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The Nonprofit Rx: A Cure-All?

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The Nonprofit Rx: A Cure-All?

According to the [National Center for Charitable Statistics \(NCCS\)](#), there are over 1.4 million U.S. NPOs contributing roughly 5.5% of gross domestic product (GDP) and paying 9.2% of wages. What is more, the nonprofit economy is [growing employment at a faster rate](#) than the for profit sector.

With government-funded services threatened by a shrinking tax base and soaring deficits, the nonprofit sector is becoming a more significant actor in the U.S. economy. Its work is wide-ranging. It preserves our history and culture (museums, churches), educates (colleges), supports the elite lifestyle (country clubs, orchestras) and helps the poor by assisting those who have fallen through the cracks of a market economy by providing homeless shelters and soup kitchens, functioning as a critical social safety net. Its [close connection to sustaining the U.S. for-profit sector](#) is more important and complex than one might imagine.

The Big Questions about Nonprofits

Relative to their for-profit and governmental organization counterparts, however, we know little about these organizations with which we entrust so much. Does their work justify the tax support they receive? To see more about exactly what nonprofits do, take a look at this [Bloomberg article](#) on the subject. Until recently, no meaningful data on nonprofits and how they raise and spend their money was even available for study. Fortunately, organizations such as the [Urban Institute's National Center on Nonprofits, Guidestar](#) and even [the IRS](#) are working to fill the void.

We Are All Involved



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We are discovering that for most nonprofits, volunteers are the backbone of operations. The nonprofit community's collective ability to assemble resources and leverage the time contributions of such volunteers is more important than ever. The [Bureau of Labor Statistics reports](#) that for the year ending September 2012, over 64.5 million people (or 26.5% of Americans!) report having volunteered in some capacity.

In conversation with nonprofit leaders, it turns out that a *staff of eight persons might be expected to coordinate the work of over three hundred volunteers*. Leverage matters! Nonprofits bring in almost \$300 billion in donations so we can [learn a lot about good management](#) from those that take on the daunting task of running them (). **However, other nonprofits fly under the radar with suspect management practices and little accountability.**

Amazingly, the first *and only* Congressional Research Report on the sector was commissioned less than five years ago when Congresswoman Betty McCollum (D-Minn) introduced HR 5533 "The Nonprofit Sector and Community Solutions Act" in 2009 as a means to cure what appears to be a rather significant gap in governmental oversight and support of the sector. But, it [died in committee](#). So, it would appear that our legislators are content to remain blissfully ignorant of this important economic sector.



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Part of Our National History

The values of the nonprofit sector are consistent with and support our national origins, traditional values, and capitalistic economic aspirations. Nonprofits have their historical roots [as far back as the American Revolution](#). In modern times, the sector's growth runs parallel to (and some argue was spurred on by) the rise of neo-liberalism as practiced by Reagan (and Thatcher among others abroad), and continued in Republican (George H. Bush) and Democratic (Clinton) administrations alike. Nowhere was this political philosophy more evident than in the George W. Bush presidential campaign that espoused the virtues of "compassionate conservatism" among the "thousand points of light" first praised by his father. This resulted in his administration's support of private faith-based initiatives. Today, the Obama administration rolls out public-private partnerships in which [nonprofits are poised to play a critical role](#).

On the Other Hand

In spite of the contributions of the nonprofit sector, it is becoming harder for nonprofits to sustain themselves. Why? Greater expectations for nonprofits to help meet societal needs are not matched with

enhanced support. In fact, the shrinking number of government and charitable dollars, together with increased competition for those dollars from the growing number of nonprofits is putting many of our favorite nonprofits on life support. Some sad details on this can be seen in [this article](#). We have looked to such organizations to meet societal needs for a long time, so is it wise to forsake something that has worked so well throughout our history?

Some Things to Think About

- Should we be abdicating government responsibility for the provision of critical social services to the nonprofit sector? Is that good or bad?
- If nonprofits are functioning as a de facto safety net for those on the losing end of our capitalist economy, should corporate social responsibility initiatives provide the sector with more support?
- If the nonprofit sector doesn't help all parts of our society, who will?



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This entry was posted in Uncategorized and tagged Nonprofit Management; sustainability of the nonprofit sector on February 12, 2014 [<http://wp.lasalle.edu/mgtl/2014/02/12/the-nonprofit-rx-a-cure-all/>] by Karen A. Reardon.

16 thoughts on “The Nonprofit Rx: A Cure-All?”



Steve Meisel

October 21, 2014 at 8:20 pm

It seems as if there is a lot to learn from the nonprofit sector in terms of motivation of the workforce, value added by a firm, and the power of a mission driven organization to create impact in people's lives. It makes for an interesting question as to why more private sector businesses are not making the effort to learn from their leaner, smarter nonprofit partner companies.



mahasa Taylor

October 24, 2014 at 2:29 pm

Homelessness has been a major social problem for as long as I can remember. The same devastating visions I had as a little girl; people sleeping on outside vents or in cardboard boxes, standing on highway medians looking battered holding signs that read “please feed me, I’m homeless and hungry” are the same things I see every day now as an adult. All I can think about is some unfortunate event has placed them in this horrific circumstance: people who have lost their jobs and homes, victims of domestic violence, people suffering from some type of mental illness, drug addicts, and young kids who have run away from home. Regardless of what their reason is for ending up on the streets, we all as a society, including businesses, should adopt a shared value and accept that we have a duty of being socially responsible. In my opinion, as the wealthiest country in the world, it is unacceptable for homelessness to still exist.

I believe that corporate citizenship is the best theory to adopt when dealing with homelessness. Corporations do owe a debt to society to make it a better place. Nonprofit organizations cannot do it alone; mainly because they don't have the resources or manpower to tackle this issue by themselves. Yes, there is some government assistance; however, funds are becoming more scarce due to so many different non-profit organizations dipping into the same pot for assistance. This is an issue that requires all hands on deck. Nonprofit organizations won't be able to provide the “safety net” and continue to be heroes unless they have the support of everyone else. Leaning on the government for more support is out of the question because they're already cutting food stamps and putting caps on unemployment benefits. These federal funding cuts may ultimately force those that were already on the brink into homelessness.

Although when brought to scale, homelessness is a serious global issue; when you break it down into digestible chunks, this issue is basic Economics. There is an increase in demand for shelters and a

decrease in supply because of funding cutbacks. We can all contribute in some way to alleviate this problem. Volunteering at your local shelter or soup kitchen to help with serving food or keeping it clean is just one way. Businesses can assist their employees in giving back to their communities by scheduling paid time off to help out at these shelters. Donations of food, clothing, and money are always appreciated. How Philadelphia was named the "City of Brotherly Love" is beyond me, because we frequently pass by these people every day without even blinking. We watch them suffer and we do nothing about it. At the very least, we could continue to support these NPO's, who are extremely passionate and sole purpose of existence is to help others in need. If not, we may eventually find ourselves in the same dreadful predicament one day, leaning to those very same organizations to help us out as well.

-Mahasa Taylor



Brittany Killian

October 25, 2014 at 1:22 pm

The part of this article that concerned me is the fact that it does seem that nonprofits have a harder time sustaining themselves. In the article you linked, it urges non-profits to "throw the old model out the window and start thinking like a private entity." It details that the primary goal is not to fundraise, but to generate unrestricted revenue sufficient to meet and exceed the operating expenses. The problem I see here is: why would non-profits ever forget about the costs of their business? Although they are not "private," are they not an 'entity'? Do they not have the word 'business' right after non-profit, just the same as 'for-profits'?

In Non-Profit Management led by Professor Otten, she had us watch a Ted Talk by Dan Palotta in which he details what led his non-profits and fundraising events astray – the public's assumption of how a charity should use overhead. In his Ted Talk and subsequent campaigns, he attempts to debunk the Overhead Myth and gain awareness that non-profit is in fact....still a BUSINESS. Palotta's thinking falls in line with Cheeseman's first theory of the Social Responsibility of Business, to maximize profits. Except for non-profits, we shouldn't look at profits the way we are used to, but more as 'cover your costs'. Once that is done, non-profits will be able to focus on their business and their mission. In the end, I think non-profits are led astray by forgetting they are a business that have business expenses. Once the community understands the reality of 'making a difference,' non-profits will be able to sustain their business and their mission.

Christine Pennington



October 27, 2014 at 2:03 am

I think it's important to remember, that there will always be someone in our society that will need help at some point in their lives. Nonprofits may be able to reach all parts of society that need help, but they may not be able to help each and every single person that needs help. As discussed in the above blog post, nonprofits are facing budget constraints and are fighting each other for charitable dollars. Because of this, they don't have the funding necessary to help all those that need help. Since nonprofits aren't able to help all, there needs to be others that can assist which is why our government and for-profit organizations need to also help. We currently rely too heavily on the nonprofits to help all parts of our society and it's not enough especially during a recession. "It takes a village" is a key point in this discussion meaning that it takes more than just nonprofits to reach all parts. It's because of this that we need government and for-profit organizations make a more active role in helping the nonprofits reach all parts of our society.



Alexis Morgan

October 28, 2014 at 5:32 pm

To provide one possible answer to the third question, "if the nonprofit sector doesn't help all parts of our society, who will?" I would say that all corporations, for-profit or not, should strive to do this. Helping society should not just fall to the hands of nonprofits. There are many nonprofits in existence today that are helping society, but the world needs more than that. More corporations today are viewing social responsibility as critical to their future, and are finding that being "socially responsible" can have a positive impact on their brand, stock price, and bottom line. They are also learning that the younger generation entering the workforce is looking to not just get a job, but to make a difference in the world.

As companies begin to realize that they can increase efficiency in the long run with sustainability, and as more consumers seek to buy from companies that have socially responsible policies, we will start to see a shift. Corporate social responsibility is not new, but companies are starting to figure out how they should implement it. Companies have the resources, and the ability to create more resources, to make a positive impact on society. They just need to have the right people at the top making these strategic decisions.

**James Susko**

October 29, 2014 at 3:18 am

Government assistance for social services is always hot button topic. Almost every politician uses some semblance of social services to gather support from constituents during election campaigns. The result can mean less money being allocated to critical social services when they are needed the most. Utilizing nonprofit organizations to fill the gap and provide a portion of the critical social services makes sense if we understand that a government body will only have finite resources available in order provide assistance.

All corporations within the global community should adopt some form of social responsibility policy in order to provide support to nonprofit organizations. Some large corporations already have a defined corporate social responsibility policy (CSR). The policy typically outlines how the company will tackle social issues and invest in their local communities. For example, I work for a division of the General Electric company. Every year we partner with United Way across the country to raise funds through various events, charitable donations or volunteering to help those less fortunate. The company does not force employees to be active in these events. However, the company encourages all employees to be aware of how they are connected to the local and global communities and how their actions no matter how small can have an impact.

Society will need a combined effort from both nonprofit and for profit organizations in order to ensure social issues are addressed. Nonprofits currently rely heavily on support from citizens and some companies. This has worked in the interim. However, a long-term solution is needed to ensure the impacts of social issues are lessened. Corporations have the ability to influence policy makers to a greater extent than the everyday citizen. A potential long-term solution would be for the larger corporations, Comcast, GE, GM, etc., to work with the federal government to enact policies to address some of the most critical social issues in order to ensure peoples basic needs of food, water, shelter and safety are being met.

**Rich Drinker**

October 29, 2014 at 4:25 am

Response to the follow-up question: Should we be abdicating government responsibility for the provision of critical social services to the nonprofit sector? Is that good or bad?

Transitioning responsibility for provision of social services to the nonprofit sector is good because NPO's, unlike the government, have direct access to expertise and facilities well-positioned to optimize utilization of [scarce] resources. In contrast, this transition removes access to- and allocation control of these resources from the electorate, and places it under the control of competitive non-profits and

influential benefactors. Failure to regulate the nonprofit sector reduces the citizens' ability to decide in an orderly fashion "which problems are most important to solve, and what is the best way to solve them?"

The most important problems are therefore those problems we are told to care about by the largest donors, and the ones we learn about through the biggest marketing campaigns. I'm not suggesting that we decline to donate to hunger relief or the children's charity while checking out at Giant supermarket, and we are clearly into the Penn State University annual can drive—all these people need our support. What I am saying is that minimal transparency requirements for nonprofit organizations' financial records translate into: (1) Few of us know how or where these resources are allocated, (2) Even fewer are able to influence those allocations.



Atika Tahnim

October 30, 2014 at 12:31 am

Past 5 years, I have been working for a non-profit organization Trumark Financial Credit Union. When I first started working, there were only 5 branches in the Philadelphia areas. Now Trumark FCU has over 16 branches in the Southeastern Pennsylvania counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia. The company has currently over 500 employees. Recently Norsco credit union had merged with Trumark. People who have an account with the credit union consider "a member". Trumark FCU focuses are on members rather than maximize profits. The reason most people like to join the credit union because of lower checking account fees, higher rates on saving and money markets accounts and lower interest rates on consumers and non-consumers loans. Every Friday, the credit union collects \$5.00 donation from the employees to raise money for charities. Past four years, Trumark FCU has been teaming up with twenty-five community leaders and teachers to raise money for financial literacy. It calls Kiss-A-Pig Financial Literacy. From the fundraiser, the monies they raise offer personal financial education and funds to local schools. Participants secured sponsors and donations to raise more than \$45000 for the opportunity to kiss a pig in support of financial literacy. Los, Trumark FCU employees volunteer to go to different high schools to talk about the importance of financial literacy. There are a lot of credit unions out there where they are doing the same type of charitable work to help the society and social problem. When we solve the social problems, we depend on non-profit organization according to Professor Michael Porter. There are some true to the statement. Credit unions are growing faster than for profit organization. Credit union like Trumark are opening up newer branches every year and opening up more job opportunities for people out there, and helping declining unemployment rates. But we cannot highly rely on non-profit for solving social problems because credit unions can't bear a lot of expenses like other for profit organizations and their resources are very limited. For profit organizations have to step up and help solve social problems.

**Kim Leonard**

March 25, 2015 at 8:07 pm

Social Responsibility of Business refers to decisions made by businesses that have far-reaching effects on society. In the past, many business decisions were made solely on a cost-benefit analysis (Cheeseman). I feel in the past companies based their business model off the maximizing profits theory which says a corporation owes a duty to take actions that maximize profits for shareholders. These two companies, D. Light and D-Rev are basing their business model off the Corporate Citizenship theory which says a business has a responsibility to do well and solve social problems. Businesses that use this theory are working to improve society but also sustaining their own success and growth as an organization.

With the multiple social problems in today's world, this gives companies an opportunity to improve society but also make profit. D-Rev did just this but made sure they had a business approach; User-obsessed, World-Class, and Market-Driven. I feel that this approach is different but good. They spent time to research the social problem, created something to be user friendly all over the world, and they sell or license their product instead of donating. For a business that uses the Corporate Citizenship theory they need to have the involvement of the community for the development of a product and to make sure it is consistently used by the consumer.

In conclusion, if a business can partner with NGO's, focus on corporate social responsibility, and a source of revenue then they will do well. Business's hold the resources (money, tax revenue, donations) needed to solve these problems and create a social and economic value. This can give businesses competition over innovation. This will allow businesses to change what others view their product and change how they see themselves.

**vvadadoriya1**

March 27, 2015 at 9:40 pm

It's unfortunate to read that non-profit organization are on life support. The statistics mentioned in the post should be concerning to corporations that have no corporate social responsibility embedded in their business model. I don't think that only non-profit organization should be concerned with the well-being of world's poor. I think that responsibility falls on every corporation that benefits from the world's economy.

As Porter mentioned his video about Social Entrepreneurship, I think there is great potential for companies to create a good balance between social value and economic value while maximizing profit. Most companies get carried away with ROI that they lack any interest in actually adding value to society. As consumers, we need to refocus on demanding the right products during the right circumstances.



Shelanda Downing

March 28, 2015 at 12:27 am

I would agree that corporations should take on some social responsibility as it relates to non-profits. As an employee of a non-profit organization, for the last four years, whose mission is to end homelessness through providing a home, opportunities, medical, and education; it can get very challenging when it comes to obtaining funds for continued service. As an organization, we constantly have to change job/program descriptions and/or complete additional work such as new reporting to receive continued funding. For example, when I began working at my job we used to have on site case management. As the years have passed, the residential case manager position has begun to be phased out and replaced with a residential coordinator position. Due to loss of funding, there will be no on-site case management just a coordinator to connect someone with the needed services.

By phasing out the case management positions, individuals will now have to go outside their home to receive services. This can become very challenging for someone who is suffering from mental illness since they have established relationships with the on-site personnel. I think that corporations should have an annual day of service, where they could get an opportunity to witness the work of some non-profits. Through that day of service, companies will become more compelled to support non-profit organizations.



Amanda Fath

March 28, 2015 at 3:57 pm

“According to the National Center for Charitable Statistics (NCCS), there are over 1.4 million U.S. NPOs contributing roughly 5.5% of gross domestic product (GDP) and paying 9.2% of wages.” These percentages may seem small in comparison to the large corporate conglomerates operating in the U.S. However, the importance of these organizations should not be overlooked or underestimated. They provide employment opportunities, goods and services, and help stimulate the economy like any other business. (Borgen) They are an integral part of the economic and social system, but they are not the

only part. In response to the third question posed in this article, I don't believe the nonprofit sector helps all parts of our society, nor do I believe it has the responsibility to. The United States is one of the most complex countries in the world. There is an intricate web that is woven in the economic environment here. Everyone has their part. Individuals are responsible for acting ethically and for the sustainability of our earth. Small private companies contribute to the economy in their local areas. Large corporations boost the economy in many ways including providing goods and services, job growth, and investment opportunities. The government provides order, regulation, funding, and set standards for the country and its inhabitants (both individuals and organizations). (Halbert) Nonprofits conduct business in the humane sector. They provide support for those in need; those that are too often overlooked. They educate future generations and bring people together to support a good cause. The idea of what social responsibility entails is based on society's perception of what they right and wrong. As Michael Porter points out in his TEDTalk on social responsibility, new problems are always arising; the rising obesity rate in America, the need for healthcare reform, lack of education and skills, climate change, etc. Humans have the right to a healthy body, brain, and environment. Corporations are criticized for not doing enough; but what is enough? What responsibility do corporations have to address social problems?

The theories of social responsibility speculate corporations exist to create a profit for shareholders while minimizing harm to others. They suggest they should consider the actions of all stakeholders when making decisions, and businesses have a responsibility to do good and solve social problems. In life and in business, sustainability is the most important thing. What good is profit for a business if it is not sustainable? Short term actions should be based on long term goals. Michael Porter suggests that business responsibility and solving social problems can be mutually beneficial. Businesses have the resources that the government and non-profit sector do not. Businesses create resources when they recognize a profit; solving social problems can help save money and make more of a profit. The solution, he suggests, then becomes self-sustaining.

**Kenneth Swinehart**

March 28, 2015 at 6:45 pm

In this writer's opinion the nonprofit remedy is not a cure-all. However, it is a foundation that can be built upon. As Michael Porter stated in his Ted Talks speech titled "Why Business Can Be Good at Solving Social Problems", the current model being utilized to try and solve social problems isn't working as well as it isn't scalable. Despite the efforts of nonprofit organizations and those that support them, civilizations and the societies within them continue to face social challenges.

Porter asks the questions "how can we get businesses to think differently?" and "how can we get businesses to think differently about themselves?" There are some organizations that are born under the leadership necessary to aid in solving social issues and improving lives. For example, TOMS Shoes

LLC. The company has generated significant revenue and profit by selling shoes. With each pair of shoes sold, a pair was donated to the impoverished. The company grew and millions of pairs of shoes were purchased and subsequently millions of pairs of shoes were donated. The organization didn't stop there. It expanded into initiatives for providing eye wear (purchase a pair of TOMS glasses and a pair are donated), improved access to clear water (purchase a bag of TOMS coffee and 140 liters of safe water are donated), and safe birthing (purchase a TOMS bag and vital materials and training are donated). The largest companies in the world can learn from the TOMS business model and dedicate more social responsibly than the moral minimum theory as explained by (Cheeseman).

Organizations will not change on their own. What is required for organizations to change is for leadership, stockholders, employees, and consumers to change. Accountability must be a measurement for the choices individuals make in where they invest, and purchase. Societal awareness of social issues does not in and of itself fix social issues. Solutions require action. That action requires individuals to lead organizations toward a practice of good corporate responsibility and citizenship.

**Kenneth Swinehart**

March 28, 2015 at 7:21 pm

Remedies Require Collective Partnership

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Brian Miller

March 28, 2015 at 9:27 pm

My recent opinion on this topic has been greatly enhanced over the past three months and I believe the government should enact more laws such as the Community Reinvestment Act and require certain industries to contribute resources to the non-profit sector. The variety of non-profits and programs that the banking industry impacts is numerous. For example, I work for Barclay's bank in Wilmington, Delaware and the Community Reinvestment Act has contributed greatly to the local economy. The tangible and intangible benefits are seen when I walk along a re-developed river front and as I read about new organizations (profit and non-profit) continuing to re-locate to the area. I also believe that if non-profit groups have the ability to access a stable source of capital they can do a much better job at solving some of the social issues that forms the core of who they are.

On a more personal level, I have witnessed firsthand what happens to a non-profit group as traditional funding sources dry up. I served on a non-profit board of an organization that had a 40 year history and great reputation of providing critical services to the local community. However, due to an unforeseen shift in funding formulas and increased administrative burdens required by funders, the organization had to declare bankruptcy. No matter how generous or stoic people attempted to be in order to keep the organization on sound financial footing, the financial cost was too significant for groups of private citizens to tackle. Thus, if there were more resources available to the organization, a local organization with a long history could have probably survived. This is why I feel strongly about similar acts being mandated such as the Community Reinvestment Act.

**Stephen McLaughlin**

March 29, 2015 at 4:03 am

I liked this statement by Michael Porter, a Harvard business professor and founder of four non profit organizations, in the TED video: "Whenever I got interested or became aware of a social problem, that is what i did, formed a non profit." While it may be a little easier for him to pull off than an average person because of his income and resources, I feel that it's something that can be adopted by for profit corporations. I do not believe that the huge corporations with big time annual profits do not have to be held responsible for baling out small NPO's and solving every social problem out there. However, I do agree that they should take a stance on social issues related to their type of business and promote their employees to get involved.

As noted in a couple of the readings, the current tax breaks and donations given to non profits are currently not enough and a reason that many are failing. I believe that with the assets of the bigger for profit corporations, some of the problems can be solved. As Michael Porter mentioned, "profit is magic" and a lot of the for profit organizations can help increase their profit by solving social problems that exists inside and outside of their every day business.
