Redefining Boundaries

The nonprofit sector has within it the ability to create a combined virtue that goes far beyond anything the government or the for-profit sector provides. Michael O'Neill, the director of the Institute for Nonprofit Organization Management, suggests, "the independent sector can experiment with new strategies of social action, respond quickly to new social needs, and generally provide 'social risk capital.'"[1] However, the nonprofit sector has never been tested as it is being now. The challenges to it are stunning both in their breadth and their complexity. At a time when the United States seems no longer confidently progressive in many areas of social engagement nor certain of its moral center, and with internal and external tensions threatening both the central wellbeing of the country as well as its relationships with the rest of the world, how should nonprofit sector organizations navigate? How should they go about creating a compelling donor or volunteer experience for the stakeholders entrusted to their care?

These questions have never been more important than right now, simply because so many in our society—those in need of the services nonprofit organizations provide, those providing the services, taxpayers, elected officials, donors, volunteers, and communities at large—have a stake in seeing strong improvements within the public or third sector of this country. Many of the protections once in place to help those in need of these services are being dismantled by cities, states, and our nation's government in disagreements over

financial priorities, or are being curtailed by inflationary or political pressures. Nonprofit organizations no longer have a straight path to run on. They are often in flux, requiring constant managerial flexibility and marketing reorientation.

American Philanthropy

There is unprecedented need in the United States today. There is also unprecedented affluence. America emerged from the trauma of World War II as the richest, most powerful nation in the world, having been neither invaded nor financially ravaged. Today, mass affluence is a societal reality, accessible to many. Even families living at the poverty level in America live better than 75% of the world. In fact, the wealthy in the United States reputedly have so much money, it is frequently cited by seminar and nonprofit leaders that if they pooled their resources together, America's affluent could feed the world's poor and still live comfortably. Whether this is true or not is open to debate, but what is true is that American benevolence is stronger than that of virtually any other country in the world, and the United States is the most generous nation in regard to contributed time and money. Studies show that anywhere from 75% to 86% of Americans have stated that they've been involved philanthropically with a cause.[2] Charitable gifts given in 1999 by 58% of Americans amounted to almost one-third of the U.S. domestic federal budget—roughly 2% of the nation's income. What's more, charitable giving has become fashionable, rating a cover story in the July 24, 2000 issue of *Time* magazine along with prominent displays in other national news and financial magazines since then. It was also the subject of the first-ever White House conference on philanthropy. Gifts given during the time of the Asian tsunami, the Pakistani earthquake, and the hurricane disaster in New Orleans have been at unprecedented levels.

Similarly, the number of unpaid, volunteer workers in the nonprofit sector is striking, with volunteerism up even among

young people. Some surveys indicate volunteering has risen 14 percentage points during the past 15 years, with roughly 58% of America's population having volunteered during the previous 12 months. And every year Americans donate around 15.5 billion hours of volunteer time, worth an estimated $4,239 billion in services.[3] Religious organizations, local schools, neighborhood organizations, and volunteer organizations based at one's workplace are the primary beneficiaries of this growth, with some civic organizations lagging behind in volunteer attraction.

In light of the relative "youth" of most nonprofit organizations (almost 70% have been registered during the past 30 years, while the nonprofit sector itself has grown almost 60% during the past two decades), the *reach* of some of the approximately one million nonprofit agencies is substantial. Representing almost 10% of this nation's workforce, the nonprofit world is apparent in almost every facet of life. However, alongside the positive developments and the humanizing effects the nonprofit world has upon society are strong marketplace indicators suggesting that changes are coming toward it in a nonlinear, sudden, and constant fashion.

Most importantly, these changes are being reflected in the increasing importance of donor values, the influence some donors want in organizational affairs on a day-to-day basis, and the manner by which some of their gifts are being made. Although this is not a new phenomenon, its effects are being felt today in almost all sectors of the nonprofit world. For example, according to a cover story in *The Chronicle of Philanthropy* a few years ago, the United Way faced the prospect of losing some of its market influence and strength in its traditional fund-raising practices because fewer workers were in offices (working instead at home and through flexible hours) and increasingly because United Way's donor base wanted to have a say in where their philanthropic dollars went (i.e., as opposed to relying on the United Way to allocate their gifts).[4] Similarly, *The Nonprofit Times* reported that the percentage of people opting out of charitable direct mail in categories ranging from health care to

disaster relief began to outnumber those choosing to opt in.[5] In addition, hundreds of nonprofit organizations have reported receiving random donations during the past 36 months through their web sites from individuals they do not know.

Although some believe the nonprofit world and its member groups and associations have been characterized by tranquility and a lack of upheaval, nonprofit organizations are experiencing major changes and environmental pressures as they have for the past 20 years. These discontinuities have required many agencies to build stronger leadership and management teams and, in hundreds of cases, to change their marketing tactics.

During the 1960s and 1970s, nonprofit organizations saw rapid growth largely due to the infusion of funds the government pumped into the sector, particularly in health, education, research, and the arts. This picture changed in the 1980s during Reagan's presidency through severe government cutbacks; the sector was threatened again in 1995 as nonprofit funding sources came under the possibility of even more severe cutbacks when the House debated whether to replace social service and welfare programs with private volunteer charity. Though public sector funding decreased, non-profit organizations were often expected to shoulder even more of society's vexing social problems. As recently as the latter half of 2000, estate-tax repeals passed both houses of Congress (though later rejected by the administration), whose effect would likely have reduced some contributions to many charities.

The presence of so much affluence in America has had a tendency to cover up marketplace funding changes, and often it masks where in society, intervention is needed. While some donors are focusing resources and consolidating personal giving and volunteering, the rapid increase in nonprofit organizational creation during the past 30 years has typically not led to a duplication of services with some "lucky" individuals benefiting many times over, though the potential is clearly there. However, some societal changes are now so massive and rapid that they threaten to sweep away many of the

foundational underpinnings the nonprofit world has stood on for dozens of years. These changes are more than an acceleration or the culmination point of existing trends; they are what authors Jim Taylor, Watts Wacker, and Howard Means described as a "fulcrum point in history," where many elements of change are converging, including

- The splintering of social, political, and economic organizations
- The collapse of producer-controlled markets
- A shift away from reason-based logic to chaos-based logic[6]

What will these changes mean for the nonprofit world? Clearly that world is susceptible to changes in its funding outlets as well as expectations society may have about how the sector should operate. A story about a man looking for lost money, often told at management seminars, is appropriate here:

> A man is on his knees under a street lamp, obviously looking for something under a well-lit area. A stranger passes by and asks the gentleman what he is doing. The gentleman replies that he is looking for his lost money. The stranger, wanting to be helpful, asks where the money was lost. "Over there," says the gentleman pointing away from the light. "Why, then, are you looking here instead of where you think your money is?" asks the stranger. "Because the light is better here," replies the gentleman.

As in the story, environmental changes could mean the pre-conceived expectations organizations have built their operations upon over the years may not work in chaotic conditions and may not be the only means by which they can achieve their goals. For some nonprofit organizations, new ways of operating are both plentiful and easily observable. In other institutions, talks of mergers with like-minded groups and the consolidation of provided services has become an important topic of conversation. Many agencies are also experimenting with board and governance models. For still others, textbook notions of a strong chief executive officer (coupled with a

visionary management team whose members know where they are going at all times) guiding a unified work culture that is predictable and has an agreed-upon company vision may be the wrong metric against which some organizations should gauge their performance. This "institutional wisdom" may actually be dependent upon the economic and societal environments an agency encounters.

Similarly, some nonprofit leaders, in spite of their competencies as executives and managers, may not have a firm grasp of where their organizations will end up. These institutions may be leaders in their field and still not have an "institution-wide shared vision." Jeff McLinden, a vice president for the marketing and management consulting firm McConkey/Johnston, International suggests,

> For some organizations, the conventional rules of management and customer or donor interaction may not be the best way to prosper in some of the managerial or competitive situations they encounter. There is no one strategic management or marketing framework that is working for every nonprofit organization; there is "truth" in dozens of management and marketing approaches. Each nonprofit organization therefore must do business in a way that allows it to test the validity of the way chosen to approach the marketplace, what the medical world has called "evidence-based practice."[7]

Managing without Knowing the Future

Examples of nonprofit leaders having to manage without knowing how the American philanthropic future will impact their organizations abound. This is especially true in the explosive emergence of the Internet and the way it has changed the actual and mental geography of workers within many organizations. The Internet's presence has created for some a marketing and managerial quandary as to how their institutions should maximize it. Hundreds of nonprofit organizations have raced to create web sites and hire web teams without asking necessary prior tactical questions about their

institution's objectives within its Internet usage. Consequently, most agencies in the United States today have created little more than vanity sites and, in the process, have allowed the customer or donor neither to be at the center of the site nor predisposed toward its cause. These same agencies have also failed to achieve the conversion ratios they had hoped for in converting the number of hits on their site to bona fide leads or gifts.

How does an agency harness the capabilities the Internet offers and simultaneously face the numerous issues and opportunities it presents? "Not knowing the future," agencies would be well served to first decide that simply bombarding their clientele with more direct mail, telemarketing, and expensive brochure creations while proclaiming that their institution is the best and the brightest is not the way to success. Media have become increasingly interactive, and stakeholders are exercising more control over what they give to or consume—how, when, and where. In some organizations with donors wanting more flexibility in the way they give and communicate, the Internet should be an option. For other groups, if target markets no longer respond positively to direct mail or telemarketing campaigns, the Internet may present a possible alternative. For still other groups dealing with stakeholders in the ages of 18 to 34, the Internet is this target group's primary source for information and entertainment. In each instance, the Internet may help reduce the interaction distance with institutions individuals express interest in and possibly create a stakeholder dialog as opposed to the monolog so many agencies currently impose upon their audiences.

In each of the foregoing cases of current or perceived future need, the Internet will prove helpful. Tactically, it may also afford organizations the opportunity to build new audience segments composed of like-minded e-givers (donors through the Internet), as well as changing how they give, when they give, and what they give to. Each new initiative and response consequently requires organizations to deal with staff and stakeholders differently than before. It is true that there have been widely reported success stories

of Internet fund-raising and advocacy usage, including the American Red Cross, which reportedly raised over $1 million dollars for Balkan Relief in 1999; presidential hopefuls McCain's and later Dean's millions raised in their campaign bids; as much as 10% of the $1.5 billion given in relief donations after the terrorist actions in New York City; and the millions given during the Asian, Pakistani, and New Orleans' crises. This still does not mean the Internet is an immediate sure bet financially for all nonprofit organizations today.[8] The Internet has certainly represented a huge leap in information delivery for organizations. Will it do the same in the areas of fund-raising and transaction facilitation?

A nonprofit manager would have to look at additional concerns if he or she were required to make a reasonable decision regarding the deployment of resources for future Internet involvement. Excepting for highly vertical appeals or nationwide emergencies, the amount of money given charitably through the Internet has hovered at less than 2%. Of the more than $190 billion charitable donations given in 1999, about 1.2% of the donors did their giving through the Web.[9] This amount represents about 14 cents out of every $100 dollars given. Though comparatively small today, Internet giving potential may loom large for some nonprofit organizations in the future, especially given the outpouring of e-gifts after the 9/11 disaster and the tsunami, earthquake, and hurricane crises. "If the growth in Internet commerce is any indication, it could be tremendous," says independent sector senior analyst Michael T. McCormack.[10]

What "tremendous" might mean to development directors contemplating strategic decisions for the days ahead is hard to know. Certainly new tools are available to nonprofit marketers, including targeted e-mail lists, affiliated or consolidated giving sites like charitymall.com and Helping.org, and other interactive applications that allow shopping opportunities online (with a percentage of each purchase being earmarked for a particular charity). Each of these marketing options may seem attractive to an organization struggling to support its fund-raising efforts, especially

if previous efforts have met with dwindling response rates in some parts of their customer and donor files.

Unfortunately, questions like these also come on top of both societal and environmental upheaval, as well as at times when some nonprofit organizations have been victims of scandal and misman-agement. According to Jan Masaoka, the executive director of The Support Center for Nonprofit Management, "We all know now about the loss of legitimacy of the nonprofit sector and the erosion of the moral high ground on which we used to stand."[11] As a consequence, an organization's "reason for being" is now more closely watched by both internal and external observers than ever before. Accordingly, many nonprofit organizations focus on short-term strategies they have current funds for, while negating long-term plans (that are often more needed in their causal arena).

Similarly, the outcomes nonprofit organizations produce on behalf of society and their own particular stakeholders, as well as the methods by which they produce them, are also being rethought by many of these same participants. Stories abound in print and in seminars of the "new philanthropists" who, having wealth and expertise within their own fields of endeavor, are now coming into the philanthropic world to "fix it" by dictating the terms of their involvement and the programs they are willing to fund. Some of these donors are generous and sincere and are making serious inroads in causal fields such as health care, education, and religion. In this process they are changing and improving the performance cultures of some of the organizations they're involved with. Other donors, however, may be celebrity seekers who are compromising the organization's philanthropic task for their own ends and in the process may have marginalized the seriousness of some causal needs.

One donor, in commenting on this new trend in philanthropic intervention and the philanthropists themselves, noted, "All they measure is what they have given rather than what the results are."[12]

In spite of some detractors and the ensuing uneasiness about the future, new infusions of donations and volunteers are needed in this

country more than ever. Second Harvest, the national organization of food banks, projected that programs affiliated with its members have provided food to minimally 25,970,000 "unduplicated" clients in a year, mostly through kitchens and food pantries.[13] Of the 12 million children under the age of three in the United States, staggering numbers still live in conditions that threaten their lives. One in four lives in poverty.[14]

There is still unprecedented need in the United States with the inequities in our society continuing to get worse.

Philanthropy in the Light of Institutional Productivity

Buried behind the stories of societal need is a massive problem. At its core is the issue of philanthropic and organizational productivity and the need for many organizations to rethink their best practices in terms of operations.

Simply stated, the United States—and the world around it—is drowning in a pool of human need. Of the six billion or so living in the world presently, close to two billion could be classified as "in trouble," with poor health and nutritional options. Eight hundred million of these individuals are on the edge of starvation, with eight million dying each year because they are too poor to survive.[15] Intervention efforts on behalf of those in need are not enough to go around. As a consequence, new, incredible pressures are being laid at the feet of many nonprofit organizations to perform at levels unheard of in the past.

For some institutional leaders feeling this burden, the need for sustained and increased nonprofit productivity is increasingly becoming an issue of the need to engage in organizational transformation. Why is this?

The productivity-led recovery the United States experienced during the second half of the 1990s and into the new millennium—a recovery that the nonprofit world also derived some resource

benefit from—can be traced to the early 1970s, when many U.S. manufacturers, bloated with unwanted acquisitions and bureaucracies and being eclipsed competitively by many Asian-rim countries, realized how far they had moved from their core competencies. Institutions began and still continue to shed acquisitions and employees as the nation staggered from the technology and marketplace fallout it had experienced a few years earlier and then slowly recovered. Nonprofit organizations, again, are part of this wave, with some whose funding depended on the success of donors' stock portfolios still feeling the negative effects of gifts withheld during this time of economic transition. During the apogee of the high-tech fallout, it was not unusual for some nonprofit organizations to be depressed 30% or more in their donations as gifts dried up.

With approximately 70% of the nonprofit world having budgets under $500,000 a year and in the light of increasing competition and technological advances in how organizational processes can be delivered, many for-profit and not-for-profit industries have begun to rethink how they are going to convey their services in a global marketplace rife with "look-alike" products. In addition, rapid technological advances are reshaping how organizations operate, and this in turn is creating severe discontinuities throughout many nonprofit and for-profit corporate cultures. This genuinely new global economic era is forcing the need for change in how business is conducted in virtually all markets and sectors of society. Compounding this trend is the aging of 74 million baby boomers, given their requirements and demands for more service options and infrastructure choices.

Within the turbulent and unforgiving marketplace many organizations find themselves in, the need for a new, aggressive competitiveness, evolving business practices, and organizational structures is a nonstop process. As old industries are replaced by new engines of economic growth, this need is also seeping into the nonprofit world.

In fact, the need for change has seldom been so forcefully presented in parts of the nonprofit world as now. Not only is there an unprecedented demand for some organizations to become revitalized agents of change within their own spheres of civic responsibility, but they must also function with aggressive benefit to their mission, their stakeholders, and their bottom line. Many nonprofit institutions are desperate to answer these calls for change. Some, even with their donative resources on the increase, have not been able to keep pace with the commensurate demand for services. Other organizations are also being asked to do more in areas the federal government annexed in the 1960s but has retreated from now and serves less and less.

There are four broad areas of change affecting the nonprofit world today:

1. While the nonprofit sector is more professional than ever, those who fund and volunteer on behalf of organizations expect efficiency, customer consideration, and cutting-edge services. They are not shy in demanding superlative performance from the organizations they support. Nor are they shy in pushing themselves into the center of the agency's world. Often previously suppressed or marginalized at some institutions, donors, customers, and volunteers are taking active roles in the social, cultural, and intellectual dialogs many of these agencies have. When denied this chance for involvement, these individuals often leave the institution and take their support elsewhere. Nonprofit organizations must constantly balance the needs of these groups. As was noted by *The Economist* in 1998, the amateurishness of some nonprofit organizations has unfortunately led to an alarmingly high proportion of philanthropic giving sometimes going to gratifying people's egos rather than helping those in need.[16] On the opposite side of the coin, some nonprofit organizations have been criticized for looking too "Madison Avenue" in their marketing approach.

2. The foregoing issues have contributed negatively in the economic environment. Agencies with city or regionally based constituencies have often had to contend with a weakening of their local ties and drawing power as "glamorous" causes have effectively utilized the electronic media to convey their packaged appeals to households around the world. For many casual and would-be donors, these expertly packaged appeals on behalf of global or national crises are often more attractive and present an immediate option for individuals to express concern and act, rather than local issues, which are often poorly communicated and *hidden* from constituents by their lack of advertising or fund-raising budgets. It is not unusual to have individuals in a community not know where their local food pantry is located, but to be able to recognize international relief agencies by name that advertise around favorite television or cable shows these same individuals watch.

3. In addition, the worlds of business and third-sector institutions are colliding more frequently, and nonprofit organizations are increasingly being benchmarked against their for-profit neighbors. Occurring with some rapidity through the ability of organizations to radically upgrade their information technology systems at affordable prices, this "collision" has also increased pressure on organizations to perform with attention to the bottom line. This effect is, in turn, forcing some organizations to move away from a "marketing pre-culture" (where marketing issues are only talked about and not engaged) to a true "marketing culture." Unfortunately, many nonprofit organizations are simply not prepared to compete in today's aggressive world. This can be evidenced in a number of ways—an organization may experience a lack of competent marketing staff, or it may engage in fund-raising strategies that are no longer viable, or most commonly, it may

have an inadequate marketing budget to make any difference through its promotional programs.

4. Point three indicates the negative side of not having enough competent people; there is a silver lining in this situation as well. Having a lack of competent internal staff to draw from has caused many agencies to seek help elsewhere, and they are benefiting today from the advice, participation, and change insurgency a new generation of corporate layoffs, key volunteers, and early retirees from the corporate sector are bringing into their everyday organizational lives. It is not surprising to say that it is people who are helping to shape the new world of philanthropy. People have always been at the center of nonprofit life. What is surprising is the numbers of individuals, often from the for–profit sector, who are serving as revitalizing agents of change through their volunteerism or willingness to take reduced salaries in order to serve on behalf of a nonprofit organization.

Four brief stories highlight this trend.

REAL-WORLD EXAMPLES

Forbes.com reported the story of Edward Morgan, who after serving two decades in the General Electric corporate sector, came to a midtown Manhattan mission for men and women battling drugs and alcohol. Along with revamping all of the management systems and stopping the financial hemorrhaging, Morgan increased the donor revenue stream, off-loaded organizational sacred cows, and ran the mission in the black. In addition, he increased the career training the mission offered to make an even longer-lasting impact in the lives of those he serves.*

Al Wunderlich, 68, managed a 27-person staff as head of Anheuser-Busch's global tax division before he retired in 1996.

As the director of the Franklin Neighborhood Community Association in Belleville, Illinois, he sometimes mopped floors, along with helping the nonprofit abandon some of its hidebound practices.[†]

John Wood served along with his wife as directors of Heritage Home, a home for unwed mothers who would be destitute on the street were it not for the services provided by the Home. Before he came to Heritage Home, John ran a $100 million company that made extensive use of assembly-line technology. Having taken early retirement he used those honed skills to create synergies in the lives of young women who needed to figure out how to reengage with society.[**]

Don Mercer came to Eagle Village—a sprawling campus for kids at risk—and used his Pentagon experience in scenario planning and tactics to successfully put the Village in the black. He upgraded or rebuilt almost all of its facilities and substantially benchmarked its services at a higher level.[††]

[*] Adams, Susan, "Corporate Communion," Forbes.com, May 5, 2000.
[†] Tanz, Jason with Theodore Spencer, "Candy Striper, My Ass!" *Fortune*, August 14, 2000, p. 160.
[**] From the personal client files of Barry McLeish.
[††] Ibid.

Each of the individuals brought skills from the corporate or military sector to help them manage and succeed in the nonprofit world. In the process, they demonstrated that skills learned and used in one sector can be transferable and helpful in another.

Unfortunately, in spite of these inspiring stories and many others like them, some myths permeate the nonprofit marketplace that are hard to dispel and therefore, though imprecise and emotional, have a dampening effect on the performance and productivity of some organizations. In this time of frequent radical marketplace change, new skills borrowed and learned from *outside* the nonprofit arena may become more valuable once taken *inside* organizations. However, many management principles handed down within

nonprofit institutions are inimical to innovation. Consequently, some organizations, unless they become open to innovations in how they operate, will continue to have their hands tied by the managerial myths that seem pervasive. There are four popular managerial myths plaguing the nonprofit world today.

First: You Must Be a Large Organization to Make a Difference

This first myth seems to have the longest tenure and causes the most angst. There is a sense often present at nonprofit management and fund-raising training events that ultimately a handful of large mega-nonprofit organizations are going to carve up the service world, and in so doing, they are going to parcel out doing good deeds among themselves. This notion comes naturally as nonprofit leaders at every level and in every type of organization are repeatedly exposed, along with the larger for-profit business community, to the idea that the only way to deal with competitors in this world is to beat them at their own game and become large enough to be impervious to their threats. John Kenneth Galbraith said as much when he wrote *The New Industrial State* more than 30 years ago and suggested that the world would be run by large corporations. Large companies gained efficiencies in their operations, and efficiency became *the* competency that was hard for competitors to overcome. However, "large" has not turned out to be the dominant model in the non-profit world, nor is it necessarily a critical criterion organizations must have in order to help those they seek to serve. One need only look at the means by which communities offer help to those in need to see that this is true. Most shelters, food pantries, nonprofit schools, counseling services, hotlines, and volunteer forces work through local initiatives and make a difference at the local level. While it is sometimes hard to assess these initiatives through the lenses of productivity, it is not hard to assess the pragmatic effects on the lives of individuals touched by efforts at helping at the local level.

Large or small, each model carries with it operational liabilities and strengths, and neither can be said to be the perfect operational system. Large nonprofit organizations often make a profound difference, and a number of them, particularly those that have a chance to work throughout the nation or around the world, bring significant resources to bear upon particular issues and do tremendous good. However, small nonprofit organizations have some tactical advantages. For example, they have none of the fixed costs of larger institutions. Further, they often become crucial to a local community's safety net for those in need. The advent of technology also allows them to data-mine customer and donor bases that were once the province of larger nonprofit firms. Additionally, small institutions typically have the ability to experiment with new responses to social needs in a quicker and more immediate fashion than many larger, managerially bloated organizations. In addition, because of their ability to respond immediately to marketplace initiatives, smaller organizations can react more quickly to change their service and marketing approaches where appropriate, whereas a lack of support for new initiatives in a larger organization is often masked because of the large number of programs and the distance between the organization and its constituents.

Second: Only Well-Known Organizations Can Raise Money and Provide Excellent Service

Tied closely to the first myth is the idea that only a few, well-known, elite nonprofit organizations, supported by their recognizable brand names and large marketing and fund-raising machines, will gradually overshadow all other competitors. This is a dominant theme echoed by many nonprofit executives in light of hyper-marketplace competition. What these same nonprofit leaders often do not realize is that large fund-raising efforts can simply gloss over regional differences in favor of exploiting economies of scale by asking for the same cause in the same way wherever they are. For example, this is

the normative behavior for many direct-mail–driven organizations. Although these same organizations may achieve some economies of scale, treating all fundraising prospects as if they were the same can have serious drawbacks in tightly knit communities.

Comparing one's organization against a better-known competitor often ignores reasons why some individuals make philanthropic choices that are local or regional in nature. An individual may feel marginalized by gender, race, or physical handicap and identify with a cause that does not embrace the dominant culture. Some may have stronger value alignment with lesser-known organizations that seem more personal in their approach. Further, a man or woman's financial gift or voluntary act may seem to be more appreciated by staff and others alike in lesser-known or smaller organizations that willingly dote on their donors, volunteers, and customers.

Consider the example of individuals who send their sons and daughters to camp each summer. Decisions like these are often based on criteria other than the name recognition of the institution or its reputation. They may depend as much as the parents' need to see their child experience rites of passage similar to their own at a particular age. The action of sending a child to camp may be tied to personal parental values, interests, or vision of what their child needs to experience rather than the actual or perceived competency of the institution.

Comparatively speaking, there are only a handful of very well-known, nationwide causes and institutions that are a part of the third sector. Many of these large, global causes must often decentralize their operations in different ways to take advantage of local resources. Not doing so can easily become a mistake in marketing tactics. Even so, local causal initiatives almost always have a service or marketing niche that larger concerns have a hard time imitating. Their proximity allows them to serve customers, donors, and volunteers in a way that other, larger organizations can't. In speaking about caring for customers and donors, Tom Bisset, general

manager of WRBS in Baltimore, notes "all relationships are ulti-mately local."[17] Perhaps for many causes, so is service, volunteering, and fund-raising. Smaller nonprofit organizations may be better positioned to take advantage of tomorrow's opportunities than their larger neighbors.

Third: Many Americans View Nonprofit Organizations Differently Today

From an economist's point of view, a donor to a nonprofit organization is a purchaser of services. For some donors, the fundamental difference between their purchasing a service and a product you or I might buy from a commercial outlet is simply that in the charitable act, donors seldom see the services in action because they are delivered to a third party. As such, donors are often at risk in the transaction because they have no easy way to determine whether the services they purchased were rendered as promised and expected. The organization in turn, hopes the donors will trust that they will keep their word and deliver what was promised. While this is usually the case, sometimes the donor's trust in the organization isn't warranted. These unfortunate instances contri-bute to the mistrust some individuals have regarding nonprofit agencies.

This mistrust is compounded by another prevalent condition. When individuals give a financial gift, it is usually labeled as a "charitable gift." Unfortunately, labeling these philanthropic actions as charity often generates a misleading notion. The word *charity* often gives rise to images of helping people who are homeless, desperate for food, or in dire circumstances. Today, charitable acts on behalf of individuals may achieve different goals—for example:

- Gifts going to a local church or service club may more directly benefit members than those in need who are outside the church or club's sphere of influence.

- A university donation may pay for staff salaries to maintain excellent staff, with only a fraction earmarked for those who cannot afford higher education.

Philanthropic realities such as these have a cumulative effect upon society and can impact the way some individuals view charities.

In addition, because America has achieved unprecedented material prosperity and personal freedom during the past 20 years, what were once luxuries in our society have now become necessities. For some, attaining these freedoms has not necessarily made for a better public. For others, however, achieving these freedoms has created the expectation that an individual must control as many aspects of the entire donative transaction as possible to ensure that the organization does not succumb to providing lesser services than what was promised.

For still others, notions of service and care for those less fortunate—concerns about larger societal issues such as racial harmony, a clean environment, safe cities, better educational systems, and other shared moral imperatives—have been replaced by attitudes of blame and intolerance for social ills. Rather than addressing societal concerns in communities or taking a personal approach to them, these individuals now believe others should solve them.

This stance is compounded by widespread feelings in society that some of today's issues are simply intractable. While most in this country do not suffer from terrible living conditions, no health insurance, a lack of food, or diseases that go untreated, nevertheless there is a feeling by many that these problems will never be corrected and are simply beyond the collective desire and ability of society to solve.

Given feelings of disappointment with self and society over the failure to solve these crises, compounded by an unending desire for material consumption fed by a capitalism that long ago stopped being compassionate, many people increasingly have little patience

for those who cannot cope nor succeed. Writes national columnist Robert J. Samuelson about the face of American capitalism, "It is less protective and more predatory. It no longer promises ultimate security or endless entitlement. Instead, it preaches the inevitability of change, implying that change is often cruel."[18]

Fourth: Experience Is All That Counts

If there were no marketplace changes to speak of, this statement would most likely be true. People who have had the longest careers and have been around the most, as well as having had the most institutional experience, would have a decided advantage over those who possessed fewer experiences or had served fewer years. However, for a third-sector organization, avoiding marketplace changes today is usually more a matter of sheer luck than anything else.

Remembering when the pace of change was slower, some nonprofit executives see what is happening outside their organizations as being independent of what their institutions need to choose to do operationally. Rather than modifying how they operate or promoting their causal products in a different manner or changing their infrastructure systems and procedures, these individuals operate based on how they wished the world around them would operate. Striving instead for balance and equilibrium in order to create a type of changeless organizational orthodoxy, these directors "make no changes." Should they accomplish this organizational goal, they then tend to lose the courage to offload organizational entities that represent outmoded ways of thinking. Instead, outmoded ideas grow to be organizationally sacrosanct, becoming a type of organizational truth and meta-narrative for operating.

Challenging what an organization holds as experiential truth is a continual process, and should it encounter some idea or "truth" that is no longer helpful or realistic, an organization must learn to discard it. London-based nonprofit marketing consultant Redina Kolaneci suggests, "We must always look at our assumptions about how

something should work. Are they still true? If not, why not? What is it in our belief systems that we must change?"[19]

To not do what Redina Kolaneci suggests is to ignore the notion that organizations are complex systems that out of necessity, must interact with those who are "outside," exchanging ideas and mutually influencing each other. To undertake these actions enables institutions to help avoid wrong thinking, abandoning rather than defending what went on previously.

As conditions change, organizational models, along with the experience and wisdom they once represented, may not hold up anymore, as in the following examples:

- For years, city rescue missions ignored the trend that the homeless population was not exclusively composed of men but had become heavily skewed toward women, many of them with children. Once this was grasped as a statistical reality, new training had to be brought into many missions to adequately deal with the issues women and children brought with them, to say nothing of the need for new living and housing quarters to accommodate this new clientele.

- Religious organizations that send missionaries through dep-utational (i.e., personalized support) fund raising have had to contend with rising costs in foreign countries, thereby threatening their funding model. For a family of four Americans to go as a missionary family to Japan and secure adequate housing and education for their children can easily cost the sending organization more than $100,000 per year. The deputational funding model (sometimes known as "personal support raising," in use for years) of going from church to church or diocese to diocese to ask for funds simply is inadequate as a strategy for many missionary families going overseas, given the amount of money these individuals must often raise. A new way of achieving an organization's financial needs must be explored.

How? The need for a new mind-set in the way nonprofit organizations operate with stakeholders and with other non-profit agencies is required as never before; this is the subject of Chapter 2.

■ NOTES

1. O'Neill, Michael, The Third America *(San Francisco: Jossey-Bass, 1989), p. 16.*
2. Greenfeld, Karl Taro, "A New Way of Giving," Time, *July 24, 2000, p. 48. See also "Vertis Customer Focus 2003,"* Chronicle of Philanthropy, *October 16, 2003, p. 30.*
3. Ladd, Everett Carl, The Ladd Report *(New York: The Free Press, 1999), p. 62. Eggar, Robert (with Howard Yoon),* Begging for Change *(New York: HarperBusiness, 2004), p. 45.*
4. "United Ways Seek a New Identity," The Chronicle of Philanthropy, *March 9, 2000, p. 1.*
5. "Donors Now Opting-Out of Mailings," The Nonprofit Times, *March 1, 2000, p. 1.*
6. Taylor, Jim, Watts Wacker, and Howard Means, The 500 Year Delta *(New York: HarperBusiness, 1997), p. xiv.*
7. Personal conversation with Jeff McLinden of McConkey/Johnston in Atlanta at the Christian Stewardship Conference, September 28, 2000.
8. Presentation at the Christian Stewardship Conference in Atlanta on October 1, 2000.
9. Caruso, Iyna Bart, "Celebrity Charity Goes Cyber," American Way, *p. 102.*
10. Ibid., p.102.
11. Masaoka, Jan, "Opening Address," in Giving to the Future: Philanthropy in the Twenty-First Century *(San Francisco: Community Foundations of the San Francisco Bay Area, 1998), p. 9.*
12. Greenfeld, Karl Taro, "A New Way of Giving," Time, *July 24, 2000, p. 57.*
13. Shore, Bill, The Cathedral Within *(New York: Random House, 1999), p. 8.*
14. Poppendieck, Janet, Sweet Charity? *(New York: Viking Penguin, 1998), p. 3–4.*
15. Kluger, Jeffrey and Andrea Dorfman, "The Challenges We Face," Time, *August 26, 2002. "The End of Poverty," excerpted from* The End of Poverty, *Jeffrey Sachs,* Time, *March 14, 2005.*
16. The Economist, *May 30, 1998.*

17. *From the personal client files of Barry McLeish.*
18. *Samuelson, Robert J.,* The Good Life and Its Discontents *(New York: Times Books, 1995), p. 120.*
19. *Personal conversation with Redina Kolaneci in Colorado Springs, October 2003.*

■ REFERENCES

Burns, James Macgregor, *Leadership* (New York: Harper Torchbooks, 1978).
Galbraith, John Kenneth, *The New Industrial State* (New York: Mentor, 1971).