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Collaborative leadership strategies: A look into the funding models of Alternative Service and Nonprofit Organizations

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Collaborative leadership strategies: A look into the funding models of Alternative Service
and Nonprofit Organizations

Charles H. Pratt

Submitted in partial fulfillment
of the requirement for the
degree of Master of Arts in Leadership

AUGSBURG COLLEGE
MINNEAPOLIS, MINNESOTA

2012

MASTER OF ARTS IN LEADERSHIP
AUGSBURG COLLEGE
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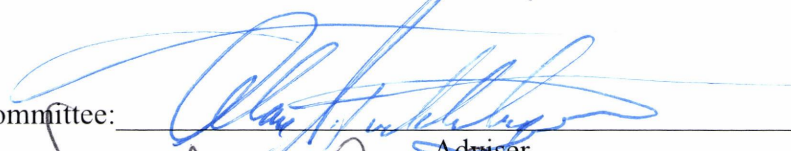
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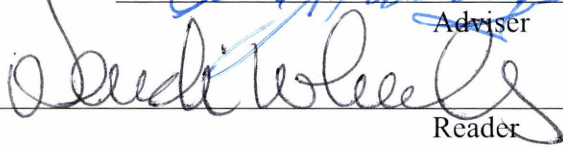
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ABSTRACT

COLLABORATIVE LEADERSHIP STRATEGIES: A LOOK INTO THE FUNDING
MODELS OF ALTERNATIVE SERVICE AND NONPROFIT ORGANIZATIONS

CHARLES H. PRATT

April 17, 2012

 Thesis Leadership Application Project Non-thesis (ML597) Project

This project will address the current issues of the funding environments of Alternative Service and Nonprofit Organizations. The material highlights major components of a healthy organization. This includes, but is not limited to, attracting and maintaining the interest of donors, volunteers, and staff as well as collaborating through knowledge, expertise, and resources and sharing successes that both organizational types may cooperatively lead their respective missions into the future. The overall approach was to discover organizational problems and enable both organizational types to develop and sustain through organizational tips that strengthen vital processes inside and outside of the workplace. The findings display how high impact organizations manage their funds and look for new alternatives to create or maintain their current pace. Successful organizations know their market, advocate for the changes they wish to see and serve numerous communities to reach their goals.

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Introduction

There are two types of organizations that will be examined in this paper: Nonprofit organizations (NPOs) and Alternative Service Organizations (ASOs). The main purpose of both organizational types is to solve issues within communities relating to, but not limited to, poverty, health, housing, education, awareness, and advocacy. The smaller ASOs typically experience more difficulties because of lack of funds compared to the larger NPOs which may feel the loss of funds but are better prepared to deal with it. Essentially, both organizations inspire, create and develop a moral compass for a platform to strengthen communities and the roles of the people in it. The lack of funding typically discourages growth, stability, and development in ASOs and the same may be said for NPOs. NPOs meet community needs on a larger scale and create more competition that can dwarf the work of ASOs making their work look less valuable or less important. NPOs are not trying to make the ASO situation difficult, but with limited resources, the bigger and more effective organizations receive more aid (federal or donor funds). NPOs have growing pains of their own, but they are generally more stable and better equipped to handle difficulties.

Nonprofit Situation

Nonprofit organizations in the United States have seen a decrease in annual donations. The current prolonged economic recession has been a cause of much organizational hardship. Economic uncertainty in combination with discouraged donors meant that nonprofit organizations had to brace themselves for a sharp drop in giving. The *Chronicle of Philanthropy's* annual ranking of 400 Charities, predicted an average decrease of 9 percent in contributions by year's end (Barton, 2009). More importantly,

programs that fulfill basic needs are becoming more necessary as facilities and organizations alike will remain overwhelmed.

In 2005 alone, many charities struggled to maintain their current pace with the costs of inflation. Political issues have hindered donations as political causes became more of a priority than charitable causes. These are just a few of the reasons organizations need to readdress and revamp their solutions to meet and achieve their organization goals with limited capital. Leaders in the communities, organizations, and government have an obligation to get the most use of a donor dollar, and that is why these examples are relevant to leadership and education studies.

Alternative Service Situation

Pinpointing these issues is a challenge due to the little information that is relevant to the discussion of the ASOs. However, even with limited information, the conclusions drawn in this paper may accurately depict and resolve issues that pertain to the survival of ASOs. The funding structure of ASOs is different from that of NPOs because ASOs generally receive little funding from the government. In addition, there are many operational differences between ASOs and NPOs. NPOs have paid staff, trained employees, board of directors, visible partnerships, a diverse base of donors, and the ability to sell products to consumers. ASOs do not share these characteristics. ASOs provide services that some individuals feel are not necessary, or in some cases individuals believe that other issues are more important. This puts ASOs at risk.

Historically, Diaz (2002) points out there are numerous organizations that transformed from ASOs to traditional nonprofit organizations (TNPOs). Examples of these groups include the National Association for the Advancement of Colored People

(NAACP), Young Women's and Men's Christian Association (YWCA and YMCA), and other neighborhood organizations or temperance leagues. All ASOs are distinguished by their ability to thrive during times of inequality and social injustice as their work ends up creating social change for the rights of specific groups such as immigrants, workers, women, and minorities.

Statement of the Problem

Solutions to these problems may be right in front of us. The issue revolves around how to make the best use of the money organizations receive to be the most effective operationally. Why might the solution be "right in front of us"? Yet, in a competitive society, rather than sharing successes and collaborating for a common cause, large NPOs have much more capital, development and stability than ASOs. Are there solutions to help these two types of organizations work together and build off of each other's successes? Are there methods or unanticipated challenges that have not been taken into account which become detrimental to longevity? Is it possible for the big brother (NPOs) and little brother (ASOs) to work independently as well as cooperatively?

The bottom line is that in order to improve communities, organizations need to evaluate strategies to allow NPOs and ASOs to succeed. Understanding their differences and similarities in structure, process, and behaviors will help them to grasp concepts that may help each organization lead effectively.

This research proposes to investigate strategies that will shed light on how to create more effective and efficient use of time, money, and other resources. The research will examine and detail the structure and how each organizational type functions. It is important to document what works and to identify weaknesses in the research to resolve

internal and external issues to allow organizational processes to run smoothly. Improving and maintaining current organizational programs to answer future challenges without having to strip away current working models is essential to a seamless transitional change. Exploring and understanding these concepts and strategies ideally will help lessen difficulties facing organizations. It may also enable us to plan and prepare for future crises to create self-sustaining organizations.

Hypothesis

A nonprofit organization's core value is to serve the community. An Alternative Service Organization's main purpose is to provide for disempowered individuals. Mutual cooperation between ASOs and NPOs may aid in empowering neighborhoods and ensure the integrity of communities they serve.

Literature Review

This review of literature will focus on studies, scholarly articles, or books that speak to the current funding climate of Alternative Service Organizations (ASOs) and Nonprofit Organizations (NPOs). Although the literature covers a wide variety of themes (high impact nonprofit organizations, donor relationship, effective leadership and management, accountability, and communication theory) the scope of the literature review will include material that may suggest ways to improve or pitfalls to avoid in establishing an effective and lasting organization through a stable funding structure. The historical background of both organizational types will be examined. These understandings may reveal issues, solutions, or other insights to ensure that both types of organizations run effectively into the future. Several articles will be used to identity

current challenges in both organizational types. The book, *Forces of Good: Six Practices of High-Impact Nonprofits* covers the studies, which identifies leadership setbacks.

In light of the fiscal challenges both types of agencies face, one must take into account the leadership abilities and effectiveness of the people in charge. The most challenging issue of this topic is the limited information regarding these agencies. There may be explanations for the limited information on ASOs such as the fact that ASOs lack the capacity and funds for data collection and evaluations; therefore, only cautious conclusions may be drawn. Literature on NPOs is more abundant and can be examined more closely to see if there are ways to improve the funding climate of both organizational structures. The need for the stability and longevity of both ASOs and NPOs; however, because of their distinct differences (*see Introduction*) ASOs seem to be more challenged. Collaboration rather than competition may be needed to fuel the interests and agendas of ASOs and NPOs alike.

There are numerous strategies nonprofit organizations may use to become effective and to maximize the impact in the communities they serve. Crutchfield and Grant (2008) contend that working with and through others is an important component of organizational success. NPOs need to be visible to multiple sectors of society in order to attain the prominence to become a force for good. To do this, NPOs must advocate and serve, make markets work, inspire evangelists, and nurture nonprofit networks are some recommendations to align, which can enhance the position of any nonprofit. It is important to note that *Forces for Good: Six Practices of High Impact Nonprofits* exclusively deals with NPOs, but the book contains ideas that may be useful for ASOs. It is possible that these approaches may work for ASOs as long as they impact or satisfy

their mission, share responsibilities in a partnership, and resolve community issues. Implementing new ideas and strategies in the behavior and processes of the organization implies the presence of strong leadership. This is a critical step good leader's get their followers adjusted to any kind of change ensuring that the organization does not suffer from poor organizational decisions that could have been avoided.

Leadership in any well-run organization is crucial to develop and sustain immediate and long-term effectiveness. Collins (2001) says there are "Level 5 leaders" who achieve more than they thought was possible. Level 5 leaders essentially captivate people around them and believe in the mission so much that their ambitions are first and foremost focused on the institution and not themselves (Collins, 2001, 21). Level 5 leaders are labeled as key players who work behind the scenes and are often regarded as "quiet, humble, modest, reserved, or shy" (Crutchfield and Grant, 159).

An example of an activity that is closely associated with leadership is lobbying. Petrovits et al. (2011) contend that lobbying signifies a politically savvy organization and exerts a positive influence on government contributions or favorable legislation that supports the interests of the organization. Tax breaks for the wealthy or large corporations if they donate money to nonprofit organizations is an instance where encouraging charitable giving is leveraged by personal interest (Hall, 1994). Eisenberg (2000) suggests that the absence of strong and effective leadership is a threat to the future of the nonprofit sector. The loss of top level talent or the people who leave for big opportunities and the decrease in passionate, young, driven individuals who want to make a difference have been invisible. Generally speaking, the need for organizations to develop their staff and volunteers who carry out necessary duties and develop other

colleagues around them needs improvement says Gronbjerg (2001). Perhaps, a foundation-sponsored leadership development program or internship for college students might attract more talent. This would attract young hires to stay, and personalized benefit packages and other incentives might keep retention rates high. This would improve the efficiency and effectiveness of the organization by retaining the talent they develop and train.

Some ASOs may be guilty of excluding themselves from traditional sources of funding due to the communities they serve and/or advocacy and social change efforts (Magnus, 2001; Marquez, 2003). Organizations that work with specific groups of people and favor social issues that are in opposition of the status quo eliminate some ASOs from government funding. Financial instability hinders staff, development, and future planning. ASOs need to improve funding activities, and place more emphasis on successful grantsmanship (Marquez, 2003; Magnus, 2001; Lynn, 2001). Typically, ASOs do not want government funding because of the requirements and expectations that come with the money; yet, there are other sources of funding available (Marquez, 2003; Powell, 1986).

Gronbjerg (2001) asserts that the nonprofit arena receives 49 percent of expenditures from membership dues (charges and fees). ASOs generally rely on volunteers to keep operational costs low, but the revenue from fees provides only a fraction of the overall program costs. For ASOs, membership fees only account for a small amount of the money they need to bring in to remain independent and operate in low-income communities. NPOs and ASOs run their fundraising and development programs differently, but it is essential that they understand the rules that apply for both

styles. By asking what donors like, telling donors what the organization needs and how much, showing donors the behavior you want, and telling donors how special they are, the donor relationship can be strengthened by mutual agreement, full disclosure, and commitment to honesty. Hodiak (2011) gives these suggestions to help NPOs reach their potential, but these ideas may apply to all fundraising techniques. It is crucial that all organizations know that as sources of funding increase, the funding environment becomes more complex, and the complexity may create issues or additional challenges, especially for ASOs (Alexander, 2002; Frumkin 2001; Gronbjerg, 2001).

Organizational accountability is another important issue that needs to be addressed. Organizations empower their employees who hold themselves accountable. Burke (2001) and Eisenberg (2000) maintain that on the state and local level, monitoring individual performance has been lacking. Performance based initiatives, such as Purchase of Service Contracts (POSC) or Per-B, may work for organizations, but these business-like systems may be effective strategies depending on how they assess individual impact (Smith, 2002). Yet this method to gauge effectiveness does make funding more complex. Essentially, if they meet the need of the contract then the organization or individual programs receive more funding. Accountability can also be linked to the individual. Employees need responsibilities, freedoms, and choices in their work; the more of any of these, the more they will likely exhibit the role of accountability (Smith, 2002).

It is easy to recognize the importance of government-funded services that ensure social and civil prosperity. Burke (2001) discusses the historical background on NPOs as early as the 1930s and supports the notion that the New Deal policies changed the role of

the government to grant more funds to human service organizations. During the next 70 years, NPOs grew in number and influence. Eisenberg (2000) contends that a not-so-level playing field for all citizens along with poverty undermines the commitment to social and economic justice as services are not available and accessible to everyone. He also points out that lobbying and laws that involve paperwork are complex and make it difficult for a cleaner and less confusing system as it takes too much time or money to complete a basic task. It could be said that these are small but very critical problems to address in order to make an effective organization. Eisenberg (2000) also points to the leadership and management of the lobbyists trying to make positive gains to increase the ASOs and NPOs lifelines by establishing favorable legislation to meet organizational goals.

NPOs and ASOs are challenged to understand the relationship between current giving and volunteering. Hodgkinson (2002) suggests volunteering is as important as giving. For example, in 2000 there was over \$200 billion of charitable giving in the U.S. In terms of volunteering, the estimated donated time was \$226 billion in all institutions. This surpassed total and individual giving in the U.S. in 1998 alone. Salamon (2002) suggests that it is up to leaders to identify and prioritize by needs and make effective use of resources. Furthermore, it is up to leaders to encourage giving or volunteering through youth education and service, public policy, and management by keeping people aware of the decision-making and analysis of government and organizational decisions. Diaz (2002) observes that the most important characteristic of well-run organizations is that they provide a first line of defense against economic, social, and political adversity for the people. At times, they may provide a public education function, serve as advocates,

and develop future leaders. If efficient and effective use of resources, labor, and time are appropriately aligned, then NPOs or ASOs can function smoothly and have a lasting impact on the communities they serve.

Fundamentals of ASOs and NPOs

This study will explore the historical background of Alternative Service Organizations (ASO) and Nonprofit Organizations (NPO) and compare and contrast the differences in operation and funding. ASOs and NPOs are viewed in a similar light, but they are not the same. These two types of organizations establish and build their organizations differently.

ASOs were started to resolve concerns of groups whose voices were silenced by other organizations. They are consumer driven in that services are managed by those impacted by the programs. ASOs share responsibilities through participation and governance, have a dual role of service, and advocate for social change (Powell, 1986). These organizations are small and community based. They may include people with mental illness, people experiencing homelessness, and immigrants. The hierarchical structure of TNPOs which includes a board of directors, professional and paid staff, and a diverse spectrum of clients, donors, and volunteers is more feasible in terms of impact. NPOs are more stable and aware of their own funding and resource situation. United Way, Red Cross, Boy Scouts of America, and Catholic Charities are all examples of TNPOs which are distinctly different structurally compared to ASOs (Smith, 2002; Powell, 1986).

Coalitions are groups of community-based organizations who share a common interest but do not share a community or provide services to individuals. Coalitions

address issues of social and economic justice and advocate for social and political change. Human Service Coalition of Miami-Dade (HSC), Miami Coalition for the Homeless, and Latinos Unidos of Allapathah are examples of these types of coalitions. ASOs and NPOs have been known to join coalitions' causes to pursue change and carry out the advocacy that both coalitions and ASOs and NPOs need. ASOs and NPOs are examples of direct service organizations while coalitions are more focused on advocacy and not services. ASOs and NPOs should be able to cooperate and work for progress within these shared interests.

ASOs have a distinct model that traditional nonprofit organizations (TNPO) do not have. Nonprofit organizations are private charity organizations that are authorized and regulated by both state and federal governments to promote the development of societal needs (usually health, education, welfare, or culture). Frumkin (2002) identifies three commonalities among NPOs: they do not coerce participation, they operate without distribution of profits to stakeholders, and they exist without simple or clear positions of ownership and accountability. The Internal Revenue Service (IRS) monitors the tax status of nonprofits in order to make sure the proper procedures of maintaining the tax exempt (known as 501(c)(3) tax-exempt NPOs) are followed. To achieve this status, nonprofits must establish articles of incorporation, and have a board of directors, with an executive director, who is directly under the control of the board. In general, funding for NPOs comes from various resources such as contributions, gifts, and grants from individuals, groups, foundations, businesses, and/or federal, state, and local governments.

Some organizations (usually ASOs) are built as NPOs with a state charter and tax exempt status. This type of organization may not have completed all the requirements

necessary to qualify for tax exempt status. ASOs are usually funded by payment of membership dues, direct fundraising activities, and volunteer service, not by diverse sources of funding that NPOs have. ASOs do receive funding from contributions, but these are significantly less than those given to traditional nonprofit organizations (TNPOs). ASOs need both realistic and creative ways to address funding and structural issues. Whether it is looking for partnerships, ownership, more volunteers or help, or some sort of government evaluations, the changes need to be made so money is not wasted. This pinpoints a major problem and by making minor adjustments to how ASOs handle their business, funding dollars will be spent more wisely and processes will run more efficiently (Marquez, 2003).

Alternative Service Organizations (ASO) generally work with vulnerable groups and operate in poor communities that are experiencing difficult financial times. These ASO programs meet the needs that are not being met by state and federal initiatives. The programs attempt to develop and educate people who could be more productive members of society. Sometimes, these programs operate under a worker who is passionate enough to take on projects of his own. These projects revolve around at-risk groups, which is a stark contrast to donors and the relationship of nonprofit organizations (NPO) within their communities. NPOs serve people who are not considered at-risk; therefore, are more stable and have developed staff. NPOs might be able to alleviate some simple ASO growing pains by lending resources and sharing expertise to keep them afloat. For example, NPOs would assist in outreach with volunteers, train in resource management, or offer a temporary partnership. The common ground within the missions of NPOs and ASOs is to serve the interests for the betterment of the group or community.

Research Questions

It should be possible for these two entities to work together for their shared interests of building a stronger communities and fulfilling personal goals. It is clear that NPOs are more influential on a nationwide basis than ASOs which is another reason why the needs of NPOs should not have to suffocate the agendas of ASOs. The model of nonprofit organizations enables them to grow, sustain themselves, and expand while the model of ASOs is in large part dependent on funds and consumer interest. What alternative options will work for ASOs to run their operations? What might ASOs and NPOs be able to resolve together that would help both sides? What can both entities agree on to develop and implement successful funding strategies? Is it possible to expand sources of funding or to offer new outlets to ASOs?

Rationale

What will happen to groups of at-risk people and what becomes of them if ASO programs fail and do not address necessary issues? There may be a need for these programs to strengthen communities. There may also be opportunities to change the funding climate of ASOs without sacrificing their identity. There are requirements that prevent ASOs from conducting traditional fundraising; thus, collective grants or partnerships with businesses with common interests in community impact may be the answer for some organizations to encourage cooperation. Any improvement of the current fundraising model and collaboration between ASOs and NPOs will help identify not only how they operate but also how they can work together for the betterment of a unified cause. Cooperation, not competition, should be the goal to help these organizations be successful.

Significance of Study

This study will explore ways that ASOs and NPOs can cooperate and modify funding strategies to fit the current funding environment so that they will be more stable and continue to fulfill the needs of the communities and groups they serve. Leland (1996) argues that studies about the challenges that NPOs experience have been incomplete in terms of adapting to the funding climate. If anything, studies dealing with the structure of the sector and the impact of modifying them mean that whatever impact they have on the community-based organizations is insufficient. ASOs, for example, have little or incomplete material published. Few sources provide recommendations for options to address this.

There are a few explanations that can be formed regarding the lack of research. Regarding ASOs, there is insufficient material available on how to advance or enhance conditions to sustain programs or the organizations. NPOs are diverse and complex due to the range of organizational types, structures, and processes; this makes generalizations about them seem unsuitable. Another explanation is that organizations (especially smaller ones) do not feel the need to support or use already limited funds to collect data that may or may not be useful. A third explanation occurs due to the lack of documentation of the experiences, perceptions, and policy ideas of both foundation and nonprofit practitioners that some conclusions may be incomplete, questionable, or uncertain. Finally, the nonprofit sector has not accepted or encouraged the idea of inspired commitment to think, write, and debate the issues that might shed light on new solutions (Alexander, 2002; Burke, 2001; Eisenberg, 2000).

Complete data collection is difficult because both nonprofit and alternative service databases must be merged to allow for a general understanding between the two organizational types and what the data should reveal. Data might be from different locations with different organizational profiles, types, and structures. In short, the lack of data and documentation from board members, administrators, staff, and funders makes it difficult to accumulate and build on existing knowledge of the group which may hinder any progress or research efforts (Burke, 2001). The smaller organizations and the organizations that are struggling already have few resources and do not have the ability to collect, store, and maintain records needed for research. Furthermore, the available research has not been systemically tracked and evaluated; therefore, research drawn on the funding of the nonprofit sector will be subjective and flawed.

Many organizations (ASOs and NPOs) do not receive adequate donations to ensure their financial stability for a long period of time. The studies below examine the nonprofit funding environment and the changes organizations made to anticipate the future. The United Way study illustrates the interactions between funding environments and specific organizational characteristics such as organizational size, governance, managerial system, and use of volunteers (Stone et al., 2001). The study suggests there is a relationship between the organizational characteristics and the two types of funding environments. The second study examines strategies such as networking, business-like practices and use of technology in generating ways to be more ostentatious and efficient to accomplish their goals (Alexander, 2002). A third study looked at funding strategies and how developing relationships with funding sources suggests that management of

NPOs was related to efficiency and effectiveness of the human service system (Gronbjerg, 1992).

The current material exploring issues specific to that of ASOs is thin. Of the few studies available, none has examined the impact of changes they made in hopes of turning the funding climate around (Magnus, 2001). If these were examined, information would be easier to gather to address, identify, and solve issues of financial resources. Material regarding ASOs would aid managers, policymakers, consumers, and readers in understanding how challenging the funding environment is for ASOs.

ASOs are integral to resolving issues that hinder the low-income people to become productive members of society. The missions and goals of ASOs often deal with addressing problems of the most needy in society. ASOs take on tasks the government and nonprofits ignore or deem as simply not as important (Powell, 1986). Sometimes the impact is small, but often it is because of the organizational competition for these limited funds. Government and TNPOs have removed themselves from providing necessary resources and services to needy groups who then become largely the responsibility of ASOs (Gronbjerg & Paarlberg, 2001).

Other than providing services or advocating for social change, ASOs sometimes aid the groups they serve by providing them with employment opportunities (Diaz, 2002). ASO workers might be consumers, volunteers, or community members at some capacity in the organization (Powell, 1986). ASOs also empower community members by giving them tools to solve their problems either through participation in programs or decision making responsibilities. These opportunities offer an interesting way for members to

develop socially and politically and to build on skills they might not otherwise have a chance to develop (Diaz, 2002).

Historical Background of ASOs

ASOs have been formed for a variety of reasons. ASOs are formed as an alternative to aid and empower people. In other words, they react against entities such as TNPOs and government service organizations, if federal services are conditional to certain groups. During the 1700 and 1800s, ASOs were established by cultural groups to meet their unmet needs. These early ASOs were financed and controlled by the members who provided the first line of defense against economic, social, and political hardship (Diaz, 2002). The tradition of self-help and mutual aid were prevalent and some of that mentality has survived even today. Before the 1900s, ASOs were small, informal, and intended for self-help purposes. This type of organization is commonly thought of as the predecessor to modern TNPOs and in ways mirrors modern ASOs (Beaulaurier & Taylor, 2001a). ASOs garnered more attention and prominence during the Great Depression and World War II by satisfying needs of individuals.

Progressive reformers made use of ASOs and visibly demonstrated and enhanced their roles in the U.S. Immigrant groups, self-help groups and institutions, and labor organizations were arenas in which the Progressive movement advocated for social and economic changes on the local, state, and national levels. Progressive Era groups established settlement houses and worked directly with groups in order to remain independent from government aid. They addressed specific issues such as universal education, parental rights, immigrant needs, child labor, and workers' rights. The National Associations for the Advancement of Colored People (NAACP), Young

Women's and Men's Christian Association (YWCA & YMCA), neighborhood organizations, and temperance leagues were the groups or organizations involved with settlement houses. These organizations above resembled ASOs and later on transformed into TNPOs (Diaz, 2002; Jansson, 2001).

ASOs in the American South were connected to the church and consisted of fraternal orders, mutual benefit societies, women's groups, and self-help organizations. Due to racism and systematic exclusion, African Americans established more formal ASOs or settlement houses to produce social change. Tuskegee, Alabama; Hampton, Virginia; and Atlanta, Georgia all established settlement houses to strengthen their cause and effort. Unions were created in response to poor working conditions, and workers united to create more respectable work environment/conditions. Unions run by members, members who set policy and direction, were also advocates of civil rights, women's rights, immigrant rights, and other progressive policies (Jansson, 2001).

By the 1900s, state and local governments began funding programs, services, and activities provided by charity organizations (NPOs). They became more formalized as they were sanctioned by state or federal regulations of operations. The government's recognition and approval was manifested in the Tariff Act of 1913 which exempted charitable, religious, scientific, and educational organizations from paying taxes. The standard was officially accepted in 1917 when NPOs became identified based on their tax-exempt status. Now, any organization wishing to seek government funding must adhere to government standards and reveal how their programs and services serve the community at large (Lynn, 2001).

The relationship between the people, the government, and the organizations that serves them needs improvement. The government has accepted a larger role in organizational life as long as organizations foster policies, mandates, and serve the people. Currently, government has cutback funding and organizations are limited to resources. The number of growing nonprofits sabotages this already difficult situation when young organizations fail and waste available funds. This harms the potential impact for the communities all organizations serve. For instance, after WWI charities created national organizations such as Community Chests and Red Cross. They were identified with and encouraged by their communities, but most of all by the government, to ease the suffering and help with the national effort during the Great Depression. This is the point in time where ASOs were at a disadvantage. The impact of ASOs is generally small and local, so with already minimal resources, the government chose to oversee rather than assist, and the result was that private donations and membership dues currently keep ASOs afloat (Gronbjerg, 2001; Jansson, 2001). The void of service providers to communities within the U.S. increased the need for government intervention. The Federal Government's solution was the "New Deal". Representatives within the African American community could not address their needs; many turned to the government and programs of the New Deal for services (Martin & Martin, 1995).

By the end of the WWII, the number of NPOs grew and the alliance between government and the nonprofit sector grew as well. Government took on a new role as the largest contributor in terms of funding for tax-exempt charities (TNPOs and NPOs).

In the 1960s, the needs of African Americans were not being adequately met by federal programs. The majority of African Americans demanded equality, and ASOs

were quick to act upon social justice and the status quo they wished to change. The federal government responded with the “war on poverty” that encouraged participation by all citizens in decision-making and encouraged community involvement through financial support. The Economic Opportunity Act of 1964 mandated that people have a voice within their communities in the decisions made by boards and organizations that received federal funds (Diaz, 2002; Salamon, 2002; Jansson, 2001). This resulted in a big step forward members could elect representatives to boards as it was believed individuals knew what was best for their communities.

Generally, when needs of groups of people are not being met adequately, ASOs quickly respond to address these issues. In the past, due to a lack of programs and to available services not reaching groups, ASOs that supported ethnic and racial minorities, women, LGBT individuals, farm workers, people with disabilities, and mental health consumers began focusing on the interests of these groups and advocating for their equal treatment. The National Organization of Women (NOW), National Welfare Rights Organization (NWRO), National Council of La Raza, and United Farm Workers Union are just a few groups that ASOs began serving (Diaz, 2002; Perlmutter, 1988a, Powell, 1986).

In the 20 years leading up to the 1980s, ASOs saw much growth as the role of government increased in federal, state, and local funding to both NPOs and ASOs. Most organizations could now receive money from the government if their work incorporated a community component (Diaz, 2002; Jansson, 2001; Salamon, 2002). Years later, the Reagan and George H.W. Bush administrations changed the regulations for government-aided NPOs and ASOs. When the administrations decided that NPOs could be

financially independent, they did not take into account that the budgets of NPOs were largely funded by the government. There was a 15 percent decline nationwide in human service programs (Salamon, 1989). The cutbacks forced ASOs to charge for their services and for some ASOs these fees stabilized the loss. However, this approach failed because the ASOs served the poor and minority groups who could not afford to pay fees (Salamon, 1989). Funding fell from \$110 billion to \$88 billion (Jansson, 2001). The loss of funding hit the programs that were serving low-income citizens especially hard (Jansson, 2001; Hall, 1994). To survive, organizations found creative ways to maintain their programs (Jansson, 2001).

After George H. W. Bush's presidency, issues such as medical insurance, homelessness, HIV/AIDS, poverty, family violence, and juvenile crime were never addressed appropriately. There were no programs to help educate and remove recidivists from juvenile crime. The government purged the organizations (NPOs and ASOs) that dealt with developing poverty stricken areas through their programs and services. These areas were not funded sufficiently due to decreases in government aid (Jansson, 2001).

Today, the number of NPOs is increasing, which makes less money available for other organizations. For better or worse, this creates an environment of competition. The government only allocates a percentage of money to nonprofit institutions, and because NPOs are growing, less money is dispersed to ASOs. In 2009, the Foundation Center for Giving was cut back 8.4 percent or \$3.9 billion which was the largest drop ever recorded. This sum includes all foundations (independent, corporate, and community) and may continue to drop if economic uncertainty continues (Foundation Center, 2009). Moreover, corporate funding may include conditions connected to giving which may not

be in the best interest of NPOs. This may adversely affect the focus of the mission of NPOs, ASOs, or the needs of the larger community as well. Currently, donors use performance measures to assess whether organizations have met goals consistent with the funders' business plans; this relationship needs to be clarified and organizations need to commit to clear directives (Gronbjerg, 2001).

Several other disadvantages to receiving government funding which have presented themselves in the last 25 years hinder the advancement of ASOs in terms of how the government implements and evaluates NPO and ASO impact. Two examples are the government's use of purchasing of service contracts (POSC) and performance-based contracting (Per-B). POSC is a cost-oriented form of contracting that involves specified units of service with funding reimbursement tied to services rendered. Per-B contracting specifies objective performance standards with funding based on the achievement and measurable benchmarks (Gronbjerg, 2001). While these methods of expanding government funding have been a good idea for NPOs, this expansion has undermined the progress of ASOs because ASOs do not meet requirements enforced by federal aid. ASOs usually overcompensate if they adapt to federal terms to attain more funding which does not resolve the issue of survival or being self-sufficient. While federal aid offers room for growth and organizational stability for NPOs, it usually ends up hindering the expansion of ASOs. The blame seems to fall on ASOs and the lack of management and administration for data collecting, record keeping, monitoring, and fiscal accounting (Smith, 2002). Dividing resources to implement new systems may become too demanding and cripple the reach of ASOs altogether (Smith, 2002).

Another disadvantage to receiving funds is multiple funding sources. When the government is considered the most reliable source of money, ASOs have one source of funding to appease. ASOs receive little if any federal aid because they are not classified as true nonprofits. It would be difficult for ASOs to function as true nonprofits due to the way they carry out tasks and the limited scope, team, and resources they have at their disposal. In other words, they would be living outside their means and would need to create a new model in terms of development and change of structure if they were to become classified as 501(c)(3) tax-exempt NPOs.

It is not just the revenue that makes ASOs feel threatened but also the nonprofit sector and the always malleable policy changes which affect funding (Salamon, 2002). Yet, ASOs continually rely on client fees for service, local government grants, private foundations, charities, member donations, or special events as funding sources. While reliable funding sources are not substantial enough for large-scale organizational operations, requirements may also discourage ASOs from securing government funds than NPO's have at their disposal (Smith, 2002; Marquez, 2003).

Using multiple funding sources has resulted in management problems for organizations. The Independent Sector is a network for nonprofit, foundation, and corporate giving programs. Research, advocacy, and other resources are proposed to better improve volunteers, boards, and organizations. The Independent Sector estimates that 43 percent of funds come from fees or other charges, 37 percent from government funding, and 20 percent from private donations (Gronbjerg, 2001).¹ Fiscal periods, reporting, and performance-based expectations may vary between funders and with the

¹ Independent Sector. (2007). *The Nonprofit Sector in Brief: Facts and Figures from the Nonprofit Almanac 2007*.

organization. It is up to leaders to clarify expectations, duties, and forecast and manage funds to make organizational processes transition easier. This is more important because ASOs may be at different stages of development as some ASOs might be able to take on more responsibilities or acquire acquisitions through partnerships.

NPOs were not necessarily established to address the needs of persons who were the most vulnerable in society. ASOs which address the needs of underprivileged groups do not have the capacity, sustainability, and political connection to maintain longevity. The number of ASOs is unknown, although research suggests ASOs and other informal organizations may have been omitted from statistics collected from traditional sources, IRS records, and community directories (Gronbjerg, 2001; Smith 2002). It is estimated that nationally 15 percent of the nonprofit social service organizations are organizations that serve groups with special needs (Diaz, 2002). This challenge of not being able to identify, assess, and collect information on ASOs is somewhat troubling for a variety of reasons. It is difficult to measure their impact as their organizational capacity and a lack of funds preclude them from keeping records and collecting data; this must be addressed in order for ASOs to develop and to gain access to more resources.

Mission, Vision, Characteristics of ASOs

The purpose of ASOs can be summarized as commitment to changing vulnerable groups' circumstances. Self-help groups, immigrant groups, charity institutions, Alcoholics Anonymous (AA), Independent Living Centers, and civil rights or other types of activism groups are considered to be ASOs. The development of ASOs was spurred by the exclusion of groups of people from the political decision-making process (Diaz, 2002). ASOs provide a platform for the political process, advocate for social change, and

fill in the gaps of services not being met by NPOs or the government. The concept of empowerment is the cornerstone of the ideology that ASOs tend to follow. It is the way to attain and maintain the change of circumstances of disempowered people for the betterment of the communities ASOs serve (Powell, 1986). Traditionally, the mission and values of ASOs embrace concepts such as empowerment, social change, self-determination, and human interaction. ASOs focus on clients and the services that respond to their needs; adopting this idea, the organizational identity is unique. There are challenges in finding creative solutions for programs and strategies to address issues of impact and efficiency. Staff leaders usually share individual and moral perspectives in common with the people they serve. Staff leaders are driven by intrinsic factors by making an impact or by transcending eras. For example, by addressing matters of poverty, homelessness, and lack of health services and education, ASOs strengthen their stance on human rights by placing disempowered peoples needs within the context the United Nations Declaration of Human Rights. ASOs believe all people have the right to food, housing, health, education, communication, and a living wage.

A clear difference between ASOs and NPOs is ASOs ability to advocate for social change. ASOs work usually influences social and political policies on some level (Powell, 1986). ASOs practice “systems advocacy” where they first attempt to modify systematic change on the community level and then transfer their momentum towards societal change. The areas in which ASOs have made systematic change include: sexism, sexual assault, HIV/AIDS, disabilities, environmental justice, women’s rights, ethnic group rights, and LGBT group rights (Perlmutter, 1994; Gronbjerg, 1992). Examples of the changes ASOs have made on the social, economic, and political levels are civil rights

legislation, Medicare, the Americans with Disabilities Act, and funding for HIV/AIDS treatment and research (Jansson, 2001).

Another feature unique to ASOs is the idea of participatory democracy. When people recognize they have the power to control their own destiny, self-awareness becomes the most reasonable and sound method of answering community or societal needs. This empowers oppressed or vulnerable groups while allowing them to develop informed opinions that matter in a decision-making process to create that change. This core value of participatory democracy emerged from the liberation movement and social activism in the 1960s and 1970s. Empowering people to develop critical consciousness in identifying, reflecting on, and developing solutions to specific problems enables them to plan a course of action. This empowerment increases the likelihood that people will act upon their problems, building on their skills, and giving them a sense of purpose. It is a continuous process to help others understand, enhance, and act (Bailey, 1994).

Membership of ASOs includes the target population, consumers, staff, and stakeholders. Members are attracted to the mission and values of the organizations as well as the responsibilities in leadership and decision-making they will take part in. ASOs struggle constantly with acquiring staff, consumers, volunteers, members, and effective leader, which is often not the case for NPOs. Financial support comes through membership dues, directing fundraising activities, and volunteer service; yet, they are incomplete and not always successful because of the impoverished groups they empower (Marquez, 2003; Powell, 1986; Jansson, 2001). ASOs do not have the funds to develop staff and focus on more immediate needs that will help them survive financially (Marquez, 2003). Members of the board help with organizational work, yet there are

unpaid staff and volunteers who assist as well. One clear advantage is that ASOs work within communities, and when the community recognizes the impact and influence these organizations address, the community provides access to large numbers of volunteers.

The philosophies and ideologies of ASOs attract leaders that may become risk-takers to implement new strategies and even to develop a leader's own competencies. The commitment to leading ASOs can be draining, financially challenging, and socially and politically isolating which is why Perlmutter (1988a) suggests that the demands might be too exhausting for leaders to stay with an organization. New strategies, however, can benefit everyone in the organization and keep processes simple by streamlining all organizational processes. These changes help to meet needs that are still issues. Leaders do try to use unconventional methods to solve current issues and sometimes this offers a new approach in discovery of other effective ways of operating (Powell, 1986). Hotlines for shelters for abused women and children, support services for victims, and treatment programs are examples of innovations that have been discovered. Shelters, and education, and awareness program are strategies to address issues (Powell, 1986).

Funding Strategies

While NPOs are largely funded by federal grants and private donors, neither of which ASOs can take advantage of, there are a few ways to seek the needed funding. Some of these methods are small donations, grants, awards, and larger corporate donations; however, it is important to realize that in combination these funds can go a long way. This assumes organizations make the most of every dollar they receive. ASOs generally enjoy more success in acquiring alternative funds as ASOs are more lenient in

regard to expectations and outcomes. Interestingly enough, some agreements such as funding from corporations or foundations encourage the support for advocacy or social movements in their for-profit ventures. Community funds generally support nonprofits year after year, which provide funds for local communities. United Way is an example of an organization that exhibits this type of structure.

Alternative federated funds support social and economic justice for those organizations that have been denied access to traditional sources of funding. As much as alternative federated funds assist ASOs, the criteria for acquiring the funding may intentionally exclude ASOs (Bothwell, 2003). A case study of alternative funds found that the organizations within the fund had similar mission values. This transcended “superior professional leadership” as they could solely focus on the task at hand which was immediate response to social injustice, fundamental social change, and self-empowerment through democratic participation. This was important to the stability of funds and allowed a highly developed resource strategy to deal with conflict and to network in order to have support from other organizations if need be (Perlmutter, 1988b).

There have been few studies that identified the strategies ASOs can implement in order to secure funds. There are even fewer studies exploring how organizations adapt to funding changes. For example, donor options provide the opportunity to contribute to selected parts of an organization. Donors who give in this way generally give more, and a larger share of money than organizations are ready to handle. This is an example of what typically occurs with the NPOs. ASOs are sometimes reluctant to accept outside funding because sometimes ASOs must use this where the donors want to invest the money (Marquez, 2003; Perlmutter, 1988b). These studies address issues pertaining to

funding but fail to show how the changes in funding influenced ASOs or how the organizations adjusted to those changes. The findings are limited and the issues substantial with no real proven way to gauge how to understand or translate what ASOs must do in order to make funding work (Magnus, 2001).

The strategies for survival of ASOs are closely related to the work of Jim Collins (2001) and Crutchfield & Grant (2008). The four themes that emerged from summaries of interviews with ASO directors included sustainability, commitment to the cause, mission, and vision of the organization. These issues cover external and internal components of organizational life. The table below shows the type of barriers ASOs may face and the funding strategies and those decisions to adapt.

Barriers	ASO Strategies	ASO Actions Taken
Grant process (External)	Doing it our way Developing funding sources	Resource sharing, alternative funding, innovation and creativity Fund development, fundraising strategy, donor development
Funding restrictions/requirements	Maximizing resources/ Potential resources Complying with requirements	Grant proposal writing Developing other funding sources: Building donor bank/private funders Good track record
Political influence	Working with stakeholders	Collaboration, community support, connections, building relationships
Staffing (Internal)	Consumer/volunteer involvement	Consumers/volunteers part of staff
Board of directors' lack of capacity	Developing organizational capacity	Knowledge building
Lack of knowledge	Developing organizational capacity	Capacity building, organizational growth, knowledge building

Summary of ASO

The purpose of this paper is to explore the funding environment in both ASOs and NPOs to determine alternatives that would allow organizations to make more efficient and effective use of funding. In short, a grounded theory approach is most useful because general concepts and questions regarding these issues can be compared in hopes of discovering better decision-making or creating new solutions to develop and sustain an organization. A brief summary of the funding climate suggests that there are fewer funds available, increased competition, increased restrictions and qualifications, and increased pressure on compliance with funders' interest because of the growth of the independent sector. This makes program effectiveness, performance, and good track records even more important to assess the stability and growth of both ASOs and NPOs. Greater emphasis on grant proposal writing, collaboration between organizations, and meeting performance and outcome measures is crucial to these changes in the funding climate. ASO directors are resistant to changes in the funding environment because the changes force ASOs to take on more than they can handle. These changes have been seen as unreasonable and unfair as they create barriers to make work-related processes more difficult in an already challenging work environment.

ASO directors are in agreement that both ASOs and NPOs face funding challenges due to government cutbacks. However, ASOs feel the loss more because they do not have the resources to counteract the loss of organizational capacity. Limited staff, the encouraged use of volunteers, lack of expertise, and lack of tax-exempt status were all highlighted as operational challenges for ASOs by a variety of authors (Marquez, 2003;

Magnus, 2001; Perlmutter, 1988a; 1994; Powell, 1986). The issue of inadequate funding was detailed by Marquez (2003); for example, members of a Mexican American community were poor and could not support their organizations.

There may be a correlation between longevity and the level of funding in ASOs regarding advocacy work and organizational development. Yet again, ASOs stumble because they lack the professional staff, funds, and resources to develop their organizational capacity. Consumer-run ASOs do not receive adequate funding for a variety of reasons. They do their best to incorporate volunteering to keep operational costs as low as possible. Funders do not think consumers have experience and knowledge to run their own programs. The selectiveness of groups they serve and advocacy they support set them apart from other organizations, which makes it difficult to seek funds because they are improving the conditions of numerous small groups within communities rather than large populations nationwide.

Grantsmanship is another strategy that may result in new sources of funding for ASOs. Success in grant writing over the long run can open up new funds, build or help maintain relationships with funders, and keep the organization accountable to their mission for the funds they receive so long as both entities involved have shared interests. The downside of grant proposals is that they are complex, time consuming and generally beyond the scope of ASO staff expertise. Grant writers in the NPO environment are usually experienced and possess basic knowledge of the grant writing process whereas ASO directors, consumers, social workers, board members or volunteers often do not meet this standard. Additionally, ASOs usually do not have the money to pay for a grant

writer who could help them overcome the barrier of grantsmanship knowledge (Magnus, 2001; Powell, 1986).

Some of the material suggests that structure and governance are two aspects of ASOs that may prevent them from acquiring funding from traditional sources (Marquez, 2003; Perlmutter, 1988a). Leadership is also an issue to funders as egalitarian governance does not usually bode well due to funders' emphasis on professionalization (Marquez, 2003). Gronbjerg (1992); Gronbjerg (2002); Roger & Tartaglia (1990) have suggested that ASOs avoid funding from external influences, generally federal programs because they do not want to compromise their mission and values and also want to avoid cooptation. Both ASOs and NPOs need to stay committed to their mission and values while stimulating the relationship between funders and continually piquing investors' interests (Perlmutter, 1994). Practicing a compliance relationship means that ASOs and NPOs could lose their identity by conforming to rules, whereas a balanced relationship would be consistent and encouraging for both parties (Gronbjerg, 1992). An alliance relationship approach is seen as the best for ASOs because there is little conflict and goal displacement; however, issues with lack of consistent funding still surface.

The issue with smaller ASOs and NPOs is that there is not enough money to go around from funding sources. Sometimes the money is available, but it does not help individuals within the organization grow into knowledgeable professionals that make the right decisions. Poor decisions and scandals that shake the public's confidence have impacted the funding environment to some extent. A lack of control over the flow of money may be risky and create a dependency on funds rather than a method to sustain them (Gronbjerg, 1991, 1992). The last element that might determine funding assistance

is ASOs' work with social advocacy with hot button issues such as gay rights, gay marriage, and other debates that funders might not want to be associated with publicly. This may be a reason for individuals, organizations, and even federal aid to steer clear of potentially politically charged situations.

Summary of the NPO

The conditions of NPOs are similar but less serious than that of ASOs. NPOs are becoming more numerous and are challenging other organizations for funds. The influence of ASOs is lessened by the growth and prominence of NPOs throughout the country. This paper explores the many reasons why NPOs are at an advantage in terms of stability and growth. The access to federal funds, paid staff (experienced and knowledgeable), a diverse group of donors, and investment opportunities are precursors to organizational longevity. NPOs have more expertise in terms of business management, donor development, marketing property, management, and resource management than ASOs. NPOs also have greater exposure to the American people because of partnerships, business strategies, products, and clientele. In other words, they have larger fund reserves to create greater impact in a larger context. Generally, NPOs resist the urge to put their political agenda on a platform as this helps them avoid unwanted attention and keeps them centered on their commitment to the organization rather than consumer or funder desires.

NPOs are relatively stable so long as they anticipate setbacks and plan for the future they should survive. NPOs usually have connections with business and political leaders. Salamon (2002) suggests this is exactly why they can adapt. The best examples of adaptation are when NPOs expand service fees, implement self-motivated commercial

ventures, partner with businesses, and become more business-like to survive. This is usually because they meet the needs of their customers or donors.

The amount of resources NPOs have dwarfs the resources available to ASOs. They may have separate departments where processes within the organization flow naturally as everyone does their part. They have a board of directors and paid staff that can assess and review pending assets, individual performance, and organizational effectiveness. These tools of measurement help NPOs understand what is working and what is not. Usually, decisions are made based on these findings in order to have a larger impact on their given communities.

Advocate and Serve

The keys to successful implementation of strategies that would encourage, sustain, and develop NPOs were highlighted by Crutchfield & Grant (2008). Simple, clear and focused directives may lead toward the betterment of ASOs as well. This is a confident way of proposing a planned course of action to ensure stability and longevity in an organization by not making challenging circumstances more difficult.

There are two types of NPOs: direct service organizations that run programs within the community and another type that advocates raising public awareness and pushes for policy reform. Crutchfield & Grant (2008) discovered that high impact nonprofits do both, and do them well. As direct services satisfy immediate needs, advocacy helps change public behavior and creates federal solutions. By definition, advocacy refers to any type of activism especially for a cause.² Inspiring voters, pitching media stories, and influencing elected officials are some examples. In combination,

² Advocacy. 2011. In *Merriam-Webster.com*. Retrieved March 8, 2011, from <http://www.merriam-webster.com/dictionary/advocacy>

services and advocacy help offer firsthand accounts of what problems are present, what is working, and what needs to be done. Nonprofits are informed about their decisions and are able to adjust their position and decisions based on what is best for the local community and the mission of the organization. When nonprofits look to network and work together, they manage to gain a large body of partners that they can mobilize to make the changes they desire (Crutchfield & Grant, 2008, 34).

The use of advocacy brings about new ideas and solutions that may make more effective and efficient use of existing programs. Also, by successfully proposing new legislation, the organizations with the original idea gain the credibility that comes with having federal support. It is possible that additional resources could be received if the support or funding (federal or state) would enhance these programs. Most of the nonprofits reviewed began with direct services and eventually added advocacy which resulted in a dramatic change of success.

Self-Help is an organization that started out with the idea that ownership allows people to improve all existing conditions (e.g. owning a house, saving for college, or starting a business). It is now a federally insured, state chartered credit union that provides loans for member ownership purposes. It is now affiliated with foundations, religious organizations, corporations, and government sources from which loans and grants are received, making them successful by addressing service first and advocacy second. Since the beginning in 1980, Self-Help has provided \$4.5 billion to more than fifty thousand small businesses, nonprofits, and homebuyers across the U.S. (Crutchfield & Grant, 2008, 274).

Advocacy can begin at any time. Organizations such as Self-Help, Teach for America, and America's Second Harvest all began with services and then added advocacy, and there are other organizations that began with advocacy and then added programs. Center on Budget and Policy Priorities, Environmental Defense, and The Heritage Foundation are a few examples. The Center on Budget and Policy Priorities is a premier policy organization that works at the federal and state levels on fiscal policy and public programs. These policies and programs affect and enable low- and moderate-income families and individuals. The essential task is to ensure the needs of these groups are met and not overlooked during decision making on issues such as budgets and tax policies. This organization has impacted low-income families and policies in areas from the EITC (Earned Income Tax Credit) to food stamps to health programs as well as advancing fiscally responsible budget and tax policies for the groups they serve (Crutchfield & Grant, 2008, 256).

An organization that begins with policy is more effective if the organization is small in relation to the impact it wishes to see. The best example of this is the Center on Budget and Policy Priorities which operates on a budget of \$15 million; yet, it has influenced policies and decisions that impact the lives of millions of low-income Americans. Organizations such as this and the Environmental Defense lobbied and implemented federal regulations to protect their interests while realizing that creating programs that took their claims seriously was necessary to inform others and sustain their advocacy efforts. In combination, service and advocacy create an immediate and long term agenda that can help organizations make a serious breakthrough (Crutchfield & Grant, 2008, 41). More than half of the organizations reviewed in *Forces for Good* began

with services, but understanding the market and organizing initiatives that follow is where the strengthening of advocacy along the way ensures a stable and successful transition (Crutchfield & Grant, 2008, 38).

Some organizations employ services and advocacy from the beginning. These organizations recognized the benefits of sticking with their original mission/goals and did not make decisions that might hinder them. Leaders who directed these organizations were aware of the benefits of their choices to either expand or to make significant impact. If organizations only take in private donations, they will never reach the potential or sustainability they desire. By combining both service and advocacy, organizations are able to influence national policies while building their organizations and may have the option of receiving federal funding. When policies are reformed, it reassures that organizational proposals need to be restructured to fit changing circumstances to trends, legal and business restrictions, or bylaws, especially if serving a large percentage of a particular group. Government in this case, must be part of a solution.

City Year and YouthBuild USA are both model organizations that represent this philosophy. City Year is focused on building democracy through citizen service, civic leadership, and social entrepreneurship and developing all these abilities through programs, consultations, and education. In 2006 alone, 1,200 young leaders completed more than 1.4 million hours of service in mentoring, tutoring, and educating children in school (Crutchfield & Grant, 2008, 259). YouthBuild USA has a similar-minded connection with the programs of City Year. YouthBuild USA is dedicated to developing optimism in low income adults, rebuilding communities and their own lives with a commitment to work, education, responsibility, and family and working with others

toward eliminating poverty. Unemployed and undereducated young individuals secure education they missed, learn, and build job skills by building housing for the homeless. The impact of this organization is inspiring. “Since 1994, more than sixty thousand YouthBuild students have produced over 15,000 units of low-income housing. In 2004, 91 percent of students entered the program without their GED or diploma. Of the 58 percent that completed the program, 78 percent of graduates went on to college or jobs averaging at least \$8.21/hour” (Crutchfield & Grant, 2008, 281).

Make Markets Work

In general, people do not want conflict between two competing forces that improve the economy and another that preserve well-being and use of natural resources. This dichotomy becomes relevant in making markets work for organizations such is the case with the story on Environmental Defense, McDonalds and Fed Ex. Environmental Defense, an organization that protects and ensures clean air, clean water, healthy food, and flourishing ecosystems had much success due to their ability to build a relationship with McDonald’s. At first this relationship was not productive; in fact, the Environmental Defense was not happy with McDonald’s choice of polystyrene packaging products as they are harmful to the environment. After a half year of effort and meetings between the two agencies, McDonald’s decided to drop all their environmentally unfriendly materials used in bags, boxes, and napkins to minimize waste. Eventually, other food chains followed suit, and additional waste reduction followed.

Similar stories where eco-friendly and business savvy ideas continued include FedEx working to reduce emissions from the company’s truck fleet and with Wal-Mart’s changes in packaging products as well. These businesses at first were enemies to

Environmental Defense, and the hardcore environmentalists did not sign on to waste reduction, but Environmental Defense proved all the doubters wrong. Interestingly enough, Environmental Defense made a wise decision not to use these new partners as a means to increase funding, but to leverage that specific industry. Instead, Environmental Defense accepted credit for innovations made and continued their impact by meeting other businesses to ask them to reduce waste by using environmental friendly materials, products, devices, and so on (Crutchfield & Grant, 2008, 285).

This modern approach led to collaboration and new partnerships as these high profile corporations adopted new innovations. As seen in this example, the Environmental Defense's actions extended throughout the entire industry, reaching never-before-seen levels of impact. The "cap and trade" allowed companies to have incentives based on the willingness to reduce emissions and alternatively pay more hefty fees or taxes to not take these environmental friendly precautions (Crutchfield & Grant, 2008, 55-58). In short, good organizations last, but great organizations find ways to make markets work.

Crutchfield & Grant (2008) point out that the power of self-interest is more effective than appealing to altruism. There are three ways to work with or through businesses to achieve a larger amount of social impact. First, *change business practices* to make companies more socially responsible. This can be a similar case with waste reduction above or influencing labor practices; the end result is that both business and nonprofit can benefit equally. Second, *partnering with businesses* has benefits ranging from accessing donations or volunteers to develop sponsorships or alliances. This is the simplest method of instilling change, and the more partners an organization has, the more

potential for impact they have. Third, *running a business* is an option for sustaining and growing funds for charitable causes in nonprofits. If a nonprofit serves a market with a specific product or service, this revenue helps them be more independent from donations and grants. Share Our Strength, a nonprofit, created Community Wealth Ventures, a for-profit that partnered together to teach other nonprofits how to build alliances and earn income. This example of corporate partnership helps model new ways to resolve issues and restructure the social field's past mentality. Organizations need to make a compelling argument to change how businesses operate that will fit their self-interests. When careful decisions are made they help gain appeal or save money. The power of nonprofits is in the attempt to make markets work for participating entities. By 1980s and 1990s, corporate philanthropy was more visible, and strategic partnerships with nonprofits became commonplace to further the goals of each entity (Crutchfield & Grant, 2008, 61-65).

There are a number of pitfalls that may surface when partnerships are made, and it is important to at least mention these potential obstacles. First and most critical, a fear of partnerships is that the nonprofit may drift away from its charitable mission once it tries to operate and generate earned income. The inability to focus on social goals and values will limit both the earned income and sustainability of the nonprofit. Next, there is a misperception that a nonprofit and for-profit working together is selling out on the nonprofit's goals. The risk was more relevant years ago, but now that people see that these partnerships can magnify and generate more donations or income, this perception will eventually lose its grip. Finding the right partner is another trap that, if not properly addressed, may hinder the growth of the organization. Organizations need to assess and

research the potential partners they do business with to make sure their motives, goals, and integrity are aligned rather than finding out later in some political miscue or scandal. Tensions with either party or their other activities may be a cause for some headaches such as policy advocacy or political support. Before a partnership is formed, both the corporation and the organization have to maintain their individual mission or at least understand each other's desires so they do not work against each other's goals. It is difficult to say that earned income services will be the answer to an organization's woes. Revenue can be unpromising and then the time and effort required to successfully pull off business ideas are not worthwhile. For example, City Year gear being branded with Timberland's logo did not take off and was a huge financial disappointment (Crutchfield & Grant, 2008, 77). Keeping realistic business decisions in mind will help prevent disasters and mitigate the risks that can come along with the formation of partnerships.

Inspire Evangelists

Inspiring evangelists³ or groups with similar values that have a number of members, volunteers, or other resources enables a small start-up organization to run most effectively. Evangelists are enthusiastic advocates that meet their self-interest by accommodating needs on a greater scale. This example is illustrated by Habitat for Humanity and their decision to intercept the help of the church and even a former United States President. The goal of the organization is provide for everyone who needs more access to programs or services. Habitat for Humanity was created by an affluent married couple who renounced their wealth and had the idea of a housing ministry. After the company started off slowly, former President Jimmy Carter became the "face"

³ Evangelist. 2011. In *Merriam-Webster.com*. Retrieved March 8, 2011, from <http://www.merriam-webster.com/dictionary/evangelist>

(ambassador) of the organization and increased Habitat for Humanity's exposure, credibility, and the reputation. Habitat for Humanity went from a local organization to a global organization; increasing their revenues from \$3 million to \$100 million in twenty years. The business model was simple: volunteers would work side-by-side with the recipients of homes to build low-cost housing (volunteers work and materials are donated).

The breakthrough came when Habitat decided to actively mobilize the public (volunteers, donors, advisers, supporters, and evangelists) for greater social change. Specific to Habitat's case, volunteers allowed them to accomplish more with less while keeping costs low. Additionally, these volunteers and advocates of Habitat's values and mission believed in their causes and ideas because they saw the organization work from personal experiences. Likewise, seeing their efforts and accomplishments, volunteers were more likely to volunteer again or even donate money. These methods were combined to make a more stable and flexible funding base: volunteers, donations, and the members themselves.

Another way to look at sustainability is what an organization does for individuals that work and the consumers. Collaborating with, changing, or engaging existing practices of a business gives a nonprofit more leverage because businesses represent multiple markets. Habitat had immediate and lasting exposure to their causes and more help than they could have imagined. Jimmy Carter had tremendous influence regarding legislation, media attention received, celebrities or other notable figures interested in the cause, and inspired volunteers encouraging others to take part in something bigger than themselves (Crutchfield & Grant, 2008, 85).

Communicating mission and values was a key strength for Habitat for Humanity. People were more likely to come back and lend some kind of aid because their work or money changed people's lives. Moreover, the organization told stories and connected these stories with their work and beliefs of potential volunteers/donors, and made it easier for others to accept and mobilize a change for good. Habitat did not have a logo or a well-marketed brand. People as donors or volunteers want to belong to a community that shares their values and where they have an opportunity to give back. This was an honest and feasible method to enhance the position of Habitat for Humanity, which is a partial reason for their success (Crutchfield & Grant, 2008, 89).

Creating meaningful experiences is a hallmark to successful organizations that are sustained through decades. This involves creating interactive, sensory consumer experiences with a product or service. Habitat's model makes it easier to allow for personal experiences that cannot be replaced through recruitment of volunteers and bonding with donors through the process of building homes. The stories these volunteers or donors tell their friends, families, schools, and church groups give credibility to the story and open ears to fill future positions. This momentum cannot be replicated in any easier way (Crutchfield & Grant, 2008, 91).

Crutchfield & Grant (2008) found out that once people shared a positive experience and were convinced of their impact, they were more likely to participate or become ambassadors. The groups with the most success in this department are particular about whom they attempt to identify, convert, or cultivate a relationship with. The individual's persona is not as important as character, professionalism, and values. People were in awe of Jimmy Carter because he would never miss, show late, or leave early from

meetings. He did not take phone calls either. This type of standard setting is what creates powerful relationships with other influential groups, organizations, and people. Apart from who these influential people know, it goes deeper than what they bring to the relationship; it is more how they bring attention to the cause and it begins with proper attention to detail. Who is the right fit during our current circumstances for this organization?

Building relationships comes after the right people are “on the bus” in terms of employees’ values, experiences, and belief in the cause. If the wrong people are “in the wrong positions within an organization” the organization becomes less stable and less devoted to their mission and purpose. Collins (2001) suggests that the entire point of getting the right people on the bus is determined by answering the “who” questions before the “what” decisions. The “who” and “what” comes before the vision, the strategy, organizational structure, and before tactics (Collins, 2001, p. 63). The individuals who are continually involved emotionally and through experiences are the volunteers or members who stay actively involved. An annual conference, for example, is a great way to seek improvement through building communities. It is an opportunity to share knowledge, reinforce values of those involved, and inherit potential diverse stakeholders. It is training, networking and communicating, and connecting visions all in one place. Eventually, the momentum builds on itself, and it becomes more about guiding it than pushing it (Crutchfield & Grant, 2008, 101). Collins (2001) adds that it is best to keep looking or attempting to attract the right candidates for the work that needs to be done—and to assign the right people in the right place. If people are in the right

place (on the bus), organizations are more unified and organized to handle distractions of any kind.

Nurture Networks

There are a number of different ways that nonprofits can tap into the power of networking. Four tactics used by the nonprofits that Crutchfield & Grant (2008) studied are: grow the pie, share knowledge, develop leadership, and work in coalitions. These relationships strengthen communities, their values and social networks, which influence the impact of the organization.

Grow the pie suggests that nonprofits fund similar minded organizations to gain resources through collaborative efforts. It is possible that this effort leads to making better use of money through diffusion of knowledge and expertise. Growing the pie for the larger whole allows great impact through increased resources and is better for the cause overall. These organizations raise funds from individuals, foundations, or government grants and then redistribute money to other organizations in their field. The give and take relationship can be found here if A gives money to B and does not seek money in return. They may be entitled to future considerations such as adherence to standards, sharing donor lists, assistance with proposal writing, or building fundraising skills.

Share knowledge points out that organizations must be less competitive and more open with publications, research, manuals, and building the skills of partners through training programs, conferences, and workshops. Collectively, this increases the effort,

efficiency, and effectiveness of all partners. This type of shared knowledge allows competition to succeed rather than hinder organizations that are hanging by a limb. The wisest organizations realize that enabling other groups to succeed helps achieve one's goals much more effectively and efficiently (Crutchfield & Grant, 2008, 115).

In the book *Forces for Good* (Crutchfield & Grant, 2008) most organizations *develop leadership* for the larger network. That means leaders nurture and develop the talent of employees to fit the next generation of leadership. This is a self-sustaining method that develops organizations while making social connections within the network which strengthens cooperation. Some organization may not have leadership development programs available yet still see this as a crucial step to grow and find solutions to management strategies, for example. Sometimes, senior employees leave for other nonprofits as there is a limit to growth. The top level employees need to realize that employees who leave are still allies in the field, and the vacancy of the position gives others a chance to grow (Crutchfield & Grant, 2008, 118). The bottom line is that past employees that move on and current leaders in an organization can work together.

By *working in coalitions* organizations have access to gain more contacts in more networks. Essentially, both organizations play either a primary or secondary role in leading, gaining credit, and advancing their agendas. They share credit equally and move forward together, which again allows optimal conditions in terms of raising public awareness, changing public behavior, influencing policy, or accessing resources. By acting together, they can work to meet their needs. The relationship generally consists of a well known organization that backs a smaller organization which brings the smaller organization more publicity. This cooperation gives them more power and influence than

they would have if they acted alone. By equally sharing success and failure, work and credit, these high-impact nonprofits do not stray from the main idea: attaining the desired impact or change (Crutchfield & Grant, 2008, 121).

Conclusions and Recommendations

Most of the issues that ASOs are facing deal directly with the lack of funding. With more competition, ASOs and NPOs working together for a “cause” has been seen as an unlikely response for organizations to cohabitate. With changes in the funding environment, ASOs are more vulnerable than NPOs and securing stable levels of funds is of the utmost importance. Most ASOs remain cautious due to decreased funds and developing partnerships or collaborations with organizations that do not have their best interests at stake such as commitment to mission, values, and goals. However, collaboration appears to be better for organizations. A necessary component prior to collaboration is relationship building. This is also seen as an important component to increase financial and organizational capacity. Collaborative efforts to counter the competitive nature of the funding environment of both organizational types may help alleviate organizational development difficulties. Crutchfield & Grant’s (2008) enlightened recommendations seem to sum up how to maintain development and sustain an organization. This occurs through the effective use of advocacy, knowing the market your organization is in, inspiring others to believe in the work the organization commits to, and developing more networks that may enable and aid growth and development in any aspect of the organizational structure (such as donors, partnerships, etc).

It is important for organizations to balance their budget, to anticipate future issues, and to develop their staff and volunteers. These are examples that NPOs usually

have mastered, which makes them more resistant to challenges throughout their organizational history. Because of the uncertainty of funds, NPOs cannot ensure a grand scale of impact or develop the organization's talent.

Grant writing is one aspect that needs to be addressed to ease these already difficult situations. ASOs are limited to resources, knowledge and self-assessing ways to review their decisions and actions regarding old or new undertakings. There is no guarantee of course, that these recommendations are a sure fire way to succeed. However, reducing costs, collaborating, developing and planning ahead seems to be the first steps to enhancing any organizations impact and longevity. The more they do to prepare and sustain organizational goals and development, the more likely they will progress forward. To enable this to occur, organizations need to strengthen their donor relationships, lead and manage more effectively, and find alternatives to reassess and gauge their impact both inside and outside of the organization.

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