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# PubPol 671: Policy & Management in the Nonprofit Sector

Lecture 5: Mission & Management

Neel Hajra

# Legal Framework Continued

- Federal, state, and local regulation of nonprofits
- Articles of Incorporation, Bylaws
- IRS Tax exemption (public support test, etc.)
- Patchwork of regulation yields relatively laissez faire enforcement

# Note – 501(c)(4)

- **May:**
  - Lobby without restriction
  - Endorse candidates (previously to membership, now arguably to anyone)
- **May not:**
  - Contribute to or coordinate with candidates
  - Primarily engage in electoral activity

# Internal Revenue Service

- IRS enforces at federal level
- Enforcement options:
  - “Intermediate sanctions”
  - Revocation of 501(c)(3) status (often used as negotiating tool)



**Next:**  
**Local**

# Property Tax Exemptions

- Increasingly contentious
- “Payments in lieu of taxes”
- Recall University examples: Pittsburgh effort is a new frontline in the “town vs. gown” property tax battles





**Next:**

**Common Law**

# Organizational Enforcement

- Judicial case law
- Varies significantly by jurisdiction
- Reflects nature of U.S. legal system

# Individual Liability

- Balancing the rights of harmed vs. viability of sector
- D&O liability and insurance
- Volunteer liability and insurance

# Cy Pres Doctrine

- Departing as minimally as possible from charitable intentions that are impossible or unlawful (or sometimes wasteful!) to carry out

# Patchwork Enforcement

- Federal: IRS
- State: Attorney General
- Local: Taxing authorities
- General: Court systems
- Result: **LAX ENFORCEMENT**, generally laissez faire

# Next...

- Our first foray into management topics!!
- Primacy and function of mission
- Impact of mission on management
- The double bottom line



# Function of Mission

# Definition of “Mission”

- “Why we do what we do,” a reason for being, a purpose (Dees)
- “What we are producing and for whom,” a reflection of core values (Oster)



# Boundary Functions

- **Activity Boundary:**
  - Defines scope, for-profits measure by profits while nonprofits need this boundary more
- **Ideology Boundary:**
  - Nonprofit often have ideological origins – not just a strict response to a need
- **Theoretical/Relational Boundary:**
  - Supports market failure theory (trust & reputation)

# Motivation Functions

- Clear mission attracts ideological allies.
- Mission invites broader participation by staff, donors, consumers, and volunteers

# Operational Functions

- Alignment: A “lever” that allows for shared responsibility and accountability
- Resources: Joins people and money
- Strategy: Shapes strategic direction
- Evaluation: Defines “success”
- Guide: Mission should serve as cornerstone of ongoing decision-making

# Broad vs. Narrow Mission

## **Broad**

- Easier to pursue new opportunities and evolve
- Easier to appeal to a broader donor base

## **Narrow**

- Easier to attract ideological allies
- Easier to minimize mission creep and maintain focus
- Easier to evaluate



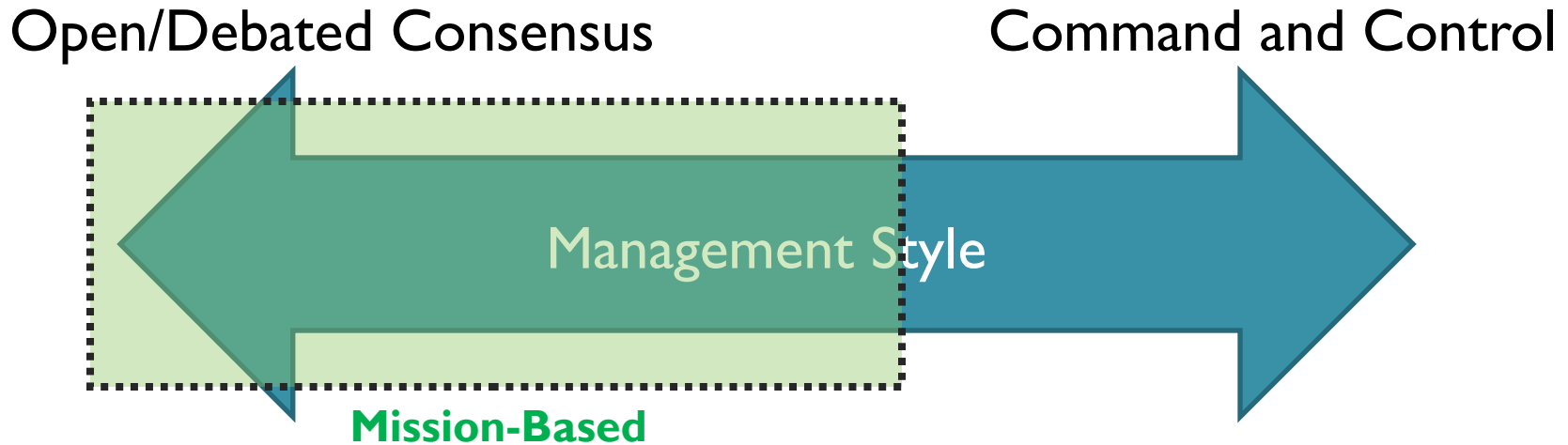
# Impact of Mission on Management



# Mission Attracts a Variety of Stakeholders

- Board
- Staff
- Volunteers
- Customers
- Donors
- Partner agencies

# Mission Can Slow Decisions



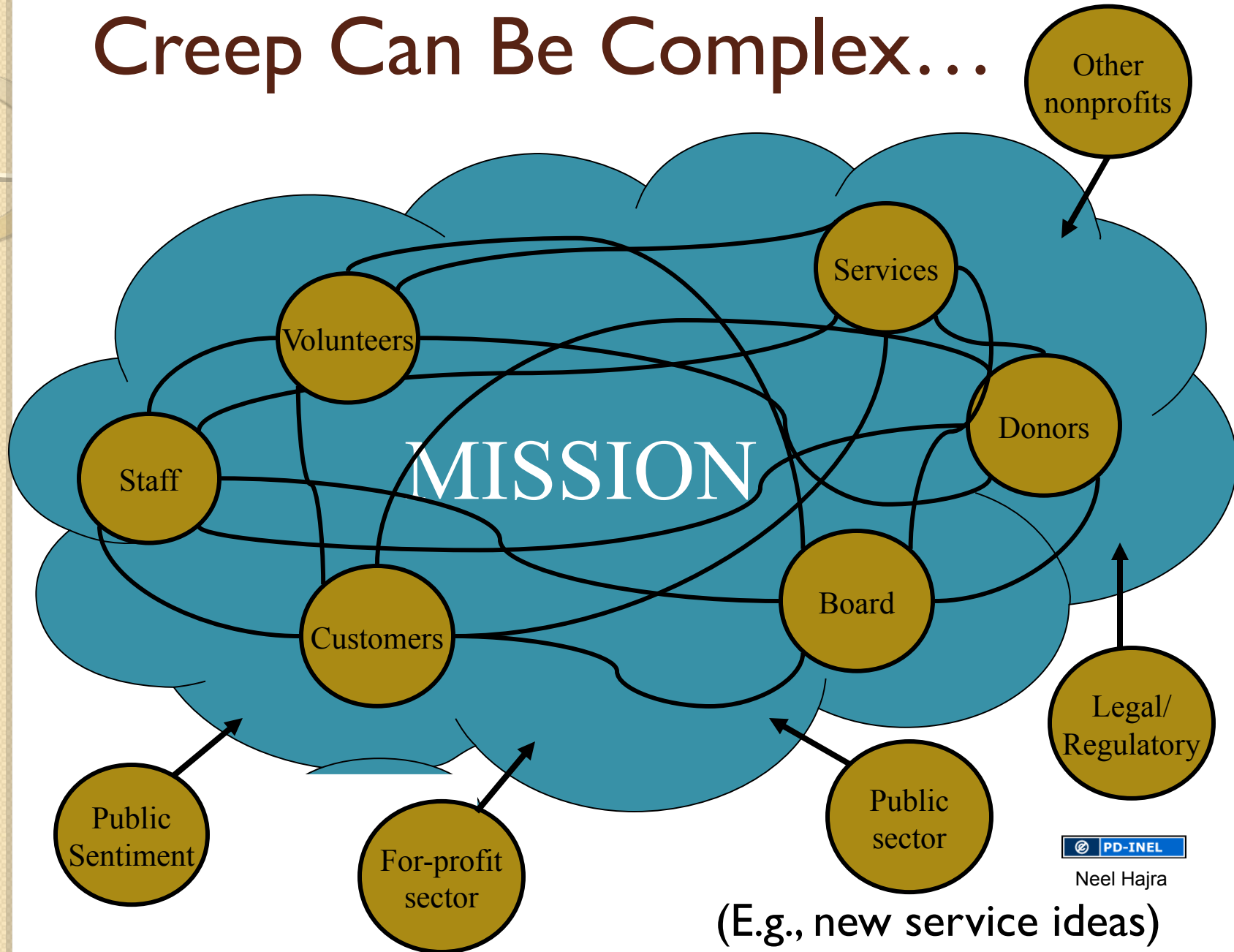
- E.g., NEW's previous planning process
- “Open and debated” (Dees) can definitely go too far!

# Mission Creep

- Chasing the money
  - Contributions
  - Earned Income
- Entrepreneurialism
- Broad stakeholder base
- Changing “mission market”



# Creep Can Be Complex...



# Human Resources

- Compensation:
  - Maybe Mission enhances efficiency?
- Volunteers:
  - Efficiencies vs. Costs
- Hiring:
  - Is someone 'on the bus'?
- Firing:
  - Harder to do

# Evaluation

- Performance Measurement can be tough, and expensive
- Subject of next two classes

# Transparency

- Public “owns” mission
- Transparency is a self-regulatory mechanism
- Managing scrutiny can be challenging
- Transparency can be counter to “running like a business” (e.g.: intellectual property/know-how, salaries, strategies, donors)

# Frames of Reference

- A nonprofit answers to many groups
- Each group interprets mission in slightly different manner
- Implications
  - Amorphous targets
  - Difficult to create uniform standards

# Class Activity: Write a Mission!

- Your group came together to encourage art instruction and appreciation among local youth. You need a mission statement (and a name)

## **CONSIDER:**

- What?
- Why?
- How?
- Focus?
- Clarity?
- Breadth?
- Inspirational?