

# THE Nonprofit QUARTERLY

## **Making Things Work: Considerations in Nonprofit Strategy**



**Salamon** *on* the four conflicting impulses  
of nonprofits

**Frumkin** *on* the eight building blocks of strong  
nonprofit brands

**Keller** *on* the strategy behind single-issue  
news sites

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# THE Nonprofit QUARTERLY

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by Peter Frumkin and Suzi Sosa

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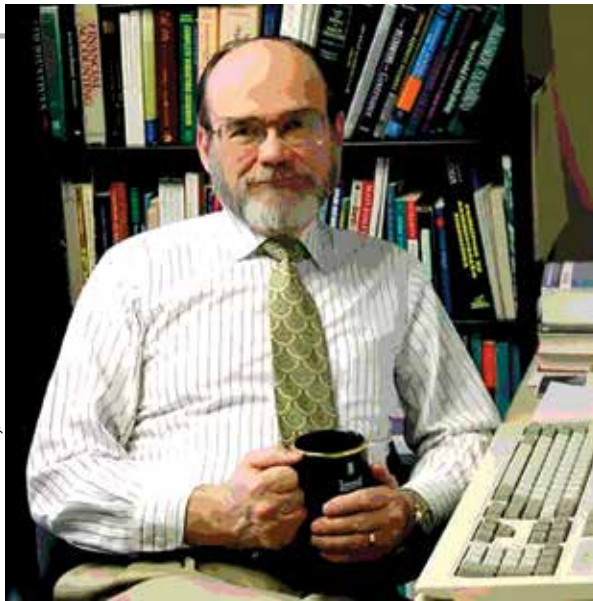
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This edition of the *Nonprofit Quarterly* is dedicated to our dear friend and advisor Woods Bowman, who passed away after a tragic car accident on July 10.

Woods, a well-known nonprofit scholar with a wealth of nonprofit and public sector experience, was the author of our popular column “The Nonprofit Ethicist” as well as a prolific writer on nonprofit finance. But for *NPQ*, Woods was not only the Nonprofit Ethicist—he was also the most incisive, supportive, and generous of colleagues. Woods radiated calm and possessed an innate sweetness that was hard to resist, and this picture from DePaul University captures a classic Woods pose. We often sat with him over coffee like this, talking about everything under the sun. He will be sorely missed.

On a happier note, just a short while ago, Woods unexpectedly presented us with a large batch of Nonprofit Ethicist columns, to do with as we saw fit. He had never done this before, and we felt as if we had been handed a treasure trove (as indeed we had). In honor of Woods and his incomparable column, we begin this edition with one part of that treasure.



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# Welcome

**D**EAR READERS,  
This edition of the *Nonprofit Quarterly* is about a group of considerations that activists must have in mind as they advance an approach to a social issue. It is by no means an exhaustive treatment of all those considerations, but for mission-ambitious practitioners there is rich food for thought in each of the pieces we have chosen.

We begin with an article by Lester Salamon, who unpacks some of the confusion around the core purposes of the sector. The brilliance of this piece is that in naming four competing impulses, he makes sense of how we think, at a very basic level, about our organizations and what they are meant to do. Do we view them as vehicles for social change? As contractors? These assumptions affect our behavior, and exposing those organizing mental models helps us to clarify our choices.

Moving from our perceptions of ourselves to the alignment between those and the ways others view us, we turn to Peter Frumkin's article. Brand is like a tailwind with the public, and as Frumkin points out, your brand can stand apart from your actual performance—until the difference between the two, if there is one, causes an implosion.

Next, we have an interview with Bill Keller of the Marshall Project, which focuses on how to identify and fill a gap in strategy—in this instance in the realm of investigative journalism, followed by an article by Jeffrey Berry, which looks at how purview can affect a movement's or organization's grassroots work.

Then, an article written around an interview with Stephen Gaetz of the Canadian Observatory on Homelessness, the Homeless Hub, and Raising the Roof describes the usefulness of developing research capacity to help inform and advance an approach to a problem—using as an example Housing First.

We close out the features with an interview with Sheldon Danziger, who discusses how difficult it can be to determine whether or not an effort like the War on Poverty has worked, and why this is so.

We want to thank all who helped shape this edition. Initially, our aim was to highlight “things that work,” but as we discussed our approach with people in the field, they raised questions like, “In whose eyes has it worked?” and “With what unintended consequences?” This brought us to a notion we find ourselves returning to again and again, which is that this sector is in the business of addressing “wicked” problems that are value laden and unbelievably complex. In that context, we may see how we can advance the ball once we have defined the field and decided on the location of the goal posts—but, as with our initial plans for this edition, we must never expect all that we have mapped out to remain the same over time.





# The Nonprofit Ethicist

by Woods Bowman

If a donor confides illegal financial doings, better hire a lawyer. Even for the Nonprofit Ethicist, it's hard to know what to make of a luminary's request for a donation to his own foundation in exchange for being an honoree at another's gala. And if a misdirected donation comes to your mailbox, do you really need to ask the Ethicist whether or not you should notify the donor?

**Editors' note:** Right before Woods Bowman passed away, he presented NPQ with a cache of Nonprofit Ethicist columns. We will run these in this and the next three issues of the Nonprofit Quarterly as his parting gift to us all. This quarter's installment is on issues related to fundraising.

**D**EAR NONPROFIT ETHICIST,  
A fundraiser develops a close relationship with a donor. The donor relates that for years he skimmed money from his cash business, and it is in his house (his attic). What, if any, is the responsibility of the fundraiser after hearing this information? No donations were made with this "tainted" money.

Worried

Dear Worried,

Oh, for goodness' sake! Don't you know that when you take a large donation from someone with a bad reputation, the taint can rub off on you and sully your reputation? The donor's behavior is not just unethical—it is illegal. The fundraiser should point out to the donor the possible penalties he faces if the IRS catches him. Furthermore, the fundraiser is now complicit. The fundraiser should

consult a lawyer regarding his or her own liability exposure. Again, any charitable gifts from the donor are, in fact, tainted, because money is fungible. Besides, I suspect the donor plans to take a tax deduction on money he never intended to pay tax on in the first place.

Dear Nonprofit Ethicist,  
Did you see the story in the New York Times about Bill Clinton agreeing to be honored at a nonprofit's annual fundraising gala, but only in exchange for a "quid pro quo" donation of \$500K to his own foundation (Clinton Foundation)? I found this to be very interesting. While the story reported the basic facts, it did not make a thorough inquiry into the ethical implications of the scenario. I know firsthand how difficult gala fundraising can be. How much is too much to put into a fundraising effort, and where did

the various players in the scenario described above (the hosting nonprofit, the soliciting honoree) go wrong?

Inquiring

Dear Inquiring,

I, too, found it interesting, and I wondered: (1) Did Clinton's appearance attract more than his \$500,000 fee? (2) Was the payment to the Clinton Foundation intended to buy favor with a possible future presidency of another Clinton? I don't know the answer to either question. I need more information to answer the first question, and any answer to the second is necessarily speculative, and I'm not going there. (Perhaps Clinton should not have gone there, either—but who am I to say?)

Dear Nonprofit Ethicist,  
How do you handle an NPO that wants to say thank you for a grant made from

*your foundation by offering to give you tickets for (or special access to, or seats or a table at) an event? Can it be seen as receiving a benefit? There is a cost associated with what is given, but the organization is giving it on a complimentary basis. Do I accept? If I decline, I may insult the client; but if I accept, could it be seen as client cultivation/stewardship? Am I taking advantage of the foundation's position in the community by accepting access/tickets?*

*Flummoxed*

Dear Flummoxed,  
First, the ticket is definitely a benefit, and it would probably create a tax liability for you. My advice is not to accept it. The problem is not taking advantage of the foundation's position but that it could be regarded as an inducement for future grants. You can avoid insulting your benefactor by saying, "I did not do you a favor. You earned it." For good measure, you might add that it would create a tax headache for you. Although you paid nothing for the ticket, you still have to come up with cash to pay the IRS for the market value of goods and services received.

*Dear Nonprofit Ethicist,*  
*We have been approached by a ninety-year-old man who has offered to give us his home. The house has been appraised at approximately \$1.2 million. However, we have been assured that the maximum price the house would sell for is \$600,000. What is our obligation in dealing with this situation as far as taking the gift? If the donor were to deduct the appraised value of the home but we were only able to sell for \$600,000, what would be the effect on the donor? What would be the effect on our organization? What would be the ethical way to approach this situation?*

*Uncertain*

Dear Uncertain,  
Your legal obligation is merely to give the donor a letter acknowledging the gift and describing it and its condition. Be sure to consult IRS regulations to get a complete picture of your obligations. However, I can tell you now that the IRS prohibits an acknowledgment letter from opining on the gift's value.

*Dear Nonprofit Ethicist,*  
*A nonprofit I am working with received a check from a communal fund for \$5,000. The donor is not in its database, the organization has no relationship with the donor, and the people the donor wants to honor with the donation are not known to the organization. However, the attached letter is addressed to the organization—let's call it ABC NY—at its address, and the donation is unrestricted. The assistant at ABC NY did some research (out of her own interest), and it appears that the donor has a relationship with an organization with the same name in another state—let's call it ABC CT. Is the nonprofit in question legally required to notify them of a possible mistake? How about ethically?*

*Wondering*

Dear Wondering,  
Ethically, yes, the organization should notify the donor of a possible mistake. Assuming they want to do the right thing, the legal question is academic.

*Dear Nonprofit Ethicist,*  
*Several of your recent columns have left me wondering about the concern that, as advice seeker "Hopeful" phrased it (in your column of October 15, 2014), "the money that could be going to programs is instead getting plowed back into Wall Street."<sup>1</sup> Over my years in the field, I've worked with numerous very wealthy institutions. A few stand out*

*for their ongoing, indeed perpetual, fundraising efforts, even though the organization has >\$2B unrestricted assets. When is enough, enough? And, how much of every dollar should pass through to recipients and how much is best to support the nonprofit budget for sustainability? What is the best allocation ("93 cents of every dollar goes to support recipients . . ." etc.)?*

*Curious*

Dear Curious,  
There is no consensus on these questions, either. People continue to give to Harvard with full knowledge that its endowment is \$36 billion-plus. Limiting the size of donor-restricted endowments or unrestricted quasi-endowments would either force more rapid spending, which could be wasteful, or it would restrict donors' options, which would be unwise. The law does, however, require that private, nonoperating foundations "distribute" 5 percent of their assets every year. I have studied the sustainability issue and find that 5 percent is very close to the maximum sustainable rate of spending without exposing an investment portfolio to excessive risk. I think it is a good spending rate for public charities and operating foundations, too. You also raise the question of a proper overhead ratio. There is consensus among scholars that one size does not fit all.

#### NOTE

1. Woods Bowman, "The Nonprofit Ethicist," *Nonprofit Quarterly* 21, no. 3 (Fall 2014): 4.

**WOODS BOWMAN**, professor emeritus of public service management at DePaul University in Chicago, Illinois, passed away in July 2015.

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# The Four Impulses of Nonprofits and What They Each Create

by Lester M. Salamon

The way we think about our work is often bounded by sets of assumptions that too often go unquestioned. Here Lester Salamon discusses the four basic paradigms that describe how various segments of the nonprofit sector see themselves. When these paradigms are simply assumed and not questioned, the roles of the organization may be unnecessarily limited.

**Editors' note:** This article was adapted from *The Resilient Sector Revisited: The New Challenge to Non-profit America (Second Edition, 2015)*, and reprinted with permission from Brookings Institution Press.

A STRUGGLE IS UNDER WAY FOR THE “SOUL” OF America’s nonprofit sector, that vast collection of private, tax-exempt hospitals, higher-education institutions, day care centers, nursing homes, symphonies, social service agencies, environmental organizations, civil rights organizations, and dozens of others that make up this important, but poorly understood, component of American life.

This is not a wholly new struggle, to be sure. From earliest times nonprofits have been what

sociologists refer to as “dual identity,” or even “conflicting multiple identity,” organizations.<sup>1</sup> They are not-for-profit organizations required to operate in a profit-oriented market economy. They draw heavily on voluntary contributions of time and money, yet are expected to meet professional standards of performance and efficiency. They are part of the private sector, yet serve important public purposes.

In recent years, however, these identities have grown increasingly varied and increasingly difficult to bridge, both in the public’s mind and in the day-to-day operations of individual organizations. In a sense, America’s nonprofit organizations seem caught in a force field, buffeted by a variety of impulses, four of which seem especially significant. For the sake of simplicity I label these *voluntarism*, *professionalism*, *civic activism*, and *commercialism*, though in practice each is a more complex bundle of pressures.

What makes these four impulses especially important is that their relative influence can profoundly affect the role that nonprofit

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**LESTER M. SALAMON** is a professor at Johns Hopkins University—where he is director of the Center for Civil Society Studies in the School of Public Health—and was founding director of the Institute for Policy Studies. His publications include *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* (Johns Hopkins University Press, 1995), *Rethinking Corporate Social Engagement: Lessons from Latin America* (Kumarian Press, 2010), and, most recently, *The Resilient Sector Revisited: The New Challenge to Nonprofit America*, 2nd ed. (Brookings Institution Press, 2015).



## Four Impulses Shaping the Future of Nonprofit America

**VOLUNTARISM**

**PROFESSIONALISM**

**NONPROFIT  
AMERICA**

**CIVIC ACTIVISM**

**COMMERCIALISM**

The nonprofit sector has long been the hidden subcontinent on the social landscape of American life, regularly revered but rarely seriously scrutinized or understood.

organizations play and the way in which they operate. Understanding this force field and the factors shaping its dynamics thus becomes central to understanding the future both of particular organizations and of the nonprofit sector as a whole.

Sadly, far too little attention has been paid to the significant tensions among these impulses. The nonprofit sector has long been the hidden subcontinent on the social landscape of American life, regularly revered but rarely seriously scrutinized or understood. In part, this lack of scrutiny is due to the ideological prism through which these organizations are too often viewed. Indeed, a lively ideological contest has long raged over the extent to which we can rely on nonprofit institutions to handle critical public needs, with conservatives focusing laser-like attention on the sector's strengths in order to fend off calls for greater reliance on government, and liberals often restricting their attention to its limitations in order to justify calls for expanded governmental protections.

Through it all, though largely unheralded—and perhaps unrecognized by either side—a classically American compromise has taken shape. This compromise was forged early in the nation's history, but it was broadened and solidified in the 1960s. Under it, nonprofit organizations in an ever-widening range of fields were made the beneficiaries of government support to provide a growing array of services—from health care

to scientific research—that Americans wanted but were reluctant to have government provide directly.<sup>2</sup> More, perhaps, than any other single factor, this government-nonprofit partnership is responsible for the growth of the nonprofit sector as we know it today.

Since about 1980, however, that compromise has come under considerable assault. Conservative critics, concerned about what they see as an unholy alliance between the once-independent nonprofit sector and the state, have called for a return to the sector's supposed purely voluntary roots.<sup>3</sup> Liberal critics have bewailed the sector's departure from a more socially activist past and its surrender to professionalism.<sup>4</sup> At the same time, the country's nonprofit managers, facing an extraordinary range of other challenges as well—significant demographic shifts, fundamental changes in public policy and public attitudes, new accountability demands, massive technological developments, and changes in lifestyle, to cite just a few—have been left to their own devices and have turned increasingly to the market to survive. Through it all, nonprofit America has responded with considerable creativity to its many challenges, but the responses have pulled it in directions that are, at best, not well understood and, at worst, corrosive of the sector's special character and role.

Despite the significance of these developments, little headway has been made in tracking them systematically, in assessing the impact

they are having both generally and for particular types of organizations, and in effectively getting the results into the hands of nonprofit managers, policymakers, the press, and the public at large. [The book from which this article is adapted] seeks to fill this gap, to offer a clear, up-to-date assessment of a set of institutions that we have long taken for granted but that the Frenchman Alexis de Tocqueville recognized over 175 years ago to be “more deserving of our attention” than any other part of the American experiment.<sup>5</sup> More specifically, the book makes available, in a more accessible form, an updated summary of a much larger inquiry into the state of America’s nonprofit sector that the present author carried out with an extraordinary team of collaborators and that was published in a prior volume.<sup>6</sup>

Perhaps the central theme that emerged from this larger project, and that is a central theme [here], is the theme of *resilience*, of a set of institutions and traditions facing not only enormous challenges but also important opportunities and finding ways to respond to both with considerable creativity and resolve. Indeed, nonprofit America appears to be well along in a fundamental process of reengineering that calls to mind the similar transformation that large segments of America’s business sector have been undergoing since the late 1980s.<sup>7</sup> Faced with an increasingly competitive environment, nonprofit organizations have been called on to make fundamental changes in the way they operate. And that is just what they have been doing.

The problem, however, is that, although the sector’s organizations have been responding resiliently, those responses are taking a toll on their ability to perform some of their most important functions. As a consequence, nonprofit America is ironically endangered by its own resilience. In a sense, nonprofits have been forced to choose between two competing imperatives: a *survival imperative* and a *distinctiveness imperative*, between the things they need to do to survive in an increasingly demanding market environment and the things they need to do to retain their distinctiveness and basic character.<sup>8</sup> In recent years, the survival imperative seems to have gained the upper hand. The question for the future is whether

it will continue to do so, or whether the nation’s nonprofit sector will find better ways to balance these demands, and how much understanding and help they will receive from the broader society to allow them to do so.

Any account of the future of nonprofit America must therefore be a story in three parts, focusing, first, on the challenges and opportunities that America’s nonprofit sector is confronting, then examining how the sector’s institutions are responding to these challenges and opportunities, and finally assessing the consequences of these responses both for individual organizations and subsectors and for nonprofit America as a whole. Against this backdrop, it will then be possible to identify some of the steps that might be needed to help America’s nonprofit organizations evade the dangers they face. [. . .] To set the stage for [such an account], however, it may be useful to remind readers what the nonprofit sector is and why it is so deserving of our attention.

#### Four Impulses Shaping the Future of Nonprofit America

While the key nonprofit functions of delivering services, influencing policy, giving expression to multiple interests and views, building community, and guarding crucial values [. . .] continue to characterize the nonprofit sector, powerful forces are at work challenging and reshaping a number of them. Indeed, as noted earlier, the nonprofit sector appears caught in a difficult force field controlled by four conflicting impulses—voluntarism, professionalism, civic activism, and commercialism—that are pulling it in somewhat different directions. These impulses have implications, moreover, for a broad swath of nonprofit features, from the *roles* that nonprofits play and the *strategies* they use to their *style* of operation, their principal *reference groups*, their *organizational structure*, their *management style*, and their *resource base*. The power of these impulses is hardly identical in all fields, or in all organizations even within fields, but there is enough commonality to the impulses to warrant a general characterization of their major features as a prelude to examining the drivers that are supporting or retarding each.

Faced with an increasingly competitive environment, nonprofit organizations have been called on to make fundamental changes in the way they operate. And that is just what they have been doing.

Perhaps the most fundamental of these impulses, and the one that has fixed itself most securely onto popular conceptions of the nonprofit sector, is the voluntaristic impulse.

### Voluntarism

Perhaps the most fundamental of these impulses, and the one that has fixed itself most securely onto popular conceptions of the nonprofit sector, is the voluntaristic impulse. This impulse carries much of the distinctive value claim of the nonprofit sector—its function as the vehicle through which individuals give expression to a wide assortment of social, cultural, religious, and other values and exercise individual initiative for the common good. But in recent years the voluntaristic impulse has come to be associated with a more stridently ideological conception of this sector. Indeed, as historian Waldemar Nielsen has shown, a “simplistic folklore” has attached itself to the American belief system with regard to this impulse. According to this folklore, the sectors of American society, particularly the nonprofit sector, “are neatly separated

and exist in a static, ideologically partitioned relationship to each other, always have been, and ideally always should be.”<sup>9</sup> This has given rise, including particularly in conservative circles, to an ideal image of a nonprofit sector that eschews involvement with government; is mostly staffed by selfless volunteers, many of them religiously inspired; and is wholly, or nearly wholly, supported by charitable giving.<sup>10</sup>

Whether in its more ideological or its more balanced forms, this voluntaristic impulse continues to exert a strong gravitational pull on public perceptions of the nonprofit sector, if less so on the actual operations of the sector’s organizations. More specifically, as summarized in the table below, the voluntaristic impulse has come to be associated with a nonprofit sector whose primary *role* is to express and inculcate values. While a wide assortment of values can find resonance

Implications of the Four Impulses for Key Features of Nonprofit Operations				
Feature	Four Impulses			
	Voluntarism	Professionalism	Civic Action	Commercialism
1) Role/objectives	<ul style="list-style-type: none"> <li>• Overcome value deficits</li> <li>• Transform individuals</li> <li>• Relieve suffering</li> </ul>	<ul style="list-style-type: none"> <li>• Overcome physical, educational, or psychological deficits</li> <li>• Offer treatment</li> </ul>	<ul style="list-style-type: none"> <li>• Change structures of power</li> <li>• Change basic policies</li> </ul>	<ul style="list-style-type: none"> <li>• Use market means for social ends</li> <li>• Efficiently address social needs</li> </ul>
2) Strategy	<ul style="list-style-type: none"> <li>• Inculcate values</li> <li>• Counseling, personal renewal</li> <li>• Self-help</li> <li>• Temporary material assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Medical model</li> <li>• Deliver services</li> <li>• Establish services as rights</li> </ul>	<ul style="list-style-type: none"> <li>• Asset model</li> <li>• Advocacy strategy</li> <li>• Organize citizens/build leadership</li> <li>• Access media/elites</li> </ul>	<ul style="list-style-type: none"> <li>• Promote social entrepreneurs</li> <li>• Locate market niches</li> <li>• Pursue self-sustaining income</li> <li>• Measure results</li> </ul>
3) Operating style	<ul style="list-style-type: none"> <li>• Pastoral</li> <li>• Normative</li> <li>• Paternalistic</li> <li>• Particularistic</li> <li>• Holistic</li> </ul>	<ul style="list-style-type: none"> <li>• Programmatic</li> <li>• Technocratic</li> <li>• Therapeutic</li> <li>• Universalistic</li> <li>• Secular</li> </ul>	<ul style="list-style-type: none"> <li>• Participatory</li> <li>• Confrontational</li> <li>• Critical</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurial</li> <li>• Efficiency oriented</li> <li>• Profit focused</li> <li>• Measurement driven</li> </ul>
4) Principal reference group(s)	<ul style="list-style-type: none"> <li>• Donors/volunteers</li> <li>• Members</li> </ul>	<ul style="list-style-type: none"> <li>• Staff</li> <li>• Profession</li> <li>• Clients</li> </ul>	<ul style="list-style-type: none"> <li>• Citizens</li> <li>• Community assets</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate donors</li> <li>• Customers</li> <li>• Entrepreneurs</li> </ul>
5) Organizational structure	<ul style="list-style-type: none"> <li>• Fluid</li> <li>• Ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>• Hierarchic</li> <li>• Segmented</li> </ul>	<ul style="list-style-type: none"> <li>• Modular</li> <li>• Federated</li> <li>• Alliances</li> </ul>	<ul style="list-style-type: none"> <li>• Product focused</li> <li>• Networked</li> <li>• Flexible</li> </ul>
6) Management style	<ul style="list-style-type: none"> <li>• Informal</li> <li>• Volunteer dominant</li> <li>• Spiritual</li> </ul>	<ul style="list-style-type: none"> <li>• Bureaucratic</li> <li>• Professional rule-bound</li> </ul>	<ul style="list-style-type: none"> <li>• Consensual</li> <li>• Collaborative</li> <li>• Participatory</li> </ul>	<ul style="list-style-type: none"> <li>• Responsive</li> <li>• Bottom-line focused</li> <li>• Disciplined</li> </ul>
7) Resource base	<ul style="list-style-type: none"> <li>• Voluntarism</li> <li>• Individual philanthropy</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Fees</li> <li>• Institutional philanthropy</li> </ul>	<ul style="list-style-type: none"> <li>• Philanthropy</li> <li>• Voluntarism</li> <li>• Government</li> </ul>	<ul style="list-style-type: none"> <li>• Venture philanthropy</li> <li>• Sales</li> <li>• Vouchers</li> </ul>

with this impulse, in recent years an especially strong current has arisen from the religious right and has found expression in the faith-based charity movement. Adherents to this perspective tend to attribute a wide range of human problems to the absence or underdevelopment of appropriate normative values. The *strategies* of intervention associated with this impulse therefore often emphasize counseling and self-help, coupled with temporary material assistance until the needed value messages are internalized and absorbed.

The *style* of intervention emphasized in the voluntaristic impulse therefore tends to be pastoral, normative, nonprofessional, holistic, and at times paternalistic. The stakeholders or *reference groups* most closely associated with this impulse are often individual donors and volunteers, who serve as role models for the disadvantaged and whose religious faith and values of hard work and personal responsibility are to be transmitted to those lacking them. The *organizational structures* associated with the voluntaristic impulse tend to be fluid and ad hoc, and the *management style* flexible and informal, as befits a volunteer-based staffing pattern. Finally, the *resource* needs of organizations imbued with the voluntaristic impulse are different in both scale and kind from those of other types of organizations, relying much more heavily on volunteers and charitable contributions than fees or government support.<sup>11</sup>

### Professionalism

While the folklore of voluntarism remains dominant in much of the belief system surrounding the American nonprofit sector, a second impulse has profoundly shaped the reality of nonprofit operations. This is the impulse of *professionalism*. By professionalism, I mean the emphasis on specialized, subject-matter knowledge gained through formal training and delivered by paid experts.<sup>12</sup>

Professionalism has had a profound effect on the nonprofit sector, strengthening its capacities in important respects but at least partially displacing the sector's voluntaristic character.<sup>13</sup> While many of these effects have been attributed to the sector's involvement with government,

in truth professionalism has probably had as much impact on government as government has had on professionalism, since a push by professionals to establish government licensing or program-staffing requirements is one of the crucial steps in establishing a profession.<sup>14</sup> At the least, the rise of professionalism within the nonprofit sector clearly predated the expansion of government involvement in the fields in which nonprofits are active. The transformation of private hospitals from small community institutions addressing the primary-care needs of communities into large bureaucratic institutions dominated by professionally trained doctors took place between 1885 and 1915, decades before Medicare and Medicaid had even been contemplated.<sup>15</sup> So, too, the professionalization of social work and the rise of "case work" rather than community organizing and social reform as the primary social-work mode of intervention was well along by the turn of the twentieth century and firmly in place by 1920.<sup>16</sup> What is more, the engine for this change was private philanthropy (in the form of local community chests) rather than government, as the scientific charity movement sought to replace what was widely perceived to be the inadequacies of well-meaning volunteers with the "trained intelligence" of professionals.<sup>17</sup>

While government did not introduce the professional impulse into the nonprofit sector, it has certainly helped to nurture and sustain it, both by providing professions a mechanism through which to enforce professional standards in government-funded programs and by providing the funds needed to hire professional staff. In the process, it has helped push nonprofit organizations in directions quite different from those imparted by the voluntaristic impulse. While it shares with voluntarism a deficit model emphasizing individual shortcomings as the cause of human problems, professionalism emphasizes not normative shortcomings but social, educational, physical, and psychological ones. The *role* of the nonprofit sector in this view is thus to offer professional services to disadvantaged clients. "Not alms but a friend," the long-standing slogan of the voluntaristic Boston Associated Charities, thus

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came to be replaced in professional social-worker circles by the mantra, “Neither alms nor a friend, but a professional service.”<sup>18</sup>

Professionalism’s *strategy* thus relies on a medical model, treating beneficiaries essentially as “patients” needing some form of “treatment,” whether physical, educational, or psychological. Unlike the pastoral and holistic *operating style* characteristic of the voluntaristic impulse, the professional style is thus therapeutic, technocratic, segmented, and secular. The principal *reference group* for the professional impulse is not donors or beneficiaries but professional staff and the profession itself. Consistent with these features, professionalism creates *organizational structures* that are hierarchic and segmented; uses a *management style* that tends toward the bureaucratic, formal, and rule-bound; and requires the more ample and reliable *resources* of government and fees for support.

#### Civic Activism

Far different from both the voluntaristic and professional impulses is a third impulse coursing through the nonprofit sector: the impulse of *civic activism*. According to this perspective, the real source of the social ills besetting significant segments of the American public does not lie in the values, or in the psychological or skill deficits, of disadvantaged individuals. Rather, it lies in the structures of social, economic, and political power that such individuals confront in the broader society and in the unequal access to opportunities that results. The solution to these social ills therefore does not depend on moral preachment by well-meaning volunteers or on treatments administered by trained professionals but on the mobilization of social and political pressure to alter the structures of power and correct the imbalances of opportunity.<sup>19</sup>

The settlement house movement of the late nineteenth and early twentieth centuries clearly embodied this approach. Although providing immediate services to residents of the neighborhoods in which they were located, the real focus of the settlements, according to their historian, was to “bring about social reform, thus alleviating the underlying causes of social

problems.”<sup>20</sup> Seventy-five years later, this perspective remained uppermost in the mind of the first president of Independent Sector, the national umbrella group for American nonprofit organizations, who referred to “efforts to influence public policy” as “the role society most depends on [the voluntary sector] to perform.”<sup>21</sup>

Instead of expressing values and transforming individuals, the civic activism impulse thus sees the fundamental *role* of the nonprofit sector to be eliminating the need for services by changing the balance of power in society and opening channels of opportunity to a broader swath of the population. Unlike the deficit strategies embodied in both the voluntaristic and professional impulses, the civic activism impulse embodies an asset model, using a *strategy* that sees in the disadvantaged population an enormous resource that can be mobilized and organized to bring about significant societal change. The basic *operating style* favored in this impulse is thus at once participatory, empowering, and confrontational, bringing pressure to bear on the powers that be to establish worker rights and offer access to education and other services that those on the bottom of the economic pyramid are unable to secure through market means. The principal *reference groups* for advocates of this perspective are ordinary citizens and those in greatest need, plus, where available, the media, to amplify the voices of otherwise voiceless constituencies. To achieve its empowerment objectives, the civic activism impulse fosters a modular *organizational structure*, with multiple linked nodes of action and mobilization. Its *management style* is consensual, participatory, and, where possible, collaborative, building alliances wherever willing partners can be located. And its *resource base* tends to be engaged individuals and, paradoxically in recent decades, government support.

#### Commercialism/Managerialism

Finally, in the past several decades, a fourth impulse has burst upon the nonprofit scene, *commercialism*, and its next-of-kin, *managerialism*.<sup>22</sup> This impulse, too, has its distinctive features and its distinctive implications for the

operation of nonprofit organizations, some of which are consistent with the other impulses, but others of which are clearly in tension with them. The *role* that the commercial impulse presses on the nonprofit sector is a service role, but one that emphasizes managerial efficiency, innovation, and cost containment—dimensions that run counter to professionalism’s emphasis, first and foremost, on effectiveness. The *strategy* embodied in the commercial impulse is the injection of a different type of professionalism into the operation of nonprofit organizations—not the subject-matter professionalism of doctors, social workers, and educators but the business-oriented skills of the managerial professional. This includes the use of strategic planning, quantitative measurement of outcomes, identification of market niches, and heightened attention to operational efficiency.

The *operating style* emphasized by the commercial/managerial impulse is entrepreneurial and businesslike, efficiency oriented and measurement driven. The principal *reference group* for those espousing the commercial impulse consists of business leaders, entrepreneurs, and actual or potential beneficiaries of an agency’s services, who are reconceptualized as “customers.” The commercial/managerial impulse calls for *organizational structures* that are focused on individual “products” or “lines of business,” with metrics that track each line of business separately and network structures that encourage coordination but allow considerable autonomy for “product managers.” The *management style* consistent with this impulse emphasizes clear lines of authority and disciplined performance, which is achieved through regular measurement against preset targets and the flexibility to advance and dismiss staff on the basis of performance rather than professional credentials. In terms of its *resource base*, the commercial impulse drives its adherents to search out sustainable revenue streams that can attract private investment capital for start-up and expansion. This means fee income and government entitlement program support, particularly such support delivered through vouchers and other market-based, consumer-side subsidies.

## Conclusion: Navigating the Force Field

To be sure, these brief descriptions cannot do justice to the nuances and complexities of these various impulses. They are presented here as heuristic devices to suggest some of the major pressures to which nonprofit organizations are being subjected. What is more, while the impulses are in some tension with each other, there are also clearly points of mutual reinforcement. For example, professionalization and the growth of nonprofit paid staff may not have displaced the nonprofit involvement in advocacy, though they may have changed its character in certain ways. Similarly, the emergence of social entrepreneurs and social ventures, while a manifestation of the commercial impulse, also reinforces the voluntaristic impulse emphasizing private initiative in the common good. The challenge, therefore, is not to find the single best impulse to follow but rather the combination that produces the most meaningful and appropriate balance needed to allow organizations to survive and grow while still holding true to their distinctive attributes.

These impulses are not, moreover, disembodied concepts floating in space. Rather, they take concrete form in the actions of the sector’s stakeholders—those who provide the resources, set the regulations and incentives, serve on the boards, operate the organizations, frame public perceptions, and lend their support in countless other ways. Lacking the firm anchor of a single clear, dominant *raison d’être*—such as maximizing profit in the case of business and securing popular political support in the case of government—nonprofits are especially vulnerable to being pulled this way and that by whichever pressure is dominant at the moment.

And this is just what appears to be happening at the present time. Responding brilliantly and resiliently to a variety of dominant challenges and pressures, significant components of the nonprofit sector have moved far from the sweet spot that has historically earned the sector public trust, and too little attention has been given to bringing public understanding in line with operating realities or to finding a more appropriate balance among the impulses that are pressuring

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the sector and its leaders. In a sense, to survive in a demanding environment, nonprofit organizations are being forced to surrender what may be too many of the things that make them distinctive and worthy of the special advantages they enjoy. Of special note in recent years has been the growing impact of the commercial/managerial impulse, eclipsing the professional emphasis on effectiveness and the voluntaristic emphasis on expressiveness, and potentially undermining as well much of the sector's historic attention to civic activism.

Nonprofit leaders are not without choices in this process, of course. But their choices are highly constrained by the balance of challenges and opportunities they face. Any account of the "future of nonprofit America" in the face of these impulses must therefore be a story in three parts, focusing first on these challenges and opportunities and the extent to which they support or retard these impulses, then examining how the sector's leaders have responded, and finally assessing the consequences of these responses both for individual organizations and subsectors and for nonprofit America as a whole. Only then will it be possible to suggest what alternative options might be worth considering in order to achieve a more appropriate balance among the impulses at play than seems to be emerging.

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13. See, for example, Judith Ann Trolander, *Professionalism and Social Change: From the Settlement House Movement to Neighborhood Centers, 1886 to the Present* (New York: Columbia University Press, 1987), 39, 238–39; Roy Lubove, *The Professional Altruist: The Emergence of Social Work as a Career, 1880–1930* (Cambridge, MA: Harvard University Press, 1965), 49–53; David Rosner, *A Once Charitable Enterprise: Hospitals and Health Care in Brooklyn and New York, 1885–1915* (New York: Cambridge University Press, 1982), 6–12.
14. According to Harold Wilensky, there are at least five steps crucial to the establishment of a profession: full-time work, a curriculum and training schools, a professional association, official licensing or certification requirements, and a formal code of ethics. Wilensky, “The Professionalization of Everyone?,” 142–46.
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Brands govern people's perceptions far more than the necessarily imprecise metrics with which we measure our efficacy. But by not filling form with substance, you risk implosions that harm the field.



# *The* Eight Building Blocks of Strong Nonprofit Brands

by Peter Frumkin

**T**O SOME, THE VERY IDEA OF NONPROFIT BRANDING is a vulgar topic. No doubt, the nonprofit sector should be about mission, about performance, about excellence. We all want nonprofits to get the support they deserve, and we may sincerely wish that effectiveness were the coin of the realm—but it rarely is. Not only are measures of performance imprecise in many fields, the metrics we do have are incommensurable across fields. For all the talk of social investing and venture philanthropy, the reality is that brands still dominate the capital markets in the nonprofit sector. Decisions about support are a function of what the public thinks a nonprofit is doing far more than what it actually knows about what the organization is accomplishing.

So, what is a brand? It is the construct that stakeholders hold about the identity, including the character, of a nonprofit organization. It is the sum



total of perceptions about what a nonprofit stands for, what it does, and how much social impact it is thought to achieve. Brands are connected to reputations, in that recognizable brands are often, though not always, associated with good reputations. Brands can be tarnished and reputations ruined after scandals or bad press—and in that case, the brand may endure in the awareness of stakeholders but it will no longer be able to contribute to the organization's ability to pursue its goals. Should one be fortunate enough to have a great brand, protecting it becomes an absolute organizational priority. Arguably, it is the most valuable asset in the nonprofit sector, because it is the gateway to all other assets, both human and financial.

But if brands are valuable, why don't all organizations work hard to build them? The answer is that brands and the contributors to brands are caught up in a complex circular logic. At one level, brands are

the product of having necessary resources on hand because of good fundraising and outreach, producing documented results, and putting in place a talented team of managers. At another level, brands *determine* all these things, as strong brands attract more resources and drive acceptance and success.

Untangling causality in the nonprofit sector between how an organization is perceived and what it is actually doing turns out to be a difficult proposition. There are obvious cases where operational excellence in all its forms leads to a nonprofit's breaking through the crowded pack and emerging as a leader; there are also cases

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where organizations build strong brands and then coast for years, independent of what they are actually accomplishing programmatically. Overall, however, nonprofit organizations operate in a world where brands drive many of the key factors affecting success—and success is sometimes, but not consistently, translated efficiently and reliably into brand recognition.

## The Eight Building Blocks of Brands

Brands are so valuable because they make the life of the nonprofit so much easier. They open doors, attract support, create buzz, and bring resources that in turn allow the brand to flourish and become even stronger. How can a nonprofit start this snowball of perception and organizational success rolling? One place to begin is by applying the following eight building blocks of brands. (Note that a nonprofit need not have all eight blocks in hand to have a strong brand; a combination of three or four is probably good enough.)

### 1. Clear Impact Claim

The starting point for a strong brand is having a clear intended impact. It is hard to imagine having a strong brand that is not anchored in a social impact objective that is broadly accepted, consistently relevant, and compelling to multiple audiences. All the clever positioning and communication in the world will not help a nonprofit that is unclear about its objectives and why they should matter to others.

### 2. Recognized Leadership

Having a big-name CEO in the nonprofit sector is one of the best ways to build a brand. Few nonprofit CEOs possess widespread name recognition. Having a leader whose name is readily associated with excellence is a way to quickly build brand recognition and credibility. Charisma helps a lot, as well. If the leader writes articles, gives speeches, and is seen as an important voice or thought leader in the field, the organization will reap many benefits in terms of brand recognition.

### 3. Impressive Funders

Winning at the grant game is also a signal moment in the process of building a brand. It is no wonder that many organizations list their funders

prominently on their websites, hoping the glow of monied influencers will convince stakeholders that something important is going on inside the nonprofit. Getting a grant from the Gates Foundation, for example, is a significant event in building a nonprofit brand. If one can claim to have passed the vetting process of influential funders, other donors and peer organizations will take note.

### 4. Influential Partner Organizations

The company a nonprofit keeps is important. Working with other nonprofit organizations that have big brands can build the reputation, visibility, and brand of the smaller, less well-known organization. Most nonprofits think about inter-organizational collaboration as a way of mobilizing new operational capacity to accomplish program goals more effectively; partnering is also a great way to build a nonprofit brand if the partner organization has the glow of a great and recognized brand.

### 5. Effective Communications

The story a nonprofit tells about its work can be more important than the work itself—at least when it comes to building a brand. In the past, a great annual report was a valuable sell document. Today, a well-designed website is the coin of the realm when it comes to building a brand. Not only is it often a nonprofit's first point of contact with its stakeholders, it's also where the organization controls how its story is told. Since almost no one challenges the content of organizational web pages, it is the place where a nonprofit can describe its work however it sees fit and however it believes will register best with visitors.

### 6. Replication

Imitation is the highest form of flattery. If a nonprofit can show that others are replicating its work, this can be a profound brand builder. Many nonprofits operate for long periods of time in obscurity and isolation. Having others pay attention to a nonprofit's work, believe in it, and replicate it are significant signals that something notable is going on in the organization.

## 7. Organizational Age

Of all the ways that nonprofit brands are built, one is the least complicated and sophisticated: just hanging around over the years. If a nonprofit can survive for decades and keep out of trouble, it will be rewarded with some brand-recognition returns. The failure rate in the nonprofit sector is high, and the number of new organizations started each year is huge. As a result, simple staying power will contribute to a brand, regardless of all other considerations. There is also a sense that the sector is competitive enough that any organization that survives must have something on the ball, and this translates into brand recognition.

## 8. Budget Size

Of all the annoying injustices of the nonprofit sector, none is as galling as the iron law of budget size. The larger the resources an organization is able to mobilize, the more it is seen as legitimate. Bigger budgets are rarely thought to be a function of caprice but rather the result of real market forces working themselves out to reward

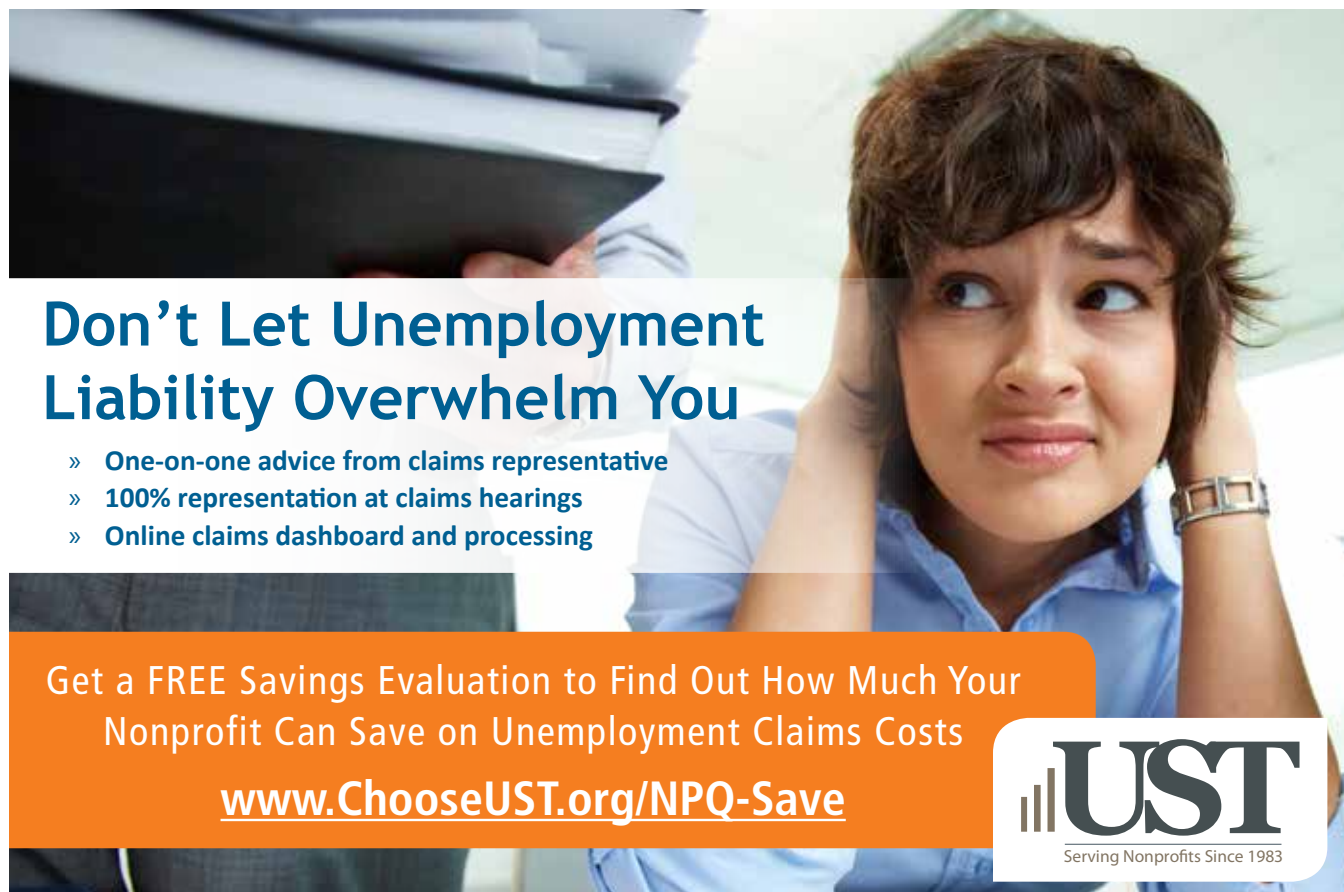
some organizations by directing more resources to them. Bigger budgets also convey a sense of permanence and relevance—rightly or wrongly.

## The World Is Not Always Fair

In a perfect world, nonprofits would easily be able to control and construct their brands to drive support and resources. But creating a strong brand is long, hard work; it is a more subtle process than merely creating a new logo or tagline.

Take, for instance, Harlem Children's Zone. Its brand is built on a combination of a long record of working in a geographically defined community and documented results. It is also a function of its longtime, charismatic chief executive officer, Geoffrey Canada, whose work roused a movement in urban education before he stepped down (last year) after over two decades of leadership. And a large part of its brand rests on all the news stories, Harvard case studies, profiles in magazines, and media attention the organization attracts. Harlem Children's Zone has also been replicated in many other locations around the world, giving the model

Of all the ways that nonprofit brands are built, one is the least complicated and sophisticated: just hanging around over the years.




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Be patient about building your reputation, budget, and brand over time. Realize that the more success you *have*, the more success you *will have*.

a level of confirmation that is surely the envy of many other human service organizations. But this took many years and was not the product of short-term brand-management tactics. In the case of Harlem Children's Zone, there is a fair amount of evidence that brand success and organizational success are reasonably aligned.

One of the clearest examples of brands distorting the market is the former Lance Armstrong Foundation, which translated the fame of its founder into enormous branding successes—from the rubber bracelets bearing the word *Livestrong* to a suite of products ranging from water bottles to clothing, all playing off the yellow jersey worn in the Tour de France by the seven-time bicycle racing champion. As tens of millions of dollars flowed in during the early years, the foundation searched for a way to translate its focus on “survivorship” into an actionable mission. In some ways, its wild branding success made it a reverse nonprofit: loaded with funding and searching for a mission instead of possessing a clear mission and searching for funding.

As money flowed into the foundation's coffers as a result of its founder's athletic triumphs, charisma, and inspirational story of cancer survival, surface financial success fed more perceptions of organizational success. Of course, the entire pyramid of branding collapsed spectacularly when Armstrong confessed to being a cheater and liar. Donations soon fell off a cliff, the name of the organization was changed to the Livestrong Foundation, and the search for a way to relegitimize the charity began and continues to this day.



Rather than dream of a performance-driven nonprofit sector that does not exist or exists only in a few foundation officers' minds, nonprofits would be better served to work hard on building their brands to drive a consistent flow of small, individual donations and increase earned income from clients drawn to their organization's well-known and respected brands. While many of the eight building blocks of strong brands seem hard to control and shape, all nonprofits can take some basic first steps toward building their brands:

- Get clear on mission and intended impact. Even if proving impact is hard, there is absolutely no

excuse for not communicating intended impact cleanly and clearly. A simple sentence that has two parts will do the job best. The first half of the sentence should set out the goal or impact being sought, and the second half should lay out the programmatic model being followed. This sentence is not a flowery mission statement but rather a simple description of the impact that is being sought and the means to that target.

- Understand the different audiences to which the nonprofit will speak over time. Talk to those audiences so that you master how they think and what message they will be most responsive to hearing. Find ways to communicate the intended impact consistently but in different voices that fit the needs of different audiences.
- Scan the funding and nonprofit community for potential allies and partners. Think about why some might care about your work and how you might add value for others. Having something to offer is the best way to start the conversation about support and collaboration.
- Invest serious time and money in a website and collateral materials that truly communicate what you want people to understand your organization does, why it is different from other organizations in the field, and why people should care about the impact you are pursuing.
- Be patient about building your reputation, budget, and brand over time. Realize that the more success you *have*, the more success you *will have*. The self-reinforcing cycle of brand building and resource flow will eventually lift your organization if you do good work and communicate your message effectively.

None of these steps is rocket science; however, few are easy to do—evidenced by the fact that few nonprofits have powerful brands. While much of the talk in the sector has been focused in recent years on effectiveness and strategy, there is an uncomfortable argument to be made that brand management—not performance—is the overlooked pathway to nonprofit growth and success.

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# The Marshall Project and the Rise of the Single-Issue Nonprofit News Site:

## A Conversation with Bill Keller

THE CATAclysmic  
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THIS INTERVIEW,  
BILL KELLER  
EXPLAINS HOW  
THE MARSHALL  
PROJECT, WHICH  
FOCUSES SOLELY  
ON ISSUES OF THE  
CRIMINAL JUSTICE  
SYSTEM, CAME  
TO BE.

**Editors' note:** *One of the features of the new news landscape is the single-issue news site organized as a nonprofit. This is something of a response to market failure, and speaks to a need that is very much the business of civil society. Increasing numbers of people see the trend as necessary for balancing and in other ways improving coverage on important issues that should be—but often are not—well reported.*

*Some examples of such sites are The Trace (devoted to gun control), InsideClimate News, Kaiser Health News, and the Marshall Project (devoted to America's criminal justice system). These nonprofit news sites tend to be initiated, capitalized, and/or founded by a single large funder. In the case of The Trace, the funder is Michael Bloomberg; David Sassoon founded InsideClimate News; Kaiser Health News was initiated by the Kaiser Family Foundation; and Neil Barsky founded the Marshall Project.*

*Bill Keller, formerly of the New York Times, made the transition to nonprofit news around a year and a half ago when he joined the Marshall Project—and in this interview with the Nonprofit Quarterly's editor in chief, Ruth McCambridge, Keller discusses the ideology around that effort. This conversation, besides being an interesting description of an example of this new trend in journalism, addresses the idea of “niche” or “gap” analysis—more simply put, the notion of figuring out “what is missing from this picture” that might advance an effort. The electing of a niche is a high-level strategic act, and it should be revisited often.*

**Ruth McCambridge:** *The Marshall Project is one of a number of single-issue news sites that have emerged over the last decade. Can you talk about the idea of the single-issue site and why one is needed for addressing criminal justice at this point?*

**Bill Keller:** Well, at the time that Neil Barsky [the Marshall Project founder and chairman] approached me, which was January of last year, there were a number of things going on relative

to this issue. First, it was clear that the criminal justice system was failing to live up to its responsibilities in a number of areas, starting with policing and running the course right through the corrections system. But a significant backlash was developing against current criminal justice policies, and it was a surprisingly bipartisan or bi-ideological backlash, even as media coverage of these issues seemed to have deteriorated somewhat as a consequence of the general trauma that the news business is going through.

To be more specific, a number of newspapers that used to have teams of reporters devoted to investigating the criminal justice system and holding its institutions accountable had turned their attention elsewhere, or downsized, or had even gone out of business. So, criminal justice seemed to be an area where, just when the need was acute for strong journalism, journalism was in remission.

In this context, Neil's intention was to use journalism to raise a sense of awareness and urgency in the country about the shortcomings of the criminal justice system. We're not advocates and policy-makers; advocates are the ones who drive actual change, legislation, executive orders, etcetera; but journalism creates the environment where policy-makers and advocates can do their jobs, both by pointing them in the direction of specific problems and by helping to arouse public interest in the subject. In the eighteen to twenty months since we first talked about it, I think there's been a surge of reinvigorated reporting, certainly among a lot of the national news organizations—the *New York Times*, the *Washington Post*, NPR, some of the magazines (the *Atlantic* and the *New Yorker*, for example, have devoted a lot more resources)—and somewhat true of the major metropolitan daily papers; and I'd like to think that some of that is stimulated by what we've done.

Most of it, however, is the consequence of news, starting with Trayvon Martin, then through Ferguson, and on through this whole litany of mostly black men dying in police custody. There's been a reawakening of interest in this subject, and a much stronger interest in reform.

**RM:** *People were, I think, surprised when you chose to take on the Marshall Project. What was it about this particular issue that caused you to make this shift?*

**BK:** The decision was based on a combination of personal and environmental considerations. I had been at the *Times* for thirty years and had had every good job in the place, so I was ready to think about a next chapter. When Neil brought it up, I didn't immediately say yes. We talked a lot about his vision for the Marshall Project; and then



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I realized that, as a columnist for the *New York Times*, I had a job that allowed me to write about anything I wanted to write about, so I decided I'd write a couple of columns on criminal justice issues. I found the subject gripping even just in journalistic terms.

I was shocked by what I had discovered and I also sensed that there was a moment when it was possible that you could actually do some good by shining a bright journalistic light on the subject.

Before that, in one of my columns toward the end of 2013, I had vowed that I was going to stop writing about Washington—where everything was deadlocked and gridlocked and paralyzed—and instead would focus my reporting on states and local governments, where at least it was possible to feel some ferment and change going on on a whole range of subjects. So, I was feeling a sense of frustration about the intractability of Washington, and yet here there was actual bipartisanship. This is the one issue where you have Rand Paul cosponsoring legislation with Cory Booker and the ACLU and the Koch Brothers collaborating on conferences to reform the criminal justice system. And, I thought this could be a time when a well-focused, professional journalistic venture could make a significant difference.

**RM:** *It's been about forty years since the last really major push was made on a national basis around criminal justice issues in terms of reform. And, despite the fact that the results of policies have been pretty disastrous, the Republican Party has been using the issues as a political football for years. Why do you think all of a sudden we are seeing this coming together?*

**BK:** I think there are two factors in particular at play. One of them is that the crime rate is at or near an historic low. So, in 1994, the year that President Clinton signed his big crime bill—which a lot of people see as the sort of epitome of the tough on crime/lock them up and throw away the key point of view at the time—37 percent of Americans identified crime as the number one issue. By 2012, it was 2 percent. So you've had a whole generation that has grown up without the kind of televised urban upheaval—without the

crack panic—and polls show that that generation is more open to alternatives to locking people up.

And then along with that there's been, I think, a significant shift among Republicans. Not all Republicans, and not on all issues, but it's something that has fascinated me from the moment I began to do my immersion course in criminal justice. This shift among Republicans has a history of twenty-plus years. To oversimplify a bit, it began with evangelicals preaching in prison. The key figure there was Chuck Colson, who spent time in prison himself for the crimes of Watergate. A lot of the evangelicals that he organized to go and preach in prison—to basically try to promote rehabilitation through coming to Jesus—were appalled by the conditions that they found there, and by the fact that the prisons made no effort to rehabilitate prisoners and just warehoused them. So they deserve a lot of credit, I think, for beginning to proselytize fixing the system among conservatives. And they were joined by fiscal conservatives, who saw a tremendous waste of money and lives and human potential.

They, in turn, were joined by Libertarians and small-government conservatives, who saw the criminal justice system as the heavy hand of big government. Grover Norquist, the antitax lobbyist in Washington (who has been supporting some criminal justice reforms for a number of years) talks about how conservatives were against big government but somehow gave a free pass to corrections officers, policemen, and the military; but when you think about it, those are really just government bureaucracies of a different order. In fact, they're government bureaucracies with weapons.

**RM:** *Never a good thing.*

**BK:** Right. So, Norquist makes the argument that conservatives always criticize liberals for measuring success in inputs instead of outputs. So, is the school system in Massachusetts working well? Well, sure it is, because we spend "X" billions of dollars and we hired all these teachers. And he said when it came to the criminal justice system, conservatives made exactly the same mistake. They said, Well, of course we're doing

everything we can to fight crime, we're hiring all these policemen, we're building all these prisons. But that's just measuring the inputs—it doesn't measure the success.

And then you add to that good government policy wonks—and Newt Gingrich is the classic example. He got on board early, because he looked at the recidivism rates and said that this is a system that is not succeeding if we let people out—and we do let out 90-something percent of the people who are in prison—and within a few years they're back again. There's something wrong here.

So, all of those groups kind of came together, and there were what I guess you would call “demonstration projects.” The state of Texas, when Rick Perry was governor, tried creating some alternatives to imprisonment—drug counseling, diversion of the mentally ill to the healthcare system instead of the corrections system—and they managed to close down three prisons. And then the conservatives could go to other states that were wary of this kind of reformist talk and say, Look, there's no redder state than Texas, and Rick Perry did this and managed to get reelected. So, it's politically safe.

One reason that the shift among conservatives is particularly important, I think, is that liberal politicians have been really gun shy. Even while there have been plenty of liberal advocacy groups that have been arguing for reducing incarceration rates (even in the midst of difficult political environments) and making it easier for indigent clients to get a good defense and all of these other issues, liberal politicians were just scared to death that they would be “Willie Hortoned”—pilloried in their reelection campaigns for being soft on crime.

This is why you had Bill Clinton supporting the crime bill in '94, and there are lots of other examples of iconic liberal figures who were just too timid to be out front on issues of criminal justice reform.

**RM:** *Just how vulnerable do you think this new impulse is to a really serious Willie Horton moment or two?*

**BK:** I don't know. It's certainly something that a lot of the advocates of these changes worry about. I

was talking recently to somebody who works on these issues—it was after those two convicted killers escaped from the prison in upstate New York. And during the period when they were on the loose, a lot of advocates were sitting on the edges of their seats, nervous about the possibility that these guys would commit some horrible atrocity that would set back the cause of reform for years. I've talked to others who think that the national mood is such that it would take more than one or two bad episodes to kill off the reform movement. I don't know, we will see. I mean, there will inevitably be such episodes, and to some extent it depends on how eager politicians are to exploit them.

But there are other ways that this bubble could burst. I can imagine, for example, Congress passing a piece of legislation that's pretty much watered down to nothing—with only a few elements of comprehensive criminal justice reform—and then declaring “mission accomplished” and moving on to other things, and the movement sort of loses momentum. As a nation, we sometimes tend to have a short attention span.

**RM:** *As you said, there was a huge momentum for at least police reform coming out of Ferguson and other incidents—all of which have been happening all along but at this point get highlighted for some reason. But how do you think this kind of movement to reform the criminal justice system will deal with the questions involving race and poverty that are inherent in the criminal justice system? Or will it just kind of steer clear of that?*

**BK:** That's a really interesting question, because the criminal justice system is so suffused with questions of race. You know, 40 percent of the 2.2 million Americans who are in prisons or jails are African American, roughly, and I think another 19 percent are Latino. Race is at the heart of some of the literature that has helped build this movement, most noticeably Michelle Alexander's *The New Jim Crow*, but also Bryan Stevenson's recent book [*Just Mercy*].

It's very hard to talk about these issues without acknowledging the disparities of the

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consequences for minorities and the poor. They're not only the source of the criminals; they're the source of the victims. I mean, it's the poorest communities that tend to be the most victimized by crime—and they're the ones that get torn apart when such a large percentage of the young men are locked up. And they're the ones that pay the price for our lack of rehabilitation, so that young men go into prison, do their time, and if they learn anything it's likely to be about the brutality of life. They're given those skills and then they're dropped back into the same communities they came from, which just exacerbates the problem. So, it's a sort of vicious cycle.

The racial aspect of it makes the conservatives who are embracing these issues pretty uncomfortable. The people that I know on the right who advocate criminal justice reforms will say that obviously this is important to do because it disproportionately harms communities of color; but they don't want to talk about racism as a factor in the creation of the problem. They tend to think that it's just divisive and alienating to say that we're all a bunch of racists because we did this. "Let's leave motives aside." We hear that a lot from conservatives.

**RM:** *Over the past couple of weeks, there has been a resurfacing of discussions of bail and the unfairness of bail systems. Are we going to just cycle through the probably dozens of different aspects of bad policies in the criminal justice system and somehow wind up at some point with a set of policies that will be pushed at the federal level? Or, is the action going to take place more at the state level and then filter up? How do you imagine this really rolling out?*

**BK:** I should probably preface this by saying I don't really know because I don't have a crystal ball—but my guess is that there will be a push between now and the end of the year at the federal level to do something. It would mostly have to do with lowering mandatory minimum sentences for nonviolent offenders, particularly in the area of drugs. It may or may not pass, but there will be a concerted effort, and it will be discussed in the presidential campaign more than anybody

might have anticipated a year ago. But whether or not the federal government enacts meaningful change, the states are going to continue to be laboratories for different ways of approaching these problems—and something like 90 percent of the incarcerated population is in state prisons and county jails. And there you have the cycle you referred to. The cycle of bad policies is being challenged by a cycle of the reform experiments. Places like the Vera Institute and the Pew Charitable Trusts are funding and staffing reform efforts in states and counties.

On the question of bail, by the way . . . one of our reporters has just been down in Kentucky, which basically did away with private cash bail—the bail industry—and has tried to use risk-assessment tools and alternatives to curtail the practice of basically locking people up because they are too poor to pay bail, except in cases where somebody seems to represent a threat. She's just back, and she will write up that experiment, but I think the general conclusion will be that while the results aren't perfect, there does seem to be a reduction of that problem of essentially creating debtors' prisons. So, while much of our work at the Marshall Project has to do with pointing out things that are egregiously wrong with the system, we've tried to focus a light, too, on places where people are doing something different that seems to be working.

**RM:** *During the '70s, I was very active in these issues, and there was a lot of laboratory stuff going on. The whole deinstitutionalization movement got traction and then pretty much blew itself out through lack of investment in alternatives. To what extent are we going to be able to understand what it's going to take on the other side even if we are successful in depopulating the prisons and pulling people out who, for instance, have mental health issues? To what extent are we going to be able to answer the need that emerges from all of that?*

**BK:** Well, I think you put your finger on the biggest single question about whether this moment turns into a movement or just bursts, and I don't think we know the answer to that yet. I mean, people

are, I think, generally aware that the alternatives to prison aren't free.

Joan Petersilia at Stanford Law School, who's somebody I and other reporters here talk to from time to time, uses that very example of Kennedy's deinstitutionalization program for closing down the warehouses of the mentally ill and sending people to their communities where they could get more humane, sympathetic treatment. But they didn't provide enough funding to build the places that were supposed to take them under their wing in the local communities. And to some extent you're getting a whiff of that happening in California. California is about five years ahead of the other states, because they're under a Supreme Court order to reduce prison overcrowding, and they have reduced their state prison populations by something like 25 percent. But a number of the advocates at the county level say that there hasn't been enough of the money needed to provide the alternatives.

There's definitely been some investment in mental health centers and drug addiction programs, but the question is whether there's enough. It's the question that I always ask the conservatives particularly, because a lot of them are drawn to this issue as the prison system costs so much. I always ask, Are you going to find a constituency that's willing to spend the money to do the alternatives? And, they're aware. In November [2014], California passed Proposition 47, which reduced a lot of crimes—especially low-level drug crimes and shoplifting, and things like that—from felonies to misdemeanors; and that bill included a provision that a significant percentage of any savings that resulted from reduced prison populations had to be funneled into alternative corrections programs.

So everybody is more or less aware of the mistakes that happened when they shut down those warehouses for the mentally ill, and that the mistake should not be repeated; but whether they'll actually have the fortitude to [fund the alternatives] is an open question.

**RM:** *In a way, it's frightening, because you want the advocates to be discussing these things well ahead of time so that people don't back off and say, I didn't know it meant that!*

**BK:** Well, I don't want to sound like a Pollyanna—I do see the potential failure of this undertaking. But one other thing that is encouraging is that a lot of philanthropy is being pumped into reform efforts of both the advocacy groups and the local governments that are experimenting with new ways of doing things. The Marshall Project has been the beneficiary of this sort of new awareness (or keener awareness) on the part of foundations and individual philanthropists that it's going to take a sustained effort to make change—it's not going to happen overnight.

**RM:** *Which philanthropic institutions do you see really stepping forward at this point?*

**BK:** Ford, MacArthur, the Arnold Foundation, and a number of others.

**RM:** *The Arnold Foundation is regarded as relatively conservative. . . .*

**BK:** Yes, relatively conservative . . . run by a husband-and-wife team who make their own decisions. The head of their New York office is a former attorney general of the State of New Jersey, who's extremely knowledgeable on things like risk-assessment tools. So, I've had some first-hand experience of their expertise and the way they've chosen to spend their money, and they're pretty impressive.

But you know, I guess my biggest fear is that this moment will come and go—that it will be a moment, and not a sustained effort; that we will be distracted by some other bright shiny object, and that the air will go out of the balloon. This is going to sound hopelessly promotional, but it's why, I think, you need a place like the Marshall Project. I'm sure places like the Vera Institute and the Innocence Project will stick with this issue whether the public is clamoring for it or not, but they stand a much better chance of accomplishing something if the public has this subject on their minds—which is where journalism comes in.

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# *The Strength of Citizen Government: Local Grassroots Advocacy*

by Jeffrey M. Berry

City government is generally more open and accessible to advocacy organizations than its state counterpart.

But what makes for success for citizen groups?

Stop assuming that nonprofit means nonpolitical, generate your own research to offer strapped city councils, and stay in the game for the long haul.

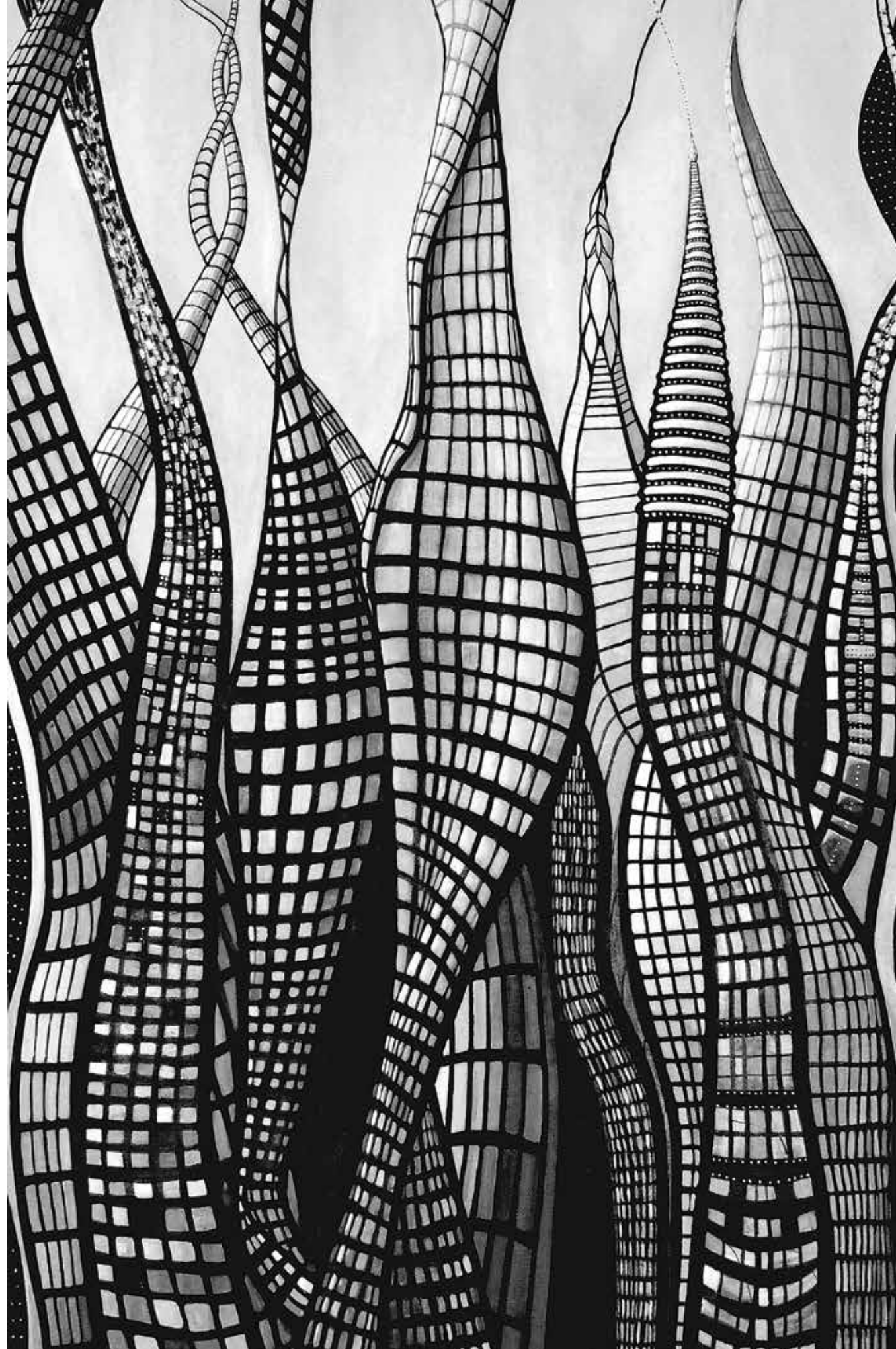
**F**OR CITIZEN ACTIVISTS AT THE LOCAL LEVEL, today's political landscape may seem daunting, if not downright intimidating. There are a number of trends that seemingly run against the interests of local community and neighborhood groups. In the post-Citizens United era, the sums being spent in the political world stagger the imagination. Corporate political power has never appeared greater. Partisanship has turned politics—never a polite exercise—into something akin to warfare. Modern

political campaigns now rely strongly on sophisticated database management, in turn facilitating scientifically targeted appeals to narrow slices of the population. Finally, fiscal stress at every level of our federal system makes it difficult to move policy in new directions, even if there is widespread agreement on the need for a new approach. To paraphrase Dickens, it may just be the worst of times.

Yet, for those working in city politics, there is reason for optimism. Yes, cities are feeling plenty of fiscal stress, but the other trends are not as evident in cities as they are at the state and national levels. Urban advocacy does not depend on large-scale spending or overcoming deep partisanship or using sophisticated Internet data

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Beyond the modest requirements of organizing is the openness of city government. City agencies and city councils are highly accessible and responsive to meeting with serious advocates representing a geographical or issue constituency.

gathering. Old-fashioned door-to-door organizing still works, and research has demonstrated that there are clear attributes of successful but low-cost nonprofit advocacy. Indeed, for activists at the city level, it might actually be the best of times.

## Open Cities

Urban advocacy stands apart from Washington politics for a variety of reasons. Most broadly, think of what economists call “barriers to entry.” A new business trying to enter a market may face obstacles that must be overcome before it can compete. Some barriers to entry can be prohibitive—think of the jetliner industry. The capital requirements to sustain a new airline manufacturer while it designs and builds aircraft and before sales can be generated make starting such a business a fool’s errand. For investors, it is better to concede the business to Boeing, Airbus, and the few others in the industry, and use their capital to enter a market with lower entry requirements.

Starting a new, nationally oriented advocacy group with an office in Washington, DC, doesn’t face quite the barrier that a new plane manufacturer would confront, but it is a crowded market. What policy area doesn’t have a surfeit of organizations already pleading their case before Congress and administrative agencies there? It is different in the case of urban- or neighborhood-oriented advocacy groups. The barriers to entry for urban groups are quite low, and even just a modest level of organization and political savvy can yield a substantial payoff.<sup>1</sup> Compared to Washington or even statehouses, the capital requirements are negligible. No fancy office like those on K Street or Capitol Hill is necessary; new groups don’t need to hire high-priced lobbyists, and there’s no need for an advertising budget. The citizen groups and neighborhood associations that are involved in urban policy-making are typically run by volunteers working out of someone’s home or from a cheap storefront. Even broader civic associations or public-private partnerships that encompass citizen group stakeholders are inexpensive to maintain, because they are often given free office space by a member company or law firm.

Beyond the modest requirements of organizing

is the openness of city government. City agencies and city councils are highly accessible and responsive to meeting with serious advocates representing a geographical or issue constituency. With Texas A&M political scientist Kent Portney, I surveyed administrators, city councillors, and interest group leaders in fifty large American cities. One of the questions for city councillors listed seven different types of advocacy organizations, and each councillor was asked which ones they had had contact with “over the last month or so.” Neighborhood associations were most often noted, with over half of city councillors indicating contact with one or more over the previous month. Business groups, always important in city politics, finished behind neighborhood groups but ahead of a general category of nonprofit organizations (see below).

City Councillor Contact with Advocacy Groups (Past Month) <sup>2</sup>			
	Neighborhood Associations	Business Groups	Nonprofit Organizations
Had contact over past month	56.8	42.1	28.6
No contact	43.2	57.9	71.4
Total	100%	100%	100%

This pattern was no anomaly. Representatives of all the different types of advocacy groups were asked what happened when they called an official at city hall: How likely was it “that you’ll either get through to that person or that your call will be returned?” For representatives of nonprofits, the likelihood that a call would almost always or usually be returned was 95 percent. The figure was about the same for business leaders, and only modestly lower for neighborhood associations (82 percent). By any standard, this is an impressive level of access to policy-makers. In an alternative test, we asked how often government approaches advocacy groups rather than the other way around. Those results show that while business scores highest on this measure of government-initiated contact, nonprofits and neighborhood associations score well, too.<sup>3</sup>

All of this begs the question, Why is it that local government is so porous, so open to talking to citizen groups? We know from research on

Washington politics that this isn't the norm: there, a high proportion of interest groups struggle to gain meaningful access to policy-makers.<sup>4</sup>

One fundamental difference is that local government is much weaker than state or national government, as the resources of the institutions themselves (city agencies, the city council) are modest. Moreover, local government tends not to be controlled by parties or regimes. In Los Angeles, for example, there is nothing close to a regime in power. The city is splintered into a vast array of neighborhoods and ethnic constituencies. Bill de Blasio is mayor of New York City, but there is no de Blasio political machine to be feared and no dominant de Blasio bloc on the city council. Instead, ad hoc alliances and case-by-case coalitions are common in cities large and small.<sup>5</sup>

Local governments are eager to enlist partners who can help aggregate the resources to move initiatives forward. One study of Chattanooga's ambitious set of policies aimed at promoting environmental sustainability concluded, "Virtually none of the activities associated with sustainability in Chattanooga have been directed, administered, or spearheaded by a city agency of any sort."<sup>6</sup> Instead, this push came from the local Chamber of Commerce, Chattanooga Neighborhood Enterprise, RiverValley Partners, and many other local organizations. Together, these business and environmental groups pushed programs forward as they tried to reenvision the city and reignite a stagnant local economy.

Social scientists used to conceive of cities as dominated by downtown businesses that worked with the mayor to govern the municipality. This big business-mayor alliance was powerful, and, conversely, neighborhoods were weak. But the nature of central city economies has evolved, and dramatically so: Large-scale manufacturing has largely left cities; new industries that have emerged, such as computers, communications, and biotech, largely prefer the suburbs; and globalization and technology have changed the literal footprint of business enterprise in the United States. In Boston, for example, large banks used to be dominant players in city government, with six Boston-based banks members of a semi-secret body of mayoral advisors.<sup>7</sup> Today,

there isn't a single large-scale bank headquartered in Boston, and no bank occupies a central role in leadership of the city. The behemoth that swallowed up many of the other large Boston-based banks, Bank of America, is headquartered in North Carolina and has shown no interest in Boston or Massachusetts politics.

Demographic change in the American city has been even more striking. Majority-minority cities are common today, and the minority population is often a rainbow of different ethnicities. Not surprisingly, the mayors and city councillors who are elected by such voting constituencies frequently mirror those racial and ethnic patterns. The geographic concentration of minorities in many neighborhoods within a city further empowers such communities. New city councillors often arise out of neighborhood groups, using their growing name recognition and networking opportunities to move up the political ladder. In recent years, another demographic change that has emerged is the increasing number of white professionals moving to cities—into new real estate developments in central downtown districts as well as traditional residential neighborhoods.<sup>8</sup>

## What Works?

Although the structural and demographic characteristics of modern American cities offer opportunities for citizen advocacy, there is no assurance that such advocacy will manifest itself. Moreover, even if organizations do materialize to represent citywide or neighborhood interests, there is no guarantee that they will be effective. Business is still present in the city, albeit of a more modest profile, and cities still hunger for new business development and the new jobs and taxes it will create. Land use is the issue area most likely to catalyze business advocacy, and the stakes are high when major real estate development projects are proposed.

Every situation has unique circumstances, but a growing body of research points toward clear correlates of success for citizen groups. The first step is straightforward, but one that leaders are often hesitant to take: organizing with an overtly political predisposition. Citizen groups that populate neighborhoods and represent city-level

Every situation has unique circumstances, but a growing body of research points toward clear correlates of success for citizen groups. The first step is straightforward, but one that leaders are often hesitant to take: organizing with an overtly political predisposition.

It is perfectly legal for nonprofits to engage in lobbying legislators or administrators at any level of government; sadly, however, a survey of nonprofit leaders showed that a large proportion believe that it is not.

constituencies are almost all nonprofits, and some adopt the mindset that nonprofit means nonpolitical. An unfortunate misconception is that nonprofits are not allowed to lobby, and, if they do, will get into trouble with the IRS. It is perfectly legal for nonprofits to engage in lobbying legislators or administrators at any level of government; sadly, however, a survey of nonprofit leaders showed that a large proportion believe that it is not.<sup>9</sup>

One real restriction on nonprofits holding 501(c)(3) status is that they may not donate campaign funds nor endorse candidates. But even in the case of 501(c)(3)s, there are ways of demonstrating support for favored mayoralty or city council candidates without actually formally endorsing them.<sup>10</sup> Candidates can be invited to meetings, given space in paper or electronic newsletters, and spoken of favorably in internal communications. Nonprofit leaders can become active in campaigns as long as they indicate in some formal way that they are not acting on behalf of their employer. As individuals, they can donate to candidates and even host a fundraiser.

At the very base of organizational efficacy, then, is establishing an orientation toward aggressive advocacy—a need to fix lobbying as a goal. Jennifer Mosley notes that “the decision to be involved in advocacy comes down to one or two individual leaders in an organization.” Too often, she warns, leaders believe “that advocacy is outside of the organization’s mission” or “[do] not believe advocacy will have meaningful benefits.”<sup>11</sup> But this is counterproductive. To be effective in the policy-making arena means leaders must steer their organizations toward advocacy by convincing staff, volunteers, and board members that this is a priority.

Optimally, advocacy is coupled with more than strong expressions of preference. Beyond political support, what city councillors and agency officials find most helpful is research that bolsters their own work. In a study of 1,738 nonprofits, David Arons and I tried to determine the foundations of advocacy success. We found that the strongest indicator is a nonprofit’s research capacity. Those organizations that generated real research of their own were the most likely to be contacted by government officials.<sup>12</sup>

This may seem to indicate that if local advocacy groups are to maximize their effectiveness, they need to hire PhDs or other skilled researchers. Financially, this is beyond the reach of the vast majority of urban nonprofits. Nevertheless, advocacy groups staffed by volunteers contributing their time can still develop valuable research. In cities, a large proportion of all issues—such as economic development projects, rebuilding schools, or siting new facilities—involve one specific neighborhood. Neighborhood groups can find real experts (engineers, architects, college professors, librarians, planners, local historians, etc.) within their home turf. Moreover, city agencies are often strapped, with insufficient personnel to fully staff their own initiatives, and city councils are not like Congress, with its enormous staffing capacity. If you have something of substance to offer, people in government may ask for it!

Success also derives from staying in the game, because issues often take years to reach some sort of resolution. This is especially true of project planning around real estate development, transportation projects, and new public works. The roles of citizen groups and neighborhood associations are helped by formal regulatory requirements for citizen participation that derive from federal, state, and local laws.<sup>13</sup> This process is brought to life in Susan Ostrander’s book *Citizenship and Governance in a Changing City*, on politics in Somerville, a city near Boston. She traces how citizen groups provided representation for neighborhood residents as the city slowly moved through its processes to consensus over redevelopment and mass transit issues. Groups did not find their voice right away but did succeed over time.<sup>14</sup> As government officials try to “get to yes” with stakeholders, long-term collaborators with real expertise are the ideal negotiating partners.

## Impact

Ultimately, the bottom line for determining what works in advocacy is impact on policy decisions. The evidence here is strong. My own work with Kent Portney, referenced earlier, systematically examined the impact of environmental advocacy on city government. For each of fifty cities

studied, we had measures of policies and programs across thirty-eight areas relating to sustainability. Examples include industrial recycling, tax incentives for environmentally sensitive development, bike lanes, and brownfield remediation. The scores for sustainability efforts in each city were then linked to the level of advocacy, and the resulting measures showed a very strong positive relationship. In straightforward terms, the more citizen group advocacy was incorporated into the policy-making process, the more commitment the city showed to sustainability and environmental protection.<sup>15</sup>

Research that is more qualitative in nature is convincing, as well. To cite just one work, economist Joan Fitzgerald found citizen groups and neighborhood associations highly influential in transit-oriented development, urban economic revitalization, and sustainability policy. For example, neighborhood organizations in Los Angeles and Long Beach took the initiative to reduce pollution at the large ports there. Eventually, they allied with the Natural Resources Defense Council, and in turn formed part of the Coalition for Clean and Safe Ports. Fitzgerald concluded that this advocacy “has been instrumental not only in cleaning the ports but in improving the quality of jobs for port workers.”<sup>16</sup>

At the same time, success for citizen advocacy is difficult to define in precise terms, because it typically involves compromise. To sit at the bargaining table is to enter into a set of expectations as to openness to compromise. Yet, depending on the context, compromise may mean playing defense to the other side’s initiative. For a variety of reasons—not the least of which is a constant need to expand their tax base—cities have a bias toward development. This can entail tough choices. A Boston developer purchased a dilapidated building that used to be home to the Dainty Dot Hosiery factory. The builder planned to tear the building down and replace it with a high-rise containing 180 condominiums. The building sat on the edge of the city’s Chinatown, a small neighborhood characterized by modest buildings and hemmed in by an increasingly robust downtown business district. It is also home to a surprising number of neighborhood groups—Chinatown

Main Street, the Chinatown Neighborhood Association, and the Chinese Consolidated Benevolent Association, to name a few. In a deal brokered by the mayor’s office, these citizen groups and the developer agreed to reduce the size of the building to 147 units (and make it 75 feet shorter); and, per the initial plan, 47 units of affordable housing would be constructed at another site.<sup>17</sup> Was this a victory for the neighborhood groups? On one level, yes, because the developer compromised by reducing the building’s size; but on another, no, because the new building could only result in raising the underlying value of adjacent land, making it that much more difficult for the Chinese restaurants and grocery stores to survive over the long term.

Yet the bias toward development sometimes plays to the advantage of neighborhood groups. Efforts to revitalize the urban core often revolve around new amenities designed to attract young professionals away from adjoining suburbs. Relevant projects may involve light rail, transit-oriented development, innovation districts, newly designed “green” buildings, parks and recreation facilities, and an increased array of restaurants and entertainment venues. Researchers link such endeavors to city-level economic growth, adding to the incentives for cities to move in this direction.<sup>18</sup> These initiatives create real leverage for neighborhood groups, as both business and government leaders need citizen support for moving forward with projects that may be costly, disruptive, and controversial.

This portrait of success is one tied to conventional politics. Saul Alinsky may be a source of inspiration for some neighborhood activists, but protest-oriented activity is difficult to sustain. Absent a level of outrage that can support a local movement for an extended period, the best strategy for a group is to be seen as a long-term collaborator on which city officials and business leaders can rely for accurate information.

Policy-making is complex, with many different actors participating in what is often a long and drawn-out process. Evaluating the precise impact of advocacy on a particular issue is difficult, but research is convincing as to what generally works. What we know is that to maximize

Absent a level of outrage that can support a local movement for an extended period, the best strategy for a group is to be seen as a long-term collaborator on which city officials and business leaders can rely for accurate information.

effectiveness, nonprofit leaders should make choices that (1) commit resources to lobbying; (2) build an internal research capacity; and (3) ensure that the organization participates on an ongoing basis in mandated citizen participation programs. It's reasonable to expect that such commitments will lead to increased access to government, respect of the private sector, and a seat at the bargaining table.

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15. Jeffrey M. Berry and Kent E. Portney, "Sustainability and Interest Group Participation in City Politics," *Sustainability* 5, no. 5 (May 2013): 2077–97. The data on city programs were derived from Portney's research, and his aggregate rankings of cities can be found at [ourgreencities.com](http://ourgreencities.com).
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# Housing First

## and the Research and Practice Relationship in Advancing a Field

by Ruth McCambridge

This article discusses how a field can be developed through practitioner relationships with independent researchers who care primarily about advancing knowledge that improves the field rather than necessarily advancing the field as is—two very different motivations.

**Editors' note:** Stephen Gaetz, a professor in York University's faculty of Education, director of the Canadian Observatory on Homelessness and of the Homeless Hub, and president of Raising the Roof, is at the forefront globally of research on homelessness and mobilization of that research to effect change at the level of public policy. His most recent publications are *A Safe and Decent Place to Live: Towards a Housing First Framework for Youth and Coming of Age: Reimagining the Response to Youth Homelessness in Canada* (both 2014).

*Pathways to Housing* was formed in 1992 under the principles of the "Housing First" approach, innovated by founder Sam Tsemberis, at the time a professor of psychiatry at New York University, whose work around solving chronic homelessness began in New York in the early nineties and since then has become a model that is replicated globally. The Housing First model is based on a core set of principles: (1) Move people into housing directly from streets and shelters without preconditions of treatment acceptance or compliance; (2) The provider is obligated to bring robust support services to the housing. These services are predicated on assertive engagement, not coercion; (3) Continued tenancy is not dependent on participation in services; (4) Units [are] targeted to most disabled and vulnerable homeless members of the community; (5) Embraces harm-reduction approach to addictions rather than mandating abstinence. At the same time, the provider must be prepared to support resident commitment to recovery; (6) Residents must have leases and tenant protections under the law; (7) Can be implemented as either a project-based or scattered-site model.<sup>1</sup>

While there are critics who argue that the model rewards bad behavior (housing is provided for addicts without the usual preconditions demanded by other programs, such as, Kick the addiction first, then you get a home) the radically simple approach

RUTH MCCAMBRIDGE is the *Nonprofit Quarterly's* editor in chief.

has, according to advocates, been incredibly effective with those who are most chronically homeless.



**“Housing First is one of the models I think we can legitimately call a ‘best practice’ now, because over the years the evidence has accumulated across sites and involved different types of research.”**

**S**TEPHEN GAETZ CALLS HIMSELF AN ENGAGED scholar, which means that he sees himself as an agent for change, having an impact on both policy and practice. Gaetz is well known for his work in Canada on Housing First, the homelessness program that has proven itself to be extraordinarily effective with—predominantly—single homeless men in the United States, Europe, and Canada. His work focuses less on the level of outcomes and more on looking at the processes of applying the model in various communities—or, as he puts it, “How you get from the concepts to the actual implementation, and what happens in between.”

Gaetz has embedded himself in the field, doing a lot of collaborative work with communities, national and regional organizations, and all levels of government. For instance, the Canadian Observatory on Homelessness is currently working with the At Home/Chez Soi team (the world’s largest research project on Housing First) to develop evidence-based assessment tools for communities engaged in the Housing First approach. In an area where private consultants’ products dominate, the goal is to connect researchers with the users of research in the nonprofit sector and in government in order to help provide communities with options that are reliable and evidence based. So, as he summed it up, “like the applied side of the research across Canada. That’s it.”

But that is a lot. Getting an effective program proven, recognized, replicated properly, and then written into policy in such a way that funding becomes available is no small feat. “There were clearly Housing First–like programs in existence before it became a popular concept,” says Gaetz, “but between Pathways in New York and then some work in LA in the ’90s, it started to get traction and a name. The good news is that someone like Sam Tsemberis [the psychiatrist credited with firmly establishing the concept] thinks very conceptually, so the model was not simply a description of the clinical side of the work but—perhaps even more important—laid out the key core principles that underlie the work.”

In addition, the effort to establish an evidence base for the work started early. Gaetz described

the attention to research as key to the program, because “the reality is that policy and practice aren’t always driven by evidence. So, Housing First is one of the models I think we can legitimately call a ‘best practice’ now, because over the years the evidence has accumulated across sites and involved different types of research.”

But according to Gaetz, being a good idea that is well proven and has effective spokespeople is not enough. “It also aligned with a number of other things going on in the early part of the turn of the century. You had a convergence of things happening politically that aligned with the model. You had this evidence base for a very significant conceptual paradigm shift in how to respond to homelessness. And you had the ten-year plan idea emerge. These began to be supported by the nonprofit advocacy sector, which had some effective spokespeople—the National Alliance to End Homelessness taking the lead—and then also at the government level through the United States Interagency Council on Homelessness. These thought leaders were successful in conveying to communities and local government that we can and must do things differently.

“And this might sound odd coming from me,” Gaetz continued, “but style is important. Can you grab and keep an audience? It’s funny, but in our sector we always say, Ohhhh, tsk-tsk, too showy! But it’s important, and that is something that I’ve had to learn.”

Presentation is important, says Gaetz, because “even if people hate the present, they tend to hate change more. You have to grab people. So, you have people, you have the idea, you had the conceptual shift that was tied to ten-year plans, you had support within government and outside, you had infrastructure in place to spread the ideas—and then come the funders in force.”

But that certainly was not a time to rest, because that convergence point that advocates long for carries its own set of problems. “I think it’s important to realize that when something becomes well known and popular—when it becomes official policy and something funders want to do—that’s a good thing, but it’s also dangerous, because communities may feel that they need to implement the idea but may do it very poorly because they do not understand or care about the design.”

And, as with every such policy, there are unintended consequences that should be—but often are not—watched closely. Gaetz believes that in the case of Housing First, the consequence of singularly prioritizing chronically homeless people with high-acuity mental health and addiction issues, while a laudable goal, also resulted in not sufficiently attending to the whole array of issues fueling the problem—in other words, prevention. “To me, this selectiveness comes from the politics of scarcity in the United States—you know, we only have *this* much money—and I think that the consequences of that are very negative, and I’m wary of when we say we have to do *this first*. And the metaphor that gets used—and gets used up here [in Canada], too—is that it’s like an emergency room: we triage and prioritize people who are close to dying. But you would never, *ever* build a whole healthcare system around what happens in the emergency room.”

And the metaphor, he says, is false, in that it limits the response to homelessness to one priority group, thus excluding much-needed focus

on other populations. Housing First has primarily been proven successful with single adult men, “but how do we deal with homelessness among adult women fleeing violence, who are often not necessarily visible because of safety issues but are nonetheless important?,” he asks. “How do we deal with youth who are maybe too young to be considered chronically homeless? It’s hard to be homeless for twenty years when you’re sixteen! So, that kind of thing. What I’m saying is, we need a ‘solutions to homelessness 2.0’ that still keeps Housing First central, that recognizes the importance of prioritizing chronically homeless people—but as *one* priority—and that also focuses on the needs of other subpopulations and works on addressing the flow of people into homelessness. Because, in a way, we’ve talked ourselves into a trap, I think, by overpromising that if we do ten-year plans—if we simply prioritize chronically homeless people—we will solve homelessness.”

You need to do three things to address homelessness, says Gaetz: “You’ve got to prevent it from happening in the first place, number one.

“[I]n a way, we’ve talked ourselves into a trap, I think, by overpromising that if we do ten-year plans—if we simply prioritize chronically homeless people—we will solve homelessness.”



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"A lot of people I know will complain that you can't reduce homelessness to a dollars and cents thing, but my argument is, You know what? In your arsenal of tools, use whatever works and is really good."

You're going to need a crisis response (because no matter how good your prevention is, bad things will happen), number two. And, number three, you've got to move people out of homelessness with the supports that they need. And for the longest time, we were stuck on that middle part. That's where investment is, and I would argue it's still in many ways largely there."

Asked about the rather phenomenal volume of research associated with Housing First as compared with other approaches and interventions, Gaetz replied that the historical lack of a strong link between research, policy, and practice in the homelessness sector may in part be due to a lack of interest among funders but may also reflect a kind of anti-intellectualism about the role of research in decision making. "When I worked in the sector, there were always people who said, 'We don't need research—we know what the problem is, we know what the solution is.' And I always tell people we're generally at least partially wrong on all three of those. But maybe the reason that Housing First has been so researched is very directly because it emerged out of a mental health and addictions space, where there are not only substantial funding differences but also an inherent interest in research. If Sam Tsemberis had been a social worker in Idaho doing Housing First, things may not have evolved in the same way—but he's a researcher. My point is, the intervention emerged out of the mental health sector, not the social work sector, even though there are strong social work components. And again, most of the homelessness work, if up to social workers, would mostly be situated not in that space but in a more social work/charitable model context."

But some of the research about the model that received the highest profile was on cost savings, meaning the idea that if formerly chronically homeless people were off the street and had resources to pull from, they would pull less from expensive crisis-service budgets. "I think it's what we would call 'symbolic' or 'strategic' use of research. For some decision makers, that's what they want to listen to. And rhetorically, what a brilliant (and true) point to be able to make. Because the 'something different' that we are asking you to do may be counterintuitive, but it works. Not only does it work, it saves money."

Of course, acknowledges Gaetz—understanding the complexity of how in-government cost offsets really work—this doesn't mean that when you house somebody and they use less of or become less involved with the legal system, or use health services less, the government then reduces its health budget or its corrections budget. But it does mean that those institutions can do different things.

"A lot of people I know will complain that you can't reduce homelessness to a dollars and cents thing, but my argument is, You know what? In your arsenal of tools, use whatever works and is really good. And the At Home/Chez Soi project in Canada has, I think, done the best work on that whole issue of cost offsets that's ever been done—the most sophisticated work in terms of service utilization prior to being housed and after. And the evidence is there—particularly for that very complex group of people that were served by Housing First. That's actually where most of the savings accrue, so it's been good. It's been strategic, but that's a good use of research. And we shouldn't be afraid of that."

This style of engaged and formative research is all about creating impact, says Gaetz, and simply writing an article that three people read is not that. "You want policy-makers, you want to help practitioners and the public, and as researchers we're not trained to do that. You want those people to take on and learn from the research and do something. So, yes, my role is to help figure out what works, for whom it works, how it works—and figure out how to communicate that effectively to the people who need to know.

"But convincing people to pay attention is insufficient. We need to keep testing the model and expanding the view. We need to understand how it works for different subpopulations, because if you're in education or healthcare, you'd be a fool today not to talk about diversity and the need to make sure your response addresses the needs of different groups of people. Some proponents of Housing First assume that those kinds of issues of difference disappear, and really it's all about individuals.

"In Canada, the issue would be around Aboriginal people and the history—what we've done to that population and thus how we've alienated

them from service use. How do we make this or another approach work in that context? How do we make it work with families? How do we make it work with young people leaving care? The point is, Housing First is based on solid principles and theoretically should work for anyone. We just need to adapt it to meet the needs of different population groups.”

Gaetz returns again and again to the importance of the principles of Housing First when implementing and researching the model. “Educating people about Housing First is a huge challenge, because you think it’s straightforward: read this document, watch this film by Sam Tsemberis, read this paper, read this report. But in fact, people may or may not do that, and the misunderstandings about what it is, even for those who buy into it, is profound. The principles can bring you back to basics quickly. So that whole piece around fidelity to the model accompanied by necessary technical support is really

key to its success. So we have to be mindful of that. I think with any model it’s not enough to have the good idea, it’s not enough to write it down; that won’t ensure good implementation. I think that, as I said earlier, when Tsemberis first declared the core principles, that was a gift. Of course, they can be modified and reshaped, but they are a central reference point. That was very smart, I think, because, as I say, you have to be really careful when funders and policy drive an approach. I like that that happens, but one just has to be careful, because things can go awry.”

#### Note

1. Housing First core principles as outlined by DESC in *Why Housing First?*, [homeless.ehclients.com/images/uploads/DESC\\_Housing\\_First\\_Principles.pdf](http://homeless.ehclients.com/images/uploads/DESC_Housing_First_Principles.pdf).

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# Looking Back *at the* War on Poverty: *A Conversation with Sheldon Danziger*

It is hard to determine whether or not an effort like the War on Poverty has worked when it is veiled in political rhetoric, affected by multiple significant variables, and largely misunderstood. One such variable is that antipoverty programs operate in the context of overall economic conditions. As Danziger explains, “increased productivity of the economy has been captured over the last several decades by the economic elite, and has led to a long period of rising inequality”; this, and not government programs, is why poverty is high. If we are going to make progress against poverty,” the author concludes, “we have to change views about what government programs have accomplished, and we have to change views about why people are poor.”

IN SOME POLITICAL CIRCLES, IT IS AUTOMATICALLY assumed that the War on Poverty was a failure. At the National Urban League conference in July of 2015, former governor of Florida and presidential candidate Jeb Bush described the War on Poverty as a “decades-long effort [that] while well intentioned, has been a losing one. And the casualties can be counted in the millions who never had the chance at work and whose families fell victim to drugs, violence, and the crushing of the spirit.” Arthur Brooks, president of the influential conservative think tank the American Enterprise Institute, described the “failure” of the War on Poverty as one of the reasons for writing his new book, *The Conservative Heart: How to Build a Fairer, Happier, and More Prosperous America*. As Brooks explained, while “there have been some government programs that have alleviated a non-trivial amount of material need [...] the

initiative has been a failure ultimately because it didn’t meet its own original aspirations [...] and] the big-government apparatus we’ve set up in the decades since has failed to meet these aspirations. Policy-makers couldn’t give people what they need and want—earned success, dignity, and a sense of moral worth. Further, it lowered incentives for employment and family formation. So after at least \$15 trillion in spending, we transformed ourselves from a society that had way too much poverty into a society that had less material need but also less work and family.” Representative Paul Ryan, who wrote his own antipoverty plan as chairman of the House Budget Committee, describes the history of the War on Poverty in an interview with John Stossel as “basically managing poverty, and as a result, we’re perpetuating poverty—and so many of these programs end up disincentivizing work.”



Such statements are all basically reprises of Ronald Reagan's assertion in his 1988 State of the Union address: "Some years ago, the federal government declared war on poverty, and poverty won." Reagan was wrong then, and the broad-brush assertions of his political descendants are wrong now. And Sheldon Danziger, president of the Russell Sage Foundation, former director of the Institute for Research on Poverty at the University of Wisconsin–Madison, and former director of the National Poverty Center at the University of Michigan, is well positioned to explain why.

Danziger doesn't deal with political sound bites but rather deep research into this country's anti-poverty efforts. The author, coauthor, and editor of several volumes on the policies, practices, and outcomes of the War on Poverty has examined in exhaustive detail the meaning and relevance of the War on Poverty for today's social policies—particularly in *Fighting Poverty: What Works and What Doesn't* (1986, coedited with Daniel Weinberg), *America Unequal* (1995, coauthored with Peter Gottschalk), and *Legacies of the War on Poverty* (2013, coedited with Martha J. Bailey).

Programs that had their origins in the War on Poverty exist today, with continued significant impacts in urban and rural communities across the country. There are Head Start, Section 8 housing subsidies, Legal Services Corporation programs, food stamps (now SNAP), Medicare and Medicaid, Volunteers in Service to America (VISTA), programs for low-income education, neighborhood health centers, and much more—all of which were created in, or significantly expanded during, the War on Poverty, launched during the administration of President Lyndon Baines Johnson. But the War on Poverty is much more than a list of categorical programs. Johnson thought of the War on Poverty as an integrated bundle of efforts addressing "[p]overty as a national program, requiring improved national organization and support," as he explained in his 1964 State of the Union address. Moreover, the War on Poverty was more than simply programs; it was built on the infrastructure of the mobilization done by the poor themselves through community action agencies that gave voice and power to those constituencies that were to be helped by the programs.

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Danziger’s research dives into the categorical programs of the War on Poverty, the interaction of specific programs with the community infrastructure that was to inculcate and implement them, and the programs that emerged in the ensuing years. To explore what worked and what continues to work in the War on Poverty, Danziger was interviewed by *Nonprofit Quarterly* National Correspondent Rick Cohen, whose own involvement in the War on Poverty was as a young planner for Action for Boston Community Development—one of the original antipoverty agencies—and later as an evaluator, consultant, and technical assistance provider to community action agencies around the nation.

**Rick Cohen:** *With so much polarized political discourse over the decades around matters of public policy, we tend as a nation to forget that in fact we know a great deal about what works and what does not, due to the efforts of the people in the trenches and the academic researchers, historians, and journalists tracking those efforts over the years. The War on Poverty, a subject that you have done much research on, of course, is one such public program that politicians argue over. Can you talk a little about what you think are the lessons of the War on Poverty in terms of what worked and where that takes us today?*

**Sheldon Danziger:** It is important to recognize that antipoverty programs operate in the context of overall economic conditions. Prior to President Johnson’s launching the War on Poverty, journalists and scholars—most notably Michael Harrington, in his book *The Other America*, and John Kenneth Galbraith, in *The Affluent Society*—pointed out that even though the American economy had grown rapidly from the end of World War II into the 1960s, there were many people being left behind. So, the War on Poverty was premised on the assumption that because the economy had grown steadily for the quarter century after World War II, the new poverty programs would just have to bring those left out into the economic mainstream.

This was a period during which a rising tide did lift all boats, with wages adjusted for inflation increasing across the occupation and education

spectrum for blue-collar workers with a high school degree and managers with a college degree. This golden age of the economy was the background against which the War on Poverty was launched. Johnson’s economic advisers assumed that this economy would continue. The focus in the Johnson programs was on bringing people into the mainstream by increasing their education and, most importantly, reducing discrimination, so that those who had been left behind could now move forward.

The War on Poverty was closely linked with the civil rights movement. For example, Head Start would increase school readiness, the Job Corps would increase employability, and the first federal aid for scholarships in higher education would increase college attendance. All of these programs sought to build human capital to raise the earnings of the next generation of workers. In addition, many of the programs raised the incomes of the poor or expanded their access to basic services. These included the Food Stamp Program, Medicare, Medicaid, increases in the minimum wage, and increased Social Security benefits. All of these programs and policies were put in place in the early years of the War on Poverty; almost all of them still exist today. Taken as a whole, many were successful in the sense that they have reduced poverty.

Now, you might ask, “How can you say that they have reduced poverty if the poverty rate today is about the same as it was forty-five years ago? How can you say these programs are effective if the poverty rate is high?” The research clearly makes these points. It is the political discourse that is wrong, because it views the War on Poverty in isolation and ignores what has happened in the economy at large since the early 1970s. Ronald Reagan famously said, “The government fought a War on Poverty and poverty won,” suggesting that poverty won because the government programs were flawed. A long line of Republican politicians continue to make the exact same case. However, the research evidence says that poverty is high because in the 1970s a rising tide stopped lifting all boats. Indeed, most of the benefits of economic growth for the last almost-forty years have gone to the economic elite. Workers with a high school

degree or less have been left behind; their wages adjusted for inflation are lower; and fewer have employer-provided health insurance and pensions than was the case in the 1970s.

In the War on Poverty era, economic growth each year was reducing poverty, and the poverty programs reduced poverty as well. The economy and poverty programs were complementing each other. Indeed, the official poverty rate fell substantially in the decade after the War on Poverty, hitting its low point in the early 1970s. Since then, in many years the economy has been increasing, not reducing, poverty, with government programs offsetting some of that increase. Because the economy and the poverty programs are working in opposite directions, you end up with a roughly constant poverty rate that rises during recessions and falls during recoveries, but remains above the rate of the early 1970s. The poverty-increasing factor today has been the slow growth and rising inequality in the economy. This is not in dispute. Even full-time, full-year workers today earn more than they did at the turn of the twenty-first century. The problem is that the political discourse fails to place the history of the antipoverty programs into the economic context.

**RC:** *I would assume, though, that the measurement of what is poverty also has to be addressed.*

**SD:** Certainly. One reason that antipoverty programs are considered ineffective is that our official poverty measure does not count noncash benefits like food stamps (now the Supplemental Nutrition Assistance Program, SNAP) and the earned income tax credit (EITC). These are among the largest programs for poor families with children, and a modernized poverty measure shows that they take millions out of poverty. Our current measure was adopted during the Johnson administration based on research done in the early 1960s by Mollie Orshansky, a Social Security Administration researcher. At the time, most government aid was provided in cash, so no one objected when the poverty line was based on cash income.

**RC:** *So, if you did account for them, you'd have a different calculation.*

**SD:** That's right. There is very good research by Jane Waldfogel and her colleagues at Columbia University—published in the summer 2015 issue of the *Journal of Policy Analysis and Management*—that shows that poverty has declined substantially since the War on Poverty because of these noncash government programs.

There is an important point that no one disputes, even though it is ignored by all of those who say poverty won. And that is, the most successful outcome of the War on Poverty was the dramatic decline in poverty among the elderly. The rapid expansions of Social Security benefits, the indexing of Social Security benefits to inflation, and the introduction of Medicare and Medicaid meant that by the early 1970s, the elderly had a European-style safety net. That is, they are now protected from inflation and from economic and health shocks. In contrast, the typical *worker* is not protected from inflation or economic or health shocks. The wages of workers have stayed relatively constant because the minimum wage has not kept up with inflation and firms have chosen to keep profits high by holding wages down. There have been some gains for workers regarding health shocks in the last few years because of the Affordable Care Act, known as Obamacare. If you have the good fortune of living in one of the states that has adopted Obamacare's Medicaid expansion, you will now have access to coverage if you are poor or near poor, and it is less likely that you will end up in bankruptcy as a result of a health shock.

**RC:** *It strikes me that a distinction between the programs for the elderly and other kinds of programs is that the programs for the elderly were universal for that age group. I mean, you hit Medicare age and you were covered, whether or not you were poor or likely to be poor.*

**SD:** That's certainly true. The one exception to that, which I didn't mention previously, is the Supplemental Security Income program (SSI), which was passed during the Richard Nixon administration. In 1969, President Nixon, influenced by Daniel Patrick Moynihan (who was then a key domestic policy advisor), proposed the Family

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Assistance Plan (FAP)—a guaranteed annual income for all of the poor. FAP was rejected, but SSI, a guaranteed annual income for the elderly, blind, and disabled poor, passed. At the time, many of the elderly weren't covered by Social Security—for example, farmworkers and domestic workers had been exempted for many years due to opposition from Southern legislators. SSI was very important—particularly for elderly blacks in the South—because many had been employed in uncovered occupations. They became eligible for a minimum income under SSI.

**RC:** *But, if we take SSI out of the equation for a moment, it seems like there were two different kinds of models here. One was a model of programs specifically targeted to people in need, and other models were more universal—that is, of programs that were either covering people of a particular group regardless of their economic circumstances or were trying to be preventive so that the group in question would not fall into poverty. Is there a sense of whether the targeted programs or the universal programs were more effective? Is there a political or an economic analysis regarding which were more effective?*

**SD:** It's hard to sort this out for the following reason. Americans are more likely to approve of universal programs for the elderly, because there is widespread agreement that the elderly are not expected to work. The current retirement age has increased from sixty-five for my parents' generation to sixty-six for my generation to sixty-seven for my children's generation. Some politicians have proposed raising the retirement age even further, but this is not a popular proposal. In contrast, there is a long American tradition of suspicion about the poor. Liberals [though] tend to think that the poor aren't working because they don't have the skills employers demand or employers don't want to hire certain people, such as welfare recipients or released prisoners. Given the disagreement about why people are poor, it is difficult for Americans to accept universal programs across the board.

In addition, many economists suggest that universal programs are economically inefficient

but more popular because many of the benefits get captured by the affluent. Consider the mortgage interest deduction in the federal income tax, which is universal. If a typical worker buys a house for \$120,000 at 4 percent interest, he or she would deduct roughly \$4,000 a year from taxable income on a \$100,000 loan. If someone else buys a home that is ten times that value and has a \$1 million loan, they can deduct \$40,000. In fact, a very large percentage of the value of the homeowner deduction benefits the economic elite.

Americans are less likely to back universal programs than are Europeans—in part because Europeans are much more likely to say that poor people are poor through no fault of their own. For example, when the global economy fell into recession in 2008, it was clear that many people were laid off because their employer went bankrupt, not because they were too lazy to work. At the time, I actually thought that the recession was so severe that politicians and the public might gain a more positive view about the importance of unemployment insurance, a universal program for laid off workers. In fact, the reverse occurred. In 2009, the American Recovery and Reinvestment Act—also known as the “stimulus”—modernized and updated the unemployment insurance program. As the number of those getting benefits increased, you began hearing politicians claim that unemployment insurance is like a hammock, allowing people to avoid going back to work. In recent years, a number of states cut back their programs and now provide fewer weeks of coverage than they did *before* the Great Recession. This example suggests that we don't have universal programs because Americans tend to blame the poor and unemployed themselves, and not external economic factors, for their circumstances.

**RC:** *As a junior-level person working at Action for Boston Community Development during the War on Poverty years, I remember very clearly President Johnson saying that part of the reason for having a War on Poverty was that we were a “great society” with the resources to try to eradicate poverty. At the time, it felt like there was a significant increase in the governmental provision of financial resources for the War on Poverty*

*programs, reflecting LBJ's perspective that this was what an affluent nation like ours could and should do.*

**SD:** That's right—there was a massive increase in government support due to Johnson's initiatives. Another neglected lesson from the War on Poverty is that only federal action could achieve the goals President Johnson set out. Unfortunately, many conservatives who claim that the War on Poverty was a failure also want to give more control over antipoverty programs like food stamps and Medicaid to the states. Johnson realized that the states could not afford to fund these programs with their own funds, and that, if there weren't federal controls, some states would make choices that would hurt the poor.

Consider what happened when Medicare was passed. The hospitals realized there were millions of uninsured elderly people who were going to get covered by Medicare. However, the Johnson administration said that no Medicare payments would be made to segregated hospitals. This ruling led to the eventual desegregation of hospitals throughout the South, which would never have happened if the states had controlled the rules. There is now research documenting that because Medicare led to hospital desegregation, large numbers of black women gave birth in hospitals instead of at home, and black infant mortality declined. The Johnson administration carried out a similar policy for local schools that would get federal funding from the Elementary and Secondary Education Act—no funds for segregated schools.

There is also recent research showing that when the Food Stamp Program was rolled out, child health and education attainment subsequently increased, and research that shows that the introduction of Head Start improved the long-run education of poor children.

**RC:** *It seems like one of the elements of the War on Poverty that you are describing is not that the hospitals were doing something different in the way they treated people; it was that the people who previously hadn't been allowed to go to the hospitals suddenly had access. So in a way, it was an institutional kind of*

*pivot—guaranteeing all and not just some poor people access to services—as opposed to a pivot of technique in the way we treat poverty.*

**SD:** Yes, that's exactly right. The Johnson administration was not a radical administration. It gets criticized on the right for spending too much money, and on the left for not making big structural changes in economic relations. It was very much focused on providing opportunities to those who had been left behind. The War on Poverty had a broad vision that included strategies for maintaining high employment and accelerating economic growth (both Keynesian macroeconomic goals), improving regional economies, rehabilitating urban and rural communities, improving labor markets, expanding educational opportunities and opportunities for youth, improving the nation's health, promoting education and training, and assisting the aged and disabled.

Fighting discrimination was a new and important priority that was part of this vision. When I talked about my book [*Legacies of the War on Poverty*] on Jesse Jackson's Chicago radio show, Jackson made the point that Johnson is underappreciated by the Democrats because everybody associates him with Vietnam, and they don't give him enough credit for having used government policy to simultaneously fight discrimination and poverty.

Johnson didn't do anything about providing jobs for the unemployed. The historical record shows that Willard Wirtz, the secretary of labor, and Daniel Patrick Moynihan (who at the time was an assistant secretary of labor) were pushing for a public jobs program. But Johnson didn't think you needed a Great Depression/Works Progress Administration-type jobs program, primarily because his economic advisers were optimistic that a rising tide would continue to lift all boats. With a growing economy, they assumed that if you gave people the skills and reduced the discrimination against them, they would get jobs in the mainstream economy. As a result, the Johnson administration did not set out to do anything about changing the mainstream economy or strengthening unions. It was very much a view that the War on Poverty would get the people who had been left

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behind into boats, so that their boats would rise along with everyone else's.

**RC:** *While he was the undersecretary of labor, Daniel Patrick Moynihan wrote his famous report on the state of the black family. . . .*

**SD:** So many people emphasize that by talking about a culture of pathology he was insulting black families. They tend to neglect that his core policy proposal was to provide public jobs. Early on, Moynihan was a proponent of a job strategy; and then, under Nixon, he got Nixon to propose a guaranteed annual income, which President Johnson had not endorsed.

**RC:** *But many people picked up on or went with the theory that Moynihan was saying that the problem was the structure and behavior of the black family—and I'm holding aside here his policy recommendation, as opposed to an institutional strategy that you're describing was the key to the Johnson administration's program. Did Moynihan's theory change the way that the War on Poverty programs were implemented?*

**SD:** I don't think so. Moynihan's theory had a larger effect in academia and on the research that academics did. About two decades later, William Julius Wilson refocused attention on both family structure changes and the loss of good jobs in our inner cities.

Many of the largest War on Poverty programs that Johnson launched have kept similar form and grown over time—for example, Head Start, food stamps, federal aid to education. There are some Johnson programs that have not grown over time—for example, the Legal Services Corporation and the Community Action Agencies. These organizations filed suits against discriminatory housing policies and welfare rules that contributed to an expansion of the welfare rolls, even though Johnson had not proposed major reforms in Aid to Families with Dependent Children. For example, a rule said that if you moved from Mississippi to Chicago, you were only entitled to the welfare benefit in Mississippi, not to the higher benefit in Chicago. There were “man in the house” rules that

were used to close a welfare case if any man was spending nights with the mother. There were a number of important Supreme Court rulings that limited state discretion that was often used to keep black families off of welfare. These legal actions contributed to a growth in the welfare rolls and to a backlash against welfare that doomed Nixon's Family Assistance Plan and ultimately led to the restrictive 1996 welfare reform.

**RC:** *You say that many of the programs from the War on Poverty have stayed similar or increased over time, but in mentioning legal services and community action. . . .*

**SD:** Yes, community action is one program area that the Nixon administration sought to constrain when it eliminated the Office of Economic Opportunity. Legal Services still exists and is a thorn in the side of conservatives. Reagan tried to cut it back. What Legal Services can do has been greatly cut back. Federal support for community action agencies has also declined.

**RC:** *There are still around 1,100 community action agencies. How critical to the success of the War on Poverty was community action—the idea of an antipoverty agency that was separate from local authorities, at least until the Model Cities Program came about? How important was that institutional role in effecting the kind of antipoverty changes that occurred through these various War on Poverty programs you have studied?*

**SD:** Those were the programs that in the decade following the War on Poverty had challenged the local political structures that, in many cases, were discriminatory. But the large federal programs—Head Start, Pell Grants, Elementary and Secondary Education Act, Medicare, Medicaid, Community Health Centers—actually have stayed and been expanded. The Food Stamp Program was even expanded under President George W. Bush.

The question is: Had the community action agencies not been diminished, would they have been able to do even more to help the poor? And that's a hypothetical question. I think it would be

wrong to say that because those programs were shut down, the War on Poverty was shut down. Certainly, those programs mobilized the poor and welfare recipients. They mobilized voting rights campaigns. Peter Eisinger's research shows that among black elected public officials, a very large percentage had worked in community action agencies or other War on Poverty programs. These include some of the first black mayors and city council members in many cities.

**RC:** *Presidential candidate Bernie Sanders recently tried to give a speech that was disrupted by a Black Lives Matter Movement protest claiming that his economic solutions—his recommendations calling for different kinds of employment programs and trying to address economic disparities—were not addressing issues of race or were really somewhat beside the point, and that race was a different issue. The protesters' contention was that racial discrimination and racial disparities were not really being addressed by solutions that are economic solutions addressing poverty. Have conditions changed today so that the lessons of the War on Poverty have something to say about the current issues of racial disparities and economic disparities and how to address them?*

**SD:** They're clearly connected in the following sense: If you propose a higher minimum wage, as Bernie Sanders does, the beneficiaries are going to be disproportionately African Americans, Latinos, women, and people with a high school degree or less. So, this is very reminiscent of the policy proposals put forward by William Julius Wilson, in *When Work Disappears: The World of the New Urban Poor*. He made the case that there are race-specific policies and there are race-neutral policies, and both of them can close disparities. A rise in the minimum wage, an increase in the earned income tax credit, and Obamacare are race-neutral policies that have disproportionate effects on racial and ethnic minorities, because these minorities are disproportionately poor.

A rise in the minimum wage, however, is not going to have an effect on police behavior. If police and the courts are treating African Americans and

Latinos differently from whites, then you need a race-specific policy change. The recent shooting deaths of unarmed black men remind us that we are closer to 1965 in terms of equal opportunity than we think we are.

The race-neutral expansion of economic opportunities can do a lot to reduce minority poverty, but voting rights is another area where there's been a reversal of progress. The public schools are another race-specific problem, where there are examples of some school districts, when required to desegregate their public schools, ending up reducing spending on public schools and fostering the growth of segregated private schools. The racial disparities in getting an equal education remain much larger than one would have thought after the progress that occurred in the decade after the enactment of the Civil Rights Act of 1965.

**RC:** *So, your perspective is that in order to deal with some of the racial dimensions of economic poverty problems, the combination of targeted and neutral programs has to be done. It's not one or the other?*

**SD:** I don't think it's one or the other. I have long been a proponent of a public jobs program of last resort, similar to what Moynihan was proposing in the War on Poverty era. The last time we had a major public jobs program was during the Carter administration—the Comprehensive Employment and Training Act (CETA). It provided around a million jobs and a lot of summer jobs for poor inner city youth who could not get private employers to hire them. These jobs of last resort are more important today because of the economic changes that have taken place over the past forty-five years. For example, labor-saving technological changes have increased demand for skills, and changes in employer hiring practices have left behind a lot of people, who end up having long spells of unemployment. If we live in a world in which we say to the poor and the unemployed that we expect you to work and that we no longer provide cash welfare, then I think it's fair to say we're going to offer you opportunities to work to support your family. Whether it's the long-term unemployed or ex-offenders or people with low skills,

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a jobs-of-last-resort program is race-neutral but would disproportionately affect racial and ethnic minorities. For example, many firms say they're not going to hire people who are ex-offenders. A low-wage job of last resort that would be available to ex-offenders would be a race-neutral policy, but it would disproportionately benefit African Americans and Latinos, who are disproportionately victims of the criminal justice system. And overincarceration is one of the few areas for optimism now, because conservatives have realized that we're wasting a lot of public money. They always want to cut government spending, and if we start sending fewer people to jail and save the money, that would be beneficial both for society as well as for those who do not get incarcerated unnecessarily.

**RC:** *Let's stay on the jobs issue for a moment, but leave aside the issue of a public jobs program and look at job training and job placement programs. Last year, President Obama tasked Vice President Biden with reviewing our nation's job training and job placement programs to figure out what worked and what didn't. I don't get a strong sense that workforce development has been an area of significant success in the history of the War on Poverty. Am I reading that incorrectly?*

**SD:** No, you're reading it right. Employment and training programs have fallen far short of what was expected of them by the Johnson administration. In part, it is difficult to know what to train people for in a world where the economy is changing so rapidly. And we live in a world in which skill demands have increased. I'm fortunate enough, being a computer dummy, that I have a job where the IT staff provides the services I need to carry out my work. But consider someone working on a manufacturing line that changes from one in which humans did all the work in 1975 to one in which robots do a lot of the work in 2015. If I don't have the technical skills that are now required, I am going to be laid off. There is now a greater burden on individual workers and public job training programs, because employers are not providing much on-the-job training.

**RC:** *So is there an alternative, or is the only alternative really a public jobs program?*

**SD:** There is a long-standing belief in the power of education to help people get good jobs. During the War on Poverty era, the goal was to get everyone a high school degree. Today, there is a realization that many good jobs require a technical certificate or a community college degree. For example, you may have to attend a community college to learn air conditioning/heating repair, or welding, or to work in a hospital. Previously, you might have learned these skills in an apprenticeship program run by a union or an employer. This is an example of a change in employer practices that has made it harder for workers with only a high school degree to get and keep well-paying jobs.

**RC:** *Again, then, you're talking about an institutional change—that because employers are not providing that kind of training anymore for their employees and in part because the economy has changed, a new institutional response was needed, and community colleges have filled this void. But to go back to one of your earlier points, you mentioned that the presumption that there was a growing economy that would lift all boats was an important theory during the War on Poverty, but that in our current economy, the postrecession economy in particular, wage growth has stagnated or even declined. The number of long-term unemployed has increased, and although we have lower unemployment, we have higher long-term unemployment. Given that the change in our economy doesn't seem to be for the positive in that sense, does this affect the way you would propose prescriptions for an antipoverty program going forward?*

**SD:** Sure. My defense of the War on Poverty as successful is essentially an argument that the expanded programs have been effective because if they had not expanded, poverty would be even higher today. In an economy in which a rising tide lifts all boats, it's less important to have the government raise the minimum wage, because firms are raising wages as productivity increases. That's the way the economy worked in the quarter

century after World War II, and it's how economics textbooks say it's supposed to work. But, in a world of labor-saving technological changes, declining unions, and changing employer practices, many jobs are disappearing and wages are not rising when productivity increases. Many of these changes benefit consumers but make work more precarious. For example, I can now get a book from Amazon with the click of a mouse and save the hour it would have taken me to walk from my office to the local bookstore; but, in the process, the local bookstore went bankrupt and workers were laid off. I can get an Uber to pick me up in places where there aren't many taxis; but the Uber drivers are independent contractors, and the earnings of cab drivers are falling.

Instead of a rising tide lifting all boats, the increased productivity of the economy has been captured over the last several decades by the economic elite, and has led to a long period of rising inequality. This was not the environment that the War on Poverty era was launched into. In other words, poverty is high because of the failure of the economy to benefit the average worker, not because of government programs. That's why I say I think we need a jobs program of last resort—because in a world of labor-saving technological change, declining unionization, and changing employer practices, there are a lot of people firms aren't very interested in hiring.

**RC:** *When you reference Uber and so forth, you're talking about a structure of the economy that is a casualization of employment, where people are not guaranteed hours, they may not be given benefits, they work as contractors rather than employees, they're not unionized. In my understanding of the economy, union membership has been a major step toward increasing the economic status for working people—so, even if you have a jobs program of last resort, much of the structure of the economy seems to be working against the kind of larger eradication of poverty that was envisioned by the War on Poverty.*

**SD:** I think that the issue is, what are the labor market policies that should be put in place in the

twenty-first century, given the kinds of technological changes that have taken place? There are many economists who have written about changes in labor relations laws that would make it easier for workers to unionize; there are many workers who would like to unionize, but our current laws make it very difficult for them to organize.

**RC:** *So, where does that leave us? What would you say our government needs to do now to make progress in eradicating poverty, at a time in which economic inequalities are growing rather than decreasing?*

**SD:** There are a series of what I call “modest” policy changes that would raise the well-being of people at the bottom of the income distribution. These could have a large effect on poverty, even if they have a small effect on inequality. Consider an increase in the minimum wage to \$10 per hour now, with a gradual increase over a number of years to \$15. It would also help if the states that have refused to expand Obamacare would do so. We now have evidence that Obamacare enabled millions of people to get health insurance coverage. An increase in the earned income tax credit for workers without children is something that both Paul Ryan and the President have endorsed. Where they disagree is how to pay for it. Maintaining the food stamp program as it is, making sure that you don't put a work test into food stamps, is also important. There are people who say that we successfully reformed welfare by implementing work requirements and that we should do the same for food stamps, but I think that would be a disaster. What's happened in the aftermath of welfare reform is that there are many people who can only get food stamps and Medicaid. The work requirements in welfare reform did lead to an increase in the number of single mothers who worked; but it also led to an increase in the numbers of people who could not get welfare anymore and who could not find a job. Many of these people now receive only food stamps and Medicaid. If work requirements were implemented in food stamps, it is likely that many of the people would not be able to find jobs and would have no public support at all, except Medicaid.

Instead of a rising tide lifting all boats, the increased productivity of the economy has been captured over the last several decades by the economic elite, and has led to a long period of rising inequality. This was not the environment that the War on Poverty era was launched into.

If we are going to make progress against poverty, we have to change views about what government programs have accomplished, and we have to change views about why people are poor. This requires a new appreciation of how the economy, globalization, technological change, and employer practices have contributed to our era of rising inequality.

And the policy that requires a bigger leap in the current policy context is jobs of last resort. Getting a million people into jobs paying the minimum wage would cost a significant amount of money. So would an expansion of early childhood education. But, if you want more parents to go to work, you've got to do something about increasing subsidies for child care. There are many programs consistent with the War on Poverty that could expand without radically changing the economy at large. That's very much in the spirit of the War on Poverty.

The Head Start program focused on getting kids ready for kindergarten by funding the program for poor four- and five-year-olds. Well, Early Head Start exists today. I'm a grandparent. I see how much my children and their friends pay for preschool so that the parents can work. Even college-graduate couples working in good jobs have a difficult time paying for day care. It is impossible for a family with minimum wage workers to put a two-year-old in child care without substantial public subsidies. If President Johnson had known about the importance of early childhood education the way we do now, I think he would have proposed Early Head Start from birth to five—not just from four to five.

A renewed effort in the spirit of the War on Poverty does not require a radical revision of the way the economy operates, in the sense that Johnson was not interested in a radical revision of the economy. Instead, public policies can raise the well-being of the bottom of the income distribution to what he would have said were minimum standards of decency.

**RC:** *So, many people believe that the War on Poverty didn't work, with the broader implication that government doesn't work, government programs don't work.*

**SD:** That's correct, and that's been the mantra since the Reagan years. We've had thirty-five years in which many politicians have stated, without reference to the research, that government is the problem and that there should be no new taxes and that we should let the market economy solve the poverty problem. In contrast, President

Johnson launched the War on Poverty by pointing out that economic growth on its own would not eliminate poverty. He believed in the market economy, but he understood that you needed both economic growth and antipoverty programs working together.

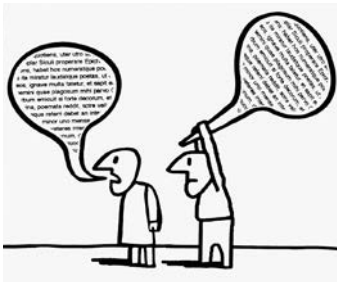
**RC:** *That means working within how the economy operates, but changing the perception of the efficacy of government, right?*

**SD:** If we are going to make progress against poverty, we have to change views about what government programs have accomplished and we have to change views about why people are poor. This requires a new appreciation of how the economy, globalization, technological change, and employer practices have contributed to our era of rising inequality. Many people still think that a rising tide will lift all boats, but we live in an economy in which productivity increases no longer trickle down to workers.

**RC:** *Paul Ryan's most recent antipoverty proposals seem to turn Johnson on his head, don't they? Rather than a national commitment, he says, let's give back to the states . . .*

**SD:** Yes, and that's exactly what is wrong. Consider what has occurred since the Supreme Court said that states were free to accept or reject the Medicaid expansion in the Affordable Care Act. Many states have refused to take federal funds that would provide coverage to the uninsured. Many of these states are cutting back unemployment insurance and restricting people's ability to vote. Johnson didn't trust the states to do the right thing when it came to helping the poor and protecting the rights of African Americans. I have no problem with providing some discretion to the states; however, if we give *most* of the responsibility for antipoverty programs to the states, I would expect a significant shrinking of the safety net.

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# Dr. Conflict

by Mark Light, MBA, PhD

If a disgruntled ex-board member is undercutting your relationships with funders, accountability, says Dr. Conflict, lies with the CEO. A thorough interview, background check, and time-limited committee work with the candidate do well to weed out the bad apples, and it is the chief executive's responsibility to ensure his or her board is not engaging in sloppy recruitment. But in the event of such a situation, use it as an opportunity to educate your board on the essential role advocacy plays in the success of your organization's mission.

**D**EAR DR. CONFLICT: We have a former board member who left the board feeling that he had “lost” some kind of fight. Ours was not the only board that he left in this way—in fact, he told me about epic battles he had fought on this or that other board where people did not see the light (according to him). He was always the hero in these stories—the bringer of truth; the others were usually described as being motivated by self-interest of some kind. And, actually, he is very smart, but he is also a fire starter, and sometimes in ways that are hard to trace.

So here is my situation. This guy is quite connected vis-à-vis state agencies, and I believe, though I cannot say for certain, that he is having a negative effect on our funders. I get the sense that our relationship with some of the agencies with which we have major contracts has become less robust. Conversations are less open. It is confusing, but I think I do see a pattern.

*How do I take such a thing on? What is the best way to proceed?*

*Need a New Friend*

Dear Need a New Friend, You don't just need a new friend—you need a posse. Dr. Conflict has seen people like your former board member many times before, but it's not all his fault that he's such a pain. It's yours, too. Surely you knew about his epic battles before you recruited him? And if you didn't, why not? What were you thinking, bringing this guy onto the board?

Some readers may say Dr. Conflict is talking to the wrong person. They believe the board alone is responsible for recruiting its members. But Dr. C sides with Robert Herman's concept of executive centrality, wherein, “since chief executives are going to be responsible and since they accept responsibility for mission accomplishment and public stewardship, they should work to see that boards fulfill their legal, organizational, and public roles.”<sup>1</sup> So

Dr. Conflict holds you accountable for the mess you're in.

Here are Dr. Conflict's recommendations: (1) make sure that this sort of sloppy recruitment doesn't happen again, and (2) deal with the renegade ex-board member by counterbalancing his message through your own robust advocacy effort.

First, with respect to board recruitment (and talent acquisition in general), you're in good company when it comes to recruiting: only one in five nonprofit chief executives “strongly agree that they have the right board members to effectively oversee and govern their organization.”<sup>2</sup> The best way to deal with this is recruiting better—or, as the saying goes, “Hire hard—manage easy.” Here are Dr. Conflict's rules of thumb:

- Begin with defining the job of the board and board member (these are different), including the mission for each job, expected outcomes and behaviors, and the competencies necessary to succeed.

- As often as possible, engage prospective board members in time-limited committee work before inviting them to the board. Why would you want a stranger on your central decision-making body anyway? This allows you to get a gander at his or her style. Does he or she divide to conquer? Mutter maliciously while others are talking? At the very least, use the referral rule for recruiting, which is that you (or someone you trust) already know the person you're going to recruit.
- Interview using a structured approach (every candidate gets the same interview), behavioral questions (tell us about a time in the past when you did such and such), and a panel of three or four people conducting the interviews (use your governance committee)—and play to the strengths of the prospective board member. That's because people, including board members, do not magically develop hard-wired competencies like personally asking others to give.
- Orient long. It can take a year or even longer for a new board member to rise to the top of the learning curve. Think about assigning another board member to be a buddy to the new recruit. Remember that newbies often don't know what they don't know, and you need to stay close and supportive.

Second, you mention that this former board member may be working against the agency's interest. If true, this would be unfortunate, but there isn't much you can do about it given that he is no longer on the board.

The board, of course, should be ambassadors for your cause. That's because advocacy is very important—especially for agencies tied into government funding. Anne Wallestad, president and CEO of BoardSource, says that

“advocacy is too important to the success of our missions to be considered something ‘extra’ or ‘nice to do.’ It's absolutely essential to the work of our organizations and our ability to fulfill our missions and serve our communities.”<sup>3</sup>

You can see the direction that Dr. Conflict is taking here. Although he has long promoted three essential board duties (decide direction, delegate effectively, and determine results, including financial and performance), the good doctor is starting to think that driving advocacy should be board duty number four.

And Dr. Conflict is now starting to think that advocacy might merit its very own standing committee of the board. Dr. C is no fan of lots of committees, and neither is the field, with the number of committees dropping from about seven on average in the '90s to about five today.<sup>4</sup> But that advocacy piece is a big issue these days, with ever-growing pressure on federal, state, and local budgets. A new collaboration called Stand for Your Mission “seeks to unleash the full potential of nonprofits to advance their missions by engaging board leaders more directly in the advocacy work of their organizations.” It recommends that nonprofit leaders take the following actions:

- Engage the board in a conversation about advocacy.
- Educate the board about it.
- Identify gaps in your advocacy network.
- Join groups that stay current on these matters and engage when the time is right.<sup>5</sup>

In the process of engaging your board to do the good work of advocacy, you will upgrade your recruitment tools with an added job of advancing your agency's agenda. That, in turn, will mitigate the possible damage of your ex-board member. That's a win-win for sure.

## NOTES

1. Robert D. Herman, “Executive Leadership,” in *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 3rd ed., ed. David O. Renz (San Francisco: Jossey-Bass, 2010), 161.
2. BoardSource, *Leading with Intent: A National Index of Nonprofit Board Practices* (Washington, DC: BoardSource, 2015), 13, [leadingwithintent.org/wp-content/uploads/2015/01/LWI-Report-2.pdf](http://leadingwithintent.org/wp-content/uploads/2015/01/LWI-Report-2.pdf).
3. Anne Wallestad, “Why Board Engagement in Advocacy Is Essential,” *Nonprofit Quarterly*, July 15, 2015, [nonprofitquarterly.org/2015/07/15/](http://nonprofitquarterly.org/2015/07/15/).
4. Mark Light, *The Strategic Board: The Step-by-Step Guide to High-Impact Governance* (New York: Wiley, 2001).
5. Stand for Your Mission (campaign), *The Power of Board Advocacy: A Discussion Guide for Boards* (Washington, DC: Boardsource et al, 2015), 7, [standforyourmission.org/wp-content/uploads/2014/09/Discussion-Guide.pdf](http://standforyourmission.org/wp-content/uploads/2014/09/Discussion-Guide.pdf).

**DR. CONFLICT** is the pen name of Mark Light, MBA, PhD. In addition to his work with First Light Group ([www.firstlightgroup.com](http://www.firstlightgroup.com)), Light is senior professional lecturer at DePaul University School of Public Service, where he teaches strategic management, human resource management, and ethical leadership. John Wiley & Sons published his most recent book—*Results Now*—in 2011.

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### Got Conflict?

Write to Dr. Conflict at [feedback@npqmag.org](mailto:feedback@npqmag.org) if your organization's conflict needs resolution.

# Human Development and Social Change: An Expanded Perspective on the Work of the Nonprofit Sector

by Jennifer Amanda Jones, PhD

Where such “wicked” problems as poverty, injustice, and environmental crises are concerned, the nonprofit sector is in over its head. We would do well to recognize where our current ways of thinking are ineffective in helping us to resolve the complex challenges.

**F**OR MOST OF HUMAN HISTORY, IT WAS assumed that development in adults was, essentially, the accumulation of knowledge. Scholars believed that *what* an adult thought could change over time, but *how* an adult thought plateaued shortly after adolescence. Research conducted during the last seventy years, however, has demonstrated that most adults continue to experience shifts in cognitive complexity throughout their lifetime.<sup>1</sup> Psychologists describe these shifts as stages, and the stages operate outside conscious awareness and in a paradigm-like fashion.<sup>2</sup> As it turns out, these stages shape our thoughts, attitudes, and behaviors in subtle yet powerful ways.

In this article, I explore the implications of developmental theory for the nonprofit sector. First, I offer a vignette describing three different donors. Then, I describe how these donors represent three different ways of thinking that are similar to the stages described by developmental theorists. I also briefly explore the muddy process of transition between stages. Finally, I present three important implications of this developmental logic

for the nonprofit sector, and suggest a new way of thinking about nonprofit work.

## Three Donors, Three Ways of Thinking

Imagine that you are the executive director of an after-school program, and you are in the middle of a major capital campaign for a new youth center. The new building will be located in a highly distressed neighborhood and will allow you to provide services to an additional two hundred youth each year. You predict that the programs offered at this new site will decrease gang activity, neighborhood violence, and teenage pregnancy, and, conversely, increase high school graduation rates and overall resiliency in the youth who participate.

It is Monday morning, and you have three meetings with major donors to explain the project and ask for their support. In the first meeting, Donor A, Alice, says to you, “This is exciting! It sounds like you know what you are doing. How can I help?” You leave this meeting feeling energized and ready to continue your campaign. In the second meeting, Donor B, Bob, says, “I like that you have an ambitious goal, but over the years I have

come to believe that parental involvement in youth development is key to achieving outcomes. I will support your program *only* if you also include a strong parental involvement component.” You leave this meeting feeling a little deflated but also excited about how you can improve your services through Donor B’s ideas. In the last meeting, Donor C, Camille, says to you, “Ah, youth development. This is an important part of improving our neighborhoods, and it certainly makes sense to provide after-school programming for our youth. But can you talk to me about how your work fits into a broader picture? Are there other, more systemic approaches that might also be considered, such as better incorporating youth into the area’s community economic-development plan?”

If you have worked in the nonprofit sector for any length of time, these three donors may sound familiar. In fact, you may have sat across from them in board meetings or chatted with them at fundraising events. It is easy to zero in on the content of their ideas, such as Donor B’s focus on parental involvement or Donor C’s mention of community economic development. It is important, however,

to also look at the structure of their ideas: *how* donors think about philanthropy is as important as *what* they think, and may be an integral yet overlooked component to generating social change through the nonprofit sector.<sup>3</sup>

## Donors and Human Development

Let us take a closer look at our three donors in light of developmental theory, beginning with Donor A. Although this vignette was oversimplified, we observe that Alice looks to sources outside herself to develop an opinion. In this case, Alice deferred to the expertise of the executive director. Alternatively, she might have reviewed the best-practices literature on youth programming to ensure the nonprofit was doing the “right” thing in the “right” manner. Either way, Alice’s ideas about what is the right approach are largely influenced by external sources. If the executive director’s ideas do not agree with the best-practices literature, for example, Alice would likely feel conflicted and unsure about how to proceed. Developmental psychologist Robert Kegan called this stage of adult development the “socialized mind,” and it is similar to what William Torbert described as the “diplomat” or “expert” stages.<sup>4</sup> Research suggests that between 8 and 14 percent of adults may fall under this general category.<sup>5</sup>

Donor B offers an example of what Kegan described as the “self-authoring mind” and what Torbert described as an “achiever” or “individualist.”<sup>6</sup> Such individuals typically have strong ideas and self-defined goals, or are actively engaged in the process of defining and redefining their ideas and goals. In this case, Bob is clear about what is important to him: parental involvement. He can articulate why it is important and how he came to believe this. People in this stage think broadly about their life experiences and use several types of information to

formulate their ideas. When various aspects of their experiences conflict—for example, if the best-practices literature does not match the needs of a particular community—adults in this stage feel comfortable forming their own opinion in light of the current circumstances. Scholars believe that approximately 35 percent of adults have developed the capacity for this type of self-authorship.<sup>7</sup>

Donor C has a different approach from Donor A and Donor B. Camille recognizes something that the others do not yet see: Any and every approach has its limitations. Camille wonders if in this particular case there might not be ways to think more broadly about the organization’s mission. She asks how youth development can be understood in the context of community economic development, and in doing so encourages the executive director to think about the organization’s work and goals in new, more expansive ways. This is markedly distinct from Alice, who in this case looks to the executive director for direction, and from Bob, who essentially is telling the executive director what to think (i.e., that parental involvement is key). Camille’s interest in a reflective, systemic approach is consistent with two developmental stages, labeled by Torbert as “transforming” and “alchemical.”<sup>8</sup> It is also consistent with the stage Kegan described as the “self-transforming mind.”<sup>9</sup> Studies suggest that very few adults have fully developed this metacognitive capacity.

Although grossly oversimplified examples, these three donors represent three sequential developmental stages, and these stages operate as a paradigm that influences thoughts, behavior, and attitudes, including, I suggest, the donors’ approaches to philanthropy.<sup>10</sup> *What* people think is colored by factors such as personality and life experience; *how* people think—the underlying structure behind their thoughts—is, according

to theories of adult development, a reflection of their current position on their developmental trajectory.

## Transition and Conflict

My presentation of these stages thus far is not only oversimplified but also implies—misleadingly—that adults will fall neatly into one of these three stages. Scholars suggest that human development is progressive and sequential but also somewhat messy, and adults do not always fall cleanly into one of the three types of thinking. Kegan and his colleagues have identified four transitional substages between the three major stages described here, and the transitions between these stages can take many years.<sup>11</sup> It is not uncommon, for instance, for an individual to present behavior consistent with two stages—the stage they are leaving and the stage to which they are transitioning. In fact, studies suggest that between 32 and 47 percent of adults may be in transition from the first category to the second, and approximately 6 or 7 percent may be in transition from the second category to the third.<sup>12</sup> The process of transition can be fraught with internal and, sometimes, external conflict.

Conflict can also arise when adults work with others who think differently. Any situation—including board or fund-raising committee meetings—can easily become a battleground of sorts, where individuals wrestle with the boundaries of how they think. For example, self-authoring individuals often maintain a steadfast focus on their goals, whereas self-transforming individuals are interested in questioning assumptions behind the goals. Depending on the dynamics of the board, this can lead to a situation where board members are in conflict about how to discuss and resolve a particular issue. Board members may believe they are discussing the *what*, or content, of the problem, and may be

unaware that they are also wrestling with the *hows* of their thinking—their structural approach to the content.

### Development, Leadership, and Social Change

This material has at least three immediate implications for those interested in leading nonprofit organizations in general and social change organizations in particular. First, every stage has potential assets *and* potential liabilities. The assets are quite easy to see. Once satisfied that the organization is doing the right thing, Donor A is willing to support the organization financially and, likely, in other ways as well, such as volunteering on committees or engaging friends to volunteer or donate. Donor B can help identify and correct flaws in the organization's program model, set and achieve goals, and provide strategic leadership. The steadfast focus on goals would help this donor become a strong committee chair. Donor C can help nonprofit leaders connect their work to broader systems, incorporate increasing numbers of relevant stakeholders, and focus on the process—not just the product—of social change. In our hypothetical example, Donor C might be interested in connecting the nonprofit to key employers who can offer job training/mentoring opportunities to the youth, keeping abreast of broader trends in the nonprofit sector and/or funding capacity-building opportunities for the nonprofit staff. She would be a good mentor or vision-oriented thinker. But each of these stages also has a shadow side. Donor A will likely shy away from conflict, and struggle with making difficult decisions. Donor B will not see the flaws in his own logic, and may steam-roll others in the process of achieving his goals. And Donor C may be so focused on the broader systems at play that she forgets the day-to-day details essential to moving an initiative forward. Leading a team of these diverse individuals as they

each contribute in their unique way, therefore, means taking into consideration *how* they think as well as *what* they think.

Second, development is dynamic, not static. Developmentally oriented leaders must consider a donor's developmental stage at the time interactions occur and, also, attend to a donor's developmental trajectory. Kegan has argued that most adults are developmentally “in over their heads” as they wrestle with complex challenges of modern life such as relationships, parenting, and leadership.<sup>13</sup> I would add that philanthropy is one of those areas where the challenges before us—so-called “wicked” problems such as poverty, social injustice, and environmental sustainability—beckon us to think in increasingly complex ways.<sup>14</sup> In fact, I can think of nothing more fitting to foster development than the calling to make a difference—anyone serious about social change will soon find him- or herself changed in the process. Herein lies the potential for a paradigm shift for the nonprofit sector: a focus on the developmental growth of donors.

Traditionally, the term *donor development* has been used to describe the process of cultivating donors toward increased engagement and, ultimately, larger gifts. However, the line of scholarship described in this article suggests that, instead, donor development could be understood as a process of helping donors to think about their philanthropy in increasingly complex ways—and, in so doing, help donors to slowly construct an increasingly complex mental map. In short, the role of the nonprofit leader can be as much about scaffolding the growth of how the donor thinks in regard to wicked problems as it is about securing financial gifts. Supporting the growth of donors is a long-term commitment, similar to the commitment many nonprofit organizations make to their clients. And, I would argue, it can be just as sacred a relationship.

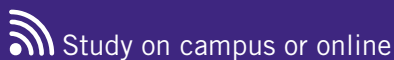
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Third, if donors have a developmental-growth process, then so too do nonprofit staff and volunteers. Leaders, therefore, might take into consideration the developmental-growth trajectories of the various stakeholders involved, especially when conflict arises. Indeed, as we explore further, we may find that the success or failure of a social change initiative lies in the nexus of these multiple growth trajectories.

### **A New Narrative for the Work of the Nonprofit Sector**

A dominant narrative in the nonprofit sector is that donors help clients. Donors give and clients grow, or so the story goes. Research using developmental theory to make sense of the nonprofit sector suggests an alternative perspective.<sup>15</sup> To summarize, the nonprofit sector is fraught with wicked problems: poverty, injustice, and the environmental crises we face are just a few of the areas where, collectively, we are in over our heads. We are continuously bumping up against the edges of our thinking, and as we gather courage, we recognize where our current ways of thinking are ineffective in helping us to resolve the complex challenges. Rising to the challenge means expanding not just *what* we think but also *how* we think. Instead of just the client growing, it is also we who must grow: we the donors; we the volunteers; we the staff and leaders of nonprofits; and, yes, even we the researchers. In short, it is time for a broader narrative. Let us acknowledge and engage with the highly complex process of growth happening for donors and, indeed, for everyone involved.

#### **NOTES**

1. Key scholars include Erik Erikson, Jane Loevinger, William Torbert, Susanne Cook-Greuter, and Robert Kegan.
2. Thomas S. Kuhn, *The Structure of Scientific Revolutions*, 3rd ed. (Chicago: University of Chicago Press, 1996).

3. Jennifer A. Jones, "Beyond Generosity: The Action Logics in Philanthropy" (PhD diss., University of San Diego, 2015), ProQuest (3703403).

4. These examples are oversimplified for illustrative purposes, and more data is needed to accurately assess a person's stage.

5. See Robert Kegan, *The Evolving Self: Problem and Process in Human Development* (Cambridge: Harvard University Press, 1982); and Robert Kegan, *In Over Our Heads: The Mental Demands of Modern Life* (Cambridge: Harvard University Press, 1994).

6. Note that the "individualist" stage has more recently been labeled the "redefining" stage.

7. Kegan, *In Over Our Heads*.

8. See William Torbert and Associates, *Action Inquiry: The Secret of Timely and Transforming Leadership* (San Francisco: Berrett-Koehler Publishers, 2004); and David Rooke and William R. Torbert, "Seven Transformations of Leadership," *Harvard Business Review* (April 2005). (Note: The "transforming" stage was formerly labeled the "strategist" stage.)

9. Kegan, *In Over Our Heads*.

10. Kuhn, *The Structure of Scientific Revolutions*.

11. Lisa Lahey et al., *A Guide to the Subject-Object Interview: Its Administration and Interpretation* (Cambridge: Minds at Work, 2011).

12. Kegan, *In Over Our Heads*.

13. Ibid.

14. Horst W. J. Rittel and Melvin M. Webber, "Dilemmas in a General Theory of Planning," *Policy Sciences* 4 (1973): 155–169.

15. Jones, "Beyond Generosity."

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# Why Every Philanthropist Should Be Active on Twitter

by Jay Ruderman

When philanthropists act at a remove, it often results in the very people that they wish to help gaining little benefit from services that, after all, their target populations had no say in developing. An easy way to connect is to become active on Twitter.

**Editors' note:** This article was first published on NPQ's website, on August 13, 2015.

**A** FELLOW PHILANTHROPIST RECENTLY confided to me that he's never sure if his philanthropic dollars are making a difference. "Sometimes it feels like it's all going down the drain," he said. While he has continually received from his grantees metrics, benchmarks, and data about how his dollars are being put to good use, he mused, "If I've really made such a big difference, why do there never seem to be any sustainable solutions?"

Maybe the desperation for return on investment would be lessened if we philanthropists spent more time away from our Ivory Towers and more time with the end users of our dollars, getting to know their challenges.

## Why Are So Many Philanthropists Removed from the Challenges They Wish to Address?

A philanthropist myself, I've observed that most major philanthropists are elitists—cut off from the majority of society, including the very populations their largesse is designed to serve. Extremely

wealthy people too often only associate with others in their financial and social class. But, like all things worth doing, philanthropy requires getting your hands dirty. A good starting point would be for the philanthropist to interact with real people and causes via Twitter.

Twitter is a quick and easy way to access and remain accessible to those we serve. All too often, philanthropists are disconnected from their target populations; and it doesn't help that, in addition, when they interact with the organizations they support, philanthropists tend to work through the CEO, who may also be disconnected from the target populations. The CEO may be elitist him- or herself, or enamored of the wealth and status of the philanthropist. Moreover, NGOs actively court the support of major philanthropists, and often tell them what they want to hear for fear of appearing to be failing or departing from their focus on the philanthropist's desired approach.

Some philanthropists retreat from society because, as they complain,

they're constantly being hit up for their time and money. As a private person myself, I can relate to this grumble. While enthusiastic interest from the public can indeed be trying and time consuming, it's a poor excuse for withdrawing. Like other forms of celebrity, wealth comes with a price.

Because philanthropists are often so far removed from the people they are trying to help, they often push for initiatives that make little sense and, consequently, have little impact. They see their wealth as proof of competence, insulating themselves from the scrutiny of the staff, other stakeholders, and the end users.

The end result of this elitism is that frequently the very people philanthropists claim to serve gain little benefit from services that, in addition, they had no say whatsoever in developing.

Getting closer to the target audience is not only sound philanthropy; I'd argue it's morally obligatory. Philanthropists have the responsibility to be more connected to the people they are seeking to impact, because their philanthropic

dollars are not wholly their own. Whether they dispense their donations through a foundation or a donor-advised fund, the U.S. government has provided them with tax benefits in order to advance the public good. How can they be sure their dollars are benefiting the public good if they haven't spoken to the portion of the public they intend to assist?

The Ruderman Family Foundation tries to do the following:

- *Remain accessible through Twitter and other social media outlets.* We respond to people, have conversations with them, and listen to their ideas and criticisms. We tell people what we are doing and want to do. Not only is our foundation active on Twitter, I'm personally active. I use it to both broadcast and listen. As a result, I am much closer to the discussion in the communities I'm trying to influence.

- *Interact regularly with the people we want to impact.* When, for example, we try to enhance our investment in disability inclusion advocacy, we convene a group of self-advocates, who share with us their take on the best solutions. We involve self-advocates in all aspects of our work.

- *Hold major conferences and other gatherings open to the general public or target populations.* Opening ourselves to our constituencies in this way allows people to provide input vis-à-vis the issues at hand, and keeps us aware of their real needs so that we can better align our services.

• • •

If we listen more, not just to the professionals but also to the people they

serve, we acknowledge that our giving is not about us or our generosity; it's about the people we ultimately try to help. And we just might find that our philanthropy is making a bigger difference than we ever imagined.

**JAY RUDERMAN** is president of the Ruderman Family Foundation, which focuses on the inclusion of people with disabilities in our society. He also serves on the Board of Directors of the Jewish Funders Network, and is a member of the American Jewish Joint Distribution Committee's executive committee. The foundation is holding the 2015 Ruderman Inclusion Summit on November 1 and 2, in Boston.

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# Toward a Theory of Sector Selection

by Peter Frumkin and Suzi Sosa

This article presents a framework built on foundation theory and early conceptual models to help the social entrepreneur make an informed decision about which organizational form best fits his or her undertaking.

**A**S SOCIAL ENTREPRENEURS AROUND the world create new organizations to solve emerging public problems, they do so drawing on a broad range of organizational forms, ranging from the traditional nonprofit form to the classic business corporate form—and, most recently, a whole host of hybrid forms located between these poles. Sometimes, the initial institutional auspice works well for the entrepreneur, and constitutes a firm foundation on which to build the organization. Often, however, the question of which form to adopt generates substantial stress inside the organization, because the reasons one form would be preferred over another are not well understood. The complexity of this decision is exacerbated by the continually blurring distinctions between for-profit and nonprofit organizations around the world. For example, more and more nonprofit organizations are integrating earned income models—with sales, revenues, and profits—into their nonprofit activities. At the same time, the socially oriented business attempts to integrate selflessness and social impact into its for-profit activities.

As more nonprofits behave like businesses and more businesses uphold

social values, it becomes less obvious why a social entrepreneur would adopt one structure over another. Indeed, the characteristics that have historically described the differences between organizational types—for example, whether they have a community-based board or a board of private owners, or whether they have primarily volunteers or paid staff—are not in themselves causal factors; instead, those differences are secondary consequences of the decision to adopt one organizational type over another. At the same time, even those distinctions between organizations are becoming less absolute. Similarly, as social entrepreneurs seek to enjoy the best of both worlds, more and more are looking toward hybrid models, in which the organization embodies traits of both traditional for-profit and nonprofit organizations. This hybrid zone, now occupying the majority of the social enterprise spectrum, is extremely ambiguous and notoriously difficult for social entrepreneurs to navigate.

As a result, many new organizations experiment with their sectoral type, at various times changing from nonprofit to for-profit or some type of hybrid model. These iterations are a drain on resources,

because the changes in organizational type require reworking several items, including financial models, partnership agreements, and operational systems. Consequently, the choice of which organizational form is most appropriate for a given innovation is a critical element for the maximizing of social and financial returns.

A fresh focus on the key drivers of appropriate sector selection would be valuable both as a diagnostic tool for assessing choices made by current entrepreneurs and also as a predictive model that could explain long-term enterprise effectiveness and sustainability. Building on foundation theory and early conceptual models, this article addresses the choice between nonprofit, for-profit, and hybrid forms, and offers a framework for deciding which one best suits the social entrepreneur. Rather than focusing on the factual differences among organizational forms, our model argues that sector selection should depend on three key assessments: *the nature of the social value proposition, the environment in which the enterprise will operate, and the personal traits of the entrepreneur*—each of which points in part toward a solution to the challenge

of appropriate selection of organizational form. The model identifies the possible outcomes as being one of five discrete organizational types: *the pure nonprofit*, *the nonprofit with earned income*, *the hybrid*, *the business with a social mission*, and *the pure for-profit organization*. To make this determination, the model employs a line of questioning that cumulatively yields a final recommendation as to which organizational type will be the best fit for the social entrepreneur.

## Existing Literature

The challenge of developing a normative theory of sector selection for social entrepreneurs is rooted in an extensive body of literature that cuts across the nature of organizational forms to the drivers of entrepreneurial behavior. For decades, researchers have sought to isolate the defining features of nonprofit organizations while recognizing that the rise of hybrid forms adds complexity to the old binary thinking. At the same time, increasing research has been conducted on the distinctive traits of different kinds of entrepreneurs and the consequent impact of personality type on an organization's functioning in both the business and nonprofit sector. However, none of these attempts at description and theory building have focused on the precise issue of sector selection by social entrepreneurs.

### Descriptive Literature on Nonprofit Form

In the first wave of research on nonprofit organizations, during the 1970s and '80s, there was a concerted attempt to determine the distinctive and identifying features of nonprofit organizations. This work focused on the functional attributes of nonprofit organizations and then held these up for comparison with for-profit and government sector organizations. The goal of scholars like Lester Salamon, Michael O'Neill, Peter Dobkin

Hall, Burton Weisbrod, Henry Hansmann, and others was to isolate the features that constituted the core identity of nonprofit organizations. Often this came down to the nonprofit organization's nondistribution constraint, private nature, self-governing/ownerless character, and the variety of stakeholders asserting claims over the nonprofits.

Sometimes, the descriptive work related to nonprofit forms was done in a comparative format. The most common approach to this work is a table featuring nonprofit, business, and government on one axis, and key traits and attributes on the other. With a table like that, the differences across sectors become clear. This first wave of descriptive research helped us to understand the attributes of organizations from different sectors, but it provided no guidance on what might lead to choosing one form over another. It therefore failed to contribute substantially to a normative theory of sector selection.

The idea of a social enterprise spectrum represented a major breakthrough in descriptive work about the sectors in that it evolved the traditional sectoral triad into a more flexible continuum of organizational types. As defined by J. Gregory Dees, the social enterprise spectrum runs from organizations that are entirely commercial, for-profit, and market driven to those that are entirely charitable, donative, and voluntary.<sup>1</sup> By arguing for a continuum leading from purely philanthropic to entirely commercial—and with a middle ground full of hybrid forms—the spectrum usefully defeated the idea that precise and immutable boundaries separated the world of organizational forms. Entrepreneurs of all kinds will choose activities and organizations that fit somewhere along this spectrum.

When the idea of a social enterprise spectrum was first presented, in 1998, it was a breakthrough concept that challenged our understanding of the nature

of sectors and the purity of organizational forms. As the idea has evolved, the worlds of research and practice have learned to appreciate the features of organizations lying on the extremes as well as the center of the spectrum. Over the years, the distinguishing characteristics of nonprofit, for-profit, and hybrid forms have been delineated frequently in tables and grids, often contrasting goals, governance, funding, workforce, culture, and other dimensions. This descriptive work has deepened our understanding of the choices and trade-offs faced by social entrepreneurs, but it has not provided a clear set of decision rules that can drive sector selection.

### Theoretical Literature on the Nonprofit Entrepreneur

In the business world, entrepreneurship is an old and trusted idea and practice that has spawned voluminous literature. Entrepreneurship is an appealing idea because it speaks to the desire of many individuals to take control of their lives and financial futures. Still, definitions continue to vary as to what exactly an entrepreneur is. The entrepreneur has variously been defined as a person who pursues opportunity regardless of resources currently controlled;<sup>2</sup> brings resources, labor, materials, and other assets into combinations such that their value is greater than before;<sup>3</sup> and innovates by developing and applying new technology.<sup>4</sup>

The importance of innovation to entrepreneurship was the critical insight of Joseph Schumpeter, who defined an entrepreneur as someone who “revolutionizes the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way.”<sup>5</sup> By linking the idea of entrepreneurship to that of innovation, Schumpeter

emphasized the creative aspect of enterprise formation. He also recognized that innovation could take many forms, including product innovation, marketing innovation, process innovation, and organizational innovation. The driving force behind innovation is the entrepreneur and his impulses. "First of all, there is the dream and the will to found a private kingdom, usually, though not necessarily, a dynasty. . . . Then there is the will to conquer, the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself. . . . Finally, there is the joy of creating, of getting things done, or simply exercising one's energy and ingenuity."<sup>6</sup> By focusing on the social motivations of economic activity, Schumpeter attempted to move beyond the economist's usual attraction to explanations based on rational choice and efficiency maximization.

As a behavioral phenomenon, entrepreneurship can quickly become a highly creative and personal process. The entrepreneur has an important role in shaping the new organization, which often reflects his or her priorities and visions. How, then, can we understand the process by which entrepreneurs gravitate to different kinds of undertakings and organizations? The answer is that entrepreneurs are attracted to endeavors that fit their personalities, skills, and expertise. Howard Stevenson has argued that there is a spectrum of entrepreneurial business behavior—one that runs the gamut from the pure promoter who is willing to do anything to achieve the desired result to the trustee who focuses on the effective use of resources currently on hand.<sup>7</sup> While in the past the link between personality and entrepreneurial activity centered on different business fields (manufacturing, retail, professional services, etc.), we now think more in terms of entrepreneurship across all

three societal sectors. Entrepreneurship is now not only part of the business sector but also a prominent component of the public sector, where policy entrepreneurs drive ideas from conception through legislation. Social entrepreneurship has been equated with the pursuit of important missions and purposes. It is the driving force behind the entry of a new generation of people attracted to doing good.

Entrepreneurship has emerged as a critical mover and shaper of nonprofit ideas and programs. Driving this process has been a generation of nonprofit entrepreneurs who have approached their work with open minds about nonprofit financing and mission definition. Instead of looking at the guidelines of government funders or at the demands of certain constituencies, this new group has started asking questions: What interests me? Where do I best fit? Because theories of entrepreneurship are essentially behavioral ones, there are attempts to develop detailed frameworks and typologies that help us organize the range of possible answers to these kinds of questions.

One of the earliest attempts to develop a theory of social entrepreneurship rests on a typology of personalities within the nonprofit world: Dennis Young's models of entrepreneurs and nonprofit motivations.<sup>8</sup> His models of entrepreneurs are best thought of as "pure types." (In reality, many people will represent some combination of the various traits and motivations in Young's pure types.) A first type, the *artist*, is attracted to nonprofits by the promise of finding a place where his or her own creative energies can be translated into organizational and programmatic reality, and the need to create, nurture, and watch organizations grow can be fulfilled. The *professional* is more discipline bound and will seek to implement the latest insights and ideas

in the field. The *believer* is an entrepreneur who has a strong commitment to a cause and formulates his or her plans to advance a particular moral, political, or social cause. The *searcher* is out to prove him- or herself, to find a niche, and to escape his or her current employment in pursuit of recognition and a clearer sense of identity. The *independent* enters the sector to find autonomy instead of working under others, to be the boss who calls the shots, and to avoid shared decision making. The *conserver* is a loyalist who is animated by a desire to preserve an organization's character and heritage. Finally, according to Young, the *power seeker* is drawn to nonprofit work by the possibility of having authority over other people, sometimes for the sake of simply having control over others, sometimes to reap financial rewards.

To build a theory around these pure types, Young goes on to describe a two-part "screening process," the first of which filters the various types of entrepreneurs into different fields of nonprofit activity. How does this screening or matching process work? Entrepreneurs will gravitate to various parts of the sector depending on four factors: (1) the intrinsic nature of the services delivered; (2) the degree of professional control; (3) the level of industry concentration; and (4) the social priority of the field.

To understand how this fourfold screening process within the sector might operate, consider two different nonprofit organizations—one a homeless shelter and the other a major performing arts organization. Some individuals will gravitate to shelters because they want to work in a field where services are provided directly to clients, professional standards for service delivery are far from fixed, many small organizations populate the field, and the need for the given services is such that public support for the work is strong. On the other hand,

other individuals will be attracted to creating an independent theater company because they like the idea of working in a context where the client is a bit removed from the daily work of the organization, standards of artistic excellence are determined by a small group of opinion makers, only a few organizations dominate the scene, and public support is not a major consideration, because work is directed toward pleasing a small, well-defined elite group. Obviously, the calling to create an effective and compassionate shelter is very different from that of running a professional theater; just as obviously, *believers* and *searchers* are more likely to apply their entrepreneurial skills to the delivery of needed social services, whereas *artists* and *independents* are better suited to the cultural world.

The goal of behavioral theories of entrepreneurship is to render these broad-brush generalizations more concrete and consistent by elaborating on both the motives of the entrepreneur and the characteristics of the enterprises in which these entrepreneurs pursue their work. Beyond a filtering by field, entrepreneurs will also be screened by the choice of sector they make. Entrepreneurial energies may find expression in public agencies, business firms, or nonprofits. This second part of the selection process is driven, according to Young, by three factors: (1) the desire to realize income; (2) the level of hierarchy and bureaucracy that is acceptable; and (3) orientation toward service. Thus, for example, another type defined by Young, *controllers* (entrepreneurs who want to maintain control over the enterprise), who seek financial gain, are more likely to gravitate to the business sector, while *searchers* are more likely to find their way to nonprofits. Because much variation exists across fields within each sector, and because conditions are constantly changing within fields, ironclad

predictions cannot be made. A screening theory based on motives and behavior gives us a framework for thinking about the ways in which the matching process of opportunities with interests takes place and how skills and motives come into alignment.

If one accepts the notion that a behavioral theory of social entrepreneurship involves both a typology of motives and a matching or screening process that connects these motives to specific parts of the organizational landscape, the challenge then becomes one of clearly specifying both these critical elements. While Young's early model moves in the right direction, more work is still needed to define the archetypes of nonprofit motivation and the organizational channels that direct these impulses. In particular, a more fully elaborated cross-sectoral theory of what draws particular types of people to particular types of entrepreneurial ventures is still needed, especially for the critical issue of sector selection. As mentioned earlier, Young's model is rooted in the traditional three-sector paradigm, but now that boundaries have blurred between nonprofit and for-profit forms, a new theoretical lens is needed.

Dees's work on sector selection provides a useful starting point for new theory building. Dees has argued that sector selection comes down to four critical considerations: (1) efficiency of structure and the ability to mobilize human and financial capital; (2) economic robustness and how the form will fare in the competitive environment; (3) political viability or the extent to which goodwill is needed; and (4) the values of key stakeholders. The problem with these four drivers is that they leave out the fundamental insight of Young and others that the personality and motivations of the entrepreneur will be critical to understanding the fateful choice of

organizational form. Our model simplifies and integrates Young's ideas with those of Dees, and produces a concise yet comprehensive predictive model.

Instead of looking at what pulls donors, staff, and volunteers into nonprofit and voluntary organizations, we begin to get a picture of what pushes these individuals toward doing good. Some may be attracted to socially oriented businesses (like Levi Strauss or Ben & Jerry's), while others will be attracted to commercial nonprofits (like hospitals). Still others will seek out community groups that are dedicated to a particular social cause. It is clear that social entrepreneurship can and does occur in all these contexts and many others. Social entrepreneurs will scan the environment and select the causes and organizational forms that best fit their interests and needs. Understanding not just *how* they make this choice in practice but also how they *should* make this choice is the challenge of a compelling normative theory of sector selection.

## Introduction to the Model

Our normative model for sector selection rests on three key elements that result in a recommendation to the social entrepreneur of one of five organizational types. As you will learn in greater detail shortly, these three elements turn out to be the idea or the nature of the value proposition; the market or the competitive environment; and the personal traits or disposition of the entrepreneur. Each of the three elements in the model rests on a key question that has three possible answers—one that leads to a preference for the for-profit model, another that leads to a preference for the nonprofit model, and a third, mixed case. In the mixed case, the entrepreneur may not conclusively agree with an answer that indicates either the for-profit or the nonprofit model and instead may respond

with “neither” or “both.” The three key elements of the model are independent of one another. It is the cumulative result of deliberating over all three elements that yields the final recommendation as to where the organization should lie on the social enterprise spectrum. For the three elements with three possible answers to each underlying question, a total of twenty-nine unique outcomes are possible. However, these outcomes can then be organized into three categories: pure types, dominant types, and inconclusive results. There are two pure types—pure for-profit and pure nonprofit—and two dominant types—a dominant nonprofit with an earned-income component and a dominant for-profit with a social mission. Cumulative results that do not fall into one of these categories are labeled “inconclusive.” Each of these types will be discussed in further detail.

### *Identifying the Determining Characteristics*

In the total possible universe of determining characteristics that could be used to construct a sector selection model, a surprising number of factors are no longer relevant because of the blurring distinction between nonprofit and for-profit organizations. For example, at one point, public trust was reserved predominantly for nonprofit organizations, and as a result, most public-serving institutions, such as schools and hospitals, were nonprofit. Now, new forms of public trust in for-profits, earned by a respect for efficiency and emphasis on results, mean that for-profit models for public-serving institutions are not only possible but also increasingly popular and effective. Likewise, profit generation was once mostly taboo for nonprofit organizations, which in the past may have minimized and compartmentalized revenue-generating activities. Now, earned income is a hallmark of financial diversification, and nonprofits nationwide are building

profitable businesses within their nonprofit organizations.

Similarly, several factors that may be influential in leading an entrepreneur toward one organizational type over another are not in themselves unilaterally predictive. Though they may lean toward one organizational type, those factors are more accurately identified as suggestive rather than predictive, because they contain several exceptions in which they could lean toward the opposite organizational type. Because of the complexity of the considerations related to sector selection, we argue that it should come relatively late in the enterprise planning process, after many practical and operational details have been worked out.

### *Three Key Assessments*

As mentioned earlier, the model we propose identifies three key assessments that we consider comprehensive and conclusive: *the social value proposition*; *the competitive environment*; and *traits of the entrepreneur*. Though at first this may appear to be a reductionist approach, each assessment contains specific and detailed questions that can be effectively answered only by an entrepreneur with a deep understanding of his or her idea, a grasp of the market in which he or she will operate, and a sense of his or her priorities and motives.

#### *Social Value Proposition*

A first step in sorting the options across the social enterprise spectrum relates to the idea of a social value proposition. In trying to assess the best organizational form through which to pursue value creation, we argue that a critical judgment needs to be made about the kind of equity that will be built. Specifically, this assessment asks: “On what type of equity model is this idea based?” It presents three possible answers: social equity, private equity, or a mixed case. Ideas based on a

social equity model are publicly oriented. They usually depend on a public perception of impartiality or substantial contributions of volunteer support for their realization, and often what is created is a public good, such as knowledge or clean air. Furthermore, organizations based on a social equity model are usually more dependent on trust or the amount of goodwill and commitment necessary to make the product or service attractive to clients or customers. Trust is essential when dealing with vulnerable populations or when the product is controversial and untested.

In contrast, ideas based on a private equity model are, as the name suggests, privately oriented. Value is usually concentrated, more easily quantifiable, and convertible into monetary terms. In the private equity model, value accrues to one or more private entities and usually depends on a clearly articulated and defensible asset, such as an intellectual property or patent.

Within this key assessment, ideas that are based on a social equity model are best served by a nonprofit organization, thus yielding a nonprofit result. Likewise, ideas based on a private equity model are best served by a for-profit organization, thus yielding a for-profit result. If the social entrepreneur cannot definitively affirm either equity model, then this assessment is ruled a mixed case. To effectively answer the question of which equity model is in play, the social entrepreneur must first have a clearly articulated concept. Is it a product, service, or program? How will it yield results? What differentiates it from others in the space? The social entrepreneur must understand which key nonfinancial components are critical for success.

#### *Competitive Environment*

The second driver of sector selection relates to the nature of the competitive

environment. Specifically, it asks: “What are the human and financial resources needed?” The main assessment relates to the presence or absence of paying customers. Fairly assessing who, if anyone, will pay for the product or service being proposed is a critical step toward appropriate sector selection. In cases where a prospective consumer will not be able to afford the service or product being developed, a focus on philanthropic inputs may drive selection of the nonprofit model. In instances where a large group of customers are ready and able to pay for a product or service, the entrepreneur may well be advised to form a for-profit firm. And, of course, there will be mixed cases where some customers will be ready and able to pay while others will not.

This category of assessment presents three possible answers: a direct-payer model, a third-party-payer model, or a mixed case. In the direct-payer model, customers are available who are not only willing but also able to pay for the product or service. As a result, there is a direct flow of funds from the customers to the organization. In the third-party-payer model, there either are no customers or the customers are not able to pay for the program or service. In the latter case, a third-party payer is required to subsidize or fund the product or service provided by the organization. The third-party-payer model is also one that often relies on large numbers of unpaid partners or volunteers for the viability of its financial model.

Direct-payer models are best served by a for-profit organization, and if the market context relies on a direct-payer model, then the answer for this assessment is “for-profit.” In contrast, third-party-payer models are best served by a nonprofit organization, and would yield a nonprofit result. If the model is not clearly direct payer or third-party payer, then the result would be the mixed

case. To effectively answer the questions related to this assessment, the social entrepreneur must understand the type of pricing model he or she will deploy, which in turn is usually dependent on a keen understanding of the competitive landscape, including the types of clients and/or customers, their ability to pay, and what other organizations are charging for similar products, services, or programs.

Several suggestive factors related to the market context should be noted for this discussion. Taken alone, these factors are not predictive and therefore are not incorporated in the sector selection model; however, they can be used in a secondary process for refinement of position along the social enterprise spectrum. For example, one set of suggestive factors relates to the amount and type of start-up capital required. If the entrepreneur is pursuing an idea that requires large volumes of highly flexible capital, he or she is most likely best served by a for-profit organization that benefits from a greater variety of and accessibility to capital than nonprofit organizations.

### *Traits of the Entrepreneur*

A final driver comes down to the personal traits of the social entrepreneur. Choosing among nonprofit, hybrid, and for-profit forms depends to a certain extent on the personality of the entrepreneur, who will be doing the bulk of the work—at least at the outset—of translating vision to reality. All social entrepreneurs have deep-seated beliefs and behaviors that affect their success in the context of different organizational models. A key trait of the entrepreneur is his or her inclination toward acquisition versus distribution. This assessment asks whether the entrepreneur prefers a distributive or an acquisitive approach to value creation. To successfully evaluate this category, the social entrepreneur must be clear about how he or she believes value

creation through the organization can be maximized. A fundamental personal orientation toward self is different from one that is other-oriented and committed to redistribution.

In the distributive approach, value, power, and wealth are shared among a large number of stakeholders. In the acquisitive approach, value, power, and wealth are centralized among a smaller number of private individuals. The preference for one approach over the other has substantial consequences for ownership, decision making, and personal ambition. For example, in the distributive model, ownership is absent or diffuse—and, as a result, decision making is, too. In the distributive model, the opportunities for the social entrepreneur to accumulate personal wealth are limited. Under an acquisitive model, ownership and decision-making authority are retained along with the possibility of personal wealth accumulation.

Entrepreneurs who are motivated by the distributive model will be best served by a nonprofit organization. Those who are motivated by an acquisitive model will be best served by a for-profit organization. And, those for whom neither choice is a good fit will fall into the mixed case.

Taken together, these three assessments related to the nature of the social value proposition, the conditions in the competitive environment, and the traits of the entrepreneur constitute the foundation of our normative theory of sector selection.

### *Applying the Model*

Because each assessment directs the entrepreneur toward one of the three outcomes, the cumulative result of all three assessments yields the final result. The cumulative answers to the set of three assessments will indicate that the entrepreneur should select one of five possible

organizational types. As described earlier, there are two pure types (pure nonprofit and pure for-profit), two dominant types (nonprofit with earned income and for-profit with social mission), and two inconclusive results (the pure hybrid form and a generic inconclusive result). A visual representation of the three assessments and the social enterprise spectrum is presented in the graphic below.

The methodology used to translate the answers to each assessment into a category recommendation for an organization can be easily understood by ascribing a simple scoring system to the answers. For example, answers pointing to the for-profit result can be signaled with a “1,” those pointing to the nonprofit result, a “-1,” and those pointing to the mixed case, a “0.” Using this scoring system, we can catalog the possible outcomes in sets of three numbers. For example, if the entrepreneur responded to each question with the for-profit answer, then the solution set would be (1, 1, 1). Likewise, if the entrepreneur answered each question with the nonprofit answer, then the solution set would

be (-1, -1, -1). Finally, three mixed-case results would yield (0, 0, 0). These three examples illustrate the pure types.

The dominant cases are those in which two of the three answers are for one type, such as (1, 1, 0), (1, 1, -1), (-1, 0, -1), and (-1, 1, -1). There are eighteen dominant cases. The nonprofit-dominant cases are interpreted to yield a “nonprofit with earned income” enterprise type, and the for-profit dominant cases are interpreted as a “business with social mission” enterprise type. The dominant mixed cases are interpreted as hybrids.

The third set of cases represents inconclusive results. The (0, 0, 0) result, in which the entrepreneur’s answers are mixed for each assessment, points toward a hybrid model; however, due to the answers’ inherent ambiguity (they could be interpreted as neither or both), the pure mixed case does not clearly point to an organizational type. Instead, the (0, 0, 0) result is inconclusive. Similarly, in six additional inconclusive cases, none of the three factors is the same—(1, 0, -1), (0, -1, 1), and so forth. In these cases, the resulting

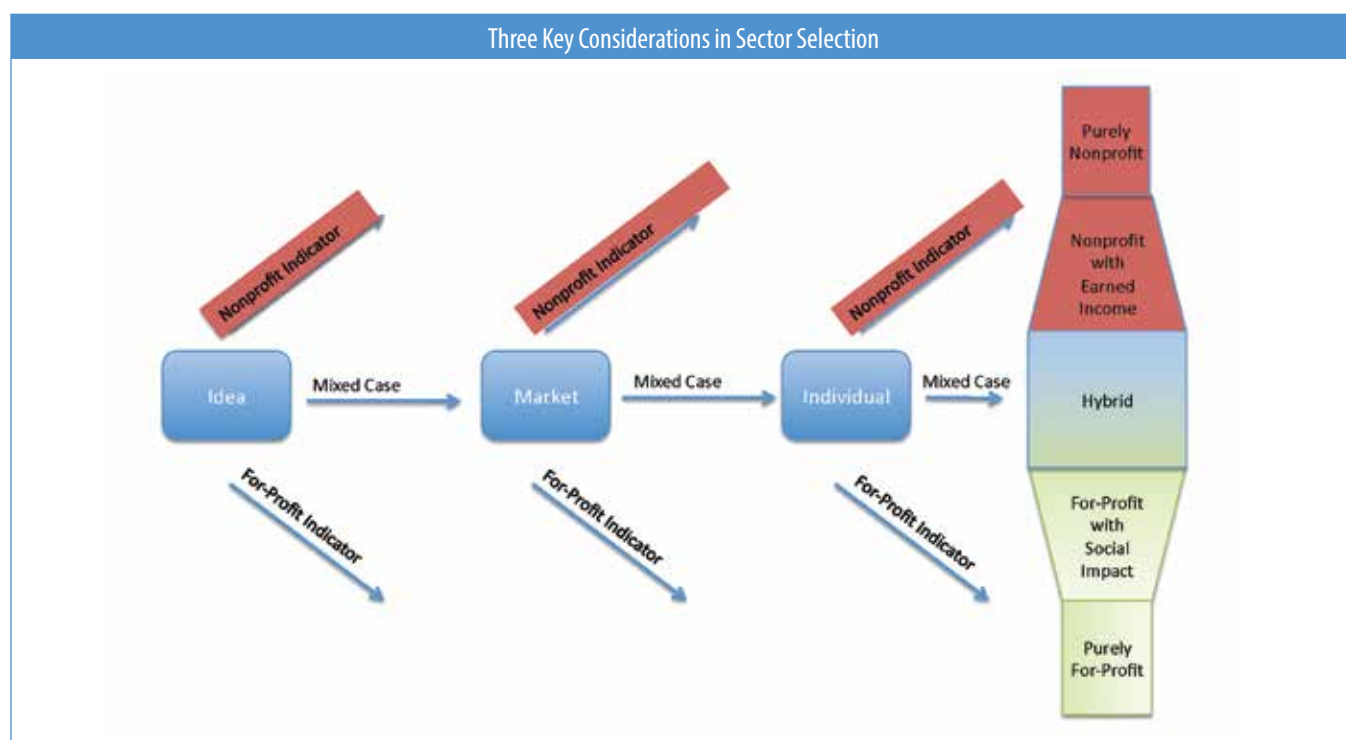
organization would likely be a hybrid one that is not functioning optimally from the standpoint of either sector.

To better understand the implementation of the normative theory, we present case studies for the five main organizational types—*pure nonprofit*, *pure for-profit*, *dominant nonprofit*, *dominant for-profit*, and *hybrid/inconclusive*. These case studies illustrate how the answers to each assessment can predict a preferred organizational type.

## Pure Types

### *Pure Nonprofit: Salvation Army*

The Salvation Army began in 1865, when its founder, a London minister named William Booth, decided to step out from his pulpit and work in the streets among the poor. Booth’s original intention was to convert the poor to Christianity and encourage them to attend local churches; however, he soon discovered that few of the churches of the day were eager to have the poor share pews with their regular congregants. So Booth founded a church aimed at meeting the needs of the London poor. The Salvation Army



now operates churches or citadels in one hundred and twenty-six countries around the world, and links traditional religious services to vast outreach efforts aimed at helping those in need. It has a revenue of \$4.3 billion, and works with some thirty million people. Even though the Salvation Army's worldwide scope is immense, it continues to grow strategically, focusing on a mix of programmatic activities that varies from location to location, depending on local needs. The ability of the Salvation Army to draw from its diverse portfolio of tested programs and initiatives allows it to adapt to the shifting roles it is called to play in locations around the world. Among its distinctive features are its ability to motivate and inspire its workers, its reliance on a hierarchical governance model grounded in ranks, and its reliance on over three million volunteers.

The Salvation Army looks and behaves like a traditional nonprofit because its fundamental mission is the creation of social benefits, particularly for the economically disadvantaged. While it is financially successful, it measures its impact in terms of the amount of good it does in the world. When it comes to the environment in which it operates, the Salvation Army depends heavily on third-party payers, be they government agencies providing contracts for the provision of human services or individuals who drop coins in the holiday kettles. Finally, if one looks back at the motives of the founder, the driving forces were Booth's desire to help others and to deliver on a vision of social redistribution that focuses on meeting the needs of the poor.

#### *Pure For-Profit: Whole Foods*

Formed in 1980 with one small store in Austin, Texas, Whole Foods is now one of the world leaders in natural and organic foods, operating more than 410 stores

in Canada, the United Kingdom, and the United States.<sup>9</sup> The main business model centers on providing high-quality natural and organic foods, maintaining high quality standards, and remaining true to the idea of sustainable agriculture. Whole Foods' mission comes down to three main elements, which became the company's motto: "Whole Foods, Whole People, Whole Planet." As described on the website, by "whole foods" the company means engaging in a continuous search for "the highest quality, least processed, most flavorful and natural foods possible because we believe that food in its purest state—unadulterated by artificial additives, sweeteners, colorings and preservatives—is the best tasting and most nutritious food there is." The second element relates to the quality of the people who are employed by the company: "Our people are our company. They are passionate about healthy food and a healthy planet. They take full advantage of our decentralized, self-directed team culture and create a respectful workplace where people are treated fairly and are highly motivated to succeed." The final element relates to sustainability and the environment: "We are committed to helping take care of the world around us, and our active support of organic farming and sustainable agriculture helps protect our planet."

While commendable in its humanistic and environmental goals and thinking, Whole Foods is a for-profit through and through. It competes aggressively with other grocery chains and it generates profits for its shareholders. It also meets all three definitive characteristics of the for-profit type: first, it focuses on building private financial equity for its shareholders; second, the company depends on paying customers to grow and thrive; and third, cofounder and CEO John Mackey's vision was more acquisitive than redistributive—and, lately, he has

come into the public eye as a prominent and articulate defender of the libertarian perspective.

## **Dominant Types**

### *Dominant Nonprofit: ACCION*

As one of the global leaders in the micro-lending movement, ACCION International gives economically disadvantaged people "the financial tools they need to work their way out of poverty."<sup>10</sup> By providing microloans, business training, and other financial services to economically disadvantaged men and women who start their own businesses, ACCION strives to bring up to date the goal embodied by the proverb, "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime." ACCION defines itself as pursuing "a vision in which all people have access to a range of high-quality financial services that enhance their economic potential and the quality of their lives." To do so, it engages in a range of programmatic activities and has reached close to four million people to date. ACCION's work includes partnerships with twenty-nine microfinance institutions (MFIs), NGOs, and commercial banks across North America, Latin America, the Caribbean, Africa, and Asia. ACCION assists its partners in developing and delivering financial services for the disadvantaged. Technical assistance and management services are offered to help these organizations "launch, transform and expand their microfinance programs." ACCION also offers "training and education on the microfinance process, to build staff capacity and better position MFIs to achieve their social and financial goals." Because a microfinance program "requires advances in risk management, service delivery to remote areas and technology," ACCION "pilots new microfinance products and processes in 'Innovation Labs.'" And, ACCION provides "equity financing and loan guarantees to

institutions. These funds enable institutions to invest in resources such as better core-banking systems and more branches to improve services and increase reach.”

While ACCION is a nonprofit organization, it has some of the elements of a for-profit entity. It is focused not on giving money away but rather on supporting programs that lend funds that are repaid with interest. Its metrics are largely social, yet it does measure repayment rates and track returns. Its payers are third-party donors, yet it recirculates funds that its clients pay back into the organization. The main entrepreneurial drive is clearly redistributive. This is likely the factor that tilted ACCION to ultimately select the nonprofit model.

#### *Dominant For-Profit: TOMS Shoes*

In 2006, American traveler Blake Mycoskie befriended children in Argentina and saw that they had no shoes to protect their feet. Wanting to help, he created TOMS Shoes—a company that would match every pair of shoes purchased with a pair of new shoes given to a child in need, using a model they call “One for One.” Mycoskie returned to Argentina with a group of family, friends, and staff later that year with ten thousand pairs of shoes, made possible by TOMS customers. His business has thrived ever since. As consumers have embraced TOMS, Mycoskie has been able to convert sales into philanthropic donations via shoe drops organized by the company in Argentina, Ethiopia, and South Africa. To date, TOMS has distributed over thirty-five million pairs of shoes to needy children around the globe. The shoes that Mycoskie sells to consumers are priced from \$45 to over \$70, though they cost only a fraction of that to make. Still, the shoes make the buyer feel good about helping children around the world, and also represent

a sign to others that the wearer has a social conscience.

The equity created by TOMS is both financial and social in nature. The company sells millions of dollars worth of shoes and generates a substantial margin for its owners. At the same time, its promise to give away shoes creates social equity for the poor by providing them with a way to avoid disease and discomfort, thus helping them get to school and live fuller lives. The payer is third party when it comes to the shoes that are distributed, but at the same time there is a direct customer base of affluent young people who find the shoes and message appealing and are willing to pay for that. When it comes to Mycoskie’s own entrepreneurial motives, they, too, are mixed: he has both a strong commitment to redistribution and an acquisitive desire to build a strong, valuable company.

#### *Hybrid/Inconclusive*

##### *Google.org*

Google.org was formed in 2004 by Google founders Larry Page and Sergey Brin to pursue Google Inc.’s philanthropic goals. The original mandate was very broad—to address climate change, poverty, and emerging disease—and unlike the Google Foundation, which was formed as a traditional grantmaking entity, Google.org was formed as part of Google Inc., with the intention of making both nonprofit grants and for-profit investments. The sole funding source of Google.org is equity and profits from Google Inc., which pledged 1 percent to Google.org in addition to in-kind contributions of employee time and technology resources. To date, Google.org has deployed more than \$100 million in capital to more than fifty projects around the globe.

Over the past six years, Google.org has struggled substantially with its mission and activities as it has sought to better leverage its business assets

as well as to more clearly articulate its unique philanthropic purpose. For example, on the Google.org website, a program update reads: “When we reviewed our progress in early 2009, it became clear that while our partners were doing excellent work with our grant funding, we could do more to effectively use Google’s engineering talent by focusing on the technical contributions we could make. We shifted our focus to engage in engineering projects. We continue to manage an existing portfolio of grants and investments and the Google Foundation.” In these struggles, we can begin to see the consequences of an indeterminate organizational type. Though located under the umbrella of the for-profit parent company, the investments made by Google.org do not yield private return and are seen as having primarily social goals. Thus, the answer to the type of equity created is a mixed case. Furthermore, questions related to the market and presence of paying customers and to the dual approach of grantmaking and investments also yield a mixed result. Finally, the motivations of the social entrepreneurs seem to be torn between distributive and acquisitive, leading to a third mixed-case response.

The pathways to organizational form selection for each of the preceding five cases can be depicted as a series of choices across the three critical assessments related to the idea, market, and individual/entrepreneur (as the graphic on the following page demonstrates).

While these cases represent an application of our model to mature organizations, we believe that new entrepreneurs could use this framework to help answer the question of initial sector selection when a long operational history has not already been defined.

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## Pathways to Sector Identity



As the organizational landscape becomes increasingly variegated and filled with organizations that defy easy classification, a theory of sector selection becomes at once more critical and complicated. The model we present has the virtue of bringing together in a succinct and relevant way ideas that have been circulating in isolation for some time. By focusing on the nature of the idea at hand, the competitive landscape surrounding this idea, and the personal disposition and outlook of the entrepreneur, our model melds conceptual, environmental, and psychological considerations. At the same time, by anchoring those aspects in a diagnostic framework, it presents a preliminary tool that can be used by early-stage social entrepreneurs to make an informed decision about organizational type, evolving beyond ambiguous preferences to a theory rooted in critical distinctions and clear advantages of one choice over another.

## NOTES

1. See J. Gregory Dees, *Social Enterprise Spectrum: Philanthropy to Commerce*,

Case #9-396-343 (Boston: Harvard Business School Press, 1996) and J. Gregory Dees, "Enterprising Nonprofits," in *Harvard Business Review on Nonprofits* (Boston: Harvard Business School Press, 1999), 135–166.

2. Howard H. Stevenson, Michael J. Roberts, and H. Irving Grousbeck, *New Business Ventures and the Entrepreneur* (Illinois: Richard D. Irwin Publishing, 1994).

3. Karl H. Vesper, *New Venture Strategies* (Upper Saddle River, NJ: Prentice-Hall, 1980).

4. Joseph A. Schumpeter, *Can Capitalism Survive?* (New York: Harper & Row, 1952).

5. Ibid., 72.

6. Joseph A. Schumpeter, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*, trans. Redvers Opie (New York: Harper & Row, 1947), 93.

7. Stevenson, Roberts, and Grousbeck, *New Business Ventures and the Entrepreneur*.

8. Dennis R. Young, "Entrepreneurship and the Behavior of Nonprofit Organizations: Elements of a Theory," in *The Economics of Non-profit Institutions: Studies in Structure and Policy*, ed. Susan Rose-Ackerman (New York: Oxford University Press, 1986), 161–184.

9. Background information on Whole Foods

was taken from the company's websites.

10. Background information on ACCION was taken from the organization's website and from NGO Portal, [www.ngoportals.org/funding-agencies-67-ACCION++International++Micro+Finance+Related.html](http://www.ngoportals.org/funding-agencies-67-ACCION++International++Micro+Finance+Related.html).

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