

Civic Nonprofit Case Study

November 2015

Civic Nonprofit (CNP) Identity Statement: The Civic Nonprofit is a demonstration of the Minnesota Active Citizenship Initiative. It produces a new approach to policy making—*civic policy making*—within the nonprofit sector that builds the civic imagination, capacity, and infrastructure needed to be a just society.

CNP does this in partnership with other demonstrations of the Minnesota Active Citizenship Initiative. (MACI)

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The authors used the civic organizing process outlined in the *Guide for a MACI Case Study* to produce this first draft and will continue to do so as we organize more feedback.

Executive Summary

The authors are proposing that institutional governance is a primary public policy issue and applying that argument to the governing structure and capacity of nonprofits. The argument is grounded in the:

- **The need** for change based upon indicators of an inability to provide sustainable progress towards addressing challenging public problems.
- **Civic Organizing as a proposed solution strategy**
- **Evidence from lessons learned in a “failed” attempt to pilot civic organizing within the Citizens League.**

Basic assumptions driving the argument:

- We are focusing on specific policy changes without focusing on the capacity for current systems to implement them.
- A strong nonprofit sector is of value to the state of Minnesota in addressing key public issues impacting the common good, therefore the effectiveness of nonprofit organizations is a policy issue. (This is a policy assumption made of all sectors by members of the Minnesota Active Citizenship Initiative.)
- The nonprofit sector is diverse and complex (as are all sectors) so universal statements are always subject to correction.
- There are no doubt challenges that are unique to the sector, but also reflect and impact other sectors.
- The nonprofit sector along with government, is the most identified with advancing democratic principles, purpose, and policy making (broadly defined) to ensure the common good. However, the “civic” purpose for the sector, its meaning, and the need to organize systems to achieve that purpose vs. asserting it, is the least debated policy issue addressed by sector leaders. There is even no common understanding of what “civic” means – or its connection to these principles of democracy.
- The way policy is currently understood and structured impacts how leaders carry out policy functions, and whether or not policy changes are made that impact public outcomes: defining public problems, implementing solutions, governing the process. We argue there is a link between current approaches to policy, how nonprofits structure governance, the challenges faced by the sector and identified by sector leaders, and the fundamental ability to impact public policy and public policy outcomes.
- Civic Nonprofit and the process that defines its identity, is a proposed solution strategy that addresses all of the above assumptions.

I. Overview of the sector

Stated purpose for the sector

There is general agreement that the non-profit sector has multiple purposes which are not incompatible:

- Promote the health and well-being of society.
- Provide public goods not provided by government or business including jobs.
- Provide fiscal benefits supported by tax codes.
- Volunteering and engagement opportunities
- Fulfill the right for freedom of association
- Address inequities
- Produce knowledge and expertise that isn't rewarded by private markets

"The defining feature of nonprofit organizations is that they do not distribute a financial return (equity), or profit, to private individuals....subject to specific benefits as well as obligations, which are governed by Minnesota state statutes and the IRS." Minnesota Council of Nonprofits-web site.

Sector impacts everyone and therefor directly impacts the function of policy.

- 5% of economy (GDP, estimate)
- Impact on taxes collected (reduced)
- Impacts depend on age and income, in part. (More when younger, older, and with less income)
- Scale is enormous: healthcare, schools/universities, churches – not just small scale organizations
- All particular policy issues facing the state include impact and participation by nonprofit organizations.

Specific ways the nonprofit sector impact public policy in the state of Minnesota

Nonprofit sector is a key stakeholder in all public policy.

- Advocating for laws and administrative changes.
- Engaging the public in policy conversations.
- Delivering services, etc. resulting from policies. Also, creating policy BY delivering services. (Healthcare, Education)
- Analyzing and evaluating policies.
- Organizing people to vote, to provide volunteer services for the wide range of programs administered and dispensed through the nonprofit sector.

II. Define the Need for Change in nonprofit governance.

Stated challenges faced by the sector

- Most major public concerns (education, health/wellness, and environment) are not making sufficient progress – or any progress in some cases.
- Need for resources, competition for resources between institutions in the burgeoning sector, response by the philanthropic sector to need.
 - Fundraising vs. purpose becomes primary focus for Board and staff.
 - Funding to sustain current infrastructure v. funding to address problem?
 - Philanthropic community defines terms for funding around guidelines. Programs set up to meet guidelines. Sometimes results in “chasing funds” or fractured programming.
 - “Outcomes” focus is on quick and technical evidence that support current approaches which have no track record of proven results, no reward for implementing the actual process needed to “innovate” new approaches, no support for developing the kind of cross-sector sustainable partnerships that on the front end will not produce “shovel ready” projects, but in the long run are necessary for achieving sustainable and progressive results.
 - Nonprofits can get in the trap of sustaining the organization at the sake of organizational effectiveness. “Niche funding” promotes “niche organizations” that may not maximize impact.
- Need to grow membership, engage those impacted more effectively, sometimes stated with an understanding of changing demographics.
- Skill set of Board and Staff to carry out roles.
- Too much-not enough government oversight. (Focus on Nonprofit laws and regulation)
- Staff turnover, low wages, and inability to compete with private sector incentives.
- Others-See Appendix B Harvard Business Review statement on nonprofit boards

The above challenges are indicators of a systemic problem grounded in policy that calls for a service deliver approach with an emphasis on producing, delivering services to fix the problem vs. an organizing approach that aims to build capacity.

The way current approaches to policy making is imagined and practiced, places the greatest focus on a the legislature and the legislative process who claim governing responsibility, on expertise and expert-based approaches packaged as services, supported by government funding, and consumed increasingly by clients or customers. This system of governance ignores the need for:

- Broad based ownership of policy processes. The current approach to policy making holds *a few* people accountable for governing for the common good. (Legislators, Board members), and develops *the many* as consumers of governance.
- Bringing in new members into policy given coming demographic and fiscal changes. At the same time avoiding a consumer mentality towards public good/s.

- Having those impacted by a problem included in defining/solving/advancing solutions.
- Contribution, accountability, and ownership of problems from all institutions.
- Accountability between the internal process of policy making and governance and the capacity to achieve purpose and impact in the larger society.

Current structure for nonprofit governance reflects current way we imagine the function of policy.

Nonprofit Governance is hierarchical and by law grounded in a board whose members have the least invested in time but the most authority and obligation to govern. They are at the top of the hierarchy and the point of influence. There are many key stakeholders and points of impact from key stakeholders but no method for governance that establishes accountability within that dynamic. (Map)

- **Board**—governing authority and accountability is supposed to be grounded in a clear and shared mission. Often times, lip service is given to the words of a *mission statement* but real motivation is grounded in a range of self-interests some of which may have little to do with public purpose. There is least investment of resources of time, knowledge of operations, day to day contact with members, and dollars invested in role. Most authority in terms of governance. Though role is governance, increasingly expected to fundraise.
- **Executive Director**—most resources invested in this role (time, knowledge, constituency impact, and operating dollars), not always clear public governing processes between his/her authority, staff, Board. Governance is dependent upon personality and style of leadership. Often times operations does not include clear public and organizing processes that supports reconciling conflict of interest in tension with common organizational purpose and goals.
- **Staff**—most invested resources, other than ED. (time, knowledge, constituencies, and dollars)—role usually not defined as governing, impact and decision making authority based upon personality and style of leadership, access and quality of relationship to those who do have governing authority. Can resort or support personalized ways to impact governance.
- **Consultants**—hired to do specialized projects, sometimes a big part of organizations investment of resources, great impact but unclear lines of public accountability to Board and organizational purpose.
- **Committee Members**—made up of Board members and others—no governing authority but lots of opportunity for access and influence in a variety of places (particular staff, ED, Board)—no clear line of governing authority—impact is often personalized or supporting narrow interests if there is no instituted process for governance that includes the need to transparently organize alignment between particular interests, and the organizations stated purpose and goals.
- **Membership**—consumers, funders, volunteers, least responsible for governance.

There is a high chance that governance will be arbitrary; there will fragmentation of effort, waste of resources. The organizational culture produced has as much chance or more chance to be personalized,

generate a real or imagined sense of victimization and at the same time erodes the public mindset and skills needed to address problems.

III. Proposed Solution Strategy—Test civic organizing as a new approach to governance and policy making that can be integrated into existing approaches. The outcome is a civic nonprofit. (See www.activecitizen.org for information on how to do a civic organizing approach).

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Please note: The following summary is the outcome of 20 years of testing and developing a civic organizing model.

- 1. Key to advancing civic organizing is a leader/s who** already has invested *in the need for change* based upon their experience in their organization and in their sector. Their reputation, experience, and conviction justifies why they are testing a civic organizing approach in their role. This is their primary motivation (self-interest) for investing in a civic organizing approach and they focus on day to day organizing of their key stakeholders to that analysis. They know they have to organize others to the analysis while they carry out the specific purpose and goals for their institution. They agree to do so as a member of a civic organizing agency whose purpose is to support members to integrate a civic organizing approach into the individuals' specific jurisdiction. A jurisdiction may be their role, a project, an organization or part of an organization. The leader takes the following steps:

The leader/s conducts an adapted civic organizing approach to strategic planning for the jurisdiction to identify:

- The public purpose for the jurisdiction.
 - Specific goals, and measurable outcomes,
 - Stakeholders needed to achieve goals.
 - Need for change in governance structure in order to advance purpose and goals
 - Key leaders who agree to support and pilot a civic organizing approach at an achievable scale.
- 2. Link particular jurisdiction purpose to the need to govern for the common good. Produce a *jurisdiction governing document*** that includes civic standards to guide decision making that includes the need to organize all key stakeholders to govern for the common good in the process of achieving particular goals. The governing document defines roles and expectations for individuals within the jurisdiction. Roles and functions are linked to the identity of what it means to be an *active citizen* and *civic leader (organizer)*.
 - 3. Establish a calendar discipline to organize 1-1 meetings with key stakeholders in their jurisdiction to identify their particular contribution and link their role to the identity and obligation of *active citizenship*.** Those who take on a governing role take on the obligation of

civic leadership (civic organizer) adhering to the governing document that defines expectations and roles. Their primary role is to organize those individuals within their particular jurisdiction to ownership and accountability in achieving goals and to link that ownership to what it means to be an active citizen.

4. **Support a Jurisdiction Governing Structure that functions as a civic organizing agency-a “feedback loop”** between the work being done by key stakeholders who are needed to achieve goals, the need for accountability to the governing document, and a way for those who are not at the meeting to influence governance. Civic organizing disciplines have been developed through 20 years of experimentation in all Minnesota sectors to support this feedback loop.
5. **Establish and follow through on the method for accountability** that has been framed by criteria, and provides transparency in a process of tracking outcomes. Difficult decisions have to be grounded in evidence recorded in outcomes documents that civic standards are met or governance will appear arbitrary and personalized.

Members of the “civic organizing agency” track outcomes against civic organizing measures:

- **Meet the specific purpose/goals of your jurisdiction**
 - **Use civic organizing disciplines to organize key stakeholders** to achieve the specific purpose and goals and relate the experience to the civic standards and a new approach to governance/policy making.
 - **Timeliness.** Meet specific deadlines related to specific goals and give lead time to organize key stakeholders to achieve those goals-ensuring that the experience is identified with Civic Governance.
6. **Participate in a larger Civic Organizing base** in order to learn from practice and make a case for a new approach to policy making that produces civic institutions who can work across lines of difference to address complex public issues.

IV. Specific Illustration. Evidence civic organizing was not implemented and why provided insight.

The Civic Nonprofit Demonstration of the Minnesota Active Citizenship Initiative was launched in 2003 when Sean Kershaw became Executive Director of the Citizens League. Sean Kershaw was hired to bring in a new generation into the League’s work. In doing so, he would revitalize the League’s traditional mission of being a nonpartisan policy nonprofit dedicated to advancing good policy suggestions primarily within the legislative process. Though Sean was committed to introducing a civic organizing approach in the process he was also invested in carrying out the role he was hired to do.

My role required me to be the voice and face for a revitalized League. Not enough attention was paid to board buy-in on taking a new organizing approach beyond “trust me” – which ultimately backfired. New board chair each year contributed to this, as did staff turnover and financial/administrative crisis” Sean Kershaw

Sean immediately ran into the challenges faced by many nonprofits:

- **Need for funding**, membership decline, and relevance of Citizens League in 10-year decline. Attempting to address concerns by doing more of what had been successful in past. This approach wasn't working to address any of the concerns.
- **Governing document was introduced and first approved** with standards in 2005 and with disciplines in 2009. Approach was deliberately to "trust me" that effort would succeed. Sean never organized the Board to claim the document as their basis for internal governance with need for change and how civic organizing met that need. Board struggled with how the document applied to specific policy issues.
- **Board Interest** was in doing traditional public policy work-study groups that produced legislative recommendations advanced through the session, with communication potential and messaging to keep members easily informed. Success was measured by traditional assumptions of practice. In hindsight it would have taken an individual focused on operations and internal infrastructure building to get over the initial confusion and resistance to change
- **Role of Executive Director.** Sean discovered over time, a gap in his self-interest in day-to-day management and organizing of board and staff and building a called for *civic* internal infrastructure. Result was that civic organizing practice was not integrated into his role as chief administrator (not uncommon in the sector that leaders are driven by the issue or particular activity vs. operations.)
- **Staff**-hired to do specific traditional roles-told to integrate civic organizing into how they achieved goals. Membership was so broad and diffuse, building buy-in from this base felt difficult to staff, and worked against traditional policy making activities. Had no concrete and instituted practice to demonstrate how that was done.
- **Staff, members and partners found great benefit and usefulness in parts of the civic standards**, but struggled with other aspects of the standards and disciplines, including terminology, which was counter to some traditional notions of policy and engagement. Time spent on organizing was never successfully integrated into staff calendars and roles.
- **Set up an unclear and unaccountable relationship between staff, executive director, and board** which were not tied to civic standards laid out in governing document. Missed opportunity to build confidence in the part of the approach most find easiest to understand and accept.

At the same time, the civic organizing approach was in the process of being developed.

The process of developing a model required suspending judgement to test across a diverse base whatever piece we were focused on. In this ambiguous process, more members dropped their governing role than sustained that obligation through what was often a frustrating experience.

By 2007-08 members had developed enough agreement on pieces of the model to draft criteria.

2009-2014, the focus was on establishing specific steps to meet criteria and methods for accountability against criteria.

The Citizens League played an essential role in the demonstration but by 2014 because of clearly established practice and little evidence *the model* was being advanced for the financial cost to the League, the value of the partnership came under question.

The outcome resulted in the Citizens League dropping their governing membership in MACI freeing them from the obligation of demonstrating a civic organizing approach. However, the League sustains a collaborative relationship with Civic Organizing Inc. /MACI to support civic policy pilots as it relates to public policy issues they are advancing.

What lessons did we learn that will be applied going forward:

- The experience strengthened the argument that nonprofit governance is a public policy issue but we need evidence for how to advance the proposed solution strategy.
- We now have “a model” and so potential leaders will have a clear understanding of expectations for role and a road map for pilots. The primary role is that of “organizer”.
- Civic organizing is an analysis that calls for systemic change. This means changing internal policies, roles, practice that sustains the status quo and integrating rewards and expectations that support organizing both within and outside the organization. People can agree with the analysis but not commit to the practice. Much was learned in the Citizens League experience that identified barriers to change, the importance of the role of the “lead organizer” and how to introduce a pilot.
- A Lead organizer is key but the goal is to structure *a lead organizing capacity* within an organizing structure (civic organizing agency) with members representing the existing institutional functions. The organizing agency builds upon the strengths of different leaders but holds them accountable to organize their key stakeholders to the central purpose of their organization and to govern against a common set of civic standards. We are moving forward with that lesson. No one person is expected to have the necessary lead organizing capacity to move the approach forward but Executive Directors need to have a primary interest in advancing civic organizing within role, the Board, and staff.
- There has to be flexibility for identifying a jurisdiction in which there is potential for success-this may not be the whole institution but rather a small pilot while the Board is supporting the exploration period.
- There may be many start-ups before going deeper into the jurisdiction. Once a cross-sector base is established, working with leaders at different and similar stages is very helpful for cutting the time needed to learn from practice, establishing accountability during the process, and flexibility for starting over again if an initial experiment does not progress.
- Along with flexibility, lead organizers need to hold those they organize and who say they are interested in the approach, accountable from the beginning to testing the practice or those they

are organizing will not have the information they need to make a decision. The focus is on holding self and those being organized to take the **time** to learn and test the way civic organizing disciplines integrate the “civic realm” into the day to day realm.

- In year 1 while lead organizers are introducing and learning the approach there needs to be room for discovery and recognition of “baby steps” that reflect criteria. By year 2 the question needs to be called-the options are to move forward with whoever agrees to advance the model, restructure including identifying a different jurisdiction for testing, or sun setting the civic organizing governing document to ensure that the integrity of the civic organizing approach can be sustained to be tested in new settings. This question is called each year to provide individuals a way to exit a governing role but still contribute in other ways if interested.

Next Steps

- 1) Will move forward with a collaborative relationship with the Citizens League – because there is clear evidence of compatibility between the Leagues stated purpose to develop civic imagination, capacity and the MACI purpose- *organize a civic infrastructure* whose agenda is to make a case for a new approach to policy-*civic policy making*.
- 2) Sean K and Peg M will provide leadership for advancing the Civic Nonprofit case study:
 - October 15, 2015-Feedback confirmed the policy issue and produced interest in advancing the case study in the places where members have authority. There are several nonprofits in the MACI base that are using a civic organizing approach.
 - Continue to get feedback from nonprofit members of the MACI base.
 - Continue 1-1 meetings with nonprofit leaders outside the MACI base representing organizations that support nonprofits. (This process has begun)
 - In the process, identify the level of interest in advancing the case. If there is interest, we imagine a variety of strategies including identifying potential nonprofit leaders to pilot the civic organizing model.