Nonprofit Culture

T oday, the U.S. nonprofit sector is populated by nearly two million organizations and employs approximately eleven million people. The sector as a whole—from museums, colleges, and hospitals to community centers and after-school programs—fulfills many social and community needs. Numerous scholars have indicated that nonprofit and voluntary institutions are a critical strand of America's cultural fabric.

Considering that nonprofits are such a large part of the U.S. economy and critical players in the provision of social and community services, it is not surprising that over the last several years, there has been an increasingly strong push from funders and volunteers to understand the impact nonprofits are making. Discussions of nonprofit organizational culture have become a part of this sectorwide conversation.

If you read books or popular articles about nonprofit leadership or management, you'll find plenty of references to organizational culture as something that has an impact on how institutions behave. And although ubiquitous, the term is rarely defined. Authors assume the reader will know what organizational culture is. And indeed, most of us have a sense that organizations have "cultures" that shape everything the organization does. We sense that organizational culture is powerful. We talk about it in simple terms while giving it responsibility for everything from innovative, entrepreneurial successes to board members' incessant infighting.

For all the power people ascribe to organizational culture, you'd think everyone writing or talking about it would have a clear and deep definition. Yet as we dug into the literature, we found that organizational culture is inherently fuzzy; its foundations are unconscious, invisible, and assumed. Few writers seem to

address the full depth of the concept. Consequently, it seems that most of the time, people don't know what they mean when they say "it's the culture." The term is so slippery that it isn't helpful.

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Despite the common references to organizational culture in the nonprofit literature, nonprofit-focused studies in general do not deeply explore what organizational culture is or how to uncover and describe it. Nor do they add to our understanding of organizational culture within the context of nonprofits. Further, if they claim that a relationship between organizational culture and effectiveness does exist, these books and articles do not explain the pathways by which an organization's culture would impact its effectiveness.

We speculate that the wealth of anecdotal references to nonprofit organizational culture and the dearth of empirical research may have two causes. First, "culture" serves as a handy scapegoat to explain inexplicable or uncontrollable organization events. So, for example, nonprofit leaders are apt to say, "That's just part of our organizational culture." Second, the complexity of the topic makes meaningful research costly—especially critical in an environment that is almost always stressed for lack of resources.

Our goal in this book is to deepen your knowledge and appreciation of organizational culture in all its richness and complexity, while enabling you to understand its daily impact on a nonprofit organization's work.

DEFINING ORGANIZATIONAL CULTURE

Let's be very clear from the beginning about what organizational culture means. In general use, culture can be defined as "the totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all other products of human work and characteristics of a community or population" (Kotter and Heskett,

1992, p. 4). Culture, in this definition, is the foundation of a group's fundamental beliefs about the world and the way it operates. Why do human beings create culture? Authors Trice and Beyer (1993) reflect on this question when they write, "Human cultures emerge from people's struggles to manage uncertainties and create some degree of order in social life" (p. 1).

When we talk about organizational culture, we are specifically defining the "community or population" as an organization, in contrast to the entire population of a nation, region, or even an ethnic group. Although we are used to thinking about culture in broad, sweeping terms related to large groups of people, Edgar Schein (1999), one of the preeminent writers and thinkers on the subject, points out that cultures develop "whenever a group has enough common experience" (p. 13). In other words, any group (no matter the size) that is pursuing a task or goal together will ultimately develop a culture. Schein's comment also points to the importance of the early stages of group formation to the creation of the culture.

These groups create culture for the same reasons that all humans do: to manage uncertainty. In the process of managing uncertainty and chaos, people create meaning. They are making sense of their world. This is why so much of the conversation around culture, whether it is national culture or organizational culture, focuses on values and beliefs. Values and beliefs are the "by-products" of humans' quest for meaning and are conveyed through stories. Values and beliefs make the world more understandable by providing guidelines for behavior generally agreed to by the community. As we'll explore in more detail throughout the book, stories are an accessible way to "get at" the real values and beliefs of an organization, and one of the most important stories is the creation story.

We believe the clearest and most actionable definition of organizational culture comes from Schein (2004), who states that organizational culture is "a pattern of basic assumptions—invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration—that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (p. 17). Schein goes on to identify three different levels that can be examined in relation to organizational culture: level 1, artifacts, or what people see; level 2, espoused values, or what people say they value; and level 3, underlying assumptions, which answer questions about why artifacts and behaviors are the way they are. This third level is where the "content" and power of organizational culture can be found.

This gives us a start, but in order to tune ourselves into the deep elements of culture, it is helpful to understand more about the content of culture—what to listen for in terms of deep beliefs. In other words, is there a way to narrow down the kinds of beliefs and values that will be most helpful, the kinds of stories to listen for? As Schein (2004) describes, anthropologists have given us guidance in discerning these beliefs, suggesting that we ask penetrating philosophical questions:

Is truth revealed or discovered? In organizations, the question might be, for example, How do you determine the "right" answer to a service, staffing, or quality issue? Imagine the different ways the following nonprofits might answer questions about what kind of service to deliver or about improving quality: RAND Corporation, which uses quantitative and didactic processes; the Aspen Institute, with its Socratic seminars; or a community-based organization crafting an asset-based development plan.

Are humans intrinsically good, evil, or neutral? Can we perfect ourselves, improve, or change? What does it really mean to be human? Think about how and why the most radical elements of Greenpeace might answer these questions of human nature. How about a family counseling service, a fundamentalist Christian organization, or an organization with roots in the military?

How should people interact with one other? Are we cooperative or competitive, individualistic or communal? Are relationships in the office purely professional, or are they friendly and familial? How is conflict handled? How are decisions made? Think of an advocacy organization with a long history of confrontation, in contrast to one that always seems to find a way to collaborate with government agencies. Why are such different approaches used?

As you are looking and listening for the key beliefs at the heart of any organizational culture, pay attention to these deep assumptions about reality (how we know what is true), time (finite or infinite), space (in relation to people or to place), human nature, and human relationships.

More explicitly related to organizations and the content of organizational cultures are the solutions to what organization management researchers call *external survival issues* and *internal integration issues*. External survival refers to how the organization defines itself in relationship to the external world of other organizations, customers, and the operating environment. The way organizations

resolve these issues is based on the assumptions an organization makes and is conveyed through mission, strategy, goals, structures, systems and processes, and measurement. In the nonprofit sector, if organizations have identified a theory of change or logic model, they may have surfaced some of these assumptions that answer questions about why they approach their work the way they do. Internal integration is about how the people in the organization relate to one another and is conveyed through common language and concepts, group identity and boundaries, authority and relationships, and the allocation of rewards and status—in other words, assumptions about relationships, teamwork, and decision making. For example, the organization will have special terms and jargon; it will have assumptions about the level of formality or informality expected in interactions with top management.

ACTION

Take a moment to note some of the artifacts and espoused values in your organization or an organization you know well. Don't try to judge or explain them; just describe them. Are there other organizations that would have very similar artifacts? What about values? Can you name another organization with similar espoused values? We suspect you can. Thus it is only as you discover the underlying beliefs—the reason why these values and artifacts exist—that you can see the uniqueness and richness of your organization's culture.

It is, of course, people who make culture. Because culture develops among any group of people, it is clear that everyone is (in this sense) multicultural. Each person has an individual experience, ancestry, and psychology, and each functions in many different cultures. One person may simultaneously carry the Spanish, Native American, Southwestern U.S., American, Methodist, teacher, and academician cultures. All these regional, ethnic, national, historical, religious, local, and professional cultures coexist, and this individual will bring them all to her workplace.

It is also worth noting that in many organizational cultures, particularly cultures that hold together large numbers of people, we see that "Cultures have multiple ideologies; the ideas they express sometimes complement and sometimes contradict each other" (Trice and Beyer, 1993, p. 175). Culture is not monolithic. These contradictions can be disconcerting when you attempt to describe the culture in its entirety. But remember that different aspects of culture develop over time and in response to different challenges. Cultures do not have to be internally consistent.

We are each multicultural, and we each interact individually with many cultures. But there's a mysterious aspect to organizational culture: it exists beyond the reach of any individual and his or her personal multicultural mix. Culture is the "property of" or the "domain of" the group. It is not owned by one person. It is important to keep this in mind as you think about organizational culture, especially in its relation to leadership. Individual employees and leaders inevitably interact with and sometimes influence organizational culture, but the individual's particular cultural makeup is not the culture of the organization. Early in an organization's development, the leader is contributing his or her beliefs and assumptions to the group; if these assumptions about what works and why prove to be successful, they will be taken for granted over time. They will become deeply embedded in the organization's culture. Consequently, although individual beliefs are not the same as group culture, founders have a particularly strong influence over culture. Further, leaders of organizations facing difficult challenges—problems that require the organization to change for its very survival—may also be in a particularly strong position to influence and help evolve organizational culture.

In summary, culture arises when a group faces the inevitable internal needs, external challenges, and uncertainties of existence. It is formed as the group responds to shared experiences, and is the domain of the group rather than the individual. It is both the behavior and the reason for the behavior. In fact, when you talk about organizational culture, the reason for behaviors is paramount.

WHY DO NONPROFITS EXIST?

With this perspective on what organizational culture is and what kinds of assumptions make up the heart of culture, we'll take a brief look at the literature on the history, laws, and theory behind the existence of nonprofit organizations in the United States. As you will see, we believe that the politics, economics, laws, and procedures that permit the existence of nonprofit organizations result in certain underlying values that are typically associated with nonprofits. These are important because the broad strokes that show up in these theories and mandates shape the context in which each individual nonprofit develops its culture. These traits give you an idea of *what kinds of things to look and listen for* as you try to describe a nonprofit's culture.

Economic Theories

Several economic theories have been posed to explain the existence of nonprofit organizations (Hansmann, 1987). At their essence, most of these theories cite some form of market failure—goods or services are not being provided because they cost so much that few people of any means can afford them without subsidy (for example, art productions), people are experiencing difficulties with trust or information (see our discussion of contract failure), customers have little money (for example, low-income housing), or there is no identifiable customer (for example, the environment). For our purposes here, we are interested in two economic theories: provision of public good theory[1] and contract failure theory.

Provision of public good theory suggests that nonprofit organizations come into being to meet individual wants and needs that are not being met by the government or private business. In theory, government has an incentive to offer public goods provided at the level desired by the "median voter." Some people want a greater amount or slightly different version of this public good, so a nonprofit arises to provide this public good or service. The organization takes a nonprofit form because the for-profit sector does not have an effective way to deal

with the problem of people who benefit from the service without paying for it ("free riders") and, therefore, cannot capture sufficient revenue. Think about public radio, the American Heart Association, or March of Dimes. We suggest that nonprofits fitting this economic theory will have deep beliefs about equity, fairness, and access to service.

Contract failure theory postulates that nonprofits are likely to arise in areas where the consumer is unable to judge the quantity or quality of a good or service. According to this theory, this asymmetry of information makes it more likely that consumers would trust a "seller" that has an altruistic motive rather than a profit motive—that is, a nonprofit. For example, it may be difficult to judge the quality of a day-care provider or services to Alzheimer's patients. According to this theory, consumers (parents or children) would feel more comfortable purchasing services from a nonprofit, and, consequently, nonprofits have a competitive advantage in offering these services. This theory assumes a deep level of trust on the part of the consumer. It helps explain why the values of openness, transparency, and accountability seem to be strongly embedded in nonprofits. Further, this theory sheds light on why nonprofits often distrust the market and competition as fair means of resource distribution.

Political Theories

A number of political theories have been created to explain the existence of non-profit organizations in terms of both the public participation they facilitate and political history (Douglas, 1987). The political theories surrounding nonprofit organizations are relatively complex. For our purposes, we are interested in the following three: civic diversity theory, general participation theory, and innovation theory.

Civic diversity theory argues that nonprofit organizations arise as a means and mechanism for allowing greater, more diverse participation in public life. The "central paradox of democracy is that the people are sovereign but many; there is not one will of the people but several sometimes contradictory wills. . . . [Nonprofits present] a mechanism through which conflicts of values, interests and views can, if not be resolved, be at least accommodated" (Douglas, 1987, p. 47). This theory does a good job of explaining the existence of such advocacy organizations as Greenpeace or the NAACP. Nonprofits arising most explicitly out of this need are particularly likely to have strong beliefs around diversity,

tolerance, and the role of these in the public debate. Interestingly, however, these beliefs do not mean that diversity *within* the organization is always valued. For example, the mandate of an organization engaged in public life may mean that it is more important that the group speak with a single voice and that the organization not accept diverse views or people.

General participation theory is based in part on political history and in part on theories about the mediating role played by civil society. This theory captures the historical experience of the United States as the first democracy. You may be familiar with this theory from Tocqueville's essay on the American penchant for voluntary organizing. This reflects a sense that individuals are morally obligated to participate in voluntary efforts and that such volunteering is best accomplished through civic association.

A related idea is that independent organizations have a role as mediating structures between private and public life.[2] In this role, nonprofits are thought to be the best vehicles for empowering people to advocate for policy change and for providing social and civic interaction outside the realm of government. This theory accounts for a wide range of nonprofits, from social and civic organizations such as the Boy Scouts to membership associations of professionals. Nonprofits arising most explicitly out of the needs described in general participation theory are likely to believe strongly that participation is important; they will have rules around participation and assume there's a need for mechanisms to ensure adequate participation in decision making. Further, they are likely to have traditions that include volunteers providing services.

Innovation theory explains nonprofits as arising from the public's need for new services and products and the government's inability to act on this need until there is some certainty around the approach. "Before a democratic government can embark on any course of action, the case for it must be accepted by a relatively large section of the population. . . . if the approach has already been tried by a voluntary body and proved viable, government can then follow using the experience and evidence gained by the voluntary organizations" (Douglas, 1987, p. 48). A subset of innovation theory is the idea that nonprofits arise to offer greater flexibility in the provision of public services. Democratic governments must treat their citizens equally; they are constrained by values of equality and justice. Consequently, they must provide the same services to all. Further, their bureaucratic nature restricts the provision of services. This does not mean that nonprofits do not have their own bureaucracies, but they

are generally freer than governments. Examples of nonprofits fitting nicely into this theory include operating foundations, many community development corporations, and economic development districts that take a nonprofit form. Nonprofits arising from this need are likely to have particularly close relationships with government and strong values around research, trying new ideas, and being more flexible than their government counterparts. They are likely to struggle with the balance in their interactions with government and end up in contradictory conversations around their ability to innovate and be flexible in relation to their desire to have efficient processes that allow them to serve more people.

Legal Mandates

In practice, the primary legal mandate that distinguishes nonprofit organizations from private business is the *nondistribution constraint:* nonprofit organizations can only retain and distribute revenue and assets for specified organizational purposes. Nonprofit organizations (like all corporations) must be governed by boards of directors; the directors' legal duties vary by state, but usually include a duty of obedience to the organization's mission. The duty of obedience to mission is somewhat different from the duties of directors of for-profit businesses. An additional difference is that traditionally board members of nonprofits are volunteers. There are many IRS categories for nonprofit organizations. For 501 (c)(3) organizations, their purpose must be charitable. In some ways, legal and procedural requirements are expressions of the political and economic theories about why nonprofits exist, and further distinguish nonprofits from business and government (Oleck, 1988).

The echoes of economic theories about the existence of nonprofits are seen in the nondistribution constraint. A nonprofit organization's net proceeds cannot be distributed among members or owners. An underlying idea here is that a nonprofit organization is not driven by the goal of maximizing the financial bottom line and, instead, focuses on quality or on serving more people. (A similar concept was expressed in the contract failure theory; nonprofits are trustworthy because they are not profit driven.) In many organizations, this emphasis on quality and quantity has led to the placing of heightened value on the professional opinion of the staff providing services or running programs. In such nonprofits, conversations and behavior focus on how to improve the

quality or quantity of services. On the level of organizational culture, this means many nonprofits will have chosen early in their lives to focus on quality and quantity, and the behaviors based on this decision are likely to be deeply ingrained. A corollary is that such organizations will focus energy on the mission or cause rather than on profit (or surplus revenue). Therefore, successes for the organization are likely to be related to its causes, and the beliefs and behaviors that led to these successes are likely to be deeply embedded in the organization.

A second legal mandate can be found in the tradition of voluntary governance and the often legally required duty of obedience. Voluntary governance is based on two fundamental ideas: (1) voluntary action is intrinsically good and a relevant way to approach social needs, and (2) oversight by a group of volunteers will hold the organization accountable to the public. These twin ideas have led to an emphasis on altruism, including altruistic motivations and visions on the part of staff and, sometimes, a focus on participation and participatory processes that can be time-consuming and costly. In many cases, the emphasis on volunteerism and altruism leads nonprofit organizations to assume that staff should work for lower salaries than they would earn in other sectors; there is a role for volunteers and a lack of comfort with business language and concepts that measure success in dollars.

The final legal mandate for 501(c)(3)s is that their purposes must be charitable. The underlying idea for 501(c)(3)s is that favorable tax status is warranted if the organization is serving a charitable (public) purpose. The definition of *charitable* has a long political history in the United States; for our purposes, it means serving the public, providing a public good, or assisting government in delivering its services. The charitable purpose requirement adds little new to the context of organizational culture, but it highlights the focus on altruism and the common expectation that nonprofit staff should be motivated by altruistic concerns. Ultimately, the service or program is important, whereas administration and infrastructure are not.

The nature of nonprofit organizations' existence as expressed through their economic, political, legal, and historical evolution suggests that there are key values with which most nonprofits will have grappled in their creation and growth. These values are likely to be present in some form in most nonprofits, and they may function as a "skeleton" on which to hang a comprehensive description of

their organizational culture.[3] Keep in mind that the list of values themselves does not describe a particular organization's culture. To flesh out the description of any organization's culture, we must look at how those values were established and the behaviors that have resulted.

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Table 1.1 summarizes the theories about the existence of nonprofit organizations. It further shows how those theories are reflected through values that tend to be shared across the nonprofit sector.

Table 1.1 Nonprofit Theories and Values	
General Theory About the Existence of the Nonprofit Sector	**Values That May Inform Deep Assumptions in Nonprofit Organizations**
Provision of Public Good The nonprofit form addresses the free rider problem.	Equity, fairness, and access to services.
Contract Failure Theory The nonprofit form has a competitive advantage because of the information inequity in the service.	Openness, transparency, and accountability. Sometimes there is a general underlying distrust of the market and competition, and deep skepticism that a competitive market will lead to the best allocation of resources.

Civic Diversity Theory

The nonprofit exists to allow more voices to be heard than can be accommodated by decisions of government.

Citizens' importance in playing a role in the public debate, including diversity and tolerance. In some cases, the assumption is that diversity is good; in others, the idea of solidarity of a single voice will be more important than encouraging diversity per se. In both cases, notice that the organization has to struggle with what it believes is appropriate with regard to diversity and tolerance.

Innovation Theory

Nonprofits rise from the public's need for new services and products and the government's inability to act on this need until there is some certainty around the approach.

Research, trying new ideas, and flexibility (as compared to government bureaucracy). Close relationships with government may cause contradictory conversations around the nonprofit's ability to innovate and be flexible and its desire to have efficient processes that allow it to serve more people.

General Participation Theory

The nonprofit plays a mediating role between individual interests and societal interests.

Broad participation and volunteerism. The nonprofit's rules are likely to require community or membership participation in the governance and decision making of the organization.

Legal Constraints

Nondistribution constraint

Focus on quality and quantity as part of the approach to the work and a driving motivation behind what to do with additional resources. Definitions of success are often closely related to clients—people, animals, or causes.

Voluntary governance

Altruism, volunteerism, and discomfort with business language.

501(c)(3)s and charitable purposes

Altruism particularly as part of staff motivation; lack of concern or interest in administration and infrastructure.

CONTEMPORARY INFLUENCES ON NONPROFIT CULTURE

In addition to the political, economic, and legal contexts that support the existence of a broad nonprofit culture, there are contemporary forces at work. The American nonprofit sector continues to evolve, bringing new experiences that influence and shift its culture. Some of the most prominent influences impacting the sector today are discussed in the next sections.

Private Sector Practices

Since the mid-1980s, nonprofits have had considerable interest in learning about private sector business management. Paul Light, a nonprofit scholar, notes that in the private sector there is often an underlying belief that the market can best allocate resources, that competition inevitably yields efficiency, and that a focus on finances is the best measure of success. As previously noted, nonprofits often have an underlying distrust of the market. However, this traditional distrust is being challenged today with the rise of social enterprise, low-profit corporate forms, and the idea that social venture capital is a valid alternative way to fund nonprofit organizations. These experiments at the edge of the traditional nonprofit business model are confronting long-held assumptions in the nonprofit sector about its role, what makes it unique, and the value of fiscal measures of success. With an organizational culture lens and an understanding of the legal, theoretical, and historical origins of

nonprofits, you can see the root of tension as people from for-profit businesses bring new ideas to nonprofits.

Noting a less extreme form of this trend, Peter Brinckerhoff, an author and consultant on nonprofit management, talks about the need for nonprofits to say no to opportunities that will stretch the organization too thin. A productive organizational culture must balance mission and fundraising functions. Brinckerhoff puts it this way: "Mission . . . mission . . . mission—but no money, no mission. Nonprofits must say 'no' if there isn't enough money." The successes and failures of these experiments with a more "businesslike" mentality will shape the organizational culture of nonprofits that engage in them.

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The Internet as an Organizing and Networking Tool

The increasing role of the Internet in organizing and managing social networks has challenged nonprofits whose fundamental beliefs about participation assume face-to-face interaction. The success of President Obama's campaign using these tools, and the growth of Facebook, Twitter, LinkedIn, YouTube, and so on are examples of how technology is creating new context for nonprofits. As organizations without Facebook fans or Twitter followers get left behind, new technologies are pushing on assumptions about how nonprofits should effectively organize and sustain participation. One of the thought leaders we interviewed, Ruth McCambridge, a longtime capacity builder in the field and the editor of *Nonprofit Quarterly*, stated,

> I think there are significant and deep changes in the external environment and structural changes that are happening in the nonprofit sector. As the hierarchical structures of the industrial age give way to the looser forms of the information age, we are seeing it impact

organization structure—via the rise of networks. We are finding that we have to function largely as networks or in networks. That is very different from stand-alone organizations. This is impacting culture and characteristics of culture that are successful. . . . Young people are more likely to explore these new forms. I'm humbled with their ease at using technology to create effective networks. These changes should be welcomed. They are going to happen.

Sweeping Leadership Change

Members of the baby-boom generation have profoundly influenced the creation of many nonprofits, and now they are beginning to retire or move into second careers. The nonprofit sector is in the midst of the largest wave of leadership change in its history. New leaders carry with them a different set of generational experiences. They are unattached to the experiences and experiments of the 1960s and 1970s and less wary of the role of business in solving social problems. After all, they have Patagonia and Ben and Jerry's as examples of socially involved, mission-driven businesses. They have also participated in nonprofit organizations while meeting their service learning requirements in high school and engaging in alternative spring break experiences in college. They want balance between their work and personal lives; they are tech-savvy and more comfortable with distributed leadership. As they come to leadership positions and move onto boards of directors, there will be an inevitable evolution of nonprofit organizational cultures.

Increasing Professionalism

The trend toward professionalism in the nonprofit sector, which has its roots in various academic traditions, is reaching a new phase. Early leaders of nonprofit organizations generally came out of community organizing, social work, or direct program delivery. Today, there are more than two hundred nonprofit management degree granting programs (Hall, 2007) and an uncounted number of certificate programs that highlight the importance of management and leadership skills. Brinckerhoff notes, for example, that a "new generation of health care managers have management training but have not worked in health care delivery, and that is shifting the organizational culture of health care away from the focus on patient care." In other fields, the shift may be less stark, but

as those with professional training in management and leadership increasingly
enter nonprofit organizations, they will certainly confront deep beliefs around
the intrinsic good of volunteerism and the nature of charity.

IMPACT OF INDIVIDUAL LEADERS

There is one final element about the "nature" of nonprofits that has particular
consequences for organizational culture and is seen across the nonprofit sec-
tor. Much of the literature (and certainly our interviews with thought lead-
ers) point to the importance of leadership in the formation, management,
and intentional shifting of organizational culture. Most nonprofits are small
organizations, and leaders play a particularly powerful role in staffing and in
shaping the culture. The commonality across the sector here is not reflected
in a particular value, but in the assumption that the leader is critical to orga-
nizational success. Among small and start-up nonprofits, leaders, particularly
founding leaders, have succeeded by convincing donors and other funders to
give them resources. They gain these resources by generating a sense of impor-
tance and passion for the cause the organization addresses and the service it
provides. Because of this particularly strong role that many leaders, espe-
cially founding leaders, play in nonprofits, we suspect they may have an even
stronger influence over the formation of organizational culture than leaders in
for-profit businesses.

A SPECIAL SUBSET: COMMUNITY-BASED SERVICE NONPROFITS

We believe many community-based nonprofit organizations share an overarching subsector culture, which, like the skeleton of the larger nonprofit sector culture, was created through the unique circumstances at their inception. Through this example, we're also considering how some of the common values of nonprofits explored earlier interact with the environment at the time of founding to influence a whole subset of nonprofits.

The shared culture of community-based service nonprofits was predominantly formed in the 1960s and 1970s. The federal War on Poverty began funneling money directly to communities. As a result, new organizations were formed with an explicit set of underlying guidelines about community empowerment, engagement, and the strength of community organizing to eradicate poverty. These new organizations, called community development and community action agencies, were heavily influenced by the experiences of organized labor and by Saul Alinsky, the Chicago-based organizer often considered the father of community organizing. Alinsky's book *Rules for Radicals* (1971) became a seminal text for a generation of community organizations and organizers. At the same time, the civil rights and antiwar movements were capturing the imaginations of many in a new generation. Young baby boomers were riding freedom buses in the South and helping organize voter registration. Money became available for these new community-based organizations at a time when no one had any real experience running these kinds of community agencies, so young baby boomers got the jobs. Thus, in the 1960s and 1970s, new organizations were formed and led by a generation whose life experiences to that point focused on values of equity, social justice, fairness, participation, and opportunity. They incorporated these values into the cultures of the organizations they were creating.

This confluence of historical change, federal money, and a large generation of young leaders created a unique subsector culture among these nonprofits. The values at the heart of these community-based service and development organizations include the following:

A hero mentality. The organizations were founded with an attitude that "we can make a difference in people's lives if we all work hard enough." In many cases, this led to a hero mentality that values long hours, low pay (so that more money can go to services), and "saving" those in need. Here we see the incorporation

of nonprofit values of access to services, equity, and quantity of services that are predicted by public good theory and the nondistribution constraint.

Ambiguous relationships with primary government funders. These organizations operated with the notion that they could and should work in collaboration with government and government resources, but they also felt that being "of the community" would make them more innovative and flexible. In many cases, these organizations were created through a partnership with federal agencies and federal funding, but wanted local control—an inherently tense situation. So although organizations valued government and believed it had a role to play, particularly in funding, they also were strongly committed to their communities and to the flexible solutions that could come with local control. This complex relationship with government and sometimes ambiguous relationship with primary government funders are classic manifestations of the values and tensions that innovation theory predicts.

Community-driven, participatory processes. The community organizing background fostered a sense that the organizations needed to go beyond merely providing services *to* communities to creating services *with* communities. Although processes for community participation take more time and raise other issues of what today we call cultural competency, ultimately these organizations believe that community participation is a critical part of creating change. This value often leads to a strong commitment to ensuring that there are ways for those receiving services to participate in the organization. (Whether or not these are effective or appropriate from the viewpoint of those receiving services is a different question. In fact, in many cases, the early founders and staff of these organizations included people from outside the community who had good intentions but may have had a different worldview than the members of the community they were serving.) So in these organizations we see values and beliefs about participation, community empowerment, and pathways to economic success.

A focus on racial justice. Racial justice, which at that time focused primarily around the experience of black and white Americans, was a predominant theme in 1960s and 1970s. Any community-based organization formed at this time was likely to have strong assumptions and beliefs around race and the role of integration. In general, these assumptions were likely to fall into two categories. Either they assumed that a diverse staff and broad engagements (integration) across racial boundaries were the right way to address community issues, civil rights, and

economic opportunity, or they assumed that blacks from poor communities needed to be in control of organizations—needed to "own or create" their own power—and that participation by whites in such organizations might be harmful. The legacy of the racial struggles and of the solutions organizations came up with during the turbulence of the 1960s and 1970s is still seen today in many organizations. This legacy is also an example of the tensions at which civic diversity theory hints.

Other nonprofit subsector cultures undoubtedly exist, based on regulations that govern them, the organizations' primary focus, and numerous other factors. We present the previous example because this particular subsector is prevalent, well known, and illustrative. It's a good illustration of how our broader conclusions about the evolution of a shared nonprofit culture work at the subsector level.
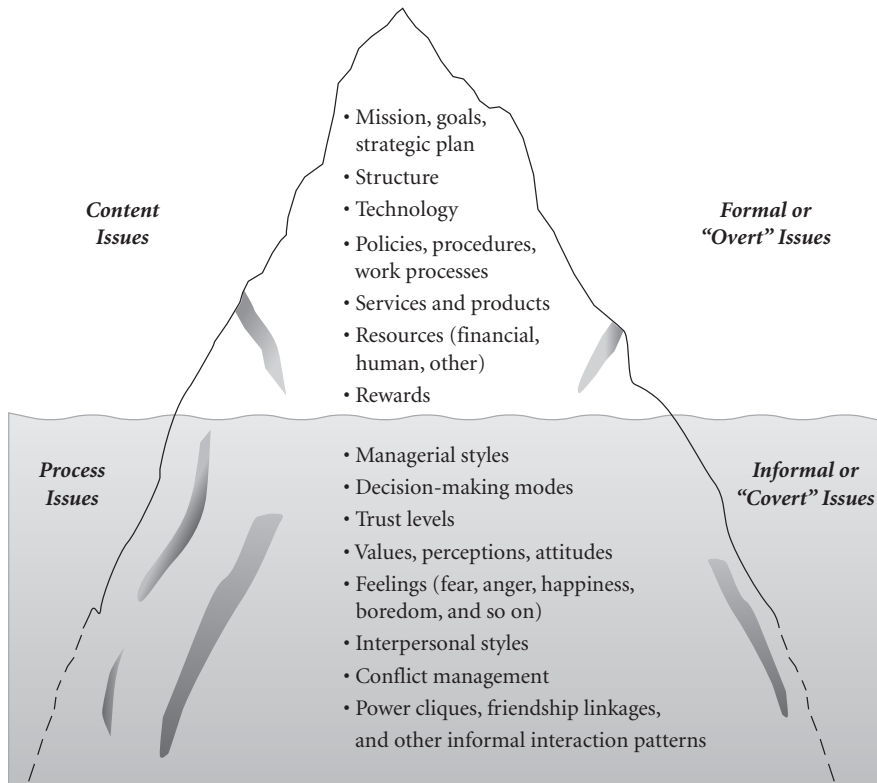

ACTION

When was your organization formed? What were the major socioeconomic and political trends at the time? Where do you see echoes of those in your organization and the way it solves survival challenges and resolves differences about how change happens? How do they manifest themselves?

OUR VIEW OF NONPROFIT ORGANIZATIONAL CULTURE

We like the popular analogy of organizational culture as an iceberg (Kotter and Rathgeber, 2006). As shown in Figure 1.1, the tip is made of the visible artifacts of the organization and its espoused values. These include such things as the way one is welcomed at the organization, who sits in which offices, the kinds of processes managers use, and so forth.

However, the iceberg's foundation, its most stable and critical part, is hidden underwater. Similarly, most of organizational culture resides beneath the surface of awareness, yet this hidden part is the most stable. If you want to know what the iceberg looks like and what it's made of, you're going to need to don

Figure 1.1
The Organizational "Iceberg"

Content Issues

- Mission, goals, strategic plan
- Structure
- Technology
- Policies, procedures, work processes
- Services and products
- Resources (financial, human, other)
- Rewards

Formal or "Overt" Issues

Process Issues

- Managerial styles
- Decision-making modes
- Trust levels
- Values, perceptions, attitudes
- Feelings (fear, anger, happiness, boredom, and so on)
- Interpersonal styles
- Conflict management
- Power cliques, friendship linkages, and other informal interaction patterns

Informal or "Covert" Issues

Source: Adapted from French and Bell, 1978

scuba gear, get out the sonar, take core samples, and work mightily to deduce what elements constitute its hidden foundation. Even then, your picture of the iceberg will be limited—you can sketch its boundaries and tell something about its internal makeup, but you'll never know the whole thing.

Discerning the constitution of organizational culture requires similar effort. How do you determine the true shape of the foundation by looking at its tip? How do you ask about something of which people are generally unaware? How do you take "core samples" of the culture and generalize them to the

whole? How do you make predictions based on the limited information from those samples? And if you want to move the cultural iceberg, just how large a leadership tugboat will you require?

The literature shows that organizational culture is complex and difficult to change. This conflicts with many contemporary management articles, which hold out promise for fairly easy use of (or management of) organizational culture in change initiatives. Although we agree that understanding and describing an organization's culture can help explain organizational behavior and can be useful in a change initiative, there is nothing easy about it.

Our own work and extensive review of existing literature allow us to make a few contributions to the understanding of organizational culture in nonprofits.

First, we did not find any evidence that organizational culture should be defined differently for nonprofits than it is for any other type of organization. As noted, we do think there is the skeleton of a nonprofit sector culture that is created by the economic, political, social, and legal context in which nonprofits are formed. Most nonprofits will have underlying assumptions related to at least some of the following values:

- Equity and fairness are critical in the way that people deal with one another.
- It is important to hold specific discussions about who can access services, for how long, and why.
- Trust is critical to success in making the changes we want to see happen in the world, so we'll operate in ways that are open, transparent and accountable.
- Sometimes the marketplace and competition will not lead to the best allocation of resources.
- Citizens should play a role in public debate and civic life.
- Diversity and tolerance are important values, and we need to determine how to handle diversity and tolerance within the context of our mission. (As a corollary: at times, solidarity and diversity are not in alignment, and we will need to choose one or the other.)
- Applied research, new and experimental ideas, innovation, and flexibility are valuable differences between nonprofits and our government counterparts. The way to find truth is through various means of "trying things out."
- Sometimes there is internal conflict between the need to be flexible and innovative and the need to have the efficient but uniform processes that will help

us serve more people. These conflicts may become more noticeable when we work closely with government counterparts.

- Broad participation is important, so our "rules" should require community or membership participation in the governance and decision making of the organization.

- Volunteerism is important; it is often how we got our start.

- Quality and quantity are part of our approach to our work and a driving motivation behind what we decide to do with additional or surplus resources.

- Our organizational success is closely related to success for our clients or causes.

- Altruism is a key to staff motivation; a corollary is that administration and infrastructure are not highly valued.

We also believe there are elements of organizational culture that are likely to be held across particular large classes or types of nonprofit organizations. Any group with enough common experience can form its own culture. Fields or categories of nonprofits, as in the example of community-based nonprofits discussed earlier in this chapter, are more likely to share more specific cultural elements when they are formed at similar times under similar sociopolitical and economic influences.

Another interesting phenomenon that appears frequently in the nonprofit sector is that the people served or the program participants influence the organizational culture. Nonprofit staff and sometimes board members often relate closely to the behavior and needs of the people they are serving. In many cases, there are current or former clients on the board or working for the organization. By itself, this is simply reflective of the nonprofit sector culture, which values participation and empowerment. However, in some organizations, this foundational belief is stretched, and the organization begins to take on elements of its client's dysfunctional behaviors.

For example, Carol Lukas and Ruth McCambridge, nonprofit thought leaders, noted that an unproductive culture arises when organizations take on the symptoms or behavior of people they are serving—especially "victim behavior." They noted seeing this with organizations serving battered women, crime victims, and people living in poverty. This negatively impacts the organization's ability

to obtain funding and be effective with others who do not share their viewpoint or perspective. For example, the victim mentality might reflect the following kinds of beliefs: "Those in power are always out to get us," "We need to be strong and stand up to them, but we are weak and can't do that," or "We're too small to affect that." If an organization acts from these kinds of beliefs, it will have difficulty forming strong partnerships with other agencies and making bold decisions, and may even lash out at those who could otherwise help it, such as strong and successful businesses.

A final note of caution about organizational culture. Because people use the term so loosely, we also think it is helpful to state what organizational culture is not. Organizational culture is not

- The processes of an organization, a philosophical statement such as mission, or the theoretical underpinnings of a service delivery approach
- The tools of management, such as appreciative inquiry or social enterprise
- Organizational climate
- The structure or reporting relationships
- The way people talk to (or e-mail) one another
- The way one is welcomed by the CEO or a secretary
- Who is in what office
- What the leader says is important
- What the strategic plan says are core values
- Rules for getting along

Please note, however, that all these things are strongly affected by organizational culture. We see organizational culture as "a pattern of beliefs" and "basic assumptions" (Schein, 2004, p. 12). This means that these beliefs and basic assumptions manifest themselves over and over again throughout the organization. These assumptions have worked well enough over time in addressing problems the organization faced that they are taught to newcomers. For us, organizational culture is inalterably bound to the solutions to challenges, issues, or questions—particularly those solutions formed early on in the organization's life or during times of challenge and crisis.

Organizational culture is inalterably bound to the solutions to challenges, issues, or questions—particularly those solutions formed early on in the organization's life or during times of challenge and crisis.

Organizational culture is a big container. It can refer to both "the whole" of the organization's culture (all the artifacts, values, and underlying assumptions) and to whatever aspect of that big container we are discussing at the moment (that is, "We have deep assumptions around teamwork" or "Our practice is research based and results driven"). When using the term to refer to a particular slice of culture, keep in mind that organizational culture is also an integrated whole. Although you may uncover and push on parts of the culture, you don't know what unintended consequences such pressure will bring.