Greetings, and welcome to PAD6164 Nonprofit Stakeholder Relations. This class is one of three required courses for the Graduate Certificate in Nonprofit Management, and the Nonprofit Management concentration in the Master of Public Administration program. At its simplest, the logic of the nonprofit curriculum, which was revised on the arrival of UNF’s two nonprofit specialist faculty (Drs. Dumont and Candler), is as follows:

- PAD6142 Nonprofit Management – the broad, ‘scope’ class in the concentration.
- PAD6142 Nonprofit Stakeholder Relations – managing people. As you’ll see, we go well beyond classic human resource management, or even Board relations, in discussing managing people in nonprofit organizations.
- The elective. While we’re on the topic, I have developed a reasonably long-term schedule for the MPA program (and so for nonprofit classes, as well). This should help students get more value out of this nonprofit elective class: rather than just take what’s available when you’ve got space in your schedule, you might be able to add more specific skills.

Getting back to Nonprofit Stakeholder Relations, as the name of the class implies, this looks well beyond the traditional ‘staff’ or, for nonprofit classes ‘Board’ focus in managing people.

Lecture goals: Introduce the framework that provides the structure for this course.

Amnesty International fascinates me for three reasons:

- **Non-cognizant constituents**: AI’s early mission was to speak on behalf of ‘forgotten prisoners of conscience’, or non-violent folks who were exercising internationally recognized human rights; were jailed by their governments for doing so; and were in countries in which their fellow citizens could not speak on their behalf (because of that same denial of basic human freedoms). Yet this made AI’s accountability to these constituents very challenging! How to account to those key, mission-defining ‘forgotten prisoner of conscience’ stakeholders, whose governments generally did not permit them to receive visitors?
• **Internal accountability:** I eventually dropped out of Amnesty International because I was disappointed with what I saw as a lack of accountability to members and to mission, but I’m trying to get over it and so will not belabor it. I did write on this though, [available here](#).

• **The power of nonprofits:** AI was famously inspired by a 1961 newspaper op-ed by Peter Benenson titled “The Forgotten Prisoners.” From this an international social movement developed that frankly *drove* global public policy toward greater international respect for human rights. While the two major world powers of the era – the USA and USSR – often as not supported serial abusers of human rights¹, it was a loose coalition of civic groups that drove the global human rights revolution that has made the world today (wait for it) *more free* than ever before. There can hardly be a more dramatic example of the power of an idea, of human decency, and of nonprofit organizations as vehicles for social change.

**Some background: The ‘third sector’, or is it?**

An old cliche about the nonprofit sector is that it is defined by what it *isn’t:* non-profit, non-governmental or, the ‘third’ sector. This third sector comes after the first two, so we have:

- 2nd sector. Government: public agencies providing services (and some goods) to citizens in the public interest.
- 3rd sector. Nonprofit (or nongovernmental, or voluntary): private organizations providing goods and services to citizens in the public (more or less) interest.

So the nonprofit sector is this third, none-of-the-above category.

**More background from Salamon**

**What is the nonprofit sector?**

• “The nonprofit sector is one of the most important components of American life, but is also one of the least understood. Few people are even aware of this sector’s existence, though most have some contact with it at some point in their lives. Included within this sector are most of the nation’s premier hospitals and universities; almost all of its orchestras and opera companies; a significant share of its theater companies; all of its religious congregations; huge numbers of its family service, children’s service, neighborhood development, antipoverty, and community health agencies; not to mention its professional associations, labor unions and social clubs. Also included are the numerous support organizations, such as foundations and community chests, which help to generate

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¹ As an example, the US supported the government who abducted the parents mentioned in the link.
financial assistance for these organizations and to encourage the traditions of giving, volunteering, and service that undergird them.” (p. 6)

- Nonprofit distributing: NPOs can earn profit (more annual revenue than expenses), they are just not allowed to distribute these to board members.

- Two broad types: member serving and public serving. This, however, is only one way of subdividing what is a famously heterogeneous group of organizations.

What is meant by ‘sector’? By nonprofit ‘sector’ we just mean a group of organizations that share characteristics. As such, the term is more descriptive, like ‘mammals.’ It does not refer to a coherent body able to act more or less in concert, like ‘the Germans’, or even ‘business’.

Size. In the US (which probably has the world’s most active nonprofit sector, even relative to the size of US society): large. Perhaps 2,000,000, with 1.6m ‘public serving’.

Salamon’s (p. 9) Figure 1.3 shows the type and revenue breakdown.

Further on size… Table 1 presents data on the size of the US nonprofit sector in perspective, both compared to government, and to business in the US, and to a range of sample of countries around the world. Keep in mind that this is a relatively difficult sector of society to measure, and the data are good faith efforts to capture the relative significance of the nonprofit sector.

And so… As we can see, government in the US is smaller than in all other rich countries in the sample. The role of markets (private Consumption + private Investment) is larger than in the rest of the world. The civil liberties indicator shows Americans are free to organize NPOs, and the civic engagement score shows they do so!

Revenue sources. Salamon’s Figure 1-4 isn’t too helpful, as the sector features such heterogeneity that the numbers are meaningless. Instead, Table 15.1 (following page, and p. 554) provides a better (if old!) summary of revenue sources. Note the heterogeneity: revenue sources vary greatly depending on the type of NPO.
Functions.

- **Service**: “hospital care, higher education, social services, cultural entertainment, employment and training, low-income housing, community development. And emergency aid” (p. 11).
- **Advocacy**: “giving voice to a wide assortment of social, political, environmental, ethnic, and community interests and concerns” (p. 12).
- **Expressive**: “artistic, religious, ethnic, social, recreational…” (p. 12).
- **Community-building**: social capital!
- **‘Value guardian’**: this can be even gnarlier than most of these functions, though. Consider recent high profile examples of value guardianship, from the Westboro Baptist Church (link), to Duck Dynasty star Phil Robertson (link).

Four impulses. Salamon structures his book around four ‘impulses’ that he identifies ‘shaping the future’ of the nonprofit sector: voluntarism, civic activism, professionalism, commercialism. He elaborates at length in his Figure 1-1 (above, and p. 15).

Two dimensions of accountability

Kearns opens with an interesting comment about “the spotlight of media scrutiny” not being “flattering to several nonprofit organizations in this author’s home city” (p. 587). Within our (as opposed to Kearns’) region in recent years we’ve seen the (grandiosely named) Allied Veterans of the World scandal (click here), a lawsuit against four cancer ‘charities’ alleged to have stolen
$187m (click here), and of course the Wounded Warrior Project imbroglio. At the national level no less than our President has been held up as an anti-role model for nonprofit accountability, as the short reading by McCambridge indicates

**Dimensions of accountability.** A classic, simple start to thinking about nonprofit accountability is provided by Ebrahim (2010, pp. 103-7):

*To whom?* Ebrahim’s focus here is not on the individual, but on types of organizations. This is a key issue for Dumont and I, as we indicate on page 271 (citing an earlier article by Ebrahim!):

“…the discussion so far has developed a single model for a famously heterogeneous sector. Ebrahim makes this point especially cogently, noting that there are fundamental differences in the accountability requirements for different types of nonprofits. For Ebrahim, membership-based groups are principally accountable to their members, with internal governance mechanisms, reform, and dues offered as mechanisms through which members can exercise control. Similarly, human service organizations are principally accountable to funders, sector regulators and clients, with a range of mechanisms available for this, etc.”

Three types of NPOs, for Ebrahim (there are more, but this is a useful, beginning breakdown):

1) Membership organizations, 2) Service organizations, and 3) Policy advocacy.

*For what?* Dumont and I go considerably beyond this, but Ebrahim offers four broad ‘expectations’ in terms of what NPOs need to be accountable for:

1) Finances! 2) Governance 3) Performance 4) Mission

*How?* Ebrahim then turns to nuts and bolts in terms of how NPOs can account to stakeholders:

- **Four dimensions:**
  - Transparency
  - Answerability or justification
  - Compliance
  - Enforcement/sanction

- **Five broad accountability mechanisms:**
  - Reports and disclosure statements
  - Evaluations and performance assessments
  - Industry self-regulation
  - Participation
  - Adaptive learning

*But it’s not so easy!* Murray (2010) throws cold water on Ebrahim’s spiffy ideas, asking:

- What is organization effectiveness?
  - “Goals are often vague and difficult to measure” (p. 432).
  - Multiple, often mutually contradictory goals often have to be pursued.
  - Stakeholders are motivated by mission, and so can withhold resources if not satisfied with their perception of goal attainment.

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2 See also Fox News on the President’s response (link), Politifact (link) and FactCheck.org (link) on criticisms of the Clinton Foundation, Charity Navigator on the Trump Foundation (link) and Clinton Foundation (link). See also discussions of the Clinton Foundation in a number of respected, rock-ribbed conservative business media outlets, including the Wall Street Journal (link), Fortune (link), Bloomberg (link), and Forbes (link); and an assessment by Nonprofit Quarterly (link).
Organizational effectiveness evaluation: is this a solution? The idea is to evaluate organizational effectiveness given the questions just raised: measuring multiple, squishy, often conflicting outcomes. Still, a number of broad problems exist:

- Subjectivity of each stage of the process: there is no firm outcome, like ‘profit’.
- Technical problems of evaluation methods: again, squishiness, and human foibles!

**Kearns’ dimensions.** Kearns (in his chapter in the Salamon text) has another take on it:

- **Legal accountability**
  - Corporate status and structure – “can provide important legal and financial protections for the staff and board” (p. 590). But can these ‘protections’ also facilitate *un*-accountability?
  - Corporate status also: “sends a powerful message to potential supporters who want assurances that the mission of the organization will survive after the personal involvement of its founders has ended” (p. 590).
- **Governance!** – Legally includes three obligations:
  1. Duty of obedience
  2. Duty of care
  3. Duty of loyalty
- The ‘non-distribution’ constraint is critical, and is what is meant by ‘nonprofit’. Again, nonprofit organizations can finish the year with a positive bank balance (textbook definition of profit). However, nonprofits cannot ‘distribute’ this surplus to stakeholders.
- **Financial accounting and external oversight**
- **Managerial accounting**
- **Financial policy statements**
- **Performance (overall, and program) accounting.** Some fear unintended consequences of performance accounting:
  - *Homogenization*: if held to the same standards, all NPOs will tend to become alike.
  - OMG! – efficiency and effectiveness could be the norm! More on this later.
  - ‘*Manipulation of the system*’: work to the structure of the performance measure, rather than doing good work that the measure should then reflect.
  - ‘*Creaming*’: taking only the cases that are more likely to lead to success.
  - *Short term focus*: an organization pressured to produce good short term performance measures won’t learn from mistakes (or experiments), because this is too risky.
- I’ll also add: *just because you can’t count it, doesn’t mean it doesn’t count,* …and the related ‘streetlight effect’. This refers to an old joke, [linked here](#).

Kearns closes with a spiffy graphic (and I’m a sucker for spiffy graphics), which I’ve scanned and pasted at the end of this lecture as an appendix (Table 16-1).

Other dimensions of, and approaches to accountability:

- **A United Way approach** to connecting program outcome measurement and community impact: an attempt to get programs to establish measurable goals, and measure these!
- **Means-based performance.** Kind of old school (outputs are now all the rage). However, the ‘balanced scorecard’ concept is sound, in looking beyond a single outcome, however important, to other *inputs* which may influence *future* outcomes.
Benchmarking. Intuitively, one can benchmark to:
- The previous period.
- Peers. This has two advantages:
  - It is realistic (if they can do it, why can’t we?)
  - It helps hold constant environmental changes (if they drop 10%, but we drop only 5%, we are doing well or, if you like your glasses half empty: less poorly.

Implications (from Ebrahim 2010, pages 114-17):
- Traditional mechanisms are good for upward, but poor for downward accountability.
- Improving accountability requires attention to a range of mechanisms.
- Strategic-driven accountability is better than compliance-driven accountability.

Insights:
- “Nonprofit leaders must be deliberate in prioritizing among accountabilities. They cannot be accountable to everyone for everything. But it is a fact of life in the social sector that they will continue to be pulled in all directions. Rather than aiming simply to comply with the demands of the most powerful actors, nonprofit leaders need to focus their attention on accountabilities that really matter.
- “Nonprofits are expected to be accountable for multiple purposes: finances, governance, performance, and mission. These expectations cannot be handled separately, but require integration and alignment through the organization.
- “There are many mechanisms of accountability available to nonprofits… Nonprofit leaders must adapt any such mechanisms to suit their organization – whether it is a membership-based organization, a service-delivery nonprofit, or an advocacy network (among others)” (p. 118).

Nonprofit accountability.

Finally, this course is structured around the following table (Candler & Dumont 2010, p. 263).

![A Non-Profit Accountability Framework](image)

The general idea is that a nonprofit can think of a laundry list of possible accountability obligations, including:
I’d argue accountability is fundamental to NPOs. As Dumont and I indicate, even just at the level of checklist (or “taxonomy”, p. 274), we think the framework above is useful. However, as you’ll see in this course, it can be a bit more useful than this: as a tool to think about the ‘how’ dimension raised by Ebrahim (2010, p. 107).

And so: nonprofits play a key role in modern society, and accountability is central to both their identities, and to their reason for existence (not to mention tax exempt status!). As a result, NPOs should think comprehensively about who they should be accountable to, what they should be accountable for, and how to most efficiently give that account. This is the point of PAD6164 Nonprofit Stakeholder Relations.

References


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<tr>
<th>Table 16-1. Accountability and the Four Impulses</th>
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<tr>
<td><strong>Voluntarism</strong></td>
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<td>To whom are nonprofits accountable (stakeholders)?</td>
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<tr>
<td>providing a vehicle for the expression of values (including religious values) in the social sphere</td>
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<tr>
<td>Embracing or at least accommodating value-based explanations of social problems and issues</td>
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<td>Transforming the lives of individuals, in the short term through material assistance or value counseling, and in the long term through personal transformation and self-help</td>
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<td>Providing a way to reduce the role of government in the lives of people</td>
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<td>Challenges to effective accountability</td>
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<td>&quot;Soft&quot; data on outcomes that are based on anecdotes of individuals who have been transformed by their encounter with the nonprofit</td>
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<td>Concerns about government support (for example, separation of church and state)</td>
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<td>Source: Author’s compilation.</td>
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