

An Introduction to the Tides

The nonprofit sector has never been under greater pressure to improve. Despite two decades of phenomenal growth, the sector suffers from a general impression that it is less efficient and more wasteful than its government and private competitors. Even if the sector could prove that it has achieved “ordinary excellence,” spending money wisely and producing measurable results as a natural by-product of organizational design, it faces a serious public relations problem among clients and funders alike.

If the growing inventory of research on nonprofit management reform is an indicator, the pressure for reform undoubtedly is rising. A simple amazon.com search for books on “nonprofits” in October 1999 produced more than thirteen hundred separate items, including *100 Best Nonprofits to Work For*, *The Non-Profit Internet Handbook*, *Tools for Innovators*, and *The 21st Century Nonprofit*. And the list appears to be growing by leaps and bounds, even as the number of research journals and newsletters has been growing at a seemingly parallel pace.³

Melissa M. Stone, Barbara Bigelow, and William Crittenden counted nineteen journals with at least some relevance to the sector in their 1999 study of strategic management in nonprofit organizations, including targeted journals such as *Nonprofit Management and Leadership* and *Nonprofit and Voluntary Sector Quarterly* (and its predecessor, *Journal of Voluntary Action Research*) and more general management journals such as *Academy of Management Journal*, *Organization Studies*, and *Public Administration Review*.⁴ Throw in the *Journal of Policy Analysis and*

Management, which devoted an entire issue to the sector in the spring of 1998, along with *Voluntas*, an international journal on the sector, and a dozen or so specialized journals directed toward specific issue areas such as health, arts, social service, and economic development, or management topics such as tax policy, accounting standards, and personnel, and the sector can easily claim three dozen outlets for its research.

Sorting all the research and books into discrete management philosophies would be impossible, in part because they often mix and match ideas from a variety of reform traditions. At the same time, it would be surprising if the nonprofit sector had invented something new in the field of management reform. Although reform ideas adapt to the times and sectors, they tend to concentrate in predictable sets that can be traced back to the dawn of this Republic and beyond. There is truly nothing new under the sun by way of management reform.

Scholars have even found evidence of bureaucratic reform during the Roman occupation of ancient Egypt, including an ancient papyrus from a Roman officer complaining about the number of persons “who have invented titles for themselves, such as comptroller, secretary, or superintendent, whereby they procure no advantage to the Treasury but swallow up the profits. It has therefore become necessary for me to send you instructions to arrange a single superintendent of good standing to be chosen for each estate on the responsibility of the local municipal council, and to abolish all remaining officers, though the superintendent elected shall have power to choose two, or at most three, assistants.”⁵ So much for claims by business guru Michael Hammer that he invented organizational reengineering.⁶ The papyrus is dated 288 A.D.

This is not to suggest that the tides, or philosophies, of reform produce the same ideas in every sector. Recommending reengineering for an overlaid bureaucracy is one thing, recommending it for organizations that have yet to be engineered or formalized in the first place is another. One can find elements of at least four familiar tides of reform rising in the nonprofit sector, each one carrying a somewhat separate history and ideology from the others: (1) scientific management, which is built upon a template of best practices that all nonprofit agencies should adopt; (2) liberation management, which places its faith in outcome measurement as the compass by which nonprofit agencies should guide themselves regardless of how they are configured; (3) war on waste, which seeks higher nonprofit performance through mergers, acquisitions, shared administrative ser-

vices, co-location, and other cost-saving techniques largely culled from the private industry and reengineering (downsizing) of the past two decades; and (4) watchful eye, which puts its emphasis on exposing nonprofit organizations to the sunshine of public disclosure as a fundamental disciplining tool.

Presented in a numbered list, the four tides appear separate. However, the philosophies are often linked in reform proposals. Thus, many of the scientifically minded standards that funders and nonprofit associations now use to evaluate and promote organizational effectiveness endorse outcomes measurement and transparency, while many of the recent calls for nonprofit reengineering are designed to concentrate nonprofit capacity around the more efficient production of outcomes. One can even argue that there are only two basic tides: a first that focuses primarily on efficiency, restructuring, rules, and standards, and a second that emphasizes transparency and oneness.⁷ However, the search for improvement can be friendly or adversarial, rooted in a basic sense that the sector will do the right thing naturally or a more disquieting sense that the sector is mostly resistant to change. It is trust that converts the two tides into four.

Even though the four tides of reform often reinforce each other, they do offer very different starting points for the journey to ordinary excellence. Scientific management and liberation management both suggest that the nonprofit organization look inward for inspiration, starting its reform journey either with a top-to-bottom inventory of its internal systems (scientific management) or a strategic planning process designed to create a precise outcomes chain that places inputs, activities, outputs, and outcomes in their proper, and measurable, place (liberation management). In contrast, war on waste and watchful eye suggest that the nonprofit organization and its funders and clients look across a local delivery zone, starting the reform journey either with a mapping process designed to identify waste and duplication, as well as targets for capacity building (war on waste), or a process for exposing a group of nonprofits to greater review through publication of common data or development of an organizational rating or certification system.

These reform traditions clearly have parallels in other sectors. As I have written of the federal government, “Congress and the presidency have had little trouble passing reform measures over the years, moving almost effortlessly from one reform philosophy to another and back again, rarely questioning the contradictions and consequences of each

separate act. If government is not getting better, it is most certainly not for a lack of legislation.”⁸ Unlike the federal government, however, where a half century of often contradictory reforms have created a dense sediment of bureaucratic inertia, and where the problem has not been too little reform but too much, the nonprofit sector is mostly at the beginning of its reform journey.

Luckily, the nonprofit sector still has the opportunity to sort through the reform philosophies before committing itself to any particular path. Although the sector has its own paragons of bureaucratic inertia, most of its organizations have yet to accrete the needless rules and endless layers that have made the federal government a prime target for downsizing and delayering. The sector need only note that many of the rules and layers that make the federal government so difficult to manage emerged in past efforts to make government work. The tides of management reform produced the civil service system and its impossibly complicated classification system (scientific management), the inspector general concept and its effort to create the “visible odium of deterrence” in every corner of government (war on waste), the administrative rulemaking process and its endless opportunities for delay (watchful eye), and a host of efforts to break free of all of the above (liberation management). There but for the grace of good fortune goes the nonprofit sector. Thus, the private sector’s most important lessons on management reform may be on what to avoid, not adopt.

This warning to take care emerges from a simple reconnaissance of the dominant reform conversations within the nonprofit sector. Supported by the Aspen Institute’s Nonprofit Sector Research Fund and limited to a three-month review, this report is based on confidential interviews with a handful of the leaders in nonprofit management reform, a detailed search of Internet sources, and a modest survey of state associations of nonprofit organizations. As such, it can be viewed only as a reconnaissance at long range. The findings suggest that the nonprofit sector has a remarkable opportunity to prevent the excesses and fadism that have dominated reform efforts in government and the private sector. That can be done, however, only by recognizing the limits of knowledge on what does and does not work in making organizations work. Much as government and private leaders promote the benefits of this idea or that, the reality is that reform is an expensive, often exhausting, undertaking. The first step on the reform journey should be taken with great care, lest it be taken over and over again.

This report offers that simple lesson in three parts. Chapter 2 assesses the current climate for reform, comparing the trends that are simultaneously nationalizing the pressure for reform, while localizing the capacity for progress. Chapter 3 examines the four tides of nonprofit reform in more detail, offering examples and caveats from the portfolio of recent experience. Chapter 4 starts with a discussion of the limits of knowledge in the general field of nonprofit management reform, then reports on a survey of state nonprofit associations to estimate the current strength of the four tides. Although all four tides are currently active in the nonprofit sector, liberation management and war on waste are at their peak. Chapter 5 concludes the report with recommendations for taming the tides.

Despite the warnings to go a bit slower in becoming champions of any particular reform, this report is not a defense for the status quo or standing pat. As the next chapter will show, the sector must get better, if only to show its funders and clients that it is still a reasonable investment in a much more competitive climate. But even as one embraces the call for continuous improvement, the limits of any given model of reform must be recognized. If history is any guide, the search for one best way to improve organizations will not be any more successful for the nonprofit sector than it has been for the myriad government agencies and private firms that embraced Frederick Taylor's mirage of an ordered organizational world only to drown in the sands of bureaucratic excess.⁹ The nonprofit sector would do well to remind itself that the journey toward ordinary excellence can take many different paths.