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Unbalanced: Stakeholders, Accountability, and Nonprofits

Kochan on the new accountability environment  
Vallaster and von Wallpach on cobranding your nonprofit with your stakeholders  
Gibson on the promise of participatory grantmaking

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Map of the uneven landscape of external nonprofit stakeholders  
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Welcome

The Nonprofit Whisperer

After an organization receives its first large grant, a consultant is brought in to instill a culture of compliance. But where to begin? What the consultant is really managing, explains the Nonprofit Whisperer, is a shift of the organization from its founding stage to its next stage of development—and she outlines the steps needed to help guide the process.

Features

HOW CONSCIOUS ELECTION of the RIGHT KIND of ACCOUNTABILITY LEGITIMATES YOUR NONPROFIT

The Collision Course: A Conversation about Stakeholders with Tom Kochan

In this interview with the Nonprofit Quarterly, Tom Kochan, codirector of the MIT Institute for Work and Employment Research, discusses the growing call for systems of accountability in nonprofits.

The Accountability Imbalance: What Nonprofits Need to Change

When it comes right down to it, writes Ruth McCambridge, nonprofits are “not meant to make individuals wealthy—they are designed to put the collective good first.” But where is the accountability? This article looks at how stakeholder theory applies to and plays out in and around nonprofits, and outlines the questions that should be central to nonprofit leaders.

by Ruth McCambridge

Unbalanced: A Map of Nonprofit Stakeholders

This article presents an annotated map outlining the nonprofit sector’s external stakeholders, and describes the imbalance between the level of responsibility and the level of enforced accountability vis-à-vis each stakeholder group.

by the editors

How to Cocreate Your Nonprofit Brand with Your Stakeholders

“In these times, nonprofit brands need to be more adequately defined as dynamic social interactive processes involving a multiplicity of stakeholders... Managing nonprofit brands requires acknowledging multiple stakeholders’ involvement in processes and structures related to brand development.” This article explains the whats, the whys, and the hows.

by Christine Vallaster and Sylvia von Wallpach
Moving beyond Feedback: The Promise of Participatory Grantmaking

“Are listening and feedback enough to upend the deeply entrenched power imbalances that have been a hallmark of institutional philanthropy?,” asks philanthropic consultant Cynthia Gibson. While essential, they are just the first step toward what participatory grantmakers call “authentic” participation. This article describes what participatory philanthropy is, and why it’s important for funders to embrace participation as a larger power-shifting ethos that promotes diversity, equity, and inclusion in both its process and outcomes.

by Cynthia Gibson
Dear readers,

This edition of the Nonprofit Quarterly addresses issues of nonprofit and philanthropic accountability. Since nonprofits are very broadly accountable to the public good, we did not do a thorough exploration of the topic, which would need story-based illustrations; rather, we have focused on the imbalances in the effectiveness of the mechanisms for enforcing accountability in nonprofit organizations. These more or less follow the formality of the accountability expectation, and that follows the money, government regulations, and professional-standard enforcement.

Some nonprofits organize themselves explicitly around the opinions and energy of the communities they serve—and in those cases, their own practices center community voices in ways that are inclusive. But research indicates that many nonprofits can point to few internally constructed methods and standards for holding themselves accountable to their communities—or even the subsets of those communities—in whose names they raise money and function.

There is a special immediacy in and importance to addressing the accountability asymmetries of nonprofits at this time. First of all, the world is changing in terms of connectivity across boundaries of special interest; and—as Tom Kochan, codirector of the MIT Institute for Work and Employment Research, points out within—the growing call for systems of accountability even in the business sector should translate as a call to action for nonprofits. There is generally a greater sense among non-shareholders that they are owed accountability if their lives are affected by something an organization does. The strategy of showing up in force to address shareholders and boycott what the organization produces is becoming ever more common for business and, in some cases, for state governments, where boycotts have also shown up.

This same dynamic has shown up around nonprofits. Perhaps even more importantly, the lack of consultation with and engagement of constituents with the least formalized calls on the sector’s accountability robs us of the power we need to help mold our own political and economic environments. The losses do not always show up as decisive refusals to stand with us when we need the power of motivated numbers, but instead as disinterest and a reciprocal lack of engagement.

Also included in this cluster: A discussion of how stakeholder theory applies to and plays out in and around nonprofits; an annotated map of the external stakeholders of nonprofits that illustrates the notion of the accountability asymmetries; an article on how to cobrand your organization with your stakeholders; and a long-awaited update on participatory grantmaking. All of these articles are intended to help you to advance practice in your field. We suggest that you bring your board into this discussion and use the questions that accompany the map to review your own landscape of accountability; because, in the end, it is the board that has responsibility for ensuring that the organization fits well into—and is effective within—its larger dynamic environment.
A new source of funding requesting more accountability, a change in founding leadership, or new staff asking about things like personnel policies signals the nearly inevitable shift toward more organizational structure and systems. In the case of an organization experiencing a first-to-second-stage transition, this passage can be freighted with uncertainty and unease. Share readings on this phase with staff, invite them to talk about the shifts they are witnessing and to share their fears, and use the changes already happening to begin the work of bringing the organization’s systems and processes into alignment with its mission and responsibilities.

Dear Nonprofit Whisperer,
I was just brought into a homelessness organization to try to create compliance systems out of what is currently a lot of informal and chaotic (although so far successful) activity. I have been given the job of instilling a compliance culture as we (literally) move out of the executive director’s private house to another setting. The organization just got its first big grant, which has some rules attached. The director purposely brought me in from the corporate sector—and I certainly have the background in making rules that stick—but I worry about implementation in a culture that, so far, has not shown much interest at all. Even the director hasn’t shown keen interest in the details of how this will get done. How do I start? With a handbook of compliance measures? Do I need to set some kind of a base in the culture? There are only five employees at this time, but it feels like more.

Compliance Setter

Dear Compliance Setter,
What you are really managing is the shift of the organization from its first—or “founding”—stage to its second stage of development, which is characterized by the need for more management coherence and better systems all around. I might, therefore, as a start, consider dropping the word “compliance” in favor of “building systems to help our organization achieve its mission.” And you are right: Immerse yourself in the base of this organization’s culture—its programs and successful activities—and then carefully plan for a shift that maintains what is working in its programs while introducing the need for more accountability.

Typically, first-stage organizations are very on target with regard to strategy and programs. These come first, and board and staff are passionate about ensuring that the work on the ground meets the needs of constituents. Often—but not always—leadership and staff are aligned around the needs and the work to be done, and communicate informally. The work is underscored by a sense of shared values, vision, and mission.

A new source of funding requesting more accountability, a change in founding leadership, or new staff asking about things like personnel policies signals the nearly inevitable shift toward more organizational structure and systems. Sometimes groups are unaware of this; rifts appear in the fabric of “togetherness,” and tensions arise between the more informal staff and those seeking more structure. It sounds as though your group knows intellectually that it needs to shift and become more compliant and accountable but does not yet feel it in the bones.

How do you start?
Tread lightly. Don’t assume that the lessons from the corporate setting will translate—especially with a staff of five people. First, read the literature available on nonprofit lifecycles. There is plenty of shorthand on the web, and
Susan Kenny Stevens’s handbook *Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity* will provide a more thorough view.¹

Please note that nonprofit organizational development experts/consultants tend to debate the number of “lives” a nonprofit goes through, and as the nonprofit ages it can be in several lives at the same time. Your organization, however, is at the classic first- to second-stage transition. It is also one of the more difficult passages, as a smaller staff of informal, deeply committed coworkers and volunteers can feel they are losing “their family” as more systems, staff, and funding are added.

Consider sharing readings about this transition with the staff and the board of directors, so that they “gain knowledge” about the transition that is happening. Let them discuss the shifts they themselves are witnessing—bringing knowledge to a description of the current reality. Let them talk about their fear of change or loss, and balance that with what is to be gained. Another way to approach this is to talk about how the organization and its constituents might be at risk due to lack of compliance.

Use the change that *is happening* to begin the change in systems and processes. Discuss the move to a new office and what that means. What kinds of systems and norms would staff like to see established in the new work space? Use their ideas as the basis for the office handbook that will inevitably get developed; it will be easier to accept if they have had some part in its development. Discuss the new funding source, name where accountability and compliance have to change to meet the needs of the funder, and concentrate first on those changes or any place where the organization is at high risk.

Even in small doses, the group will fear a loss of old patterns and work habits; let that surface. All of the above speaks to your real role of *managing change*, not just instituting more compliance. Take a look at the Change Cycle™ Series, which provides a tool to help people in your position in the workplace manage change (information can be found at changecycle.com²). The series should provide insight to you and others on staff about why they feel resistant to or fear change that otherwise makes sense or is necessary (being more accountable to a funder, for example).

Once the first steps in shifting the organization start—again, this means education about the inevitable changes, discussion and feedback, and piloting more compliance where it is already needed (office space/funding sources)—other shifts toward more accountability will begin to flow, and you will be able to create a checklist by priority of those areas that most need focus. This kind of pacing will help you and others to manage change practically and emotionally in balance with maintaining quality of program and “successful activity.”

**Notes**


**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.

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How Conscious Election of the Right Kind of Accountability Legitimates Your Nonprofit

With all the discussion about the need for nonprofit accountability and transparency, there is little recognition given to the specific “conscious election” requirements embedded in the unbalanced nature of nonprofits’ multistakeholder environments. This cluster of articles, therefore, has made this its focus.

Much of what is being written about accountability concentrates on issues of compliance with contracts or law and regulation, and on one-way reporting of financial basics and accomplishments. In other words, it does not acknowledge that when you are accepting money to work on behalf of a particular population, real accountability requires a reciprocal dialogue that not only establishes the standing of those primary stakeholders to hold your organization accountable but also engages with that population: generating questions about assumptions, conditions, and next steps; refreshing the vision; and helping the organization to use the intelligence, treasure, and energy all around it.

Thus, the election of accountability—the answering of “To whom are we accountable and in what way does that work?”—is the election not just of the ethical and moral consciousness that is a central component to a position of stewardship, but also of a greater connectedness and level of effectiveness.
The stakeholder environment for all types of organizations is changing rapidly, through a new cross-boundary connectedness enabled by technology. This allows ad hoc groupings of stakeholders to exchange information and develop strategies together to enforce nonprofit accountability, and that forces a heavier requirement for integrity on those organizations. Understanding your stakeholder environment and with what stakeholder groupings your greatest source of legitimacy and effectiveness lies are core to responsible and strategic governance.
THE COLLISION COURSE: A Conversation about Stakeholders with TOM KOCHAN

Editors’ note: Tom Kochan is the George Maverick Bunker Professor of Management, a professor of work and employment research, and codirector of the MIT Institute for Work and Employment Research at the MIT Sloan School of Management. Kochan focuses on the need to update America’s work and employment policies, institutions, and practices to catch up with a changing workforce and economy. His current research and teaching focus on actions needed to use advancing technologies to help close the divisions in society and produce a more broadly shared prosperity. His most recent book (with Lee Dyer) is Shaping the Future of Work: A Handbook for Action and a New Social Contract (MITxPress, 2017).

Nonprofit Quarterly: Five years ago, we were watching an interesting new kind of stakeholder scenario play out with a New England grocery chain, Market Basket, in which customers and others joined with employees to protest an action by the board to unseat the company’s CEO. That action, which was successful, was extremely unusual at that point—and your feeling, Tom, was that this kind of cross-stakeholder group action would
would come from Google employees? But it has, and you see the same kind of activism at Instacart, a gig economy company that provides people to do your grocery shopping and deliver the groceries to your house. Workers revolted over a change in Instacart’s compensation strategy that they felt was taking their tip money and giving it back to the firm. They protested and sent out a petition, and they got the company to change its policy to be more equitable.

And then you see contractors challenging gig economy companies like Uber when they roll out their public offering, their IPO, saying, “You’re going to get rich, the shareowners are going to get rich, the private equity firms that bought all these shares and that will underwrite this will do very well, but meanwhile our incomes are going down and you’re squeezing us and we’re not benefiting from this at all.”

At the same time, teachers are becoming much more militant, whether they are under a collective bargaining agreement or not. We’ve seen these become a growing trend. NPQ has been watching with interest the Red for Ed movement and all of the cross-stakeholder activity around Google and Uber right now. Do you see these instances as trends in the balancing between the shareholder/stakeholder environment, and are there other examples that you think are notable and may point to a trend?

Tom Kochan: I think there are two trends going on in society, and they may be on a collision course. On the one hand, we see much more activism on the part of people in the workforce—both regular employees and contract workers—challenging the idea that corporations should only respond to their shareholder constituents.

So, they’re taking more direct action at Google—with grievances over issues around sexual harassment—and also going beyond that to talk about corporate governance and the need to put employee representatives on the board of directors. Who would have ever thought that this would come from Google employees? But it has, and you see the same kind of activism at Instacart, a gig economy company that provides people to do your grocery shopping and deliver the groceries to your house. Workers revolted over a change in Instacart’s compensation strategy that they felt was taking their tip money and giving it back to the firm. They protested and sent out a petition, and they got the company to change its policy to be more equitable.

And then you see contractors challenging gig economy companies like Uber when they roll out their public offering, their IPO, saying, “You’re going to get rich, the shareowners are going to get rich, the private equity firms that bought all these shares and that will underwrite this will do very well, but meanwhile our incomes are going down and you’re squeezing us and we’re not benefiting from this at all.”

At the same time, teachers are becoming much more militant, whether they are under a collective bargaining agreement or not. We’ve seen these
NPQ: Can you talk a little bit about how that fits into this particular era—which is, to a great extent, technology-enhanced or even technology-driven—and about the function of technology in the stakeholder element of that dynamic?

TK: If we just let technology take its course without being more proactive in shaping it, then we’re going to see more inequality, because it’s very clear that changes in technology are going to eliminate some jobs. We don’t know how many, but the changes are going to have a bigger effect on lower- and middle-skilled jobs than on higher-skilled jobs, and they’re going to benefit people with high-level skills—both analytical skills and the social skills needed to use technology effectively. And that is going to increase the divisions between high- and low-income workers.

But this is not inevitable. We don’t have to wait for technology to have this effect. If we start taking a proactive approach, there’s no iron law of physics or technology that determines how technology is designed, what problems it’s going to address, and how it plays out in the workplace.

If we give workers an opportunity to help shape how technology comes into the workplace, then we can use it to augment work—to make work easier and maybe safer, and free up the workforce to do new things and to work with technology and to get higher levels of productivity, innovation, and get better-quality jobs. So, we have to get proactive in how we use technology to avoid the worst and to get the full potential benefits for society. And then we have to worry about distributing those benefits in an equitable way, because some people will lose their jobs, and we need to make sure that we provide adjustment assistance and income supports for those people who are going to be most adversely affected.

NPQ: Something the Red for Ed movement has modeled recently is this alliance of labor with other stakeholders, so that it’s not just the workers but also the students’ parents and other community stakeholders voicing concern—concern about some of the same issues that the workers are concerned about. It seems to me teacher protests and strikes from coast to coast, and they’re bargaining not just for themselves but for what they call the common good—to try to get more resources for their students and to get the state governments to rebuild commitment to a strong educational budget and system. So, we’re seeing all of that happen, and that’s a sign that people are getting more restless around the shareholder-maximizing view of the world.

And we don’t see corporations responding in significant ways. In fact, you see the Ubers focusing on shareholder maximization and on going public—and the pressures on the executives to somehow get profitable are just going to intensify. And how are they going to get profitable? Most likely, they’re going to get profitable by squeezing the workforce.

So, companies are not responding. And then you have the deep divisions that are so apparent now in Washington, which is just sticking its head under the rug and not dealing with the real inequality pressures and the concerns around the division between winners and losers from globalization—and maybe the same pattern developing with technology. So, we have a society that’s seeing and hearing unrest but not responding to unrest, and I think those two trends are moving toward some kind of collision.

NPQ: That sounds relatively disastrous.

TK: Well, I’m not sure it is disastrous. I think we’re going to need a collision. We’re going to need politicians and business leaders to wake up to the fact that employees—at least, many of them—are feeling left out of this economy.

And the economy is so strong now and unemployment is so low, yet many people don’t feel that they are benefiting. Their wages haven’t really grown. They’ve grown a little bit better this year than they have in recent years, but even the new report from the Bureau of Labor Statistics shows that when you adjust for inflation, last year’s wages went up about 1 percent for the average worker.¹ We are not going to close the inequality gap if we stay at that slow rate of growth. It’s going to make a little bit of progress, but we’ve got to do much, much better.

I think we’re going to need a collision. We’re going to need politicians and business leaders to wake up to the fact that employees—at least, many of them—are feeling left out of this economy.
The public is becoming much more responsive to protests or strikes that are not just focused on the workers’ self-interests but appeal more broadly to the public’s sense of fairness.

TK: It’s clear that the newest forms of worker advocacy that are developing around the country are making use of technology as a source of power and as a source of communicating and reaching across traditional stakeholder lines; so, teachers, for instance, reaching out and making their case to the public that they’re not only protesting and striking to improve their own wages and conditions but also to support public schools and public education, and to get the resources needed for kids to thrive in their classrooms.

That, I think, is a very early-stage indication of where we are going to see worker advocacy grow and expand in the future. It may not take the form just of traditional collective bargaining and strikes to improve wages and working conditions. Certainly that will be part of it, but any strike that wants to be successful today has to engage the public.

You have to take your narrative to the public and say, “This is why we are taking this action and why it may inconvenience you.” We just had a strike here in New England with Stop and Shop workers, and that was a strike where the public again supported the workers by not crossing the picket lines and by recognizing that they were striking against a company that was trying to take away benefits—retirement benefits to some extent, cutting back on healthcare benefits, and reducing the quality of the jobs for the next generation of young people as they come into the retail industry.

The public understood that and essentially boycotted the stores, even though the stores tried to stay open. And that, ultimately, was what led to a settlement of the strike.

So I think people need to understand why workers might take action. The public is becoming much more responsive to protests or strikes that are not just focused on the workers’ self-interests but appeal more broadly to the public’s sense of fairness. My guess is that we are going to see more protests like this in the future.

The teachers, starting in West Virginia, worked hard to prepare the public for their action, saying, “Here’s why we need to get more resources into education in this state.” Once that worked for them, you saw similar efforts in other states. And then the strike in Los Angeles was what they called “bargaining for the common good”—bargaining, certainly, for improvements in wages for teachers, but also, again, for improved supplies, staffing of nurses and others in the schools, and making sure that they have resources to meet the needs of the student population as they find it. The public by and large supported the teachers in that effort.

So, I think this is a sign that the American public is waking up to the fact that there are some inequalities that can be addressed if we work together, and I don’t think that’s lost on the labor movement, and it’s not lost on workers who take spontaneous action outside of the labor movement—like the Amazon employees who were concerned about some of the ways in which Amazon is not addressing climate change, and the way Google was using its power to force contractors (as well as regular employees) to use arbitration to resolve discrimination claims. And that has spread now to other organizations.

I think to the extent that we’re seeing these very public displays of grievances, we will see more cross-group coalitions come together.

NPQ: That’s very interesting. Have you been surprised by this?

TK: No, not completely. As you noted earlier, we saw a preview of this with the Market Basket dispute back in 2014. And it was so clear that what resonated with the public was that it was a protest by employees; that this was a group of employees across the board—managers and clerks and truck drivers—putting their jobs on the line to save a company from going toward a more shareholder-maximizing view and to stand up for what the company had achieved in terms of low prices and great customer service. And the customers knew the employees, and they said, “That’s my store”—and they really demonstrated that there’s a public coalition that will come
We’re seeing the same themes now in research that we’ve done at MIT’s Institute for Work and Employment Research. We’ve done two national surveys. In the first, we asked a national sample of workers how much of a voice they have at work and how much of a voice they think they ought to have, and we see big gaps in the amount of voice that workers experience compared to what they think they ought to have on a wide array of issues, from wages—and certainly fringe benefits—to training, to respect on the job, to protections against harassment, to how technology is being used. So, you can see that there’s more restlessness in the workforce. That same survey showed that more workers today would join a union if given the opportunity than at any time in the last three decades. That’s another indication of the unrest that’s below the surface out there. And then we followed that up with a second survey, in which we asked people what kind of worker representation they would prefer if such a thing were available. We gave them a bunch of choices on different forms, and what they came back with was, “Yes, we want collective bargaining, but we also want more individualized services like training and healthcare coverage that move with us in retirement, security programs that move with us across jobs, and we want a stronger voice in the corporation—including support for having worker representation on corporate boards.”

So, I think the workforce is telling us, both through actions and through these surveys, that workers want to see change—and it’s up to the institutions, it’s up to the business community, it’s up to government policymakers, and it’s up to labor to respond to what the workforce is telling them.

In the end, I think we’re on the cusp of a debate over how to build what I call a new social contract. I’ve used that metaphor in my research and in my teaching for a long time. This afternoon, we’ll have our wrap-up session of this big online course that I teach for people out in the world—it’s not MIT students, it’s anybody who wants to sign up for it. The class is on shaping the work of the future. The last exercise we do is build a new social contract: the students make proposals and then they rank them, and in the end we come up with a new social contract—and it’s pretty fascinating. From what I’m seeing this time around, they’re saying, “We certainly want reforms in education to make sure that we have the skills for the future—that’s an important part of it—and we need more lifelong learning, and so on; but we also want corporations to be held accountable for providing good jobs and for opening up to more diverse boards of directors, including workers.”

These participants are calling on labor to continue to innovate and to look for these new forms of organizing and representing workers; and they’re calling on government to meet these needs for a living wage and for portable fringe benefits, and to do its job of bringing the other stakeholders together to work in a collaborative way to get the economy working for everybody.

I don’t know that we will see this as a central theme in the presidential election coming up, but I do think that these pressures are leading toward a dialogue over what the next social contract ought to look like. That might not be the metaphor that people use, because it may not play well in all parts of our society—but I do believe it’s a dialogue that says, “Let’s come together and start focusing on our common good and our common needs, and bridge these divides that are so apparent in society, and get on with the task.” I think that’s going to be where the next election is decided: who can present the most commonsensical and viable strategy for bringing this country together and getting us on the right track.

**Note**


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THE ACCOUNTABILITY IMBALANCE:
What Nonprofits Need to Change

by Ruth McCambridge

“With stakeholder theory, the study of organizations turns its attention to the notions of interest. . . .”

—Maria Bonnafous-Boucher and Jacob Dahl Rendtorff

It is generally acknowledged that nonprofits are not designed to be shareholder driven but rather stakeholder driven; in other words, they are not meant to make individuals wealthy—they are designed to put the collective good first. In many cases, there is a subset of that “collective” that may be the focus of the organization—people with chronic mental illness, for instance. And those are the people in whose name the organization functions—raises money, et cetera. The organization exists in a special fiduciary relationship with this group, a relationship that too often is dishonored in neoliberal settings. The constituents that the organization serves, however, may be a larger group that includes friends, families, and allies—and then there is an even larger group that comprises all of those affected, which includes a series of institutions (jails, courts, police, and treatment facilities, among others), and beyond that the community as a whole. Add to that government regulators and funders both private and public. Each of these stakeholder groups holds its own set of complexities.

Accountability questions within this large collection of stakeholders, then, become a critical consideration. Whose interests do you hold as primary? How clearly is that expressed in structure, action, governance, and strategy? How much say do those primary stakeholders have over the direction setting and design of programs, or to define and design strategy being sold to a funder? These are questions that are central—or should be—to nonprofit leaders.

Ruth McCambridge is the Nonprofit Quarterly’s editor in chief.
Thus, if an organization that holds democratic or human rights values has less than fully inclusive leadership, it will and should be challenged on its internal-to-external integrity.

From Parts to a Whole: Our Internal Stakeholders

Coming to decisions about how to prioritize and engage external stakeholder groups is one thing, but there are also internal stakeholders to be addressed, and there are times and situations in which it can feel like the needs of these almost crowd out the relationship building with external groups. This can reflect other problems, like a lack of internal-to-external integrity, or the lack of a larger vision to which people have buy-in. The staff and board are in an unusual stakeholder position in that they not only have a call on the organization but also have an explicit responsibility to know and serve the interests of external stakeholders—and in particular, those in whose name the organization operates. This position has a kind of three-way reciprocity, in that each member of staff and board has a responsibility to external stakeholders, the organization, and the team with which he or she works. Each of these relationships has to be kept dynamic and healthy for the whole to feel healthy.

There is a dearth of good literature on the relative role of internal versus external stakeholders, and it is arguable whether or not the board is or should be in a slightly different category, as it is explicitly charged with stewarding and representing the interests of other stakeholders. But the staff in a learning organization is in very much the same position. This creates a special category of the internal stakeholder, as those who can be deeply affected by the behavior of an organization are also in dialogue with other stakeholders on behalf of the organization, and bound to represent those views as well as their own. If and when a break in the integrity of an organization’s spoken-to lived values occurs with internal stakeholders, the wound can fester and infect the whole system.

Among nonprofits, the issue of equity and inclusion is one such wound. In organizations that have chosen to remain largely noninclusive at leadership and governance levels, the changing external environment has now moved forward to a declaration that less than full inclusion is no longer viable. Where in the past it has been assumed that “diversification” is a choice that can and should be made in good organizations, the imperative has now largely been taken out of the realm of the individual organization and moved into field prerogatives. So, even though individual organizations must make their own changes, external stakeholders are very much a part of the environment influencing those decisions.

Thus, if an organization that holds democratic or human rights values has less than fully inclusive leadership, it will and should be challenged on its internal-to-external integrity.

The integrity issue is very often a good lens to use to understand these situations, in that doing something to staff that violates the values you purport creates a rupture that will eventually affect your reputation and your effectiveness. An organization that underpays employees to the extent that they must apply for public benefits, for example, may be seen as violating a sectoral mission that implies—or even explicitly articulates—a commitment to improving the health and well-being of the communities the sector serves. No one wins in such cases—the workforce on which vulnerable people depend is made unstable, the families of those workers are made unstable, the organization is rightly seen as lacking in a thorough kind of integrity, and the reputation of the sector overall is damaged. In such a case, the organization will need to combine with other stakeholders to address the issues that helped to create the business assumption of an entire field of underpaid workers in the first place.
Boundaries and Bridges

There are increasing numbers of examples of for-profit organizations that have been called to account to a stakeholder environment that is broader than mere shareholders. In fact, the communicative distance between the decision makers in an organization and collections of stakeholders seeking accountability of one sort or another is collapsing, and technology makes boundaries between organizations and the external environment, and among various stakeholders in the external environment, ever more porous.

We are beginning to see the emergence of new collaborative movements for community health and well-being organizing for greater accountability of government and business (see “The Collision Course: A Conversation about Stakeholders with Tom Kochan,” in this edition). We would add that the same trend has been organizing itself around nonprofits for more than a decade.

Examples of this abound and have impacted a number of high-profile organizations (like Susan G. Komen for the Cure and Wounded Warrior Project), but also many that are not as well known (such as Sweet Briar College and Goodwill Omaha). In these cases, decisions were made at the board and staff leadership level that created such a values break between the organization and more than one stakeholder group, that the board's governance ability was essentially either constrained or entirely overturned. In the case of Komen, the constituency's reaction to a decision to defund Planned Parenthood clinics traveled quickly through existing national networks, creating a revolt that gained traction literally overnight. The organization's revenue has been on a downward trajectory since, never recovering—from a high-water mark of nearly $350 million in 2011, before the scandal hit, its revenue plummeted to $70 million in 2016. Wounded Warrior Project's total revenues dropped from $373 million in 2014 to $227 million in 2016. One (Wounded Warrior) has committed to a reorganization that answered alienated stakeholders' concerns; the other (Komen) has not.

Thus, when we discuss nonprofit accountability and transparency, some of what that automatically used to bring to mind seems almost archaic—often being composed of static, one-directional communication, and answering questions few stakeholders ask while not answering those which, given the opportunity, stakeholders would not only ask but also be willing to help answer.

What Is a Stakeholder Approach to a Nonprofit? Who Has an Interest?

The notion of stakeholders was popularized in 1963 by the Stanford Research Institute (now SRI International), and defined as groups “on which the organization is dependent for its continued survival”—but twenty years later, R. Edward Freeman redefined the term to reflect a more reciprocal relationship, as in “any group or individual who can affect or is affected by the achievement of the organization's objectives.”

This notion is admittedly broad, but it is actually a fairly accurate description of who may now demand accountability from an organization and how various stakeholders, both direct and indirect, see their rightful call vis-à-vis an organization's choices.

This establishes an assumption of mutuality, whereby the health of the stakeholder and organization are intertwined, and a reciprocal relationship is addressed, in shared assumptions, values, and knowledge built through intimate engagement and action.

Problems with accountability occur when organizations built to address the public good effectively ignore their stakeholders’ notions of what “good” is, using as proxies their own judgments, which may not align with one or more constituency groups.

In Stakeholder Theory: A Model for Strategic Management, Maria Bonnafous-Boucher and Jacob Dahl Rendtorff note, “[A] stakeholder can be affected by the corporation without being able to affect it in turn (and vice versa). Potentially, and alternatively, it can contribute to or threaten the organization.” As mentioned, this has been evidenced any number of times over the
Research indicates that the answer to the “accountability to whom” question is that nonprofits currently evidence the strongest accountability toward boards and donors and the weakest accountability toward communities and so-called beneficiaries.

One consideration for nonprofit managers and trustees has to do with their orientation. If they do not recognize their fiduciary duty to the organization and do not center the interests and opinions of primary stakeholders, they run the risk of rending the relationship. In other words, whose survival and well-being do we consider first—that of the organization or that of the stakeholder?

As Bonnafous-Boucher and Rendtorff posit, “[S]taker theory bears witness to a desire for change in approaches to governance, decision-making, . . . It reflects a shared aspiration to participate; it highlights the questionable nature of the distinction between those who have rights and those who do not.”

Stakeholder theory also creates pressure around blind spots that develop through a refusal to ask stakeholders what they think or feel or want to take action on collectively—and in this way, it poses its own critique to the neoliberalism, classism, and racism that infuse much of the traditional sector’s thinking. It embeds the organization in its environment in a way that requires continuous sensing and engagement. In the end, this is not the responsibility of management but of governance.

Capital and Domination in the Nonprofit Sector

It should always be remembered that nonprofits are sociopolitical actors and that they choose the narratives, worldviews, and approaches that they take. Just because you do not discuss the choice explicitly does not mean that you have not made it.

And here is where the behavior of many nonprofits—in allowing dominant narratives to drive their work even as conditions for those with whom they work worsen—begins to resemble a dominant shareholder position to a degree that is obvious in some cases. You cannot, in fact, go into the work of the sector without an analysis or values base; if you lack one, it creates a vacuum into which the preferences of those with capital are sucked. And, not surprisingly, it becomes very similar to a business overemphasizing the interests and opinion weight of shareholders over stakeholders: that “he” who owns the capital owns the decision making.

Stakeholder Myopia and the Short-Sightedness of Attending Largely to the Formal Call to Account

Research indicates that the answer to the “accountability to whom” question is that nonprofits currently evidence the strongest accountability toward boards and donors and the weakest accountability toward communities and so-called beneficiaries. In “Putting the Lasts First: The Case for Community-Focused and Peer-Managed NGO Accountability Mechanisms,” Niaz Murtaza writes that “current accountability approaches prioritize accountability to boards and donors and give weak accountability to communities despite strong NGO rhetoric to the contrary.” Indeed, the repeating of such rhetoric obscures the real weakness in those accountability systems.

Murtaza reinforces the vacuum analogy with the following discussion of the benefits of constituent engagement:

[T]here are several advantages that can accrue to NGOs from voluntarily undertaking more effective accountability activities despite the extra costs. More effective accountability will enhance incentives for improved performance, encourage NGOs to become more closely aligned with community perspectives, and enhance shared learning about good practices and programs (Wenar 2006). It will provide greater assurance to donors and supporters, and help expand their support. It will also help achieve the morality and transparency considerations that NGOs strongly subscribe to by increasing their credibility and influence, and enhancing their ability to influence larger stakeholders to become more accountable (Sawarung 2003). By initiating more effective accountability mechanisms, NGOs can avoid the imposition of...
inappropriate and top-down accountability mechanisms by external stakeholders and protect themselves from politically motivated attacks (Wenar 2006; Unerman and O’Dwyer 2006).12

Indeed, not engaging community stakeholders and overemphasizing accountability to those who hold the purse strings ends up privileging that relationship over others. This constitutes a kind of short-term myopia that ultimately weakens the independence of the organization and its ability to properly understand and represent those stakeholders to whom it arguably has the strongest accountability responsibilities.

Understanding Your Stakeholder Environment
Making sure you are accountable to stakeholders in the right combination and with the right priority set is a function of governance. There is a lot that goes into understanding your own habits of stakeholder accountability. One way to think about it is to consider not only to whom you report once you have done something, but also with whom you decide what is to be done, how its success is to be measured, and what adjustments may need to be made. The point that Murtaza makes about how the seeking of guidance expands support is one that should and does have great weight in nonprofit life. Thus, engagement and a two-way conversation of substance are required for the kind of accountability that strengthens rather than drains. Four “musts” to that end are the following:

- If you want to be conscious about accountability and not just have it thrust upon you, you must choose the stakeholder groups to whom you have primary accountability and create a culture and processes for dialogue and mutual development.
- Social media have provided a facilitative environment in which various stakeholders and stakeholder groups can find common ground. Times have changed, and if your nonprofit does not hold itself accountable to its environment, that environment may well eventually take it down.
- Many nonprofits tend to privilege stakeholders with money and formal authority over community stakeholders, and that eventually creates myopia and weakens the organization, making it less effective and robust in the face of challenge.
- Integrity is a core concept in accountability; if you prove yourself capable of violating your own values in one area, it is likely that trust will run thin. If you make a mistake, own up to it and work to realign.

Notes
4. Ibid.
7. Ibid., 854.
9. Ibid.
12. Ibid.

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UNBALANCED:
A Map of Nonprofit Stakeholders

by the editors

It goes without saying that nonprofits take many different shapes and forms, but all have a variety of stakeholders—that is, individuals and entities with a stake in their work, either because it can benefit them or because it can harm them.

Nonprofits are not like businesses, which have long believed that they are always responsible first to shareholders and only secondarily responsible to others who might be affected—even profoundly—by their actions. In the case of businesses, there is a bright line of accountability drawn from the organization to the provider of capital: the shareholder. Other accountabilities, even to such things as the environment, have tended to fade as prioritized requirements unless specifically elected as core and necessary to the organization’s identity or brand.

Nonprofits formally have no shareholders—that is, no one is supposed to be personally enriched by the organization’s work. But the teeth in nonprofit accountability relationships—both in actual and legal terms—are often more commonly and carefully attended to when the organization is receiving money dependent on its compliance than they are when stakeholders have a more general moral call on its attention. This has the effect of further disenfranchising the very populations meant to be served, and it should be unacceptable as common practice in civil society.

This makes nonprofit stakeholder accountability look—with some variations—something like the map on the right.

On this map you can see, at the top left, the entities that develop and enforce compliance to standards that they either set independently or have a significant influence in setting: governmental regulation bodies and professional standard-setters, which/who can force accountability to standards they have established, and public funders, which/who not only have regulations with which nonprofits must comply but also, importantly, a contract, which can be very granular, and violations of which can shut down an organization in fairly short order. (Not all organizations have this kind of money, of course.) These categories are depicted as darkest in color (on a spectrum), because they receive the highest level of nonprofit accountability.

At the top right of the map can be seen entities that may require two-way agreement. These are paler in color, as accountability is weaker for these categories. In the case of donors (including large and institutional ones), there may or may not be legally enforceable contracts. In
NONPROFIT ACCOUNTABILITY MAP (OUR MUTED MARKET)

Entities that develop and enforce compliance standards:
- Contract (real)
- Governmental regulation bodies
- Professional standard-setters

Entities that may require two-way agreement:
- Contract (implied or real)
- Public funders
- Donors
- Partners

“Fiduciary” relationship (usually requiring no permission):
- No contract (usually)

Constituents we represent or serve:
- Public good
- Constituents we represent or serve
some cases, the contracts are written documents binding the grantor and the grantee, but in other cases, the contracts with donors may be implied by the organization’s own fundraising materials. In these latter cases, the organization is likely to be held accountable by a government regulator (see the left side of the map), and generally only well after the fact. In the case of partners, these relationships can vary widely—from very formal and backed by a contractual agreement to informal and voluntary. The result of not being accountable in one of these relationships, therefore, can range from having legal blowback to having no consequences whatsoever. In the middle of those two examples is the reputational consequence of being seen as a bad partner, and that may risk the future prospects of your organization’s being able to affect the larger operating environment.

This brings us to the lower middle of the map. Here nonprofits have perhaps the highest level of “fiduciary” relationship but ironically very often no mechanisms for accountability (hence the pale shade) to constituents we represent or serve (except those mechanisms that can be derived from organizing or whistle-blowing, or by the organization electing to make a contract of sorts to hold itself accountable). Nonprofits also have no firm accountability to the public good except what the sector elects or what can be wrested from it.

Functioning Ethically in a Muted Market

Such accountability mechanisms are based in relationships that contain conversations about what the organization is trying to accomplish and how that can best be achieved in the current environment. Maintaining a fiduciary relationship in which there is money given in stewardship for the benefit of an entity with which you do not consult when consultation is available, is unsupportable as an issue of trust. It is the ultimate in neoliberal practice, it is antidemocratic, and it is the way too much of this muted market now functions.

Are You Functioning Ethically?
Questions to Ask:

- Who do you say the organization is accountable to? With whom do you spend the most time, both in setting the design of the program and in talking through necessary adjustments?
- Who (or what) would the people your organization serves say your organization is accountable to? Who do they think are the real stakeholders?
- Who is involved in defining and evaluating “success”?
- Who are those who have the deepest stake in your organization’s “success”?
- How do goals get set (and by whom), and how does the organization evaluate/measure progress?
- Who can be most harmed by what you do and how you do it—and even how you talk about it/them? Who is having things done in their name, purportedly for their benefit, but without their counsel?
- Who in the organization is currently most influential over resources?
- Who in the organization is most influential in setting the organization’s agenda?
- To what extent or in what ways are the organization’s own employees stakeholders?
- Who is not a recognized stakeholder who should be? (This requires a deep questioning of the relative strength of various organizational relationships. For instance, is there a demographic group that should rightly be consulted, served, and represented, but which is now excluded from some or all of those functions?)

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WE ARE ROLLING OUT TWO NEW BIWEEKLY COLUMNS AND A PODCAST!

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SOCIAL CHANGES RELATED TO THE CONTINUOUS DEVELOPMENT OF NEW SOCIAL media determine the conditions under which organizations operate today. Stakeholders have free access to information about organizations that are of relevance to them, and have the means to get actively involved in and even shape these organizations’ branding efforts. These developments require organizations to be ever more transparent and accessible—especially in societally relevant, nonprofit contexts, which attract immense stakeholder interest and voluntary stakeholder involvement. The understanding that brands emerge through continuous social interactions and practices among multiple, networked stakeholders is missing in the nonprofit literature. This article aims to shed light on these dynamics, outlining possible implications and practice ideas.

Nonprofit literature generally acknowledges the tendency toward more stakeholder involvement, and approaches the phenomenon from both managerial and stakeholder perspectives. Literature on constituent participation, for example, highlights the relevance and importance of citizen participation and empowerment in community-based organizations and the need to

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organizations and their stakeholders to jointly decide what they want to achieve and how\(^{19}\).

Contrary to the core assumptions of management-oriented approaches to nonprofit branding brought forward by traditional brand-oriented nonprofit literature,\(^{20}\) nonprofit brands and their meanings are no longer “manageable” in the conventional sense—that is, unilaterally determined by nonprofit brand management.\(^{21}\) Managing nonprofit brands requires acknowledging multiple stakeholders’ involvement in processes and structures related to brand development\(^{22}\) and understanding organizational reality in all its “discomforting complexity, conflict, ambiguity and flux.”\(^{23}\)

### Conditions for Brand Strategy Cocreation to Occur

A first condition is the existence of strong relationships between the organization and its internal and external stakeholders, characterized by reciprocal commitment,\(^{24}\) transparency, and access to information on formerly company-internal processes and structures.\(^{25}\) High levels of voluntary commitment from the stakeholder side are especially likely if stakeholders have a strong stake in the brand and expect to receive high levels of subjective value from brand-related experiences.\(^{26}\) Nonprofit brands face a dynamic reality these days: It is wise to treat nonprofit brand strategy cocreation as a continuous and dynamic process involving multiple stakeholders; be open to the influence of multiple contexts; and address the new particularities that affect the management of nonprofit organizations and their intangible assets.

Values also matter here. Today, nonprofit organizations need to approach value management differently. Values actually emerge, and are constantly negotiated, through processes of strategic branding and their related everyday (and at least partially) routinized practices. Constant joint performance and (re-)evaluation of values-in-use are an important condition for brand strategy cocreation.

Also important:

- Organization–stakeholder relationships—characterized by reciprocal commitment, transparency, access, and joint values-in-use—are
a precondition for brand strategy cocreation to occur.

- Stakeholders are more likely to engage in voluntary brand strategy cocreation if they expect to receive subjective value from the brand experience.

Our work has revealed that nonprofit brand strategy cocreation strongly involves the “actions, interactions and negotiations of multiple actors.”27 Diverse stakeholders—such as (for instance, in a child care center) team members, parents and their children, the local authorities funding the institution, and the wider community (such as parents living in the neighborhood)—are continuously involved in defining the relationships among one another. These efforts result in routinized processes of strategic branding and temporarily stable strategy manifestations that shape the organization and its intangible assets while helping to fulfill the expectations and obligations underlying various organization–stakeholder relationships.

These processes of strategic branding in action are reenacted by involved practitioners, and help ensure the nonprofit brand’s continued existence on a daily basis. And although it might sound like a contradiction, adopting a process-oriented perspective on brand strategy development means embracing the possibility that no final outcome will ever be reached. That’s good news.

All of this brings a different perspective on nonprofit brand management, shifting away from a highly rationalist prescriptive to a social constructionist reflective approach, with the possibility of identifying new ways of maneuvering a brand within nonprofit contexts where stakeholders heavily influence the brand strategy cocreation process.28

Notes


11. James E. Austin and M. May Seitanidi, “Collaborative Value Creation: A Review of Partnering Between...


20. See, for example, Ewing and Napoli, “Developing and validating a multidimensional nonprofit brand orientation scale”; Hankinson, “Brand orientation in the charity sector”; and Voeth and Herbst, “The Concept of Brand Personality as an Instrument for Advanced Non-Profit Branding.”


25. Prahalad and Ramaswamy, “Co-creation experiences.”


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Editors’ note: This article includes excerpts from “Lessons from Citizen Journalism—the Promise of Citizen Philanthropy,” an essay in the report Global Media Philanthropy: What Funders Need to Know About Data, Trends and Pressing Issues Facing the Field, published by Media Impact Funders in March 2019.¹

It was one of those moments that crystallized what words often cannot.

Several years ago, a group of nonprofit and philanthropic executives met to explore ways to strengthen civic participation. They were joined by two practitioners who issued a challenge: Go beyond defining success as increased voting and volunteering numbers to creating civic cultures in which civic engagement is part of everyday life. That means seeing civic engagement as less a set of tactics and more a process through which people have opportunities to come together, identify common priorities, and take action to address them in ways they see as appropriate.

Two things, they said, are critical. First, a cross section of the community participates—not just those who are more inclined to do so. And second, community participants are seen as equal partners with—rather than constituents of or advisors to—traditional power brokers. That means ensuring everyone has the chance to be involved—not just experts but also “real people,” whose lived experience is equally valuable when it comes to decisions affecting their lives.

Cynthia Gibson, who helped design one of the first national participatory grantmaking initiatives with the Case Foundation, is a philanthropic consultant and author.
The CEO of one of the country’s largest grant-making organizations raised a hand. “We already go into the communities we support. We ask them what they see as priorities, and they tell us. But let’s be honest. We’ll listen, but ultimately we’ll decide what we’re going to do there, because we know what to do, can get it done faster, and do it more efficiently. So what’s the incentive?”

Silence and seat squirming ensued. Then, another colleague spoke up: “Because the world is changing, and if philanthropy wants to have the impact it says it wants, it has to change with it.”

Those changes have become a reality.

Among them are growing distrust in—and demand for accountability from—traditional institutions; the democratization of fields and practices that were once largely the purview of experts and gatekeepers; and technological innovations that give people the chance to connect, collaborate, and crowdsource solutions to problems in spaces that are more transparent, and virtual.

These trends reflect a backlash against the “establishment” occurring in politics, higher education, the media, and other fields in which elite interests are perceived to have drowned out the concerns of ordinary people. Americans of all stripes and political persuasions have come to believe they have little say in guiding public decisions and improving the health and well-being of their communities.

Philanthropy hasn’t been immune to these trends. Faced with growing public critique, funders are taking a closer look at how they can be more accountable and transparent. Fieldwise, conversations about equity, diversity, community engagement, and inclusivity have snowballed.

One of the most visible indicators of this shift has been a movement to encourage donors to solicit feedback from—and really listen to—their grantees, beneficiaries, and other stakeholders. There’s no question that this is a positive and long-overdue shift for a field in which there’s a lot of talk about addressing the power dynamics rife in philanthropy, but comparatively less commitment to walking the talk.

But are listening and feedback enough to upend the deeply entrenched power imbalances that have been a hallmark of institutional philanthropy?

Some aren’t so sure. They say that giving people opportunities to provide feedback is necessary but insufficient for breaking down power imbalances, especially if the people asking for that feedback are still making the ultimate decisions about the lives of the people providing it. The result is a loop back to the top-down, expert-driven system that’s ingrained in institutional philanthropy.

This conundrum isn’t exclusive to philanthropy; it has been a long-standing issue across other fields that have participation at their core, such as community organizing, community development, public problem solving, and deliberative democracy. For decades, practitioners and scholars in those fields have grappled with how to engage ordinary people in decision making that goes beyond asking them for feedback and/or input to seeing them as actors in all facets of planning, implementing, assessing, and developing efforts to strengthen communities.

SOME DEFINITIONS

Participants—People taking part in a participatory grantmaking process who aren’t paid foundation staff or donors. Sometimes, the word “peer” is used.

Grantmakers/Funders—Traditionally, the paid staff of foundations or other philanthropic associations. Participatory grantmaking, however, sees all participants as grantmakers/funders. Donors are the financial benefactors.

Experts—Traditionally, those who have deep knowledge about an issue and formal credentials; participatory grantmaking expands this definition to include people with lived experience as experts on issues affecting them.

In short, participation is becoming a lever to disrupt and democratize philanthropy. And it’s gaining traction.

What can philanthropy learn from their efforts? A lot. A review of this work, in fact, surfaces knowledge that’s remarkably consistent across these different fields:

- Decision-making and problem-solving processes need to involve the people most affected by an issue or problem because they have firsthand knowledge and experience.
- Authentic participation involves two-way or multidirectional communication, rather than didactic approaches that inform or “educate” people with no venue for their feedback, input, or active engagement.
- Collaborative problem solving that involves the equitable participation of diverse people, voices, ideas, and information can lead to better outcomes and decisions.
- Community organizations and government need to work with—rather than for—the public.
- Experts and professionals aren’t necessarily the drivers of problem solving or decision making but are partners with the public in those processes.
- Transparency—about decision-making processes, who is involved, what decisions are made, and how they will be implemented—is essential to authentic participation.²

Those in philanthropy who have experimented with participatory approaches have found similarly. One example is CFLeads, a network of community foundations established to expand community foundations’ role from asset builders and grantmakers to “community leadership”—an approach aimed at strengthening neighborhoods through more proactive community engagement.

Over time, some community foundations doing this work found that an element critical to impact was missing: the active, meaningful participation by the people who live in the neighborhoods and whose lives are most affected by the policies, systems, and structures targeted for change. These organizations began undertaking efforts that went beyond asking residents for feedback to working with them to identify community opportunities, challenges, and options, and then decide together what should be done.

According to Engaging Residents: A New Call to Action for Community Foundations—authored by CFLeads’ Cultivating Community Engagement Panel, a diverse group of thirty-four individuals from philanthropy, academia, government, and neighborhood and community organizations that work closely with residents—the “result has been more involved communities and a high level of satisfaction with both the process and the outcome of public decision-making.”³

A growing number of other funders are also testing and using participatory approaches to philanthropy that upend how resources are allocated, by whom, and to what end. Specifically, they’re moving away from independently deciding what gets done to working with non-grantmakers—or “peers”—in all parts of the grantmaking process. Some are even partnering with them in making grant decisions.

In short, participation is becoming a lever to disrupt and democratize philanthropy. And it’s gaining traction. In 2018, Inside Philanthropy named participatory grantmaking the “most
promising sector reform effort." Earlier this year, the World Economic Forum cited the democratization of philanthropy—through efforts like participatory grantmaking—as one of six key trends in the field.

What Is Participatory Grantmaking?

Some see participatory grantmaking as one of many types of participatory philanthropy. Others see it as distinct, because it moves decision making about money to the people most affected by the issues donors are trying to address.

Generally, participatory philanthropy can include a range of activities (see pages 36 and 37), all of which can be—and are being—used by funders at different points in their process. Participatory grantmaking draws on broader participatory philanthropy approaches but zeroes in on how funding decisions get made. Why? Because money is power, and power dynamics are ubiquitous in philanthropy.

Participatory grantmakers do not only acknowledge and talk about power; they break down barriers that keep people powerless through an approach that realigns incentives, cedes control, and upends entrenched hierarchies around funding decisions. To practitioners, participatory grantmaking isn’t a tactic or a one-off strategy; it is a power-shifting ethos that cuts across every aspect of the institution’s activities, policies, programs, and behaviors.

Interviews with more than thirty participatory grantmakers around the world, conducted as part of the research for Candid’s GrantCraft publication Deciding Together: Shifting Power and Resources Through Participatory Grantmaking, underscore why this approach needs to be taken seriously.

First, these funders have found that involving people with lived experience in the grantmaking process leads to better grant decisions and outcomes. Second, the process itself increases
participants’ sense of agency and leadership. For these reasons, participatory grantmakers believe funders who aren’t using participatory approaches may actually be impeding the impact they say they want to see.

Still, participatory grantmaking is a tough sell for a field that’s long struggled with power issues. And, to be sure, some funders—especially large institutions—tend to have more formalized policies and/or structures that make it challenging to dive into participatory grantmaking head first. It’s also hard to determine who exactly their constituencies are. Perhaps the biggest hurdle is a misperception that authentic participatory engagement requires an all-or-nothing approach. That leads to participatory grantmaking being dismissed by funders as “something we’ll never be able to do.”

Some funders who want to experiment with participatory approaches say they’re hesitant because they’re not sure what the “rules” are. One of the beautiful things about participatory work is that because it’s inherently iterative and relational, there is no “right way” to do it. So, while there is general consensus about the values that drive participatory grantmaking, there’s considerable variation in how it’s practiced.

Some participatory funds, for example, are completely peer led (in that everyone making funding decisions is a member of the population or community the fund supports) and do not include any paid staff or trustees from the foundation itself. Other funds are peer led when it comes to grantmaking, but donors and staff play a role in other parts of the process (like providing grants-management support). Still others involve both peers and donors in reviewing, selecting, and making grant decisions.

The good news is that funders that may not be able to immediately (or perhaps ever) hand over decisions about grantmaking, have (as noted above) several options for incorporating meaningful participation in their work before, during, and after those decisions are made. They can also experiment with participatory grantmaking in one or two program areas to see whether and how it works for them.

Internally, they can institute hiring policies that favor participatory experience; encourage staff to collaborate across programs; involve staff from all ranks in policy discussions; and stipulate a number of board seats for peers. And they can support field building through research on and evaluation of the approach.

So where do feedback and better listening fit?

Participatory grantmakers agree that understanding and practicing the art of good listening are essential first steps toward authentic and meaningful participatory philanthropy; but if the goal is authentic participation, they’re insufficient. Funders that don’t commit to making changes based on what they hear from participants may lose credibility and participants’ trust, because direct action is a critical part of ceding power and empowering participants to feel heard. Involving participants and then carrying on with business as usual does nothing to shift who has the power, and disregards community knowledge.

Given the above, perhaps the challenge for philanthropy isn’t whether it’s going to encourage more feedback and listening—which are important—but rather whether the latter can serve as the baseline for moving toward more two-way communication, collaboration, and action in which non-donors are seen as equal partners with donors and other traditional power holders.

There could perhaps be no better time to figure this out. According to the World Economic Forum, philanthropy is at a turning point, and there are several directions it could take, one of which is transforming it into something that “is not seen as merely a tool for the powerful to entrench their advantage.” That will mean finding “ways to give away not only money, but also power” by democratizing philanthropy through participatory approaches, including the grantmaking process.

Will philanthropy follow other fields that are embracing participatory approaches, because it understands that impact and innovation aren’t just the purview of experts anymore but now include people who can bring their lived experience to bear in important decision making about their lives, communities, and futures? Feedback and better listening are definitely the first steps
In 2017, the Ford Foundation commissioned a study to see if the common components of existing participatory frameworks from various fields could be applied to institutional philanthropy. Below is the initial framework that emerged from this review.

Three assumptions undergird the framework: (1) It doesn’t assume that there is a hierarchy or continuum that sees one level or tactic as superior to another; that is, each one is valuable and can be applied in different ways, depending on the circumstances; (2) it can be used across different kinds of philanthropic institutions and networks; and (3) it acknowledges that because funding institutions may be at different points in their capacity or ability to incorporate participatory approaches, these efforts can be overlapping and fluid.

**PARTICIPATORY GRANTMAKING: OVERALL FRAMEWORK**

- **Informing**: Grantmakers tell Non-grantmakers receive
- **Consulting**: Grantmakers receive Non-grantmakers tell
- **Involving**: Two-way communication that leads to grantmaker decisions
- **Deciding**: Two-way communication that leads to joint decision-making

**PARTICIPATORY GRANTMAKING FRAMEWORK: INDIVIDUAL COMPONENTS**

One-way communication through which peers receive information from grantmakers.

Peers have the opportunity to know what's being communicated but aren't active participants—no opportunity to ask questions or challenge the funder.

Even if peers are asked for a response, there is no expectation or structure for those comments or feedback to be used to influence decisions.

**Examples**: Foundation/intermediary websites providing information about grants and guidelines; conference panels featuring foundation personnel discussing topics; foundation-designed public relations or education campaigns about their work or an issue.
Two-way communication that allows both parties to hear, understand, and discuss a variety of perspectives that different people may hold about an issue or process.

Discussion is more nuanced, substantive, and comprehensive.

Usually limited to a smaller number of participants to allow for more in-depth discussion.

Doesn’t necessarily result in a strong sense of direction or priorities.

**Examples:** Small-group discussions/dialogues involving both grantmakers/peers; “wiki” application review procedures; and peers serving on foundations’ working groups.

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One-way communication through which grantmakers receive information from peers who have the chance to weigh in on issues they care about.

No guarantee peers’ input will be incorporated into plan or process, which can lead to cynicism/disinterest in participating in the future.

Peers’ ideas or suggestions may be unfeasible.

**Examples:** Surveys, brainstorming activities, blog responses, community meetings, and focus groups.

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Can happen in the pre-grant, granting, and/or post-grantmaking stages.

Leads to well-informed decisions on next steps, resource allocation, and other priorities.

Has to be inclusive or representative; otherwise, results can be skewed to special interests or decisions unreflective of community needs.

Needs sophisticated process planning and facilitation to stave off groupthink and maintain fairly distributed involvement.

**Examples:** Peers partner with grantmakers in collaborative decision making about guidelines, priorities, goals, proposal review process, and/or resource allocation.
toward that goal. Long-lasting change, however, will only occur when the field fully embraces participation’s transformative potential by trusting participants, valuing their lived experience and wisdom, and, ultimately, ceding more control and power to them.

Notes
6. This section was excerpted, with some changes for context, from Gibson, “Lessons from Citizen Journalism.”
8. Davies, “Philanthropy is at a turning point.”
9. Ibid.

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A New Social Contract for the 21st Century

by Cathy Albisa

“Our democracy writ large is unquestionably in crisis. To change our future we must repair, restore, and rebuild our democracy. This requires addressing national frameworks on voting and campaign finance. But to fully repair, we must restore and rebuild democratic practices and culture from the ground up,” writes Cathy Albisa in this call for a new social contract.
New Social Contract

The backlash against both civil rights and New Deal gains began with the election of Richard Nixon in 1968, but reached its full form in the 1980s, when racist critiques claiming that social programs were being used by “undeserving” people such as “welfare queens” proliferated. The “welfare queen” trope, popularized by then-President Ronald Reagan, perpetuated the myth that predominantly Black and Brown Americans benefit from social programs, when in fact the reverse was true: white Americans represented the majority of people receiving support, and thus benefited most. Today, white Americans still represent the largest percentage of recipients—and a plurality; and they are about a third of welfare recipients, with Black Americans being about a third as well.\(^5\) In this context, corporate interests succeeded at shifting economic and financial policy to shrink the social role of government and undermine democratic processes.

All of this fueled the unraveling of the twentieth-century social contract, leading to our current historic levels of wealth and income inequality, which rival 1929. It is time to rethik its very foundation and begin to define a new way forward.

Community-Driven Solutions Can Seed Our New Social Contract

What if calls for a new social contract came not from elites but from communities and movements that have been on the front lines of injustice? The National Economic & Social Rights Initiative (NESRI), a movement-support organization that has been partnering with communities on the front lines for fifteen years, launched the New Social Contract project to help answer that question.\(^6\)

To begin, NESRI surveyed a range of community-driven solutions. In particular, we searched for exemplars of change that evidenced long-term thinking and structural interventions, and involved the people impacted by the injustice at hand. We did not look at all sectors. Instead, we focused on those that spoke to economic and social rights primarily. Overall, we found seeds—and even roots—of change that could fully transform many of our social, political, and economic arrangements if we brought these community efforts and successes to scale. Combined, they begin to add up to a compelling alternative to current arrangements.

Beyond Issues: Systems, Not Symptoms

Deeper change requires more than an issue-by-issue approach. Community- and movement-driven efforts in a range of areas recognize this reality and work to change systems, not just symptoms.

Public Goods, Services, and Infrastructure

Public systems should ensure basic democratic rights and meet human needs for all. But our systems are fragmented—from healthcare to housing to education policy and beyond—and our current approach is at best a patchwork, which hampers our ability to reach these goals.

Universal healthcare, eldercare, and childcare; tax justice; education equity; land justice; and participatory budgeting movements have all tackled this challenge from different perspectives. Of these, the universal healthcare movement—with its “everybody in and nobody out” ethos now embodied in the Medicare for All Act of 2019—has become the most visible.\(^7\)

In the report resulting from NESRI’s survey,\(^8\) we featured the Vermont Workers’ Center’s Healthcare Is a Human Right Campaign.\(^9\) The campaign, which involved thousands of Vermonters, aimed to meet all healthcare needs with no cost barriers, and built in obligations of transparency and participation by civil society in the 2011 legislation they secured, which committed Vermont to providing healthcare for all.

Although the Vermont effort later stalled, the Medicare for All Act of 2019 reflects many of the same principles. It sets up structures for involvement by multiple sectors of civil society, tackles profit head on, is fully universal, and centers those with the greatest needs.

Land, Housing, and Natural Resources

Our land and resources should be carefully stewarded to equitably meet the needs of all our people and protect basic rights. But in our current system, land and natural resources are primarily used based on market imperatives defined by profit. This approach has led to displacement, where land and housing speculation pushes land prices up and blight and abandonment elsewhere.

Land, housing, environmental, and climate justice movements all seek a different relationship to land and resources. A common thread is an increasing commitment to community control and shared equity. In the housing context, there is a push for community land trusts (CLTs) and shared equity models that take land out of the speculative economy and make housing permanently affordable. Homes can only be resold at a price affordable to the income bracket of the original resident. In order to expand this type of ownership and housing to all income levels, campaigns across the country have been demanding public financing for CLTs. In Baltimore, the Housing Roundtable...
and Housing for All Coalition worked together to persuade the city to create a housing trust fund. The Baltimore Housing Roundtable, with the Housing for All Coalition in an advisory role, then campaigned successfully to secure an annual $20 million commitment for the housing trust fund—primarily financed through taxing real estate sales of over $1 million at a higher rate. The expectation and hope is that a significant proportion of those funds will support the creation of CLTs in the city for housing-insecure families.

Green energy democracy models, where energy is owned and governed by the community as a whole—whether through a cooperative, public utility, or other community ownership structure—operate on similar principles. In both CLTs and green energy democracy models, all gains are reinvested in host communities with a commitment to equity and democracy.

**How We Labor**

Work with dignity is a human right. Yet, wages are stagnant; leisure time is disappearing for some while others are permanently underemployed; schedules are increasingly irregular; temporary work and day labor have increased; basic labor laws are routinely ignored; and subcontracting has become so ubiquitous, that when workers are denied benefits and legal protections, they are often uncertain where to go for recourse because they literally do not know for whom they are working.

There are many essential demands to raise labor standards and protect the right to organize. But we also need to consider approaches that would restructure and realign labor relations. The federal jobs guarantee included in the Green New Deal is one bold movement idea that would revolutionize the labor landscape. Today, the Federal Reserve has a goal of 4.5 percent unemployment to control inflation, which means millions are intentionally made jobless through federal policy. A federal jobs guarantee would ensure a public job at $15 an hour for anyone willing and able to work. It would create a floor for employment, while enabling the country to meet its needs through job creation—such as green infrastructure or universal elder- and childcare programs.

By offering an alternative to exploitative jobs, a federal job guarantee also creates more space for other movement efforts—such as worker co-ops—to grow. Because workers themselves own worker co-ops, these businesses do not move to seek lower labor costs, and
generally pay higher wages. Currently, finance and policy frameworks in the United States disadvantage co-ops.

Other forms of self-governance for workers—such as the Worker-Driven Social Responsibility (WSR) model for enforcement of basic rights in corporate supply chains—are also expanding.13 The Fair Food Program in Florida is the flagship example, where farmworkers have secured legally binding agreements with supermarkets and other companies that purchase produce to enable them to enforce basic rights. The program, overseen by farmworkers themselves, is premised on swift market consequences for violations, and has transformed the industry. This model is now moving into other localities and sectors across the country.

Any one of these models at scale would change the labor landscape significantly; together, they would ensure a supply of decent jobs, offer genuine choice for how we labor, and realign power relations in the economy.

**Finance for Social Change**

The flow of capital in an economy should serve social goals; yet a huge portion of capital at best adds no value and at worst directly harms families, communities, and our environment. The concentration and misuse of capital require a serious reimagining of how we, as a country and a world, ensure that both private and public financing mechanisms lead to equitable investment in the common good.

At a minimum, we must move from short-term predatory investment to long-term investments producing social value. But that in itself is not transformative. We must also recognize that the investor is hardly the only stakeholder in an investment process.

Developing community governance models for investment is crucial to enabling those impacted by investment to have a say. This should be paired with redefining what is an allowable exchange of risk and return between investors and impacted communities, with investors agreeing to accept the costs of harms now borne by communities. Communities have begun to create some participatory community loan funds, such as the Boston Ujima Project.14 An example of a cogoverned fund is Buen Vivir, which enables communities in the global south to have a say in how investments play out.15 Additionally, public pensions and other pooled assets can be placed under greater democratic control.

The public banking movement is also challenging how our public funds are invested. Currently, cities and states hand over public money to private banks or Wall Street for investment. But public banks created for the sole purpose of holding a city or state’s investment funds, as demonstrated by North Dakota’s century-old public bank (Bank of North Dakota), hold the promise of changing local and state economies. Public banks with equity mandates can ensure that public funds are invested to meet public needs, and have the potential of growing community-controlled sectors that private banks eschew, such as worker co-ops and community land trusts.

**Re-visioning Local Democracy**

Our democracy writ large is unquestionably in crisis. To change our future we must repair, restore, and rebuild our democracy. This requires addressing national frameworks on voting and campaign finance. But to fully repair, we must restore and rebuild democratic practices and culture from the ground up.

Communities and social movements have been fighting for an authentic multiracial democracy for what may feel like an eternity for Black and Brown communities. But if we are to succeed in our grand project of inclusive democracy, we must begin from the recognition that racial and gender justice are a cornerstone of any healthy democracy. The race-based mass criminalization that encroaches even into our schools; surveillance; the punitive culture of social welfare; and social control and punishment of sexuality—all disable our democracy while damaging millions. Movements have fought against these, and often succeeded in changing policy and practice. But in the wake of the damage, communities have also found ways of restoring and repairing.

Restorative justice models, whereby all stakeholders affected by an injustice build a dialogue to repair the harm, offer an alternative for resolving conflict and disagreement. It is an approach being used in schools and in criminal justice, among other arenas, to identify root causes and shift from a culture of punishment to one of rebuilding relationships. Some groups are calling for going beyond restorative justice to transformative justice—looking at whole systems through this lens.

Healing our democracy is fundamental, but communities are also going beyond just repair—to rebuilding through new practices. Restorative and transformative justice in schools also involves having students, parents, and educators build school norms together and cogovern. Extending this commitment to participatory democracy in all our institutions and systems is crucial to any new social contract—to ensure we become a people-centered rather than a profit-centered country.

**The Emerging Alternative**

When you look at these community- and movement-driven solutions as a whole, they add up to something greater than the sum of their parts. They point toward
a vision of society where rights and an inclusive multiracial democracy are deeply linked. The solutions have three elements in common: they are (1) guided by human rights and human-centered values; (2) structured as universal solutions that center those most marginalized; and (3) driven by participatory and inclusive democratic processes.

Rights and democracy are at the core of this vision. It is shaped by an understanding that we must build the public by sharing benefits and risks, while being equally committed to sharing power as broadly and democratically as we are able. It also recognizes that how we steward all of our resources—money, land, natural resources, and more—is a moral question, and must be aligned with our values. In our alienated state, where the very notion of society is currently in question, these approaches allow us to reimagine communities with meaning and purpose for our future.

Notes
15. Vivir Fund: We are starting an investment fund from scratch and it’s not business as usual,” *Thousand Currents*, accessed April 5, 2019, thousandcurrents.org/buen-vivir-fund/.

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For many nonprofits, the trade-off for spending time on so-called “capacity building” is questionable. In part, this may stem from thinking of capacity building primarily as an activity undertaken in times of stress. However, that framing can be limiting, in terms of both process and product. This article redefines the process of building capacity to clarify what it is, why it works, and what we hope to get back from it.

First, it’s important to recognize that as our economic and technological era has changed, so have the forms and functions of our organizations. Their boundaries are often more permeable. Staff members expect a different type of social contract with employers, one that allows them to more fully use their energy and intelligence—singly and as a group—to achieve personal and collective aspirations. As we work to solve intractable problems, we are ever more aware that effective governance requires cooperative action across multiple levels. Social transformation no longer rests on a single heroic leader or organization. Instead, creating a better world necessitates a broader coalition of networks, people, and cross-sector partnerships.

Increasing organizational effectiveness must therefore attend to all these facets of our work, as well as to issues with our own board of directors, organizational budgets, and so on. To effectively build capacity, we must pay attention to operating contexts and relational issues such as niche, influence, and accountability, as we operate in increasingly complex and interdependent environments. To stay stable in these new situations requires constant attention to capacity development, rather than only when something appears to have broken.

**Capacity Building as Capital Building**

While conventional views of capacity building have been useful to some nonprofit organizations, they don’t always make clear how various activities connect to each other and the larger system, or what difference the new capacity will make when developed. A way to overcome these challenges is to frame capacity building as capital building. Capital has been defined historically as an enduring asset that can produce more assets. While initially conceptualized in terms of money, financial instruments, and durable goods like buildings and equipment, today there is growing recognition that intangible assets such as knowledge, relationships, and reputation are equally essential to value creation and organizational success.

A starting point for this novel way of thinking is Alan Fowler’s model, inspired by the United Nations’ Millennium Development Goals. The U.N. project identified multiple types of capitals essential to a thriving economy: human capital (e.g., mental and physical health); business capital (e.g., buildings and equipment); infrastructure or built capital (e.g., highways, airports); knowledge capital (e.g., science, information, education); natural capital (e.g., forests, agriculture); social capital (e.g., relationships, trust); and public institutional capital (e.g., the making and enforcement of laws). To that list, Fowler added financial capital (money), political capital (e.g., free elections, transparency, accountability), and...
human competencies that activate the capitals (e.g., values and motivation).

My research categorizes these various assets into a typology of six groupings (financial, natural, human, relational, symbolic, and structural) as a framework to connect resources and value creation potential in a holistic way across multiple levels. Table 1 (above) presents an overview of these six categories with examples for each.

**What Is Capacity Building?**

While there are many frameworks for capacity building, there is no generally accepted definition of it. Capacity building in federally funded programs often seeks to develop five competencies: (1) managerial (e.g., governance, finance, and data systems); (2) programmatic (e.g., implementation, monitoring, assessment); (3) revenue enhancement (e.g., fundraising, donor relations, developing earned income streams); (4) leadership development (e.g., volunteers, employees, and community members); and (5) community systems (e.g., asset mapping, building collaborative networks).

Capacity building therefore embodies both tangible and intangible forms (e.g., tangible techniques and equipment, intangible motivations and processes).

Capacity can be developed across multiple levels, including micro (individuals), meso (organizations), and macro (sector, network, system, society). Capacity-building programs often seek to develop multiple levels simultaneously. For example, programs may enhance people's knowledge, attitudes, and behaviors (micro level) in ways that strengthen culture, norms, resource procurement, management practices, and connections to other organizations (meso level) and encourage participation in collective action networks (macro level). Thus, it can be helpful to think of capacity building through the lens of who (e.g., people, organizations, networks), what (e.g., knowledge, skills, processes), and how (e.g., training, peer learning, technical assistance).

In terms of time horizons and scale, capacity initiatives generally fall into three categories: (1) short-term planning and training; (2) longer-term organizational effectiveness initiatives; and (3) sector-strengthening programs that develop systemic knowledge and encourage information exchange.

Ideally, capacity building produces multiple benefits simultaneously, such as learning and peer interaction.

The Hewlett Foundation’s guide to choosing an organizational assessment tool discusses these and other options. The report emphasizes two important considerations. First, the tools that nonprofit and funding organizations have found to be most effective are usually customized and context specific. Second, the instrument chosen is much less important than the process. In order to assure that tools are meaningful to stakeholders—and that they are used—an inclusive, participatory approach is key to cocreating them.

**Why Does Capacity (Capital) Building Work?**

Like capacity building, a multiple-capitals approach seeks to grow resources and make them more productive. A capital-based understanding provides
In the nonprofit sector, Jeffrey Brudney and Lucas Meijis’s description of volunteers is an example of how latent generative potential of tangible and intangible capital can be activated. As volunteers donate their time (temporal capital) and energy (human capital), they increase a nonprofit’s productive capacity for mission fulfillment. Many of these resources (e.g., volunteer interest, motivation, commitment) can be transformed from potential into kinetic forms, similar to ways energy can be activated and converted (e.g., chemical to electrical). Like all capital assets, human resources require care and support to remain productive. A capital-building framing makes a clear case for why investing in volunteer development and coordination is a wise use of funds.

An example of such mobilization is the Service Enterprise initiative that encourages organizations to develop and leverage volunteers by translating “the skills, expertise, connections, and passion [. . .] into meaningful service that meets the programmatic and operational needs of the organization. For every dollar these organizations invest in volunteer engagement, they can realize a return of up to $6.” Research on hundreds of such organizations found they produced a 23 percent average increase in the number of volunteers annually. These new volunteers generated an average of 2,700 service hours per organization, or 1.5 FTE’s worth of labor valued at $63,000. For example, the California State Library system’s “Get Involved: Powered by Your Library” initiative, designed to expand volunteerism in public libraries, generated an average of 750 new volunteer referrals per month, leading to a 27 percent increase in volunteers serving in libraries.

This new understanding of capacity building as capital building paves the way for systematic, coordinated action across multiple levels (individual, organizational, network, community). Conceptualizing capacity as multiple forms of capital is a framework applicable at any scale (micro, meso, and macro) to guide activities such as planning, doing, evaluating, and reporting. For example, a nonprofit organization can use the capital typology as a program tool to help clients identify what capabilities they would like to develop and the values they would like to express. In this way, multiple forms of capital serve as a proxy for capabilities. At the organizational level, it can serve as a reporting tool to show donors how their support has generated increasing returns. At the community level, community well-being indicators can similarly be framed as multiple forms of capital that create quality of life and human flourishing.

Using a framework applicable at multiple levels is important because it creates an architecture for emergence—the generation of new qualities from interaction effects. An example is mission fulfillment as described above, which can be seen as an emergent property that arises from the interaction of volunteers and staff. With respect to systems, nonprofit organizations at the meso level generate the emergent property of public benefit (macro level). Maintaining and channeling this potential requires a structure that can accommodate building multiple capitals across multiple levels. It also allows you to track how resources developed at one level can cycle back to become new resource inputs at another level.

Finally, it is important to note that, in this typology, the term capital does not entail commodification or an instrumental conceptualization of resources that are in fact priceless (i.e., incommensurable, having intrinsic value in and of themselves). Amartya Sen expressed this concern with the growing use of the term human capital, which he felt neglected the essential distinction between means and ends. He argued—rightly—that people should not be seen simply as factors of production. Rather, people and their well-being are the very purpose for which economies and organizations exist.

For this reason, it’s important to use a capital framework that preserves the potential for development and expansion of human freedom that enable people to “lead freer and more worthwhile lives.” I designed the typology with this in mind, which is why it includes both instrumental resources (means) and expressive resources (ends, e.g., values-based goals), such as moral capital (concern for goodness and the welfare of others, a dimension of human capital) and spiritual capital (e.g., purpose and values, which are components of relational capital) to account for and develop resources such as equity, inclusion, and reciprocity.

Adopting a capital-building approach also has larger implications. Our culture’s singular focus on monetary indicators (e.g., financial statements, the gross national product) marginalizes and obscures the supporting elements (i.e., civil society) that make financial returns possible. Similarly, prioritizing a single form of capital (financial) promotes marketization that puts democracy, values, cooperation, and accountability at risk. A remedy to this is to depict the full array of capitals on which organizational success and societal well-being depend.
building capacity is an additional task. In fact, with thoughtful program design, building capacity can occur through service delivery. An example is Mary Emery and Cornelia Flora’s case study, which illustrates how investing in one type of capital produced a “spiral up”—a cascade of positive feedback that activated other latent forms of capital to create over time the emergent property of economic development and community well-being in rural Nebraska. This occurred as community leaders leveraged their social networks (relational capital) to recruit people to participate in a leadership development program (human and intellectual capital), resulting in three cohorts of people increasing their knowledge and leadership skills.

Other outcomes and impacts identified by Emery and Flora in the evaluation included the emergence of changing norms, such as greater appreciation for, and participation in, community involvement (symbolic and political capital), which then transformed structural aspects as more youth and people of color got involved. The program ultimately attracted new financial investments, planned-giving bequests, entrepreneurial initiatives, and manufacturing infrastructure. This spiraling-up dynamic reflects the economic concept of increasing returns, the tendency of gains to produce more gains. This is a compelling rationale for philanthropic investment.

A similar example of how multiple forms of capital were identified and developed through program design is Ashley Anglin’s 2015 case study in South Rome, Georgia. There, the multiple-capitals approach was used for planning and community development. Previously, a community coalition had identified fifteen unique community assets. But by using the multiple-capitals framework and including more stakeholders in the process, they identified eighty-five unique assets. Participants remarked that “thinking in capitals” enabled them to see many intangible community assets they had overlooked.

The process of categorizing the capitals also illuminated community strengths (natural and built capital) and needs (human and political capital). Anglin’s study found that the community capitals framework, “especially when imbued with the values of community empowerment, diversity, and inclusion/participation—is a valuable tool for helping stakeholders to approach community development from a systems perspective, combat hopelessness, and foster common language and plans for the future.” The Puerto Rico Community Foundation, under the leadership of Dr. Nelson Colón, is similarly using a community capitals framework to guide disaster recovery and create grassroots prosperity and equity.

The takeaway message from these and other cases is that a multiple-capitals approach to program design can simultaneously produce mission fulfillment while increasing organizational effectiveness. A multiple-capitals framework integrates planning, service delivery, evaluating, and reporting, thus filling in potholes and pitfalls of capacity building and paving a road for smoother integration of organizational activities and stakeholder accountability.

A multiple-capitals approach can help nonprofit organizations build capacity dependably and systematically across multiple levels. Further, this approach offers a cohesive and compelling rationale to support strategic decision making and present a clear case for philanthropic support. Developing tangible and intangible forms of capital resources (e.g., social, political, spiritual, and reputational) through the design of multiple capitals is a promising systematic framework for organizational, community, and sector capacity-building efforts.

Notes
11. Jeffrey L. Brudney and Lucas C. P. M. Meijls, “It Ain’t Natural: Toward a New (Natural) Resource Conceptualization for
13. Emma Spalti, “4 Key Results of Talent-Investing,” Fund the People blog, April 23, 2018, fundthepeople.org/4-key-results-of-talent-investing/.
20. Ibid., 160.
26. Ibid.

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