Melissa Stone, University of Minnesota Professor

Nonprofits play a significant public policy role, but face new limits today

A Civic Caucus Review of Minnesota's Public Policy Process Interview

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Present

John Adams, Janis Clay, Paul Gilje (executive director), Randy Johnson, Dan Loritz (chair), Paul Ostrow, Bill Rudelius, Dana Schroeder (associate director), Melissa Stone. By phone: Steve Anderson, Dave Broden (vice chair), Sallie Kemper (associate director).

Summary

Many nonprofit organizations in Minnesota are involved in framing public-policy issues, according to University of Minnesota Humphrey School of Public Affairs Professor Melissa Stone. She says often the articulation of an issue at the beginning of a policy initiative is done by nonprofit organizations. This was true with the domestic violence initiative, when Minnesota nonprofits, especially in Duluth, led efforts to combat domestic violence by moving to set up safe houses in the 1970s, at a time when government was nowhere around on the issue. Nonprofit organizations' role in public policy continues to be significant, she believes.

But she notes several factors that limit the ability of nonprofit organizations to play an even stronger role in public policy: the demands of funders that nonprofits focus on measuring results; the lack of activity by nonprofit boards in community education or advocacy on behalf of their beneficiaries; and the increasing belief that nonprofits should act more like businesses. She also worries that these trends are making small nonprofits more vulnerable than they have to be.

Stone questions where the shared inquiry and shared learning is among the myriad of groups trying to address an issue like the achievement gap. She sees a possible role for the Humphrey School in convening and staying with people working on an issue and helping them talk to each other about what they've learned. The School could also help people take what they've learned collectively about an issue and reframe the issue in terms of what that information means for policy. But she laments

that the Humphrey School has trouble sustaining work on a single topic long enough to get any traction on it.

She suggests that the Civic Caucus look for places where it can intervene to facilitate the connections between issues and public policy results, perhaps in partnership with the Citizens League and the Humphrey School.

Biography

Melissa M. Stone is the Gross Family Professor of Nonprofit Management and Professor of Public Affairs and Planning at the Humphrey School of Public Affairs at the University of Minnesota. Her teaching and research focus on governance and strategic management of nonprofit organizations, government-nonprofit relationships, and collaborations as policy implementation tools. She has published widely in scholarly journals and books in the fields of nonprofit studies, public management, and strategic management. Stone sits on the editorial board of the *Journal of Public Administration Research and Theory* and the Advisory Board for Nonprofit Management and Leadership.

Stone has taught at the University of Washington's Evans School of Public Affairs, the Yale School of Management, and Boston University's School of Management. Stone has won numerous awards, including the University's prestigious Award for Outstanding Contributions to Postbaccalaureate, Graduate, and Professional Education for 2007-2008 and the 2011 RGK Center-ARNOVA President's Award for Research.

Prior to her academic career, Stone founded and led two nonprofit organizations in the field of youth and family social services. She holds an MBA and Ph.D. in organizational behavior from Yale University.

Background

The Civic Caucus is undertaking a review of the quality of Minnesota's past, present and future public-policy process for anticipating, defining and resolving major public problems. The Caucus interviewed University of Minnesota Professor Melissa Stone to learn more about the role of nonprofit organizations in that public-policy process.

Discussion

There are 1.5 million nonprofit organizations in the U.S. and the number is growing. University of Minnesota Professor Melissa Stone said that number is actually an undercount, since it only includes organizations that have filed for nonprofit status with the IRS. It doesn't include many churches and many small nonprofits that don't have to file.

There is a confluence of factors that has increasingly articulated what we now know as the nonprofit sector. She said we didn't talk about the nonprofit sector in the 1970s. She referred to the book *Inventing the Nonprofit Sector: Essays on Philanthropy, Voluntarism, and Nonprofit Organizations* (Johns Hopkins University Press, 1992) by Peter Dobkin Hall, which traces the way we have invented the nonprofit sector since the 1970s.

We conceptualize the nonprofit sector as a tax boundary. Stone said that for tax purposes, the sector has been invented for a long time. There are 27 different IRS categories of nonprofit organizations: from cemetery clubs to political parties to unions to some co-ops to traditional charities to massive foundations to Harvard University. "The variety is enormous," she said. "So when we talk about 'the sector,' often it makes little sense."

There are several ways in which we collectively conceive of the role of nonprofits. Stone outlined three approaches:

1. As a gap filler . Nonprofit organizations arise under conditions of market failure. They fill a gap left by for-profit organizations for services and programs that can't turn a profit, because fees can't reasonably be assessed to meet costs. They also fill a gap left by government failure at the kinds of programs that nonprofits design, for which voters won't approve public funding. "The nonprofits are a gap filler between what government cannot provide and what the market cannot provide," she said.
2. As filling the space between the individual and the state . This goes back to Tocqueville and his mid-19th century concept of nonprofits as schools for democracy. Nonprofits fill the space between the individual and the state with the concept of free association. As these entities develop, they provide opportunities for citizens to exercise their democratic skills: to organize and to participate. Now there is a lot of concern around the extent to which nonprofit boards and staff represent the beneficiaries and constituents they serve. "They do not, especially the boards," Stone said. "So, there's great concern about the failure of nonprofits as schools of democracy. Plus, there's a lot of concern that nonprofits internally themselves don't operate very democratically."
3. As increasingly complementary to government . Over the last 30 to 40 years, nonprofit organizations work increasingly as implementers of public policy in a way that government used to do and no longer is able to do. They also act as adversaries to government, as advocates and provocateurs. "The role of nonprofits as adversary and sometimes standing in lieu of government is very dominant outside of the U.S., particularly in developing countries," she said.

A lot of nonprofits are involved in framing public-policy issues. Stone pointed to the history of the domestic violence movement. "Nonprofits were the first in," she said, "establishing safe houses in the 1970s, after doing consciousness raising in the 1960s. Minnesota nonprofits led on this issue, especially in Duluth. Government was nowhere around. Domestic violence increasingly got to the public agenda as an issue to be taken seriously and was translated by the 1990s into legislation."

Stone said often you can trace the beginnings of public policy in the articulation of an issue by nonprofit organizations. "There is also recently something happening here around sex trafficking and human trafficking," she said. "In this case, it's not just singular nonprofits, but a constellation of concerns that was picked up by Minnesota Girls Are Not for Sale, the Women's Foundation and others. It became a systemic issue very quickly."

"The role of nonprofits in public policy has been significant," she said, noting that the Minnesota Council of Nonprofits is very involved in public-policy issues.

But several factors limit the ability of nonprofits to play an even stronger role in public policy. Stone mentioned three:

1. A real limitation is all the attention from multiple places to measuring results . There's a huge concern about what the social return on investment is. How do we measure impact? How do we know you're doing anything worth our money or our public support, unless you give us the results? Measurement is extremely needed in the nonprofit sector to satisfy the public's demand to see that the nonprofit is actually doing something.

   "But some of this attention is misguided," Stone said, "because, as a result, many nonprofits increasingly are focusing on what can get measured, rather than what can get done. If you're focused on measurement, you're not learning anything about working on complex problems like poverty. The things you're learning aren't getting articulated. Instead, there's a lot of focus on upward accountability or compliance: 'We're measuring this because we're required to do so. That way, we keep our funders happy.'"

   Stone said it's not clear what the funders do with this information. "It's compliance-oriented behavior, not learning behavior," she asserted. "If it's not learning behavior for the nonprofits, then their ability to try to formulate and reframe policy issues is really diminished. It's upward accountability to authorizing agents and funders and not outward accountability to the beneficiaries."

   That has led, she said, to an overreliance by the nonprofits on issues concerning their own institutional survival. "Foundations play a role in that dynamic."
2. Boards of nonprofits are complicit in this . The Urban Institute conducted a large national study of governance in nonprofits in the mid-2000s. Stone said the data from the study clearly show that most boards are very active in financial oversight, which is necessary, but is compliance-oriented behavior. Boards are not active in community education or advocacy on behalf of their beneficiaries. They're inwardly focused on meeting the demands of their upward accountability.

   Also, the boards are not representative of the communities they serve. They are older, white males, who are wealthy or upper middle-income. That has changed in pockets, she said, but not overall.
3. There is an increasing belief now that nonprofits should act more like businesses . "It comes from many corners," Stone said. "There is an upside to that push. The downside is commercialization and marketization within the sector that focuses on results and institutional sustainability, likely at the diminution of the mission-based focus on their beneficiaries. The push to brand themselves is overwhelming.

When training nonprofit executives, Stone said she wants them to be "multilingual," that is, familiar with both the concepts of business and the concepts related to the public-policy process, so they know how to influence it and how to give voice to their beneficiaries. "They must understand both worlds," she said.

These trends are making small nonprofits more vulnerable. Stone noted that she is particularly concerned about the influence of these trends on small nonprofit organizations. "The bigger and the

wealthier are getting bigger and bigger and the smaller are getting smaller and smaller and much more vulnerable. The small nonprofits are often entrepreneurial and have the real on-the-ground experience and perspectives that are so needed if you're talking about framing policy issues."

"I'm a pluralist," she continued. "Let a thousand flowers bloom when it comes to nonprofits. It enriches our society in general. I wouldn't expect them all to survive. But I see too many trends that are making the small nonprofits more vulnerable than they have to be."

There is concern over a technology divide in the nonprofit world, with haves and have-nots. Stone said this is another pressure making small nonprofits even more vulnerable. "I'm not sure a lot of nonprofits see getting something on the public-policy agenda using traditional communication channels. Instead, they use blogs or Twitter. In the nongovernment organization (NGO) community outside the U.S., the blog world is far more active than here."

Given political gridlock, how do we strengthen nonprofits as petri dishes of ideas? An interviewer asked how we can translate ideas from nonprofits into the political system and into solutions. He said it's becoming more and more difficult for these groups to be more and more innovative. He mentioned the Neighborhood Revitalization Program (NRP) in Minneapolis, which gave pots of money to neighborhood councils to distribute. Its founding idea was Tocquevillian: for citizens to find unique ways to deliver services in their neighborhoods. People lost that and the program eventually evolved into a fight about money.

Stone replied that when she moved here in 1997, she thought the idea of NRP was amazing, as was the Neighborhood Association program in St. Paul. But her impression changed to thinking governance of those entities was consistently a problem. "It seemed as if they were often controlled by special interests at a very local level, such as owners versus renters," she said. "Their sustainability was really a question. Once sustainability becomes a question, then a lot of attention and energy gets directed internally, so they either eat themselves alive or some other dysfunction takes the place of actually living up to the grand ideal. It was very sobering for me. Nitty-gritty, sustaining support around governance of the councils and basic organizational things would go a long way. The idea is fantastic, but there needed to be governance and operational support over a long period of time."

What are the obstacles that prevent foundations from having more impact? An interviewer asked that question, stating that foundations have so much potential. He said foundations often try to get the Humphrey School to endorse what they want to do rather than ask what they should do and inquiring about what actually will work. "We should expect them to help us learn more," the interviewer said. "I don't see that in foundation behaviors."

Stone said she has had similar conversations with some foundation people. "What continues to come up in those conversations," she said, "is the role of their boards. Where that comes up the strongest is for family foundations. The foundation world is so varied that there are different ways foundations would think about the inquiry question. And in family foundations, there is a whole different dynamic."

"This country has a longstanding, paradoxical relationship with public use of private pools of money," she continued. "At the board level for some foundations, you have to consider whether board members are acting on their personal, individual goals and their beliefs about what the important

issues are and how to make an impact on those issues. There are personal pressures and personal goals, particularly in family foundations."

The Humphrey School has been working with the Minnesota Council of Foundations to try to develop an executive leadership program for foundation staff to introduce them to the policy world that they need to understand. Now the Council has decided they'd like to do that, Stone said, so the Humphrey School is about to embark on a program of professional development activities with foundation staff. "Foundation staff members are in the position to look across grantees, compile lots of information, learn from it and translate it up to the policy process."

Where is shared learning taking place locally? An interviewer said he has two theories about why Minnesota isn't making progress on some of the knotty issues facing the state:

1. We have a horribly partisan, polarized political structure, where people are on the far left or the far right and they're not moving; or
2. The Legislature is not receiving enough quality policy proposals from volunteer organizations around the state that would serve to promote action.

He asked which theory Stone would choose as the more important one.

Stone responded using the example of the achievement gap. She said the issue of the achievement gap has not been framed very well. There are a proliferation of single organizations and large coalitions trying to address this issue, such as Minnesota Comeback, Generation Next, the Neighborhood Achievement Zone (NAZ) in North Minneapolis and the St. Paul Promise Neighborhood. "But the achievement gap isn't a single issue," she said. "It's a whole bucket of issues, a whole set of extremely complicated issues that get thrown into a bucket called 'the achievement gap.'"

"It's not for a lack of organizations or even a lack of resources," she said. "But where is the shared inquiry and the shared learning taking place just on the achievement gap locally? The ecosystem is populated with groups addressing that. But if you can't frame the issue, than how can you frame success? I would agree that organizations are not framing the issues well, but I wouldn't let polarization off the hook, because the polarization will reframe an issue so that it satisfies a particular ideology. That doesn't help."

It would be enormously helpful if the Humphrey School were to pick one of the top issues facing the state and convene people who are working on that issue. Stone said if the Humphrey School convened and stayed with the people working on an issue like the achievement gap, the School could help them talk to each other about what they've learned. It could also help people take what they've collectively learned and reframe the issue in terms of what that information means for policy. "That could be enormously helpful," she said. "But the Humphrey School has trouble sustaining work on a single topic long enough to get any traction on it."

The Humphrey School has a good track record on implementing projects, going beyond the research. Stone noted several examples of issues in which Humphrey faculty have established deeper and more sustained long-term relationships with projects: wind energy, alternative transportation taxes, highway safety and native tribes. "We do emphasize publishing research in top-

tier journals," she said. "That's necessary, but it's not sufficient. We have a good track record of implementation."

The Civic Caucus should look for places where it can intervene to facilitate the connections between issues and public-policy results. Stone suggested that the Civic Caucus consider partnering with the Citizens League and the Humphrey School. "I'm yearning for someplace to bring people together to talk about what they're learning," she said. She spoke about the heyday of the Citizens League, when its reports had real impact and when there was a direct line connecting the reports to actual public-policy results. Today's different political ecology is no excuse for not continuing to try to connect the dots, she said.