahalad's similar complaint, in the *Harvard Business Review*, about competitor analysis, which is that the "analysis is like a snapshot of a moving car. By itself, the photograph yields little information about the car's speed or direction."[7]

The third reason I like the picture is it warns me that SWOT can dumb you down and forestall a leap to greatness. Too much focus on where you are now and looking at all that's wrong with you can be a drag on your creativity and ambition. Way back in 2002, the *Non-Profit Times* printed this warning from nonprofit consultant and author Thomas McLaughlin:

> Few strategic concepts have taken hold quite so thoroughly as the SWOT model of strategic planning. It offers an appealingly balanced approach—identify your strengths and weaknesses, and be aware of your threats and opportunities. But in practice it doesn't deliver. In fact, it tends to divert attention to unproductive areas . . . like a kindly, well-meaning family doctor who inadvertently gets you thinking about disease when you should be thinking about health.[8]

My fourth and final reason for liking the picture is that it reminds me of the right order of strategy questions. SWOT begins with where you are today. Then, you decide where you want to go tomorrow. That's just fine if you are happy with what you're doing and you want to do more of it. It's not okay if you want to do something dramatically different, like play basketball in the NBA when you're five feet three—hello, Muggsy! Or be the first to fly an airplane if you're in the bicycle business in Dayton, Ohio—hello, Wright brothers! Or present the First National Tour of *Les Misérables* in Dayton, Ohio, which hadn't seen a show like it for decades—hello, Mark Light!

Eons ago, when I was the executive director of the Louisville Ballet, I got lucky and saw the pre-Broadway production of *Les Misérables* at the Kennedy Center. The show blew me away, and I knew I had to be part of that world. Fast-forward two years, and, with a two-month-old baby in tow, I quit my job to move to Dayton and run the Victoria Theatre, a mom-and-pop with a budget of about half a million dollars. The first thing I did was bring the board together to decide where to go next. (No SWOT for us; I thought that was something you did to a mosquito.) The vision was wonderfully simple and compelling—to be *the* performing arts center. Two days later, I signed a check for half a million dollars made out to *Les Misérables*. When I left, fifteen years later, we were Ohio's most-subscribed-to theater, with a budget of over $20 million. Imagine what would have happened if we'd done a SWOT first!

In his biography, Muggsy writes, "I've always been the smallest guy around, as a baby, as a little kid, in high school. I think I stopped growing altogether by the time I was ten years old."[9] Imagine doing a SWOT on Muggsy back in high school. He goes through the analysis, is reminded of all his height deficiencies, and he becomes a wrestler instead. He would never have played basketball, he wouldn't have been an NBA first-round draft pick, and you wouldn't be reading this article. Thank goodness he grew up poor in the Baltimore projects, where management consultants weren't out in force peddling the SWOT model.

Oh, by the way, Muggsy is retired, but he is still listed in the NBA's top sixty for steals and top twenty-five for total assists (passing the ball in a way that leads to a goal) and assists per game.[10] The bottom line? The title of Thomas McLaughlin's 2002 article says it best: "Swat The SWOT: Moving ahead is much better."[11]

Notes

1. To learn more about Muggsy, see Henry Young and Vasco Cotovio, "Tyrone 'Muggsy' Bogues: How the NBA's shortest player came out on top," CNN, January 19, 2016, www.cnn.com/2016/01/19/sport/muggsy-bogues-nba-shortest-player/index.html.

2. Henry Mintzberg, *The Rise and Fall of Strategic Planning: Reconceiving Roles for Planning, Plans, Planners* (New York: Free Press, 1994), 36.

3. Michael Allison and Jude Kaye, *Strategic Planning for Nonprofit Organizations: A Practical Guide for Dynamic Times* (Hoboken, NJ: John Wiley & Sons, 2015), 60.

4. Mintzberg, *The Rise and Fall of Strategic Planning*, 61.

5. "Scientific wild-ass guess," *Wikipedia*, accessed September 14, 2018, en.wikipedia.org/wiki/Scientific_wild-ass_guess.

6. Mintzberg, *The Rise and Fall of Strategic Planning*, 277–97.

7. Gary Hamel and C. K. Prahalad, "Strategic Intent," *Harvard Business Review* 67, no. 3 (May–June 1989): 64.

8. Thomas McLaughlin, "Swat the SWOT: Moving ahead is much better," *NonProfit Times*, June 2, 2002.

9. Tyrone "Muggsy" Bogues and David Levine, *In the Land of Giants: My Life in Basketball*, 1st ed. (Boston: Little, Brown and Co., 1994), 4.

10. Basketball Reference website, "Muggsy Bogues," accessed Friday, August 17, 2018, www.basketball-reference.com/players/b/boguemu01.html#all_leaderboard.

11. McLaughlin, "Swat the SWOT."

Mark Light, MBA, PhD, is founder and president of First Light Group (www.firstlightgroup.com), with a mission to bring your future within reach through leadership coaching, teaching, and writing. He has also written for *NPQ* under the pen name "Dr. Conflict." Follow Light on Twitter @DoGoodGreat.

Breaking Through The Academic Bubble: A Personal Journey

by Nhan Truong

Research in the social sciences can never be an "objective" exercise, as research is not a culture-free activity. The illusion of objectivity, warns Truong, can and has caused enormous damage to communities academia purports to serve. In addition, research must maintain methodological rigor while being practical and accessible. Truong's advice to the "pracademic?" Conduct research through a critical lens; ensure community members are present in both research design and evaluation; and balance research rigor with clear, nontechnical language to deliver meaningful, measurable, and sustainable results for community members.

Recently, a former graduate student of mine contacted me. She said that she was struggling to figure out how her research could go "beyond the academic bubble" and be translated into policy. I suggested that she consider a "pracademic" approach, which would allow her to blend her academic skills and knowledge with public policy practice. In the discussions that followed, I recalled being in her shoes several years earlier until I transitioned out of academia and into social justice nonprofit research.

During my ten years in academia—first as a doctoral student in social-personality psychology and then as an assistant professor in psychology at a liberal arts college—I knew that I wanted to leverage my research skills and training to create social and systems change that promotes equity and inclusion. But I was unsure how to translate research into practice.

At that point, I had known only the academy. I was also starting to suspect that the research I was carrying out and publishing might not be having a direct impact on the lives of those I most wished to support—particularly, the lesbian, gay, bisexual, transgender, and queer (LGBTQ) communities, and communities of color.

However, while teaching at Tougaloo College in Mississippi, I was approached by Dr. DeMarc Hickson, the chief operations officer at My Brother's Keeper, a nonprofit that seeks to eliminate health disparities through research, evaluation, environment, and policy change. Since my research on HIV sexual risk behaviors in Black men who have sex with men (MSM) was similar to Dr. Hickson's work, he suggested that I apply for a research position at his organization.

Thus began my transition out of academia and into social justice nonprofit research. For the next three years, I worked for My Brother's Keeper as a research scientist. I then worked for the Building Movement Project, a nonprofit that seeks to advance social change through research on leadership, social services, and movement building. Currently, I work at GLSEN (formerly the Gay, Lesbian & Straight Education Network), a nonprofit that envisions a world in which all students have a safe and supportive school environment—regardless of their sexual orientation, gender identity, or gender expression—and works toward this through research, education, policy, and advocacy.

Through my academic training and my work in these three organizations, I have encountered and continue to explore pracademic ways to resolve a range of issues. Among these are: *conducting research through a critical lens*; *being embedded in, and attentive to the needs of (and hearing the voices of), the communities being studied*; and *conducting research that is methodologically rigorous yet still practical and accessible*.

Critical Issues for the Pracademic in the Field

Conducting Research through a Critical Lens

In both academia and nonprofits, it is important for social justice researchers to conduct research through a critical lens, because the theoretical frameworks that are used have implications for data collection and interpretation of findings. Research is not culture-free, as researchers bring their values, ways of viewing the world, and culture to their work. Culture influences the questions that researchers ask, which then influences what data are collected and how findings are interpreted. Jodi Benenson of the University of Nebraska, Omaha, and Abby Kiesa of Tufts discuss the importance of using a culturally responsive theoretical framework in social justice research, whose aim is to help create more equitable, diverse, and inclusive communities:

> Approaching research through a culturally responsive theoretical framework recognizes that culturally defined values and beliefs lie at the heart of social justice research, and challenges researchers to reflect on power dynamics and sharpen their attention to social justice during each step of the research process.[1]

At My Brother's Keeper and Building Movement Project, it was important that I use a critical eye and possess a deep understanding of lived experiences within communities of color—such as facing multiple intersecting forms of oppression (e.g., racism, homophobia, classism)—whether my research involved identifying barriers to condom use for Black men or the obstacles people of color face in taking on CEO and executive director positions. Maintaining a culturally grounded understanding of the challenges facing the communities being studied is what makes possible the development of nuanced data collection instruments (e.g., survey questionnaires, interview guides, focus group guides) that can provide deeper insights into community needs. These insights ultimately allow for better policy recommendations. In both research examples, a simple and cursory look at data sets without cultural context would have resulted in an incomplete understanding of the big picture, with potentially misleading—or even disastrous—results.

A standard "objective" approach to assess program effectiveness would have been to conduct a randomized control group study. For this type of approach, if the participant's group average on a measurable outcome was "significantly" higher than the nonparticipant group's average, then the intervention would be considered successful. A key challenge with randomized control studies is the lack of real world-ness in the testing. The process is so prescribed that it often leads to findings (or a program) that do not reflect real life. Using a randomized control group study as an HIV intervention approach for Black MSM in Jackson, Mississippi, would have led to misguided interpretations of findings. We may find "statistically" significant differences between the Black MSM who participated in the intervention compared to those who did not. However, these differences may be small and not meaningful with regard to change in sexual risk behaviors and attitudes toward condom use. In other words, findings and statistical significance need to be contextualized. A "marginal" finding may be of major importance, and a "significant" finding may turn out to have limited applicability for practice.

At My Brother's Keeper, we started by gathering input from our community advisory board—whose members came from both the Black MSM community and from those who directly worked with Black MSM (e.g., HIV prevention services)—on the Centers for Disease Control and Prevention (CDC) evidence-based interventions (EBIs) that we used. Having an informed cultural understanding of the Black MSM Jackson community before we began allowed us to refine and add new topics to the EBIs that meet community needs. This was an iterative process, as our community advisory board continued to provide feedback throughout the intervention program.

Being Embedded In, and Attentive to, the Needs of the Communities Being Studied

The illusion of objectivity and value-free science in academia poses the risk of actively harming through research the very groups academia is trying to help. There are many examples in history in which academia arrived at allegedly "objective" findings that turned out to have been unethical and gone awry. Indeed, as *NPQ* readers know well, such examples have been all too common among low-income communities and communities of color. Among the most notorious of these is the Tuskegee syphilis study, which condemned Black syphilis sufferers to preventable and painful deaths in the name of "science," and still stands as a horrific example.[2]

Another, less-known example comes to us from the HIV/AIDS epidemic in the early 1980s. During this time, the National Institutes of Health (NIH) conducted research into antiretroviral drugs, ultimately testing medications with results ranging from ineffective to downright toxic. Worse yet, as Andrea Anderson in "Demonstrating Discontent, May 21, 1990," describes it, "there was a dearth of treatments for opportunistic infections, not to mention concerns over funding, opaque clinical trial protocols, and trial requirements that deterred participation and neglected women, minorities, and injection drug users"—the very people who were most at risk for contracting HIV.[3]

If there was anything to be gained from this debacle, one could argue that it was the birth of important social justice nonprofit movement groups such as ACT UP (AIDS Coalition to Unleash Power), which insisted that drug trials be opened up to the very communities that would be impacted by trial results. With a great sense of urgency, ACT UP aggressively and effectively lobbied for desperately needed funding—ultimately succeeding in winning national support in the process. The legacy? Community advisory boards staffed with leaders from affected communities now weigh in on all aspects of drug trials. Also, institutional review board (IRB) reviews of human subjects' research designs are now standard in the field.

The record of social justice nonprofits is not perfect, but the best ones ensure that representative voices from the communities studied are directly involved in the design of their research. For instance, My Brother's Keeper embeds its research and practice in core values of health and social justice, where participants from the communities being studied are co-collaborators on the studies and are involved in the entire research process—from study design to publication of reports. As Benenson and Kiesa emphasize, having authentic community representation oversee nonprofit research is critical, because "nonprofit sector research . . . influences policy, funding, and programmatic decision making, and as such, decisions need to be informed by representative voices of the appropriate stakeholders regarding what is happening in a particular context."[4]

A growing number of researchers have committed to collaborative community-based participatory research (CBPR) to prevent exploitation of vulnerable populations. CBPR is a collaborative approach whereby affected communities codesign the research process. By focusing on and investing in the needs of the communities being studied, communities can help prevent exploitation in advance by making sure that the research is truly aligned with their needs.

Conducting Research That Is Methodologically Rigorous Yet Still Practical and Accessible.

In a *Chronicle of Philanthropy* article, Phil Buchanan of the Center for Effective Philanthropy states that while the past decade has seen nonprofit sector research expand, much of it has not been as rigorous as it needs to be. As Buchanan wrote:

> This matters because nonprofit leaders are looking at what is published to inform—and change—their practices.[5]

Buchanan points to five challenges: (1) a lack of rigor; (2) a tendency to stretch data to reach conclusions; (3) a failure to collect sufficient original data; (4) limited review of the research literature; and (5) a failure to indicate who funded the research. Academics are trained to conduct research in ways that avoid common data problems, such as biased sampling and ungeneralizable findings. As Buchanan has noted, research rigor is particularly important for nonprofit leaders, as many use research findings to develop and change their practices.

Academics are more likely to be trained in rigorous research methods, which may include being more equipped to conduct advanced statistical analytic procedures and being more knowledgeable about various sampling techniques. In a typical academic setting, one might be expected to explore sampling techniques that would minimize bias. Take, for instance, a survey study on HIV sexual risk behaviors in African-American MSM. When subgroups within the population of interest vary—such as socioeconomic status—one may want to employ stratified random sampling to ensure that each subgroup is sufficiently represented within the sample population. First, the researcher would divide a sample of Black MSM into subgroups by socioeconomic status, such as "upper class," "upper-middle class," "middle class," "upper-lower class," and "lower class." To stratify this sample, the researcher would then randomly select proportional amounts of Black MSM from each socioeconomic status group. Employing stratified random sampling would ensure that Black MSM participants from each socioeconomic status group are included and equally represented in the final sample. In addition, advanced statistical techniques may be employed to provide more robust and accurate findings.

Yet, in a nonprofit setting, the traditional academic approach can be a limitation. Nonprofits are constrained by time and resources, and a nonprofit generally needs to reach an audience not steeped in statistical training. For that reason, r coefficients for correlations—and statistical significance, such as p values—are generally relegated to endnotes. In other words, nonprofits need *concrete and efficient recommendations* that can be easily understood and acted upon by nonprofit leaders, policymakers, and other stakeholders. Also, while there are some within the academy who promote community-based participatory research, my take on "traditional" (regarding the academy) is not seeking input from the communities of interest and doing research because the academy (alone) thinks that it is worthwhile.

Striking a balance between research rigor and usable research can be challenging, but it is necessary. In my own work, I find that reporting basic statistics (such as percentages) and using basic statistical procedures to test for significant differences (such as chi-squares to test for independence between two variables, regressions to test for correlation between variables, and analysis of variance [ANOVA]) provides sufficient rigor while keeping the work accessible to the nonprofit audience that I aim to reach.

For example, every two years, GLSEN conducts a National School Climate Survey, which assesses the school experience of LGBTQ youth.[6] In our report, we primarily include percentages rather than group averages. For instance, we might compare the level of victimization based on sexual orientation for those who have access to LGBTQ-related school resources and supports (Gay-Straight Alliance clubs, LGBTQ-inclusive curricula, supportive educators and administration, and comprehensive anti-bullying/harassment policies) to that of LGBTQ students who do not have access to such resources. We may assess mean differences for rigor, but we also provide more accessible percentages in the report—sometimes also needing to conduct an additional test to ensure that those percentages are also statistically significant through, for example, a chi-square test of independence. In this way, we are doing additional analyses to maintain both rigor and accessibility. So, sometimes this kind of work is actually more complex in terms of analysis than its academic counterpart.

Reporting percentages when comparing groups provides clear and usable information for our constituents on the ground, such as educators, students, and other school advocates. Organizing data this way also makes them more accessible for our local GLSEN chapter members (who use our research findings to advocate for LGBTQ-supportive resources in their schools) or for our policy department (which includes our findings in congressional briefings to advocate for policies that support LGBTQ youth in schools).

In nonprofits, research findings should be employed to help advance the organization's mission and stated goals. In other words, research questions should be guided by what a nonprofit needs to know in order to effectively achieve its goals.

Then, there is the task of how to report the findings to a general audience.

In our National School Climate Survey report, we primarily use the chi-square test of independence and analysis of variance (ANOVA) or multivariate analysis of variance (MANOVA) to test, for instance, whether LGBTQ students who have access to LGBTQ-supportive resources experience significantly less victimization compared to LGBTQ students who do not have access to these resources—all of which we detail in the report's notes. When appropriate, we also control for factors that may be related to both the existence of resources and the outcome of interest (e.g., victimization experiences), such as region and locale (urban, suburban, rural). These statistical tests address our organization's stated goals.

Actionable and accessible research must also yield *practical* data. In an *NPQ* article, Elizabeth Castillo cites social-purpose consultant Debra Natenshon as saying, "The mechanisms for capturing the data will be more practical if the categories are designed by the end-users to meet their needs."[7] By "end-users," Natenshon is referring to the community-based practitioners who should be driving and shaping the study design. For a study to be meaningful, the questions must address the needs of the communities being studied. For example, at GLSEN, our National School Climate Survey is developed in response to the needs of the organization and the LGBTQ school movement in general. The questions we ask are driven by policy advocates, community organizers, and practitioners who seek more effective responses to the challenges they face.

Conclusion: The Role of the Pracademic

Critical issues that pracademics must contend with in the field include bringing a critical lens to social justice research to avoid exploiting the communities being studied, and conducting research that is rigorous yet also practical and accessible. To reiterate, three ways that pracademics can help to bridge the best of academic and nonprofit research while avoiding pitfalls are:

1. Conduct research through a critical lens to provide context for findings and statistically significant results within the community being studied.
2. Ensure community members are present in both research design and evaluation.
3. Balance research rigor with clear, nontechnical language to deliver meaningful, measurable, and sustainable results for community members.

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Nhan Truong is a senior research associate at GLSEN—formerly the Gay, Lesbian & Straight Education Network—and an adjunct assistant professor in research at San Diego State University's Graduate School of Public Health. Truong has an extensive track record of LGBTQ-related research, as well as experience as a researcher in nonprofit organizations such as My Brother's Keeper and Building Movement Project. He has spearheaded research projects on HIV risk/testing among African-American MSM (men who have sex with men) and has published research about sexual minority youth of color in schools.

Restoring Reciprocity: How the Nonprofit Sector Can Help Save Capitalism from Itself

by Elizabeth A. Castillo

The role of nonprofits is likely to become different from what we have been used to. To preserve our values, we need to enter the fray and re-embed the market in society by restoring social norms of reciprocal obligation and commitment. As Castillo writes, "Value creation at its core is a process of *values* creation. It is therefore paramount that the nonprofit sector find its voice and articulate its values of equity and reciprocity. . . . How exchange gets enacted (parasitically or mutualistically) reflects who we are as a society. It also determines what kind of soil we cultivate, expanding or limiting our future possibilities."

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While the 2016 U.S. presidential election surprised many people, there is one person, if he were still alive, who would not blink an eye that Donald J. Trump—the corporate magnate—won. Economist Karl Polanyi (1886–1964) studied the evolution of capitalism. His 1944 book, *The Great Transformation*, argued that the market and the state (business and government) increasingly work together to advance their mutual self-interest, often at the expense of the people. This is because the market, rather than being truly "free," requires legislative policies to support it. Examples include legal enforcement of contracts, private property rights, and labor policies to influence wages.

If such entanglement between the state and market benefited all equally, this would be a nonissue. However, Polanyi claimed that the effects of this transformation come at the expense of the majority of the population. He showed that before the industrialization of England, trade was limited, but the economic exchange that did take place within villages was based on norms of reciprocity. As capitalism expanded, it increasingly benefited those who already had resources, often at the expense of those who didn't. Examples of one-sided benefit practices today include rent seeking (making money without creating value, which produces social costs) and suboptimal competition (taking advantage of vulnerable people through businesses like high-interest payday loans).

But Polanyi was nuanced in his thinking, arguing that capitalism actually fostered a dialectic. On the one hand, there can be no market *without* a state. In contrast to the myth of their supposed opposition, the two actually depend on each other, because capitalism requires a more invasive state than any economic system preceding it. In today's mixed capitalist economies, for example, government takes up between a third and a half of gross domestic product in most countries, including the United States.

On the other hand, Polanyi observed that capitalism generated the need for a welfare state because it increasingly created social problems as it expanded production. The need for welfare protections led to the development of social forces (unions, etc.)—and growth of the nonprofit sector itself—as a way to *generate* those social protections. He wrote that this "double movement" could be understood as the action of two organizing principles in society, each with its own institutional aims, supporters, and distinctive coordination methods.[1]

One was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection, aiming at the conservation of man and nature as well as at productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and the landed classes, and using protective legislation, restrictive associations, and other instruments of intervention as its methods.[2]

As Polanyi shows, there is no end point to this process. In the past few decades, the social protections that were carefully constructed have eroded as corporations, aided and abetted by government, have escaped safeguards like unions and minimum wages through means such as globalization, outsourcing, information and communication technology, etc. While some embrace the fiction that our system is functioning well, we know all too well that it is not. For nonprofits, this means we must find our voice to protect core social values and help create new systems of social protections. We must enter the fray to re-embed the market in society.

For we know how things are working today in our current "pay to play" system. To obtain legislative support, businesses spend billions of dollars annually to influence political campaigns and rule making. In 2016, total spending on lobbying was $3.15 billion, led by pharmaceutical companies ($284 million), insurance ($152 million), and business associations ($143 million).[3] Beyond policy victories, results of lobbying often have a cascade effect, generating more power for those who already have power. For example, the Arizona Public Service Co. is a utility company privately owned by Pinnacle West Capital Corp. Over the past four years, it has legally provided financial support to campaigns of candidates running for regulatory positions that oversee its own rate setting and compliance.[4]

This type of political influence, along with exploitive business practices like suboptimal competition and rent seeking, has substantially contributed to America's growing income inequality.[5] Why does this matter to nonprofits? First, because many of our clients are affected. What matters to them should matter to us. Second, many of the problems nonprofits are trying to fix exist because some businesses create negative externalities, essentially privatizing profits while socializing costs.[6] Third, entanglement between government and business threatens democracy and civil society.

But perhaps most importantly, we should care because nonprofits offer at least parts of a model for how to restore reciprocity to commerce. As David Bollier noted at the peak of the Great Recession, in an article titled "Why Karl Polanyi Still Matters":

> We need to enlarge the scope of political conversation to include such questions as: How shall we re-integrate market forces into society so that they can be constructive and not disruptive—and yet go beyond the traditional (ineffective) regulatory schemes for restoring trust and [*sic*] lending? In the emerging post-neoliberal environment, what new and better ways can we devise for blending government, markets and the commons? Could the decentralized participation of the Internet be leveraged to enable greater self-policing of markets, greater transparency in transactions, and greater trust among consumers, investors and taxpayers?[7]

We shouldn't give up on markets completely. Despite their faults, markets foster innovation that has improved the quality of life at a speed unprecedented in human history.[8] How then, can we learn to make money by benefiting people rather than by taking advantage of them?

Nonprofits offer a model. They create prosocial value through their public benefit missions, making life better for individuals and the community. In exchange, they receive community support from donations, tax breaks, and earned income (e.g., museum admissions, fees-for-service). The underpinnings of these exchanges are long-term relationships and mutual lifting up. Transparency and accountability further build trust with stakeholders. While nonprofits have been admonished over the past two decades to act more like businesses, it is businesses that must learn to operate more like nonprofits (reciprocally) if they are to be sustainable. That is, commerce must restore reciprocity to the exchange process.

Some businesses have already begun this shift to operate more reciprocally. Sometimes this is due to personal conviction—the "enlightened" business leader, if you will. Sometimes a third-party certification system, such as the B Corporation assessment process (already employed by thousands of companies), provides a kind of "Good Housekeeping" seal that incentivizes and rewards "good" corporate behavior. Sometimes shared proprietorship structures, such as cooperative or employee ownership, advance democratic distribution of profits and governance. What these approaches have in common is the adoption of economic structures, policies, regulations, and "enlightened" business norms that embrace a long-term time horizon. Further, if genuine, they invest in intangible assets like social and intellectual capital, lift up stakeholders as well as shareholders, and improve practice and education to develop a business community that abides by the medical principle of *first, do no harm*.

Nature offers an excellent model to understand this principle. Organisms have three primary ways of interacting. *Parasitism* benefits one organism at the expense of another, such as a flea feeding off a dog. *Commensalism* benefits one organism with neutral outcomes to the other, such as a bird nesting in a tree. *Mutualism* benefits both organisms, and their exchange produces larger systemic benefits. An example is a bee gathering pollen from a flower, which enriches both. Repeated interactions among different bees and flowers lead to cross-pollination, in turn increasing biodiversity and ecosystem resilience.

Capitalism likewise occurs along a continuum. Some companies operate through extraction, e.g., parasitic practices like suboptimal competition and rent seeking. Some operate transactionally (neutral exchange), and some act reciprocally (mutualism, creating benefits for both individuals and the community). Often, more important than an organization's tax status is its functional behavior. Sadly, as we know all too well, not all nonprofits operate mutualistically. Happily, not all businesses operate parasitically.

The current degree of entanglement between government and business makes it very difficult for mutualistic organizations to thrive. This is because the different exchange processes employ different logics, time horizons, strategies, and scales. The short-term time horizon of parasitic-style capitalism accrues profits faster. These firms buy political influence, entrenching their power and making it more difficult for nonparasitic companies to compete. This has serious implications for social enterprise and

For now, what is important to understand is that the economy will be sustainable to the degree that businesses enact reciprocity rather than parasitism. Economic growth alone is not the answer, because expanding current practices will only produce more extraction, not well-being.

strategic philanthropists, since many seem to believe nonprofits could be successful if only they did x better (e.g., use big data, produce clear measurement and results, be more strategic).

For now, what is important to understand is that the economy will be sustainable to the degree that businesses enact reciprocity rather than parasitism. Economic growth alone is not the answer, because expanding current practices will only produce more extraction, not well-being. It is worth recalling that the last period of *somewhat* equitable growth in the United States was the 1950s and 1960s, a period that emerged in large measure because of social policies enacted in the 1930s that—for many, but certainly not for all—cultivated the soil for economic prosperity, leading to what economists Claudia Goldin and Robert Margo called the Great Compression.[9] Backed by strong social movements, visionaries like Frances Perkins (the first female cabinet secretary) shaped mutualistic policies like the forty-hour work week, minimum wage, worker's compensation, Social Security, health insurance, worker safety laws, and bans on child labor. Those policies led to thriving businesses and a revitalized economy, fueled by workers who could now support their families. Their new disposable income and savings created a "trickle up" effect that helped fuel relative economic prosperity for three decades. Of course, this model is based on a system that benefited white men over women and people of color, and a more equitable system of reciprocity and recirculation must become the aim of our current economic policies.

The nonprofit sector must lead the way by demonstrating—and demanding—that businesses embrace reciprocal exchange. While advocacy is important and effective, alone it will be insufficient because of the government's deep entanglement with corporate interests. As a complementary strategy, we should work with prosocial businesses and associations (e.g., Conscious Capitalism) to help them learn the logic and operational logistics of reciprocal exchange in which we are expert. Beginning steps to exercise our leadership include:

1. Develop capacity to clearly articulate the premise of nonprofit exchange—mutualism and reciprocity. The logic of nonprofit organizations is to benefit all parties in transactions. In so doing, we create larger systemic benefits (e.g., well-being) that make economic prosperity possible.
2. Adopt a capability approach. Capabilities development is based on complexity theory rather than reductionist logic. Activating potential at the micro level (e.g., investing in children's education) produces macro-level outcomes that generate increasing returns over time, such as higher wages, a prepared workforce, a stronger tax base, higher levels of parental involvement, and more voting and volunteering. Similarly, when nonprofits help clients improve their lives, their expanded capabilities and agency set off a cascade effect of positive outcomes for themselves, their families,

their communities, and the economy.

3. Learn to think dynamically. Most of us grew up learning to analyze, separate, and categorize. While these are very useful skills under certain conditions, when working in complex contexts they can lead to overlooking important aspects of reality. New skills we must develop include recognizing and understanding how things are interconnected (coupled), the important role of time as a strategic variable, how effects at the micro level can produce macro-level changes, feedback loops (today's outputs become tomorrow's inputs), and how order can arise through self-organization rather than command and control. Our logic models must begin to reflect such dynamism over multiple time spans across multiple levels (individual, organizational, community, national, and global).
4. Recognize that resources come in multiple forms beyond money. Intangible assets (invisible resources like relationships, knowledge, and reputation) are increasingly recognized as the primary driver of value creation in firms. Yet, because such resources aren't included on balance sheets, our society underinvests in them. To move beyond this privileging of financial capital, we must begin to understand the types, flow, and convertibility of these fungible resources, and how they can be created through strategic program design. Accountability and reporting frameworks such as integrated reporting offer nonprofits new ways to think about and tell the story of how these multiple forms of capital create value while producing social and financial returns simultaneously.[10]

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Value creation at its core is a process of *values* creation.[11] It is therefore paramount that the nonprofit sector find its voice and articulate its values of equity and reciprocity. Nonprofits must become "sensegivers," helping commerce make new meaning of its exchange practices.[12] How exchange gets enacted (parasitically or mutualistically) reflects who we are as a society. It also determines what kind of soil we cultivate, expanding or limiting our future possibilities. If we want our country to thrive in the coming centuries, we must develop the wisdom and will to make reciprocity America's guiding economic principle.

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Elizabeth A. Castillo is an assistant professor of leadership and interdisciplinary studies at Arizona State University. She studies organizational leadership through the lens of complex adaptive systems. Her current research investigates capitalization of organizations, particularly how intangible assets like social, cultural, and political capital contribute to the production of social and financial returns. Castillo's scholarship is inspired by two decades of management experience in the nonprofit sector, including the San Diego Natural History Museum and Balboa Park Cultural Partnership. Her mission is to repair the world through research that promotes thriving organizations, engaged employees, connected communities, and a world we can be proud to pass on to our children.