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Need for a Learning Culture

If you continue to do things the way you've been doing them, you'll continue to get the results you've been getting.

—Author Unknown

Need for Change

Expectations for the performance of nonprofits are increasing dramatically. Nonprofits are being held accountable for, at the same time, solving all the ills of our society, showing measurable results, and being financially solvent. Politicians, funders, boards of trustees, clients, and nonprofit managers are all demanding more from these organizations.

The increased attention on the sector is inevitable. Nonprofit organizations have become key players in the social and economic development of communities. Nonprofits fill service gaps that are not being addressed by local government and private business. Nonprofits form the backbone for the development of any community's social capital, and they make a significant, direct contribution to quality of life. In many communities, a nonprofit organization is the largest employer.

Nonprofits are critical to the maintenance of a democratic society. According to the Peter F. Drucker Foundation for Nonprofit Management, a healthy society requires three vital sectors: a public

sector of effective governments, a private sector of effective businesses, and a social sector of effective community organizations. This last group is the primary focus of this book, with government being secondary.

Lester Salamon and his associates at the Center for Civil Society Studies, which is part of the Johns Hopkins University Institute for Policy Studies, have concluded that the nonprofit sector is “a major economic force” around the world (Salamon, 1992). As recipients of more than \$200 billion in charitable giving in the United States, the nonprofit sector accounts for 5% to 10% of the nation’s economy (O’Neill, 2002). More than 1.1 million nonprofits (charities and private foundations) were registered with the U.S. government in 2007, a 4% increase over 2006 (Chronicle of Philanthropy, 2008). We can only conclude that the health of nonprofit organizations and their effectiveness in building the social capital of our communities is of vital interest to our nation and the world.

The rapid increase in size and economic impact of the nonprofit sector in the United States means that there will be greater demand for accountability. O’Neill (2002) writes in *Nonprofit Nation*:

The new size of the nonprofit sector—11 million employees, \$1 trillion in revenue, 1.8 million organizations—makes it inevitable that there will be more scandals, more negative press coverage, and more political attention. These developments will likely lead to more government oversight and regulation. How extensive and hostile this will be probably depends greatly on nonprofits’ ability to work with government to make these changes as palatable as possible. (p. 247)

Negative articles by the media have created interest in nonprofit management reform like never before. According to Paul Light (2000),

The nonprofit sector has never been under greater stress, as evidenced by doubts about its performance and ethical conduct. Federal budget cuts and private competition have affected already thin operating margins, while the highly publicized United Way and Salt Lake City Olympics scandals have sparked a broad debate about the effectiveness and legitimacy of nonprofit organizations. (p. 11)

He goes on to say,

Despite all the warnings about reform, the pressure to get better is unlikely to abate and the number of reform efforts is unlikely to decline. To the contrary, the reform pressure seems to be increasing for the nonprofit sector. All the pieces are in place: growing demand from funders, rising expectations from clients, increased pressure from advocates both inside the sector and outside, burgeoning competition from other providers also both inside and outside the sector, and an apparent explosion in the number of organizational consultants ready to help the nonprofit sector identify problems and implement solutions. (p. 16)

The pressure from funders is especially acute. Foundations are looking for ways to ensure that their money is being invested wisely in these nonprofits. Foundations desire to make better decisions about where the money goes and want greater accountability for how the recipient uses the money. These philanthropies want to know that even if they are taking a risk on a new social venture, that grantee is managing the money well. The United Way of America's promotion of outcomes measures, the formation of Grantmakers for Effective Organizations, the W. K. Kellogg Foundation's Building Bridges programming effort, and articles on nonprofit management appearing in business journals such as *Harvard Business Review* are all evidence of this intensifying interest.

Prompted in part by a few of the more notorious scandals and by the amount of money that is controlled by a few very large nonprofit organizations, the media have taken special notice of what is happening in the sector. *Harvard Business Review* has published articles that put a microscope on private foundations and 501(c)(3) organizations (Bradley, Jansen, & Silverman, 2003; Porter & Kramer, 1999). The *Washington Post* ran a series of articles examining the Nature Conservancy's practices related to for-profit ventures (Stephens & Ottaway, 2003). Even *Fast Company* magazine has covered management practices at some of the most successful nonprofits (Hammonds, 2003) and has brought attention to an effort to track the financial performance of U.S. nonprofits by using data from the Internal Revenue Service's 990 tax filing form (Overholt, 2003).

At the same time that nonprofits are coming under greater scrutiny, they are being put under more pressure to plug gaps in the life of our communities. Stakeholders are expecting more from nonprofits and being vocal about it.

- Nonprofit board members want to feel confident that things are being done right and that they are not going to be embarrassed in the press.
- Nonprofit staff and volunteers want to be part of a well-functioning organization that provides needed services, is respected in the community, and will be around for a long time.
- Customers of nonprofits want responsive, timely services, and they want their needs met.
- Private donors want confidence that they have invested their money in a worthwhile and trustworthy organization.
- Foundations want to know that their money is being managed well, is being used for the purposes intended, and is making a difference.
- Legislators want to know that the tax-exempt status of nonprofits is not being abused.

Change does not come easy for nonprofits. Unlike for-profit businesses, nonprofits are driven by a social and educational mission, tax exempt because of this mission, accountable to the wider community, reliant on fundraising, dependent on volunteers (including board members), and staffed by people who are motivated heavily by intrinsic rewards. This combination of factors has made organizational effectiveness subordinate to providing services. Whether their missions are delivering health care, feeding the homeless, protecting the environment, representing a profession, staging theatrical events, or raising funds for cancer research, mission comes first, and often at the expense of long-term effectiveness and sustainability. Their very reason for being is to contribute to the public good in some significant way. That's the primary reason why people work for and volunteer with nonprofits. Understandably, developing an organization that has the capability to learn and change over time has not been a priority for nonprofits.

However, nonprofits can no longer put organizational learning on the back burner. The demand for change is too hot. They risk further government regulation, loss of funding, difficulty attracting competent employees, unwillingness of community leaders to serve on their boards, and dissatisfied customers.

Cultural Transformation

The response to this pressure on nonprofits to transform themselves shouldn't be piecemeal and bureaucratic; that will result only in temporary fixes that are not sustainable. Significant, sustained change will be born only out of a culture of learning. Like a petrie dish that provides a rich environment for microorganism growth, nonprofits that have a culture of learning are creating the conditions for growing their capacity to achieve maximum performance. They are continually growing, adapting, and becoming stronger. Learning and change is not only in response to outside stimulus, it is in their organizational DNA.

Schein (1985) has defined organizational culture as the values, basic assumptions, beliefs, expected behaviors, and norms of an organization; the aspects of an organization that affect how people think, feel, and act. Members of an organization have a shared sense of culture. A culture operates mostly unconsciously, manifested in every aspect of organizational life in subtle and not-so-subtle ways. From the rituals of celebration to how decisions are made, organizational culture is the artifacts and actions of members. Culture is passed on to new employees by what they are told and what they observe in the behavior, symbols, and documents around them.

A culture of learning is an environment that supports and encourages the collective discovery, sharing, and application of knowledge. In this kind of culture, learning is manifested in every aspect of organizational life. Staff and volunteers are continuously developing new knowledge together and applying collective knowledge to problems and needs.

In his definition of the kind of learning that helps people and organizations deal with the "permanent white water" faced by organizations today, Vaill (1996) talks about three kinds of learning: know-how (developing the skill to do something), know-what (understanding a subject), and know-why (seeing the meaning and value of something). A learning culture supports all three. Staff and volunteers are constantly learning new skills and improving old skills; increasing their understanding of mission, operations, and service to communities; and finding meaning and value in the mission, goals, and activities of the organization.

Organizational Learning

The kind of learning that results in organizational capacity building has been labeled organizational learning (Kim, 1993b). Organizational learning is the process of forming and applying collective knowledge to problems and needs. It is learning that helps the organization continually improve, achieve goals, and attain new possibilities. It is learning that taps into employee aspirations, fueling commitment and creating the energy to change.

An organization is learning when people are continuously creating, organizing, storing, retrieving, interpreting, and applying information. This information becomes knowledge (and, hopefully, wisdom) about improving the work environment; improving performance; improving operational (e.g., accounting, administration, communications) processes; and achieving long-range goals that will make the organization successful. The learning is intentional; it is for the purpose of increasing organizational effectiveness.

When an organization is learning, and not just individual members becoming more knowledgeable or more skilled, the dynamic interrelationship of its various parts contributes to the organization as a whole constantly becoming smarter about its effectiveness. It is creating an infrastructure that supports achieving the mission and attaining financial sustainability.

This infrastructure might be enhanced by an individual's participation in training programs, degree programs, certification, and other forms of education. However, unless the organization as a whole becomes stronger because of this learning, these kinds of individual activities are not organizational learning. The danger in thinking that smarter people make for a smarter organization is to assume that your organization is prepared when it isn't. For example, just because one or more managers in your nonprofit know about fundraising does not mean that the organization is maximizing its capability to raise money. Does your organization have a consciousness about fundraising that permeates everything you do? Are you continually trying to learn from successes and failures to become more effective? Have you learned how to put processes in place to support ongoing donor development? If your staff members do not understand their relationships to donors and you don't have a process for assessing these relationships, then your

organization may not yet have the capacity it needs to succeed financially over the long term.

Researchers at the Urban Institute's Center on Nonprofits and Philanthropy have studied capacity building in nonprofits and have concluded that effective and sustainable organizations have:

1. Clear vision and mission that provide direction to the staff
2. Leadership that is continually being nurtured and developed
3. Resources that are used efficiently and creatively
4. Outreach that builds connections in the community and promotes a positive image
5. Products and services that are high quality ("How Are We Doing?" 2000)

Urban Institute is saying that all five of these conditions must exist for an organization to be effective and sustainable. Absent from this list are the usual demands: more money, more time, and more people. Although more resources might help a nonprofit develop some of these qualities, for most organizations, they need to learn how to use what they have more effectively. That is what will make them effective and sustainable over the long run.

Examples of Organizational Learning

Organizational learning can look different in different kinds of nonprofits. Here are some examples.

Community-Based Service Agency

A start-up management support organization (MSO) for nonprofits has the mission of helping a Midwestern county's nonprofits achieve their missions through effective management. This newly formed resource for other nonprofits is trying to become a model of capacity building in the community. To do this, the staff have had to take enormous risks in offering training, consulting, technical assistance, and information management. The process of taking these risks and experimenting with new programs has given the staff a better understanding of the needs of the community and how they have to change their own organization to better serve those needs.

This MSO convened a group of community leaders that was then asked periodically for advice about what staff should be doing to be successful as an organization. The MSO staff hired an evaluator, during their start-up phase, to serve as a mirror for the organization. They met with this person monthly to discuss their progress. The evaluator's role was to continually ask questions such as

- What are your goals?
- What will indicate success to you?
- How will your current programs and services help you achieve the outcomes and impact that you want?
- What should you continue doing, and what should you change in order to be successful?

The process they used of experimentation, reflection, and learning has become integral to the way this nonprofit operates.

Community-Based Arts Organization

An arts organization provides a wide variety of performing arts for all ages, works with schools on arts education, and is a center for performing arts in its region. Its board of directors has been building its capacity for planning and getting results. They have learned how to use an ongoing board planning process created by Mark Light, called Results Now™, to address four key questions:

1. Where do we want this organization to go tomorrow?
2. Who needs to do what so that we can get there?
3. What must get done today?
4. Are we on track to get the results we want?

The board of this arts organization has developed a process that keeps board members and management focused on the most important goals and also allows the flexibility to take advantage of new opportunities. In 10 years, subscribers grew from 3,500 to 27,000, its audience base grew from 22,000 to 300,000 people, revenues grew from \$500,000 to \$10 million, and sponsorships grew from \$20,000 to \$1.1 million. Although it is clear that they have achieved great success, they continually re-examine their direction, their activities, and how

they are organized to manage this growth and achieve results in the future. Strategic planning is ingrained in the life of the organization.

Large Research Hospital

The nursing service of a nonprofit, university-affiliated hospital underwent a whole-organization change effort, the purpose of which was to reframe the role of nursing in the hospital system. The seminal event for employees was a meeting that brought all of the staff together in one place. This voluntary event included not only the nurses, but also a variety of stakeholders, including physicians, School of Nursing faculty, and patients. It was the result of 8 months of planning by an active, 30-person planning team. Taking this amount of time and building a large and diverse team were essential in building a sense of ownership in the process and the results and in preparing the organization as a whole for what would be profound changes initiated by the event.

It helped that the director of nursing was very committed to what was being done. She presented her vision and made a case for that vision based on data from an environmental scan. This triggered a process of organizational self-examination and reflection. Participants added to the director's vision, and a planning team shaped what resulted into a new vision statement for nursing. The director then presented this statement to the whole planning team and had participants validate the new vision.

In each of these examples of organizational learning, staff learned how to learn about their organizations and how to bring about needed change. Now they know how to bring about organizational improvement in a way that they didn't know before these interventions. None of these organizations can afford to stand still. Whether they serve other nonprofits, art patrons, or hospital patients, the world around them is changing, and these organizations must continually build their capacity to learn and improve or they will rapidly become irrelevant. Each has developed a culture that supports learning and change.

Sources of Pressure for Organizational Improvement

A learning culture is created when organizational learning is ingrained in the day-to-day habits of the whole organization. This

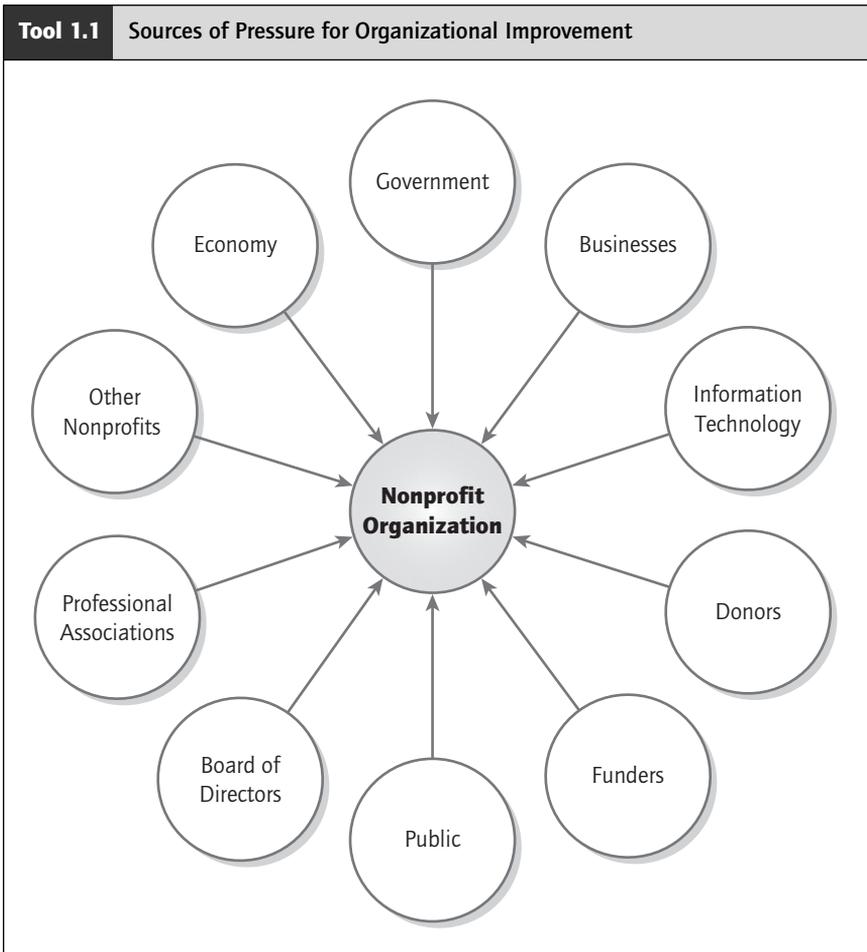
kind of culture is developed through an ongoing evaluation process of inquiry, feedback, reflection, and change. The remainder of this book explains how this process of evaluation contributes to a culture of learning and what can be done by nonprofits to create a culture that supports and sustains organizational learning.

Start by asking some key questions. What is the baseline? What is the gap between an organization's current effectiveness and how effective it wants to become?

Begin with an overall assessment of your organization. Following are two tools to assist you in this process. The first is the Sources of Pressure for Organizational Improvement (see Tool 1.1). This tool will help your organization identify internal and external pressures for learning and change, and it can be used to facilitate staff and volunteer input. Put the chart on something large that can be displayed in front of a group, such as flip-chart paper or a mural, or project it onto a screen. Invite employees, board members, other volunteers, and other stakeholders to participate in this activity.

Ask the group, "What pressures are you feeling for organizational improvement?" "How is the economy, government, etc., putting pressure on us?" Fill in the chart. Ask staff and board members to discuss these pressures. This is a good way to surface the concerns, fears, questions, challenges, and opportunities that are on everyone's minds. Ask them to first say, either individually or after small group discussions, which additional stakeholders should be on the chart. Then ask participants to say, either individually or after small group discussion, what the expectations are that each of these stakeholders has for learning in your nonprofit. What are their performance demands? What would indicate success to each of these groups? Insert these responses on the chart and discuss them with the whole group. Ask, "What are the implications of each of these expectations for the way our organization should operate?" The activity itself should take 60 to 90 minutes if the group is small (less than 12) and longer if the group is larger.

Collect these responses and report them back to all of the participants within the week following this activity. Use this summary as a springboard for planning initiatives to address the expectations of the various stakeholders.



Organizational Self-Assessment

The second tool is a survey instrument for assessing the status of overall functioning of a nonprofit organization (see Tool 1.2). It is not enough to simply administer this instrument and collect the data. The real value is in using the data for organizational self-reflection and then acting on what is learned from that process. Before using this tool, work with your stakeholders on a plan for how the data will be used for this purpose. For example, you might analyze the difference in results among key groups, such as management, staff, volunteers

Tool 1.2 Organizational Self-Assessment						
To what extent do you agree with each of the following statements? Please check one of the boxes following each statement. If you believe that you do not know enough about the organization to respond to the statement, check the "Don't Know" column.						
	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	<i>Don't Know</i>
This organization has a clear vision for the future.						
Employees and volunteers are committed to the mission of this organization.						
This organization is committed to continuous improvement.						
Leaders are continually being developed for future roles in this organization.						
This organization is always looking for ways to use resources more effectively and efficiently.						
Employees and volunteers would change this organization if it would help them to better meet the mission.						
The board pays attention to enhancing overall performance of the organization.						
This organization uses its own experience to learn how to perform more effectively.						
Evaluation is part of every program and operation of this organization.						

	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>	<i>Don't Know</i>
Evaluation results are used in organizational planning.						
Employees and volunteers receive appropriate orientation and training.						
Employees and volunteers are clear about the link between what they are doing and the strategic goals of the organization.						
Learning and improving permeates everything that this organization does.						
Individual employees and volunteers are engaged in action learning.						
Work teams are engaged in action learning.						
Effective leadership is recognized and rewarded.						
The organization works with the community for mutual learning.						
This organization is committed to building its capacity to be effective over the long term.						
The organization's products and services match what customers want.						
The resources (people, money, facilities, equipment, etc.) are aligned with intended outcomes of the organization.						

(including board members), community partners, and clients. Decide who will see the results of the assessment, how the results will be presented to them, in what format they will react to the findings, how their learning will be recorded, and how their recommendations will be advanced in the organization. Then follow through with the plan. One of the most frustrating and demoralizing situations for staff occurs when management conducts a survey, raising hopes for improvement, and then does nothing with the data.

The survey instrument addresses six areas of organizational learning, five from the Urban Institute research mentioned earlier and one addressing whole organization learning:

1. Clear vision and mission that provide direction to the staff
2. Leadership that is continually being nurtured and developed
3. Resources that are used efficiently and creatively
4. Outreach that builds connections in the community and promotes a positive image
5. Products and services that are high quality
6. Learning that continuously improves the whole organization

Summary

Nonprofits today need to be learning constantly. College degrees or occasional seminars and workshops are not enough anymore. The world of nonprofits is changing, and this change will only continue and probably become even more rapid. New funding requirements, new technologies, increasing demands for greater accountability, increasing expectations for the sector, and more intersectoral collaboration are all fueling change. The only way to build capacity to keep up and survive is by creating a culture that supports continuous learning at the individual, team, whole organization, and community levels of nonprofits. This learning is the acquisition and application of new knowledge, skills, and ways of working together that make the organization as a whole more effective. A learning culture is created by the way an organization is led, the style and frequency of communication, how incentives are linked to learning, and the design of the physical environment. The remainder of this book explains how to create and sustain this kind of culture.