Civic Nonprofit Demonstration
Case Study Framing Document

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)

Executive Summary

Demonstration members are making a case that nonprofit governance should be a primary public policy issue based upon:

- **The need for change in nonprofit governance.** This part of the argument is grounded in the significance of the sector to Minnesota, the challenges nonprofit leaders identify as a barrier to achieving their mission. This section concludes with making a link between challenges and the nonprofit structure grounded in a service delivery model, the current approach to policy making and nonprofit governance.

- **A proposed solution strategy** builds upon the argument for the need for change. This part of the argument presents a summary of the Civic Nonprofit Model which restructures a service model to increase capacity of all members to take on the obligation of governance (for the common good) in their nonprofit role. The outcome increases the capacity for current systems to effectively achieve their stated purpose and provides a structure and method for working across sector lines to address complex public policy issues that threaten the common good.

- **Evidence of how the model is being applied.**   The 2016 Civic Nonprofit Demonstration Update is attached as a separate document.

I. The Need for Change in Nonprofit Governance

Overview of the Sector

There is general agreement that the non-profit sector has multiple purposes-but they are compatible with each other and what many might consider "the common good", including:

- Promoting the health and well-being of society;
- Providing public goods not provided by government or business including jobs;
- Providing fiscal benefits supported by tax codes;
- Volunteering and engagement opportunities;
- Fulfilling the right for freedom of association;
- Addressing inequities; and
- Producing 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.

The sector has a great impact within the society. Nonprofits:

- Represent over 5% of the economy (GDP, estimate);
- Impact federal and local taxes by reducing collected tax revenue;
- Disproportionally serve older and younger demographics, and people with less income;
- Have an organizational scale that can be significant: healthcare, schools/universities, churches – not just small scale organizations; and
- Impact nearly all public policy issues.

Specific Ways the Nonprofit Sector Impacts Public Policy in the State of Minnesota

The nonprofit sector is a key stakeholder in all public policy:

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

Nonprofit leaders state the following challenges in their sector:

- Lack of progress in addressing major public concerns (education, health/wellness, and environment). These include:

- Significant gaps in outcomes on health, education, and economic indicators between communities of color and majority communities in Minnesota, even when adjusted by income. Gaps have been persistent overtime, despite significant resource increases in some instances, indicating that new models for addressing the gaps are needed, not just more money.
- Coming demographic changes as the Baby Boomers leave the workforce and require more public services will strain the current system beyond its ability to meet the demand. This will lead workforce shortages and dramatic increases in public service costs, without new solutions. (This is also a significant opportunity to address racial gaps mentioned above.)
- Natural resources such as water are one of Minnesota's most important and shared assets. Yet over80% of waterways in Minnesota are now considered 'impaired', and progress is not sufficient. This environmental example of challenges to effectively addressing core public problems can be applied to all public policy issues and can be related to the service delivery that defines current social systems.

  For example on the issue of 'aging' – successfully managing the care of older adults and their caregivers of all ages, depends on increasing the capacity of these people to provide/manage/receive care. In a system dominated by service organizations that are primarily structured and governed to provide services in particular silos, they can't meet either the future demand for services as a whole, or the integrated individual needs of seniors and their families. Meeting this coming challenge takes a different model, and a different way of governing between all of the parties involved. (See pg. 3 for further elaboration on challenges of a service model).

- **Funding, both the amount and the process of obtaining it, is the most often stated challenge.**
  - Fundraising vs. focusing on the organization's mission and purpose often becomes the primary focus for board and staff.
  - Fundraising must be done to sustain current infrastructure vs. fundraising to support effectiveness and/or innovation when there is need for change.
  - Lack of incentive for social and political Innovation. Innovation should be a direct response to the need for change. Innovation requires new frameworks for change that address the complexity of 21st century challenges, a commitment to social 'research and development' that meets the rigor of technical research including the support to test over time. There needs to be serious commitment to learning from practice from different perspectives impacted by public problems, and support for risk and failure. There are few funding sources for this rigor either within nonprofits or in the philanthropic community.
  - Philanthropic leaders define terms for funding often without serious input from nonprofit leaders. Programs are set up to meet these uninformed guidelines. Nonprofit leaders are often forced to "chase funds" for these specific programs even though they are not grounded in what is actually needed or cannot be successfully implemented. In addition, the program often does not relate or advance institutional purpose. The

outcome erodes institutional cohesiveness, produces unnecessary competition for scarce resources, ensures that learning from sustained and integrated practice is not possible. The result is a profound barrier to achieving the impact needed to address the complexity and scale of public problems.

- o "Outcomes" are too often focused on quick fixes and providing technical expertise that will not be implemented or may have little to do with solving a complex public problem.
- o There is competition for scarce resources between organizations and little support for developing the kind of cross-sector long terms partnerships that will achieve diverse input, scale and sustainable results.

Other key challenges

- There is a need to grow membership and, engage those impacted more effectively to increase organizational capacity.
- Board and Staff may not have adequate training to effectively carry out their roles.
- Governance is grounded in laws and regulations vs. purpose and principles. Nonprofit leaders complain about too much or not enough government oversight.
- Staff turnover is often a problem due to low wages and an inability to compete with private sector incentives.

Nonprofit organization and governance reflects a service model not a capacity model. Nonprofits are primarily organized and governed as service-delivery systems, grounded in the production, distribution, and consumption of goods and services. The process requires specialization, expertise and capacity to consume.

- **The principles** that drive a service model are important and include: meeting needs, expertise, creativity, quality, excellence, timeliness, customer service, and consumption. Though service principles are important, they are not intentionally based on democratic principles, do not promote mutual obligation, capacity, the obligation to produce effective systems, and the need to partner with other systems to achieve greater impact. Even in advocacy based organizations the principle of justice-a democratic principle- is usually defined by the need for equal access (equity) to services and not the need to develop the capacity of their members to play a more active role in addressing the complexity of achieving that end. When service principles are narrowly defined they can foster narrow self-interest, immediate gratification, capacity to consume.

- **Role follows principles.** In a service model, identity becomes narrowed around special tasks or expertise carried out in hierarchical and often bureaucratic organizational structures. These expert based functions are specialized and often housed in separate units or programs, and often in whole different social infrastructure. For example, some individuals would identify with defining what service was needed. This role and the structure to support it would be separate from the expertise and role needed to deliver the service, which is separate from the expertise and role needed to evaluate its effectiveness. All of these roles are separated from the obligation to contribute to good governance in the process. These separated and fragmented

expert functions provide one's identity and ultimately requires good customers or clients to consume what is produced.

- **A bigger identity.** The personal, isolated and fragmented nature of our everyday institutions shapes our imagination and our political and economic interests around the need for experts, consumers, clients and victims-all roles based upon our private condition. It does not produce the identity of citizen-*a governing member* with the responsibility to define problems as they impact the common good, contribute to advancing solutions, and governing the process.

A service paradigm is reflected and sustained in the way systems are governed. Individuals can disassociate with the function of politics and governance: *That's not my role-that is the role of the boss, board, and government.*

The way current approaches to policy making is imagined and practiced, places the greatest focus on the legislature and the legislative process to fix complex public problems, and on expertise and expert-based approaches packaged as services (supported by government funding, and consumed by clients or customers) to fix the problem, and on nonprofit boards organized within a hierarchical structure to govern the process.

This system of governance ignores the need to:

- Develop broad-based ownership of policy processes. The current approach to governance and policy making holds only *a few* people accountable for governing for the common good (Legislators, Board members, agency leaders), and fosters a sense among *the many* to be consumers of governance.

- Develop individual capacity to imagine their role in complex problems, how their choices impact others and the common good, and the place where they can develop greater impact for the common good.

- Have those impacted by a problem included in defining problems so that problem-definition is informed, grounded in a full and more accurate analysis, leading to more effective solution strategies.

- Organize and leverage the resources, accountability, and ownership of problems from all institutions.

- Ensure accountability between the internal process of policy making and governance within the organization (in-reach) so that the organization's particular purpose can be achieved in the larger society. (outreach)

Nonprofit governance is hierarchical and, by law, grounded in a board whose members have the least invested in terms of time spent, but which are given the most authority and greatest obligation to govern. Though other key stakeholders-staff, members, consultants have the greatest amount of time invested in carrying out the mission, in many cases they have no formal role in governance.

- **Board**-A Board's governing authority and accountability is supposed to be grounded in a clear and shared mission. Often times, however, lip service is given to the words of a *mission statement.* Real motivation*,* however, can be grounded in a range of self-interests, some of which may have little to do with the organization's public purpose.
- **Executive Director**—most resources invested in this role (time, knowledge, constituency impact, and operating dollars). Public governance is limited to staff, dependent upon personality and style of leadership and often there are no public processes to address conflict.
- **Staff**-are the most invested in the mission of the organization, have the most knowledge and the most funded. Yet, they typically have a limited role in governing the organization.
- **Consultants**-are hired to do specialized projects. The use of consultants can sometimes be a big part of an organization's investment of resources. Consultants can have a great impact but are not always publicly accountable to the Board and to the organizational purpose.
- **Committee Members**—are made up of Board members and others. They often have no governing authority but can have opportunities for access and influence in a variety of places (particular staff, ED, Board). Committee members Impact can often be personalized or distinct from advancing the organization's purpose.
- **Members**—are consumers, funders, volunteers, who are typically least responsible for governance and have a limited role in decision making.

With all of these factors in play, there is a high chance that governance will be arbitrary, inadequate information for governance, fragmentation of effort, a waste of resources, and a personalized organizational culture.

II. Proposed Solution Strategy—

Nonprofit leaders should claim a civic purpose for the nonprofit sector as both the over-all reason for the sector and to develop the internal capacity to support effective change. "Civic purpose" is *the capacity to govern and produce the common good*-an obligation that comes with the identity of citizenship. Developing a civic purpose, the identity of citizenship, tied to increased governing capacity within nonprofits, also provides a common identity and way to work with other institutional leaders within and across sectors, breaking down barriers to organizing the diverse base of institutional partnerships needed to address complex public problems.

There is common need and therefore common ground in all sectors to develop a new basis for governance. While the nonprofit sector faces challenges that are unique to the nonprofit sector, including how governance is structured, many core common challenges are found in other sectors as well. This provides an opportunity for nonprofit leaders who see a relationship between the need for civic renewal linked to the need for institutional renewal, to work with leaders from other sectors who share their concern and their interest. Civic Nonprofit and the civic organizing model that defines its identity, is a proposed solution strategy for those leaders.

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The following is a summary of the civic organizing model produced through 20 years of the theory of civic organizing. (See www.activecitizen.org for more detailed information on how to do a civic organizing approach).

1. **Key to advancing civic organizing is a leader** 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. (See specific profile in the 2016 Case Study Update of a nonprofit leader who may be interested in testing a civic organizing model) A jurisdiction may be their role, a project, an organization or part of an organization.

2. **The leader/s conducts an adapted civic organizing approach to strategic planning for the jurisdiction and to identify**:
   - The public purpose for the jurisdiction that reflect civic principles and current realities.
   - Specific goals, and measurable outcomes that includes one year outcomes,
   - Stakeholders needed to achieve goals and yearly outcomes.
   - A civic organizing agency whose members represent the stakeholder groups needed to achieve goals and outcomes. They are accountable for organizing the base of key stakeholders needed to achieve goals and to ensure the process reflects civic standards:
     - Stakeholders impacted are organized to help define the problem in light of civic principles and the real state.
     - All stakeholders contribute resources including time, knowledge, influence with constituencies, and dollars.
     - Leaders ensure an open transparent governing process.
     - All stakeholders advance agreements by meeting civic standards in the places where they have the authority to act.

3. **The leader and organization establishes a calendar discipline to organize 1-1 meetings with key stakeholders in their jurisdiction to i**dentify 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 civic purpose, the common good, and what it means to be an active citizen.

4. **Support members of the civic organizing agency to establish (over-time) a similar structure in their jurisdiction. The structure functions as a "feedback loop"** between the work being done by key stakeholders who are not on the civic organizing agency but who are needed to achieve

goals, accountability to the model, a way for stakeholders to impact governance, and a basis for expansion to achieve necessary scale. 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.

   Members of the "civic organizing agency" track outcomes against civic organizing measures:
   - **The organization met its specific purpose/goals**
   - **The organization used civic organizing disciplines to organize key stakeholders** to achieve the specific purpose and goals and in the experience developed stakeholders to own the meaning of active citizenship-civic capacity as a new basis for governance.
   - **The organization was timely in meeting these goals. The organization met** specific deadlines related to specific goals and allowed adequate lead time to organize key stakeholders to achieve those goals-ensuring that the experience produces the civic identity, mindset, skills of active citizenship. Active citizenship is a role that is both embodied in one's particular role and carried out in all of the places where individuals have the authority to act breaking down artificial barriers to organizing beyond one's particular issue, community, or institution.

6. **The leader and staff participate in a larger Civic Organizing base of leaders** 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.

Summary: See 2016 Update for progress in advancing the model.