PLENARY ADDRESS

Changing Government Policy and Its Implications for Nonprofit Management Education

Steven Rathgeb Smith

American University, University of Washington

Nonprofit management education and training programs have grown tremendously in the past twenty years, especially in graduate schools of public administration and policy. This growth reflects in part the sharp increase in the number of nonprofit organizations as well as important changes in public policy, such as greater emphasis on performance and accountability, shifts in government funding, and increased competition for public resources. These changes in public policy have also prompted an increase in hybrid organizations, including new partnerships, collaborations, and coalitions involving nonprofit organizations. This transformation of public policy and its effect on nonprofit

I gratefully acknowledge the support of the Center for Public and Nonprofit Leadership at the Public Policy Institute at Georgetown University in the preparation of this article. I am also indebted to Jenny Harrow, Jack Krauskopf, Kathy Kretman, Elaine Lewis, Jodi Sandfort, and Melissa M. Stone for feedback on earlier versions. My thinking on nonprofit management education has also benefited from many conversations with colleagues, including Pat Dobel, James Ferris, Mary Kay Gugerty, David Harrison, Stephen Page, Judith Saidel, and Cory Sbarbaro. I also express my appreciation to the BenchMark 3.5 program committee for the invitation to deliver this address at the conference and to Sean Shacklett, executive director of the Nonprofit Academic Center Council, for his excellent support.

Correspondence to: Steven Rathgeb Smith, 4400 Massachusetts Avenue NW, 320 Wards Circle Building, Washington, DC 20016. E-mail: smithsr83@gmail.com
organizations needs an integrated approach to nonprofit management education that entails the inclusion of nonprofit management content in the required curriculum of graduate public management programs. Given the changes in public policy and their impact on nonprofit organizations, new governance models are also needed to inform research, practice, and curricular development for nonprofit managers.

Keywords: education, nonprofit management

I am very honored and pleased to give this plenary address at the BenchMark 3.5 conference. My remarks focus on the curricular implications of changing government policy in the United States and abroad on nonprofit management education, especially in schools of public administration and policy. I highlight key trends in government policy affecting nonprofit management curriculum and then propose an integrated model of nonprofit management education. During my preparation I recalled Michael O’Neill’s keynote address to the 2006 BenchMark 3 conference in Tempe, Arizona. He observed that nonprofit management programs had grown enormously since the initial BenchMark conference in 1986. Accompanying this growth had been substantial diversification in the delivery of nonprofit management education with many different types of degree and nondegree programs. Many of the panels at the Tempe conference focused on discussion and analysis of these varied programs and the implications for students, faculty, and practitioners.

As Michael noted in his address, the growth of nonprofit management education since the 1980s reflected many management and societal trends, including the dramatic growth of the nonprofit sector, especially as delivery vehicles for public services; the advent of the New Public Management and Reinventing Government movements, which promoted alternatives to government services (Phillips and Smith, 2010); and the increasing demand among the citizenry for new and expanded services such as community care, job training, and health care. As the nonprofit sector grew, pressure for more training, education, and professionalization inevitably led to the establishment of more nonprofit management programs, especially in schools of public affairs. Whereas public affairs schools previously trained students to work in state and local governments, they now found themselves with more and more students interested in working in local nonprofit organizations that were often supported by state and local funding.

The growth of nonprofit management programs also reflected important intellectual assumptions. The field of nonprofit management studies grew and prospered starting with BenchMark 1 in 1986 with
the underlying conceptual framework of nonprofit organizational distinctiveness. Pioneering scholars in the field of nonprofit studies such as Burton Weisbrod, Henry Hansmann, Lester Salamon, Estelle James, and Susan Rose-Ackerman suggested that nonprofit organizations were a unique organizational form. Weisbrod (1978), for example, argued persuasively that nonprofits emerged as a response to government failure to respond to the demand for public goods of minority interests, broadly defined. Hansmann (1980) in turn suggested that the nondistribution constraint reflected contract failure in regard to the types of public goods and services provided by nonprofits: citizens lacked adequate information to assay the quality of nonprofit services, thus the nondistribution constraint encouraged citizens to trust nonprofits with their gifts of time and money. Salamon (1987) turned Weisbrod's argument on its head and suggested that nonprofits were the first sector to respond to the demand for public goods; the problem for public policy was that they do not have the resources and professionalism to provide adequate and equitable services, thus they needed government's help in terms of funding, regulation, and support. James (1983), who in my view has not received the recognition that she deserves as an early pioneering scholar of the nonprofit sector, suggested that nonprofits were distinctive in their need to find resources to cross-subsidize the public goods component of the organization.

Nonprofit management programs were founded using a body of research based on distinctive differences, including the need of nonprofits to raise philanthropic funds. And for many years, nonprofit management programs, the reality of nonprofit practice, scholarly research, and foundation funding to support the field worked in concert. Nonprofit organizations proliferated, and nonprofit management programs grew to train and educate the increasing number of individuals working in the nonprofit field. Also, in the early 1990s, the Corporation for National and Community Service and AmeriCorps were created and provided an additional boost to the demand for nonprofit management education. Government funding and contracting also expanded greatly to support nonprofit organizations to compensate for their resource and management insufficiencies.

Yet, by the mid-1990s, the field of nonprofit practice was changing and eroding the premises of the distinctive differences. First, Jed Emerson (1999), Greg Dees (1998), Ed Skloot (1987), and others argued that we should think about social entrepreneurship and social purpose enterprises rather than nonprofit organizations. The influential social enterprise spectrum advanced by Dees (1998) when he was at Harvard was an argument for thinking about hybridity and mixed nonprofit and for-profit forms. Social enterprises were no longer nonprofits like the Salvation Army that operated a thrift shop on the side but organizations like the for-profit Greyston Bakery,
which operates a foundation on the side. Bill Shore (1995) at Share Our Strength, based in Washington, D.C., extolled the virtues of partnerships and cross-sector collaborations between nonprofits and the corporate sector and the necessity for nonprofits to be immersed in the market as a push for innovation and resource development. More recently, the widely read book by Crutchfield and Grant (2008), *Forces for Good*, links effectiveness and sustainability with a market orientation and corporate partnerships like the partnerships advanced by Share Our Strength and its for-profit arm, Community Wealth Ventures.

Hybridity is certainly a theme of many of the initiatives supported by the public sector in the past fifteen years as well. Notable examples include managed care organizations that receive public funds and then subcontract with local nonprofits; public agencies with affiliated foundations to raise philanthropic dollars; nonprofit intermediary organizations with pooled foundation and public funding to manage and deliver a particular service, such as Thrive by Five, an early childhood program in Washington State; and low-income housing organizations that pool money from private investors, government contracts, and foundation grants to build affordable housing.

The field of developmental disabilities is also a good example. In the 1950s, developmental disability programs outside the public institution were almost entirely small, volunteer, and parent led. Indeed, these volunteer organizations in retrospect seemed to exemplify Weisbrod's concept of government failure: the public institutions were failing miserably, and through the nonprofit form parents organized to provide better lives for their disabled children. Today, however, the field of developmental disabilities has been transformed and grown tremendously. Many of these early volunteer self-help organizations are now large complex organizations with millions and millions of dollars of public funding, primarily via Medicaid. Unlike the early years, many of these organizations receive relatively little philanthropic dollars and depend primarily on public funds, often through complicated partnerships with public agencies and other nonprofit service organizations.

Moreover, many developmental disabilities agencies compete directly with for-profit organizations that provide very similar services, often through the same funding streams. The rise of for-profits in areas previously dominated by nonprofits in the past twenty-five years has been repeated in many other policy fields, including home care, home health, hospices, child care, and mental health. Many nonprofit managers might work in all three sectors during the course of their career (likewise, in Europe, commercial providers have risen rapidly in health and community care for the disabled and the elderly) (Evers and Zimmer, 2010; Henricksen, Smith, and Zimmer, 2012).
The growing trend toward hybridity, partnership, and cross-sectoral collaboration has certainly been reinforced by the Barack Obama administration and its funding priorities. Briefly, the administration has partnered with leading national foundations that have been associated with the social entrepreneurship and social enterprise movements, such as the Skoll and Omnydar Foundations, to fund innovative nonprofit organizations around the country through the Social Innovation Fund (SIF). In the first round of funding, recipients included the Local Initiatives Support Corporation (LISC) to support an earned-income, asset-building model for low-income communities. The Roberts Foundation received a sizable grant to support the creation of sustainable social enterprises by the chronically mentally ill. None of these initiatives is supposed to rely extensively on philanthropy (Corporation for National and Community Service, 2012). Other organizations that have received substantial support from the administration include the Harlem Children’s Zone, YouthBuild, Teach for America, Citizen Schools, and CityYear. All of these organizations depend heavily on partnerships and collaborations and are in high demand among young people interested in community service.

More generally, the growth of partnership and hybrid organizations in the United States and abroad reflects pressure on government budgets, the influence of ideas such as the New Public Management, and interest in providing more coordinated and integrated approaches to public and nonprofit service delivery. Of course, nonprofit practice has been profoundly affected by the economic crash of 2008, which created an ongoing fiscal crisis for government, particularly at the state and local levels. While the degree of fiscal crisis varies substantially across the country, many states have cut funding to nonprofit organizations severely, forcing many nonprofits to reduce services and lay off staff. The federal government provided stimulus money to offset some of these state budget cuts; however, this money is now largely gone, so federal support for nonprofits will almost assuredly be in decline for the next few years.

The decline in public funding has also prompted a search for new structural models for nonprofit organizations and raised questions about traditional nonprofit management funding and governance models. The underlying assumption of the growth of many different programs from low-income housing to child welfare to developmental disabilities was that government funding would compensate for nonprofit insufficiency, as Salamon (1987) suggested. But now the cutbacks have reduced funding levels sometimes substantially. A return to the old voluntarism model seems infeasible, despite the arguments of scholars and policymakers for a self-service society (see Glazer, 1988; Schambra, 2010). (The “Big Society” program of UK Prime Minister David Cameron has many of the elements of the self-service society.) Most of the alternatives to self-help and voluntarism...
require some type of hybrid form of organization, partnership, or cross-sectoral collaboration. The reason is partly resources, but government funders (and private foundations) also continue to increase their expectations for performance and outcome evaluation of nonprofits (even as funding is being reduced). Performance-based contracting has become the norm in many service fields such as mental health, and many government programs require nonprofits to track outcomes and collect substantial administrative and programmatic data. The Obama administration has supported this trend toward a greater performance orientation through the Office of Social Innovation and the Social Innovation Fund. The archetypal organizations funded through the Social Innovation Fund are large professionalized nonprofits that track their outcomes and have extensive public and private funding and many complex partnerships.

The emphasis on performance and professionalization combined with the budget cuts from state and local governments is also fostering another important development with implications for nonprofit management education: the growing polarization between large, often multiservice nonprofits and small, community-based organizations that often lack adequate capital and staffing. Recent work by Adalbert Evers, Annette Zimmer, and other colleagues in five European countries suggests that this polarization is occurring in European under the impact of some of the same trends, such as the pressure for more accountability and performance (Evers and Zimmer, 2010).

These smaller community organizations present a special challenge and opportunity for nonprofit management programs. These agencies often lack resources to pay for consultants or program staff time. Their problems of resources, board development, financial management, and staff expertise are often interrelated, making modest assistance very difficult. These agencies often face difficulty in paying competitive salaries to the graduates of public and nonprofit management programs. Nonetheless, public and nonprofit management programs can be an important community asset to these organizations through student projects, internships, information and referral services, and support through local intermediary associations of capacity-building efforts.

Another by-product of the changes in government policy is to make foundations less relevant to most nonprofits. Most nonprofits receive either no money from foundations or an insignificant amount. The cutbacks in public funding have exposed to an extent the insufficiency of foundation funding (as well as local United Way funding) and its disconnect from most nonprofit programs. Of course, foundations can still be influential in developing new and innovative ideas. And they certainly have provided substantial funding for nonprofits engaged in innovation and entrepreneurial program models. However, most nonprofits nonetheless are unlikely to
receive substantial funding even with good applications. The road to sustainability for nonprofits faced with government cutbacks is not through foundations but through new and innovative approaches to partnerships, earned income, and community philanthropic support from individual donors. Thus, courses on resource development should emphasize earned income, corporate partnerships, special event fund-raising, and long-term cultivation of community support, including individual donors.

In short, changes in public policy, shifts in approaches to public and nonprofit management, growing demand for services, and increased competition of public and private resources have led to a marked increase in hybrid forms of governance and increasingly complicated relationships among the public, nonprofit, and for-profit sectors. This shift to hybridity suggests the need for an “integrated model” of nonprofit management education (see Saidel and Smith, 2011). An integrated approach entails the integration of nonprofit content into the core curriculum of graduate programs so that nonprofit content is not restricted to nonprofit management concentration or tracks. In schools of public affairs, this integrated model means that nonprofit content should be included in the core required courses on management, budgeting, economic analysis, and program evaluation. All students receiving degrees should be familiar with basic principles and concepts related to nonprofits. Due to trends in public policy, more and more students do not consider themselves to be nonprofit students per se; moreover, after graduation many students may work in nonprofit organizations, in mixed, public/nonprofit agencies, or in public agencies that contract with nonprofits. Further, many students who work for the public sector after graduation may later be employed by nonprofit organizations (or vice versa).

Also, many students who are interested in learning about nonprofit or nongovernmental organization (NGO) management do not aspire to be nonprofit managers necessarily, although they may become managers. Many students at schools of public affairs are primarily interested in specific policy fields such as international development, low-income housing, or education reform. However, they understand that nonprofits and NGOs are the primary vehicles by which governments and private funders have responded to these major policy issues. For example, a student’s concentration or program may be focused on international development, but the student may try to incorporate nonprofit courses into his or her coursework. The integration of nonprofit and NGO content into international development courses or other policy fields is essential if students are going to be adequately prepared to work in their chosen fields.

This integrated model should be extended to other graduate and professional programs as well. For instance, schools of social work are educating many individuals who will be in positions of responsibility in nonprofit organizations; these students should receive nonprofit
management content as part of their course of study. To be sure, a role for specialized instruction related to nonprofit management will remain. Certificate programs for graduate and professional students can be a very useful complement to a master's in public administration (MPA) degree or a master's in social work or public health. Certificate programs and to a lesser extent concentrations can also be very helpful in positioning students for immediate jobs in the nonprofit sector.

The potential impact of public policy on nonprofits also highlights the necessity of including content on policy advocacy, collaboration, cross-sectoral partnerships and coalition building, stakeholder analysis, and civic and community engagement into the nonprofit-related curriculum. Some of this content can be included in required courses on management and the policy process, but arguably nonprofit-specific courses such as nonprofit management courses should also devote more time to these subjects given the changes in government policy.

Course content on civic and community engagement is particularly needed. Given the interest in accountability and the demonstrated importance of government funding and regulation to health, vitality, and sustainability of many nonprofits, it is imperative that nonprofit agencies understand effective strategies to influence public policy and mobilize local community support on an ongoing basis. Many nonprofits founded in the past thirty years were frequently oriented toward public and private funders and did not invest in nurturing community support. However, the lack of community support is a distinct disadvantage today, when many nonprofits are wrestling with cutbacks or new performance expectations and need to be able to influence public policy on behalf of the staff, volunteers, and users of the agency.

The curriculum for nonprofit managers should approach the subject of community engagement and support broadly. In general, a tendency has existed at least within some agencies to conceptualize community engagement as volunteer participation and community fund-raising. But community engagement that can translate into broad support of the organization, including advocacy, requires more substantive engagement in the community. Many different examples exist, including advisory committees comprised of staff and community members; participation by nonprofit staff in other community organizations and events; membership of local community members on the board of directors; and ongoing outreach of local citizens about the programs and needs of the agency.

Community and civic engagement by nonprofits can have a number of potential benefits. First, community engagement can be helpful to nonprofit managers and board members as they seek favorable regulatory and funding decisions. As nonprofits have more individuals engaged in their programs as volunteers, committee members, board members, and service users, they naturally form at least the basis for broader community support for the agency.
Second, the engagement of the community can help educate citizens about the organization, its services, and its clients. Robert Putnam (2000) and Theda Skocpol (2003) have called attention to the relative lack of participation in nonprofit organizations at the local level in the United States, arguing that professionalization has led to a focus on organizational goals and objectives with less regard for community interests broadly defined, including citizen mobilization and community building. Their work underscores the opportunity for nonprofits to be sites of civic education and learning about the policy process, which is especially important given the sometimes dramatic changes under way in public policy.

A third reason for greater attention to community engagement is the shift in the type of government support for nonprofits. During the growth of government funding for nonprofits in the 1960s and 1970s, government support tended to be in direct grants and contracts to nonprofit organizations. This arrangement was typical of the United States as well as many other countries including the United Kingdom, Australia, and countries in continental Europe. However, many countries have shifted to government subsidies tied to the user of services, such as vouchers, individual accounts, public health insurance payments such as Medicaid, and tax credits for programs such as child care. The effect of this shift is to provide nonprofits with a much greater incentive to market their services to the local community because service users have more control of their choice of service provider.

Fourth, the engagement of nonprofit agencies with their communities is likely to be even more important in the coming years, as more and more municipalities revisit the tax-exempt status of local nonprofits and the extent to which local nonprofits are providing sufficient community benefit to justify their tax-exempt status.

Given the pressure for accountability from public and private funders, it is imperative that the curriculum of nonprofit managers include substantial attention to program evaluation and assessment. In the fields of social and health services, for instance, few managers will be effective unless they are knowledgeable about logic models, performance contracting, and outcome measurement. Even in the cultural arena, nonprofits are increasingly expected to demonstrate the value of their programs to the community and its citizens.

For many graduate programs, program evaluation is an elective course, although the number of programs requiring this course appears to be increasing. Rather than an elective course, though, students should be required to take this course or at least be strongly encouraged to do so. And this course would need to reflect nonprofit content and issues, including the selection of cases and problems to evaluate.

The program evaluation issue also relates to community engagement. Many program evaluation models, especially in development, are utilizing a participatory evaluation framework that strives to tap
the feedback of service users and the broader community in the evaluation of specific programs. In the United States, these participatory evaluation frameworks are less common but are likely to become more prevalent in the coming years. Enlisting users and community members in the assessment of program impact can be especially helpful in providing feedback to nonprofit managers as well as help build broader community support for the agency because program outcomes are elusive and often highly debatable.

Overall, then, nonprofit management content should be integrated into the required curriculum of students in graduate programs in public management as well as other graduate professional programs. Students should also receive instructions on key topics such as policy advocacy, collaboration, and program evaluation. The value of the integrated model of nonprofit management education also rests on the assumption that students interested in nonprofit management should receive a basic education in public management as well. Nonprofit organizations, even those organizations without substantial public funding, are profoundly influenced by public policy; therefore students need to know about the policy process, advocacy, public finance, and civic engagement in order to develop vibrant, effective, and sustainable organizations. Examples of nonprofit organizations in different policy fields illustrate this major point. If you are a manager in a child welfare agency, you need to understand a myriad of public revenue streams and be a visible and articulate advocate for your agency in the policy process. A manager of a nonprofit low-income housing organization needs to understand tax-exempt bonds, tax credit financing, complex public–private partnerships, work with local citizens concerned about siting issues, and municipal and state politics. Many environmental organizations are entirely devoted to working on urgent public policy problems pertaining to the environment, often with relatively few staff people, although many environmental organizations have many volunteers. The American Red Cross, which not too long ago was a nonprofit reliant primarily on United Way funding and responded to local emergencies using its own protocols, is now enmeshed in government regulations and oversight for its emergency operations and even more so in its blood bank business. Many local cultural institutions have expanded with the support of complex public–private partnerships including tax-exempt bond financing, tax credits, and government grants.

Another type of curricular integration is also worthwhile: the incorporation of international examples into the coursework of nonprofit management programs. NGOs in developing countries have many of the same management issues that characterize nonprofit agencies in the United States. Moreover, many of these NGOs have had to navigate a complex funding environment and engage in various types of funding partnerships. Many examples exist, including BRAC, one of the largest NGOs in South Asia.
My basic points about curriculum integration, with some key differences, also apply to executive education for nonprofit or NGO managers. Contemporary public policy has increased the demand for executive education for nonprofit managers. Indeed, many different local entities now offer executive education, including local United Way chapters; intermediary technical assistance organizations; nonprofit associations; consulting firms; and individual consultants. Many university-based nonprofit programs also provide an array of executive education opportunities depending upon their own local markets and their individual capacity and priorities. Executive education formats can vary significantly: short courses and seminars on topics such as board governance, tax laws, volunteer management, and fundraising; and nondegree certificate programs for nonprofit managers and leaders.

Many university-based nonprofit management programs, including those at Stanford, the University of Washington, and Harvard, also offer five- or six-day programs focused on leadership. These programs are not easy to develop and operate profitably, especially since many managers may have difficulty paying the full cost of tuition. However, many foundations are keenly interested in improving the capacity of their grantees to be sustainable organizations, especially given the increased expectations on nonprofit performance and the scarcity of public and private funding. Thus, foundations may be an important source of support for these programs.

Executive education has a particularly important role for the field of nonprofit management. Most students in graduate programs in public administration, business, or social work are in their mid- to late twenties and typically are not working in high-level management positions. Thus, a sizable market exists for executive education for older working nonprofit professionals, especially given recent changes in government policy, including performance contracting, new expectations for greater accountability, and pressure for greater collaboration and partnership.

More generally, many graduate schools of public administration and policy also offer executive master's degrees. Typically, many of the students in these programs are working in the public sector. Although many of these managers are contracting with nonprofits and/or engaged in long-term partnerships, they have often not received any specific instruction on nonprofit management issues. The integration of nonprofit content into these graduate programs is essential and can often have an immediate payoff for students in work situations.

Executive education can be especially helpful in helping managers learn key strategies for partnerships, cross-sector collaboration, and effective network management. Many practicing nonprofit managers have not initially had extensive experience developing partnerships or cross-sector collaborations, partly because many managers started as program specialists. But many managers need to develop creative and effective partnerships for their agencies.
These partnerships can include local corporate partnerships to help generate revenue for the agency; collaborations with other nonprofits to share services and/or expenses; or collaborations with other nonprofits to advocate for specific policy goals in the political arena. Nonprofit managers need to be able to work collaboratively with other nonprofits, often through coalitions and associations in support of important public policy priorities affecting their organizations and their communities.

In sum, nonprofit management education is at an important transition moment. The financial crisis and other policy developments have created much greater demand for new organizational models, including various types of hybrid organizations. Performance management, social innovation, and social entrepreneurship are key forces transforming nonprofit organizations and their relationship to public policy. At the same time, demand for education and training for nonprofit managers continues to escalate. Yet, nonprofit scholarship on governance and management has tended to rely on many of the pioneering conceptual frameworks of the field. Further, the search for best practice and sustainability has often produced very applied research that lacks generalizability and broader relevance to educators, policymakers, and nonprofit practitioners. Consequently, nonprofit management scholars and educators need to revisit prevailing frameworks and draw upon new approaches to understanding nonprofit governance, including tapping the insights of the disciplines to support innovative research and curriculum development, especially given the shifts in public policy and the growing diversity of organizational models in the field. This type of research can be very valuable in promoting greater understanding of nonprofit organizations for scholars. Moreover, it can offer important insights for policymakers, students, and nonprofit practitioners who are often wrestling with complex governance and revenue challenges as they strive to respond to the increasing demands for accountability amid an austere and competitive funding environment.

References


Emerson, J. *The Venture Fund Initiative: An Assessment of Current Opportunities for Social Purpose Enterprise Development and Recommendations for Advancing the Field*. San Francisco: Roberts Enterprise

Steven Rathgeb Smith is the Nancy Bell Evans Professor of Public Affairs at the Evans School of Public Affairs, University of Washington. He is also a visiting professor at American University.