

Two Trends with Vast Consequences for America's Independent Sector

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America's nonprofit leaders, no less than individuals at every economic level, share a growing distress over the nation's future. Public debt, a growing wealth divide, tenaciously high unemployment, huge swings in equity markets and other troubling factors increasingly affect nonprofit organizations' decisions on programs, fundraising strategy, partnerships and even survival. Thomas Friedman (*NY Times*, October 12, 2011) concisely describes two emerging schools of thought: One asserts that the current economic distress is the harbinger of "The Great Disruption" (Paul Gilding), a painful breakdown of our system owing to the failure of the global market system, ineffective democracy and an over-taxed environment. The other view (John Hagel III) insists we are experiencing "The Big Shift," in which the "flow" of ideas, innovations, collaborations and new markets will respond to big problems with big solutions and an eventual return to prosperity. Either way, the gurus tell us to expect a decade or two of upheaval.

Whether Americans embrace the threat-based view of our times, the opportunity-based view, or something in between, they are struggling to respond on behalf of the causes they hold dear. Many are simply giving less. Some are volunteering more. Still others are taking a more formal, time-honored approach – they are starting new nonprofit organizations at the rate of about one every 15 minutes, over 40,000 this year alone, according to the IRS.

Institutions are also responding, and two trends deserve an especially thoughtful assessment because they represent new intersections between nonprofits and the business and government sectors:

Trend One: Government as an Alternative Vehicle for Charity

State and local governments are creating formal vehicles to raise contributions for functions as varied as public education, service to seniors, parks and the arts. Of course this strategy has been practiced by state universities for years, building on the natural constituencies of alumni, parents and others. But new efforts indicate a creative (or desperate, depending on your view) new fundraising activism by government: the Mayor's Office of Portland, Oregon, now lists local arts projects at kickstarter.com, the online fundraising aggregator. Several states are in the process of forming new fundraising arms to seek gifts for all manner of programs previously funded by tax revenue. National meetings of state officials increasingly list fundraising, outreach and private support as discussion topics.

The questions raised by this trend are many and profound, and the voluntary sector should take an open-minded view in assessing them:

- **Will state and local government merely spread charitable dollars more thinly among competing needs? Or will their efforts spark a greater awareness of needs and lead to higher levels of giving for education, the arts, conservation, the elderly and so on?**
- **Are new partnerships possible between government and nonprofits to “divide and conquer” pressing needs?**
- **What can nonprofits and government teach one another about accountability, constituency building, fundraising and volunteering?**
- **Will government appeals continue to focus on the equivalent of the “annual fund” or will they adopt other nonprofit strategies like planned giving and endowment giving? Can government efforts to raise money for current needs help encourage support for traditional nonprofit in planned and endowment giving?**
- **How will nonprofits, many of which are famously non-political, “partner” with government when policy differences emerge?**
- **In an increasingly polarized political climate, does “charity through government” offer a vehicle for communities to come together in a non-partisan way? Or will strident political debate spread to nonprofit organizations and poison civil dialog?**

Trend Two: New Hybrid Corporation Models

Fourteen states have adopted laws allowing for the creation of what are variously named L3Cs, Benefit Corporations and Flexible Purpose Corporations, allowing entities with a mixed mission of charitable or social purpose, but also equity and profit. (*NY Times*, Stephanie Strom, October 13, 2011). Many experiments in hybrid corporations are too new to have track records or even much perspective for evaluation. Predictably, reactions have ranged from great enthusiasm to great skepticism, and include fairly widespread discomfort among charity advocates and capitalist investors.

Nonetheless, the trend is gathering steam as economic powerhouse states like California, Illinois, Michigan, New Jersey and North Carolina press ahead to allow these new hybrids. The questions raised by hybrids are fundamental:

- **Is the entire concept of a hybrid corporation a fool’s errand born from a struggling economy? Or is this a natural and healthy outcome of a new, more socially conscious generation of business leaders?**
- **What can we learn from hybrids in “early adopter” states, and have any of their assumptions or strategies changed based on their initial experience?**

- **What relationship can traditional nonprofits have with these new hybrid corporations that will serve all parties, most importantly the causes and constituents served?**
- **How do donors feel about these hybrids, their effectiveness and their role in social change? Will “hybrid investing” join philanthropy as a necessary or socially-expected way to support an issue? Have endowment investment practices changed because of hybrids?**

Given its role in developing leaders for government, economics, business, public policy, academia, the media and philanthropy, New York University is ideally positioned to lead a discussion of these issues, whether in class rooms, board rooms, legislative halls or the media. The broad NYU community can contribute to helping understand – and shape – the trends which will determine how Americans express their beliefs and values with their time, voice and dollars.

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