

Growing GOOD Ideas

LARRY IMWALLE, ACTION COUNCIL OF MONTEREY COUNTY

Earlier this year, the UCLA Luskin School of Public Affairs Center for Civil Society published a report, *Stretched and Stressed: The Recession, Poverty, and Human Services Nonprofits in Los Angeles*, which depicts a “nonprofit sector at its limits in meeting the needs of families and communities hardest hit by the recession.” Clearly, Los Angeles County is different than the Central Coast, but this picture of the nonprofit human services sector rings true in our region too. The past decade of fiscal turmoil in California, where we bounced from budget crisis to budget crisis even before the economic collapse of 2008, has left some visible holes and a lot of frayed rope in the safety-net provided by local nonprofits.

While the challenges facing the social sector are significant, there are stories of success and reasons for optimism. Despite the seismic events in our economy the last few years, we have seen an increase in nonprofit startups. One of the most rewarding aspects of my job is seeing local social entrepreneurs and change-makers turn their visions into action. We have an amazing laboratory in which to observe, learn, and adapt ideas from various social sector startups—to our work with other projects. Now more than ever we need to be innovative if we are to realize the kind of positive impact we hope to achieve in an era of resource challenges. The philanthropic environment is changing across the U.S. and the world, and here locally we need to change with it. The new economic reality means new business models and methods for achieving impact, and a new kind of philanthropy to make it happen. So, what does it take to develop, grow and sustain organizations in this new economy?

Experimenting with New Structures and Approaches to Solving Social Problems

Like their for-profit counterparts, nonprofit businesses need to be flexible and adaptable. Embracing different administrative legal structures allows organizations to scale appropriately so that they can operate efficiently and maximize impact. Such structural changes require increased formal and tangible collaboration.

Too often, we are more concerned with how funds are spent in terms of compliance and accountability, when what we really care about is: what difference did we make?

For example, fiscal sponsorship of a new entity by an established organization allows a new project to operate successfully without the administrative costs inherent as a stand-alone. And, it allows experimentation of the viability of a concept before investing in the infrastructure build-out required to run an organization.

Strategic partnerships between multiple organizations create new possibilities by taking advantage of each one’s particular strengths and offering the prospect to leverage those amplified competencies across a larger platform. Maybe it’s jointly starting a new program or service, or maybe it’s sharing back-office functions, employees, technology or office space.

Mergers can be another mechanism to improve efficiencies and expand impact. Usually in the nonprofit sector, mergers and acquisitions are discussed only in response to a crisis for one of the parties. When done stra-

tegitally, mergers can add value to the mission of both entities and expand impact for the beneficiaries of their services.

Working through local intermediaries is another promising approach. Intermediary organizations can play an important role in convening diverse constituencies, promoting standards of quality and accountability, and leverage resources.

To make this happen, the foundations and donors who fund nonprofits need to embrace these kinds of changes—when they make sense—even if they challenge usual policies for providing financial support.

Building Capacity of the Nonprofit Sector

The most critical determinants of success for any nonprofit in the years ahead will be the leadership capacity of its board and senior management. Even in better economic times, nonprofit organizations typically operate with insufficient capital. They also take on some of society’s most intractable issues. In these times, every organization is being asked to do more with less—even though demand for services has grown and the needs of the community continue to change at a rapid pace. It takes effective leaders to successfully navigate in this environment. Investment in this leadership capacity and decision support systems is essential for any organization to thrive. Increasingly, major foundations recognize this critical need and are leading efforts to connect nonprofits with the tools and resources needed to build leadership. The recent launch of the Community Foundation of Monterey County’s Center for Nonprofit Excellence is a local example of such a commitment to building leadership capacity in the social sector.

Providing Flexible Funding

One of the best gifts you can give your favorite nonprofit is the gift of unrestricted funding. For some organizations, significant portions of their budgets consist of funding that is highly restricted in how it can be spent. While this may not be problematic in the normal course of business, it creates little room to maneuver when faced with unforeseen contingencies (e.g. staffing changes, increased costs of program supplies, equipment repair). Moreover, the

It's no longer enough to just do good; we need to do good and show real results.

fiscal terms of many grants and government contracts do not reward increased efficiency—funding is “use it or lose it.”

As donors and funders, we also need to put less concern with arbitrary standards for expenses on management and fundraising (overhead) costs. The driving question for an organization (for-profit or nonprofit) should

be “how can I best use each dollar available to maximize results?” Sometimes that means purchasing new accounting software and training your finance staff. Sometimes it's investing in technology or having senior management develop a strategic plan. When making decisions about resource allocations many nonprofits feel pressured to choose between making needed investments in administrative capacity and the concern with keeping “overhead” down. The best business decision isn't always putting more dollars toward direct service provision.

We also need to encourage and reward responsible risk, which is really the key to innovation. When you are testing new approaches or delivering services in new areas, success is not guaranteed. Sometimes, failure happens. The trick is to learn from mistakes, retool and make it work the next time. The concept of risk taking, while well-recognized as the driving force of innovation in the for-profit sector, is not well embraced in the nonprofit sector. There are often strong disincentives for taking chances, no matter how responsible, with charitable funds.

By no means am I suggesting an absence of accountability—there absolutely needs to be an expectation of results. As funders and donors we need to think about how we can give organizations doing important work as much flexibility as possible to decide how to best allocate resources in order to achieve impact. Too often, we are more concerned with how funds are spent in terms of compliance and accountability, when what we really care about is: what difference did we make?

Managing to Outcomes

It's no longer enough to just do good; we need to do good and show real results. We need to solve problems and create lasting change—not just meet a need today that will have to be satisfied again tomorrow. Demonstrating that we are making a difference means we have to implement systems to measure and monitor performance. It means that across the sector, we need to re-engineer ourselves to become learning organizations, acquiring and utilizing critical information in real-time, to make decisions to continue to have impact. We have to manage to outcomes. This represents a culture



SCHEID
VINEYARDS

THE PERFECT PAIRING
Carmel-by-the-Sea + Scheid Vineyards

Discover our Carmel-by-the-Sea tasting room.

San Carlos & 7th, Carmel-by-the-Sea 831.626.WINE (9463)

SCHEIDWINES.COM

shift for nonprofits and funders alike, who are more concerned with compliance and reporting rather than with performance-based systems concerned with demonstrating results.

But this shift towards managing to outcomes can pay huge dividends. My organization has been part of a public/private partnership called Pathways to Safety, which is a new approach to how Monterey County responds to allegations of child abuse and neglect. At the onset, we established a clear set of metrics for the outcomes we wanted to see, we invested in a performance management (data) system to collect the information we needed, and we monitor results regularly. Over the last five years, we've made significant changes in program design, driven by our data, which have allowed us to more effectively serve more of the families that are most likely to come back into contact with the child welfare system with the same pool of resources. As a result of Pathways to Safety and other child welfare redesign efforts in Monterey County, we have seen a 27 percent decline in the number of suspected cases of child abuse and a 35 percent reduction in the number of kids in the foster care

system during this time.

Moving Towards Collective Impact

The shifts I've outlined above point to the need for a larger movement—a movement that has been best described by John Kania and Mark Kramer in Stanford Social Innovation Review as moving from isolated impact to collective impact. Successful large-scale social change

The fiscal terms of many grants and government contracts do not reward increased efficiency. Funding is “use it or lose it.”

can only be accomplished through a broad cross-sector network collaborating towards common outcomes. The traditional model of isolated interventions, by individual organizations working in their own silos to achieve incremental change, offers little promise for solving important social challenges. A shift towards thinking and working in terms of col-

lective impact necessitates changes in organizational structures and relationships, changes in funding mechanisms and an emphasis on managing to outcomes.

What's possible?

What I hope these concepts illustrate is that growing a healthy social sector requires the for-profit, nonprofit and public sectors to work together in new ways, and a willingness by nonprofit managers and funders to change and innovate. We are just a short drive away from Silicon Valley, the epicenter of technological and social sector innovation in the U.S. Here in Monterey County, with agriculture, we also have an example of a business community at the forefront of innovation. Locally, we have a social sector that has developed a robust culture of collaboration, and is primed to work together to tackle the big issues. The task is to find creative ways to align resources and provide the support to make it happen. Only by working together can we discover what is possible, and continue to grow healthy communities even in these challenging economic times. **CG**

**You manage your business.
We'll manage your water.**

Companies receiving quality water by Culligan:

Blackstone Winery	Martinelli's Apple Juice
Christensen & Giannini	Merril Farms
Color Spot Nurseries	Nunes Company
Coastal Farms	Ocean Mist
Estancia Winery	Schied Vineyards
Fresh Express	Santa Lucia Farms
Golden State Vintners	Tanimura and Antle
Hahn Estates Winery	Taylor Farms
Kendall Jackson Winery	

Culligan
better water. pure and simple.®

www.culliganqwe.com
831.755.0500