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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…

MISSION

Staff
Volunteers
Donors
Services
Board
Legal/Regulatory
Public sector
For-profit sector
Public Sentiment
Other nonprofits
(E.g., new service ideas)

Neel Hajra
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?