

Leveraging Good Will

Strengthening Nonprofits
by Engaging Businesses

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Alice Korngold

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*For my beloved Gerry
David
Ethan, Ellie, and Gabriel
Omi and Opa*

Foreword

Leveraging Good Will: Strengthening Nonprofits by Engaging Businesses comes at a critical time, as sweeping developments force us to reframe how we define the effectiveness of these mission-driven organizations. What are these developments? First, doubts about nonprofit accountability have been building in the press, the public sector, and the general public over the past few years—fueled by confusion and anger about notable scandals involving questionable compensation and benefits, misuse of donations, loose controls on overseas funding, and astonishing ratios of fundraising expenses to program-related expenses. The Senate, the House, the U.S. Treasury Department, the Internal Revenue Service, and the states (especially California and New York) have all reacted by proposing increased regulation or oversight. Trust in nonprofits has not yet recovered from the controversies surrounding giving after 9/11. Regardless of how pervasive the abuses are, the nonprofit sector risks being redefined by its worst-case examples. Too many view nonprofits as inherently wasteful entities that offer questionable tax advantages to donors and do little to serve the general public.

Second, and more broadly, approaches to assessing the effectiveness of nonprofits have multiplied. Enormous amounts of raw data are now available, thanks to innovations like Guidestar's website. Several organizations are developing rating systems along the lines of Standard and Poor's or Moody's. Venture philanthropy

groups have pioneered the use of venture-capital methods and reporting systems.

The stakes are high for assessing donations as social investments. At the simplest and most personal level, if we only knew which nonprofits really worked, we'd all be able to make better choices. (Of course, many of us will continue to support our alma mater even if its archival is deemed more effective, but that's another story.) More significantly, objective information about results would mean that huge numbers of dollars could flow to the best of the best. As a result we'd quickly see solutions and a better world. Many observers are convinced that the funding streams for the social sector would both function better and be far deeper if we had a firm handle on effectiveness. If only we could measure return on investment (ROI) in these organizations and move away from giving toward investing, the floodgates of funding would open, and capital would flow downhill to initiatives with the highest ROI.

But bottom line and ROI are misleading analogies for the nonprofit sector in many cases. Only a few corners of the nonprofit world can show real return—generally those where transaction creates an immediate solution: providing inoculations; building a school; registering voters; legally protecting acres of land. But the complexity of the challenge is no excuse for not responding: nonprofits need to be able to show that they are both using their resources effectively and being effective in their sphere of activity.

This scrutiny is in fact having a helpful effect on the nonprofit sector. The focus on accountability is encouraging many nonprofits to take governance seriously, to seek board members who will actually read the audit report, and to provide board members with meaningful information. The focus on effectiveness is leading nonprofits to articulate the solution they offer, not just the depth of the problem they're addressing.

Paradoxically, as nonprofits work to find the best ways to assess and report on their effectiveness, they lack support from those who should help them in this complex process. The atmosphere of mis-

trust means that more donors and watchdogs than ever want nonprofits to place all their resources into programs, as opposed to administration, and donors increasingly put restrictions on their gifts to ensure that “overhead” isn’t funded. Part of the pressure comes from a natural frustration over the fact that many nonprofits can’t explain their cost structure or how they achieve results. Part of it comes from something more like wishful thinking—a hope that nonprofits can achieve their missions unencumbered by the realities of everyday life. Board members, especially those from the business sector, should help make the case that these demands can be short-sighted—that, in fact, they are less likely to lead to good programs than giving that recognizes the importance of sound infrastructure. Businesspeople understand the difference between waste and operating expenses, and they know that organizations that don’t invest in management and in systems may not last long.

But good nonprofit board members are made, not born. Often, businesspeople have barriers to overcome before they can be effective board members. At the simplest level, misunderstandings arise about terms and “code words” in the nonprofit sector. In business, *development* might refer to training and *capacity* to factory output. In the nonprofit sector, *development* is code for sales and marketing, while *capacity* can mean anything from ability to the equivalent of output. Second, businesspeople often misperceive how nonprofits operate and get funded—reporting requirements for nonprofits create some bizarre budget categories, for example. In some cases, disdain for those who don’t come from the business sector leads businesspeople to assume that anyone from their world is smarter and more effective than anyone from the social sector.

Worst of all, many board members accept a role as the loyal sales force, campaigners for the cause and the organization regardless of results or reality. They check their logic at the door, cheering loudly as the nonprofit’s management turns board meetings into sales meetings. Questions become a sign of disloyalty, and board members shrug off their responsibilities—abetted by management, which fears

alienating major supporters. Sadly, nonprofit leaders are often smart to fall into this pattern. Board members may well be their biggest funders and may not want to hear about anything but success—or the increasing need for the nonprofit’s wonderful programs. It’s a pernicious cycle but one that board members and nonprofits can escape if they recognize that good nonprofit governance entails focusing on how the nonprofit accomplishes its mission, not just on how the checks get written. That’s why the perspectives and tools in this book are so important. With sound preparation, businesspeople on boards can help nonprofits meet the challenges and opportunities of our troubled times with sophisticated, efficient solutions.

March 2005

Melissa A. Berman
President and CEO
Rockefeller Philanthropy Advisors, Inc.

Preface

Nonprofit organizations provide us and our communities with daily sustenance of food, shelter, protection against disease, pain, and suffering, and spiritual manna. Every day, we partake in the goods and services of nonprofit organizations as we stroll through parks, visit museums, see our physicians, drop off our children at day care, take college and graduate school courses, and visit our parents in nursing homes. Nonprofit organizations facilitate the building of parks, neighborhoods, and vibrant city centers. One needs only wander the streets of San Francisco, with its extraordinary public spaces, featuring marvelous sculptures and public concerts, to appreciate how compelling these benefits are for commercial and residential development and thus economic vitality. Nonprofit organizations also give us the means to nourish our souls, decide what matters, and find our path in life. We receive from nonprofit services a multitude of benefits that enrich our personal lives while also fostering civic and economic development.

Nonprofit organizations constitute a key sector of the nation's economy in addition to providing many of the most vital community services. A total of 1.2 million nonprofits employ eleven million workers in the United States. Nonprofits employ three times the number of people in agriculture and two times the number of employees in wholesale trade. Nonprofits employ almost 50 percent more people than construction, finance, insurance, and real estate

combined. By adding in the volunteer labor force in the nonprofit sector, nonprofit employment climbs to 16.6 million, a figure that approaches that of all branches of manufacturing combined (20.5 million). Nonprofit revenues total \$670 billion, 8.8 percent of the nation's gross national product (Salamon, 2004, p. 22).

Today's nonprofit sector is shaken to the core by financial and strategic threats. Changes in funding and expectations for nonprofits are forcing the sector to reinvent itself while also juggling the day-to-day demands and needs of the community. This book will advance the nonprofit sector by showing organizations how to leverage the time and talents of highly qualified volunteers; such leveraging can happen now that individuals and their employers are beginning to realize how much satisfaction people derive from volunteer service. Nonprofits have a new advantage as businesses begin to understand the value of encouraging and supporting the involvement of their employees in community service. Today, businesses understand that they can foster leadership development, team building, a company's image, and the vitality of the communities where their employees and customers live and work. The rising interest among businesses in involving themselves and their people in community service presents a fresh, new opportunity for nonprofits to access tremendous volunteer resources. Nonprofit organizations can leverage the vast resources of businesses to help transform their revenue models, operating practices, and strategic alliances. This book provides a brand-new road map for nonprofit organizations: a way to strengthen governance and improve organizational effectiveness by drawing on valuable business talent and resources. This book provides a clear plan for using the renaissance of volunteerism to benefit volunteers, their employers, nonprofits, and the community.

Although business leaders clearly support the notion of community involvement, the experience is too often frustrating for businesses and volunteers as well as for nonprofits. This book goes

beyond presenting the case for business involvement by providing direction for nonprofits seeking to engage businesses in productive and meaningful service. This book is for nonprofit organizations that want to increase their effectiveness and viability; it also addresses the interests of businesses seeking to be strategic and effective in strengthening communities; nonprofit resource centers and consulting firms, which can be strong connectors of businesses and nonprofits; and academic centers and teachers of courses in leadership development, business involvement in service, and nonprofit governance and management.

The book begins by making the case for nonprofits to engage business volunteers in high-impact organizations. Although businesses recognize the benefits of community involvement, their energies tend to be focused on large-scale, all-day volunteer marathons that make a great show. Yet businesspeople can play a far more meaningful role in helping nonprofits by bringing valuable skills, expertise, and relationships to the sector through board participation and volunteer management assistance. In order to be useful, however, businesspeople need to learn how to “make the translation”—apply their business acumen in the unique nonprofit environment. Moreover, nonprofit resource centers can add great value by matching business volunteers with nonprofit organizations and by providing ongoing coaching and consulting services to nonprofits and their business volunteers.

It has been an extraordinary experience for me to create nonprofit board-development services—including successful matching programs—for the benefit of hundreds of organizations; this has been my occupation for thirteen years, following fifteen years as a nonprofit entrepreneur and consultant to health care institutions and universities. For the purpose of leveraging good will, I have worked with a talented team to assist over 150 businesses and employers in focusing their community-involvement strategies for increased impact; we have devised a successful approach to training

and then placing more than one thousand business executives and professionals on almost three hundred nonprofit boards. The key to good board placement is matching candidates based on their interests and qualifications, as well as the particular needs of each nonprofit. Most board members who have been placed through this process have risen to board leadership positions, thereby proving the quality of the matches and the importance of ongoing coaching and consulting. Most significantly, this approach to matching can be funded entirely by businesses and is thus free for nonprofits. In 1999, the *Wall Street Journal* featured the benefits of this successful approach in a front-page article (Langley, 1999). In 2003, John Bridgeland, director of USA Freedom Corps and special assistant to President George W. Bush, heralded this approach to effective nonprofit-board involvement as a model for all businesses and communities (Ruiz Patton, 2003). With support from the Charles Stewart Mott Foundation and the Carnegie Corporation, I am assisting a number of U.S. cities in adopting best practices in nonprofit-board matching.

We stand at the crossroads where businesses and nonprofits meet. From my vantage point, businesses have a great deal to offer and nonprofits need useful assistance, but the relationship requires careful brokering in order to make it a win-win for all parties and, most important, for the community. The businesspeople I work with say, "I've always wanted to get involved, but I never knew how and where." For their part, nonprofits know they need help, but they often do not trust businesspeople. Unfortunately, the nonprofits' worst fears are sometimes realized when well-meaning businesspeople are not thoughtfully matched or prepared. An effective nonprofit matchmaker can make it easy for businesspeople to connect where they will be most useful and can provide new volunteers with the necessary preparation and coaching. When the volunteer is involved in a project that touches the heart, then the volunteer's contribution and dedication can be leveraged to achieve meaning-

ful results. Nonprofits must learn how to capitalize on the special talents of businesspeople. When the interests of businesses and nonprofits are aligned, the impact can be tremendous. This book includes numerous accounts of businesspeople who have had a substantial impact on the nonprofits where they served.

Having attended over twenty college and graduate school commencement ceremonies (my children's, those at Pace University, where I worked, and those at Case Western Reserve University School of Law, where my husband is dean), I have noticed that graduation speakers usually give the one and only important speech, the speech about "the rules of life." This speech focuses on honesty, integrity, and public service—what Peter Gomes, Harvard University's chaplain, refers to as "the good life" (2002). The speaker and the life he or she has led make each speech unique and powerful. Speakers who have devoted themselves to public or community service as leaders in the civil rights movement, advocates for abused children, and scientific researchers who have helped understand and prevent or cure diseases carry serious weight with the audience. The message is powerful because the speaker has committed a lifetime to a cause that is meaningful. Our personal life choices distinguish each of us and make us credible role models for our children. When people are recognized at public events, they are not praised for the amount of money they have made or the houses they live in, but rather for their community service.

This is an extraordinary moment in time: the good will of businesses and the talents of individuals seeking to serve can be leveraged to transform nonprofit governance and management. The involvement of businesses can help ensure the success and long-term viability of critical health and human services, educational institutions, civic development initiatives, and cultural organizations. If action is not taken now, then businesses and nonprofits will become discouraged and lose interest in each other. Now is the time to seize this golden opportunity to bring businesses and nonprofits

together by taking a positive and productive approach. With a commitment to improve opportunities for service, we can help every person who cares to live “the good life.”

New York, New York
March 2005

Alice Korngold

Acknowledgments

Building services to engage businesses in strengthening nonprofits has been an extraordinary journey. I work with colleagues throughout the United States to leverage the good will of businesses and their employees of all ages, from all walks of life, in productive and meaningful community involvement. My work is a thrill because I am in daily contact with people who want to make a productive contribution as volunteers. I also have the privilege of working with the men and women who serve as chief executives of nonprofit organizations. Immersed in their fields in health and human services, education, cultural arts, environmental protection, and civic and economic development, they devote their lives to service, and they are the most inspiring, creative, and generous individuals one can ever have the privilege to work with.

My partners are Denise O'Brien and Elizabeth Voudouris. Together, we have created unique and innovative programs to engage people in what we call "high-impact service." I treasure their creative talent, dedication, friendship, and humor.

Thank you to the outstanding team of people who helped me develop and implement services to help nonprofits leverage good will. They include Sigrid Belli, Nicole Clayborne, Barbara Dudas, Tammy Gregg, Jeff Griffiths, Azadeh Hardiman, Kerianne Hearn, Mary Hirsh, Stephanie Johnston, Ann Kent, Shannon McDaniel, Melanie Meyer, and Kathryn Vana.

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Most important, thank you to my family, who give me sheer joy and purpose in life. Ethan, my oldest, and his wife, Elena, are physicians in Boston. David is a college student in Massachusetts. All three have vast interests in the arts, politics, and popular culture; life with them is full of learning and humor. And my new grandson, Gabriel, is pure sunshine. My husband, Gerry, has empowered me to become who I am.

Thank you to my editor, Dorothy Hearst, for appreciating the value of this book from our first conversation and for her guidance in shaping the focus. Thank you to Allison Brunner for her assistance. Thank you to Gerry for encouraging me to write this book, and to David and Gerry and Elizabeth Voudouris for their devoted assistance in editing it.

So I circle back to my work and the focus of this book. Life has meaning when we can share our love and good will with others and, yes, help to make this world a better place for our children and grandchildren. I hope that everyone can find and release the power of good will within themselves.

—A. K.

The Author

ALICE KORNGOLD is a national consultant who has assisted hundreds of businesses—including Fortune 500 corporations and leading professional services firms—and nonprofit institutions. Until February 2005, Alice was the president and chief executive officer and in 1993 was the founding chief executive of Business Volunteers Unlimited (BVU). Under Alice's leadership, BVU placed and trained over one thousand business executives and professionals on close to three hundred nonprofit boards of directors. Alice and her work at BVU were featured in a page one article in the *Wall Street Journal* and in other national media. Previously, Alice had developed the Health Trustee Institute for hospital governing boards in Northeast Ohio and, before that, the cooperative-education program on the three campuses of Pace University in New York. Alice was recognized by the *Nonprofit Times* as one of the Power and Influence Top 50 in 2000, 2001, 2003, and 2004. She has a B.A. cum laude and an M.S.Ed. from the University of Pennsylvania. She resides in New York City.

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