

Strategy Matters™

ANTHONY KNERR & ASSOCIATES

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Now What? Three Essentials for Nonprofits

The future for nonprofits—for the next several years, the next decade and beyond—is extremely unclear. At minimum, it will surely bear little resemblance to the first decade of the 21st century, when on balance (except for the very beginning and very end) funding was relatively abundant, confidence high and life relatively easy. Or so it seemed....

But by the same token, there are remarkable new opportunities for those nonprofits that identify, understand and take hold of the possibilities and implications of this new world—and for them, times have never been better or more exciting.

Tectonic Shifts

The prospects for an increasingly demanding and uncertain operating environment arise from the tectonic confluence of several recent shifts, some already apparent, others less explicit.

- The recent recession significantly shrank balance sheets, tightened liquidity, reduced credit, increased unemployment and damaged confidence, leaving the economy tattered and generally weak. Significant intervention by the federal government appears to have staunched even more serious damage, but all current indications suggest that it will take considerable time for the [U.S. economy](#) to right itself, let alone those in much of Europe.
- This new economic context is made more complex by several additional factors—the disturbingly [partisan environment in Congress](#), which renders cooperative action virtually impossible; recent shocks in the euro market; concerns about the federal deficit; serious budget shortfalls at state and local levels; and worries about America's general place in the world—all of which contribute to a general nervousness about where the nation and world are headed.
- Compounding these difficulties is a worrisome disregard for thoughtful analysis, clear thinking and civil discourse about radical differences in perception of such significant issues as climate change, industrial policy, terrorism and tax policy (to name only a few). A growing lack of confidence in government, commercial and, yes, nonprofit institu-

tions in some quarters, adds to this witch's brew of concerns.

- New technologies will continue to bring disruptive change to media, communications, medicine and finance, among other fields—and will certainly affect all sectors of the nonprofit world. The disruption will be compounded by the impact of the ever-flattening world, with instantaneous information, rapid capital flows, global partnerships, interlocking sovereign economies and greater empowerment.

Some Predictions

The major issue is what to make of these shifts, recognizing how dangerous it is to make predictions about the future. But several observations:

- Economic growth in the United States is likely to remain sluggish for the immediate future. While it is unlikely that serious deflation will occur in the U.S., the possibility cannot be completely ruled out, and there is some danger of further unexpected political, economic or social shocks that could prolong this current period of uncertainty and anxiety.
- Overall confidence about the future of the economy, the markets and the country will probably be tenuous for the immediate future. Perspectives about preferable approaches to solving the present economic dilemmas are likely to remain sharply different, divisive and quarrelsome, with frustration, concern and incivility widely present.

Scrutiny of all organizations, including nonprofits, will continue to grow.

- On the other hand, technological and scientific innovation will surely continue at an accelerating rate to change forms of communications, service delivery and impact while enabling greater outreach, connectedness and visibility. There will be an attendant increase in organizational risk as demands for transparency and participatory decision-making grow and communications become more interactive.

- Globalization of all businesses and endeavors is bound to increase exponentially, opening up new markets and providing new forms of institutional cooperation and organization design, while creating greater competition for many nonprofits.
- Scrutiny—sometimes thoughtful, often cynical or skeptical—of all organizations, including nonprofits, will continue to grow, particularly if and as there is further public evidence of poor institutional leadership, unethical or inappropriate organizational behavior and poor judgment. No organization—private, public or nonprofit—will be spared in a world that demands transparency, engagement and accountability.

A New Environment for Nonprofits

All in all, we are entering a highly complex and difficult environment with major implications for the nonprofit world:

- A more sober—and sobering—economic context is likely to prevail in the short term, which suggests that nonprofit balance sheets will remain under stress; philanthropic support more difficult to attract than five years ago; public funding tighter and declining in many nonprofit sectors; and operating budgets generally under significant pressure.
- As a significant number of people are un- and under-employed, interest in and demand for many nonprofit programs and services are likely to increase in step with the growing needs for social services, increased interest in higher education and professional/vocational retraining and sustained attention to medical issues—providing both new opportunities for many nonprofits to fulfill their missions and new challenges for them to do so with constrained resources.
- All nonprofits will need to be clear about their mission and identity, focus on their highest value programs and services and evaluate continuously their impact, program effectiveness and financial well-being.
- Consolidation and/or retrenchment are likely among many smaller nonprofits, particularly those that are highly dependent upon single funding streams; have unclear missions, weak governance or inadequate infrastructures; and lack critical mass to weather adversity. On the other hand, it has never been easier to start a new nonprofit by using the power of the Internet to network, reaching thousands if not millions of individuals around the globe at astonishingly low cost.
- Larger nonprofits, on the other hand, are more likely to be able to take strategic advantage of unexpected

opportunities and possibilities through thoughtful affiliations and mergers, selective expansion and leverage of leading programs, well-planned investments with favorable rates of return and demonstration of program effectiveness and relevance.

- All nonprofits—and the whole nonprofit sector—will be subject to greater media, public and government scrutiny. Many nonprofits may find themselves subjected to uncomfortable attention as the world continues to flatten, social media gain traction and greater accountability is expected. Funders, in particular, will become even more interested in clear effective governance, measurable program impact, sustainable funding plans and clear cost-benefit ratios.

Three Essentials for All Nonprofits

So what is the best course of action for nonprofits right now and over the next several years? Our experience with assisting leading nonprofits and our view of the current situation suggest that all nonprofits—irrespective of mission, size, program focus or location—should undertake bold strategic thinking, rigorous financial analysis and sophisticated communications.



1. Big, Bold and Compelling Strategic Ideas Pay Off

Though it may seem intuitive to hunker down in the face of uncertainty—dealing with the day-to-day immediacies and not making significant changes—nonprofits are best served when they clearly delineate bold ideas that embody their mission while envisioning a future five to ten years away. Thinking strategically about 2015 against a longer-term horizon of ten years or so helps nonprofit organizations—and their leaders and constituencies—decide what is really important, what they wish to achieve at least in broad strokes and marshal internal and external support.

Bold ideas need, of course, to be grounded in reality: they must be faithful to the core purposes of the organization; reflect its values and central principles; build imaginatively on its present situation and positioning; be measurable with respect to impact and outcomes; and be financially sound. These criteria make the difference between bold strategic thinking and fantasy.

That said, too often in our consulting experience many organizations settle for some variation of “today,” worried that they will be unable to overcome pressing financial challenges, unsettled by changing government policy and uncertain economic circumstances and convinced that they are bound by their current circumstances and conditions. They seemingly dare not envision their future(s) as anything different than a linear extrapolation of the present.

We believe doing so is unwise for a number of reasons: The rate of change in the world, in general, and the nonprofit segment, in particular, will surely continue to be rapid, unpredictable and unexpected. Bold but analytically well-anchored strategic thinking provides the surest means of hypothesizing the impact of events and trends and choosing wisely among alternative courses of action.

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Small thinking or simply continuing the present course of action is unlikely to constructively meet the impact of the disruptive changes in today’s world. Organizations should be wary of thinking they have no different future than a simple extrapolation of their current program focus, organization design, financial structure or institutional partnerships.

Even the most seaworthy vessel needs a chart with a clear destination and the route to get there. Without a chart in the form of a thoughtful strategic plan, the vessel will be buffeted by the winds and currents of the sea and not able to adjust its sails, rudder and speed appropriately. It is likely to be driven into reacting to changing conditions and unable to anticipate possible new circumstances.

Today’s funders—be they individuals, foundations, corporations or governments—are as confounded about

the significance and relevance to them of tumultuous circumstances as are the nonprofits they support. They welcome the advice and counsel of their grantees and benefit from capacious thinking. Nonprofits should not fail to help all of their supporters, philanthropic and otherwise, make good sense of their institutional situation and contribute in appropriate ways to the achievement of their aspirations.

What is scarce today is compelling strategic thinking, not philanthropic resources.

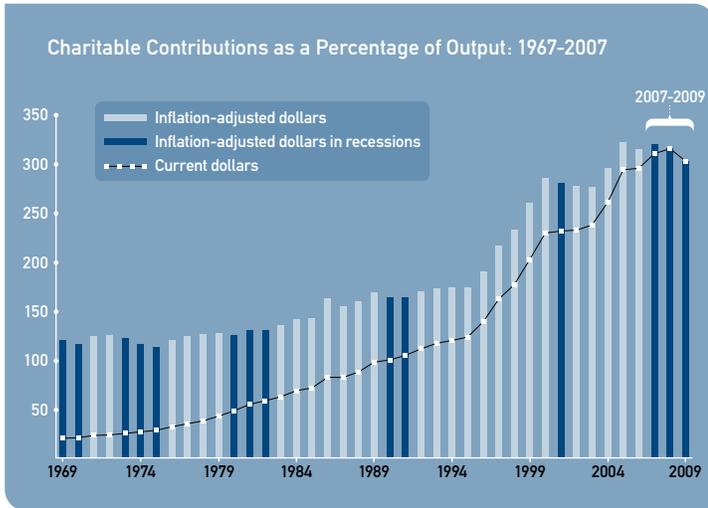
In particular, today’s philanthropic funders are more interested in investing in efforts and initiatives that they believe are impactful, vigorous and measurable. Our considerable experience indicates that what is scarce is not philanthropic resources (*see graph on page 5*), but bold, sound ideas that will attract, inspire and interest funders in investing in the nonprofit to achieve them.

A recent client of ours had continuing financial problems, which in turn triggered a crisis of governance, rapid turnover in executive leadership and sagging morale. The chair of the board approached us and noted that, while the organization could not afford to prepare a strategic plan, it couldn’t afford not to—for he realized that without a new vision and a coherent set of strategic objectives, the organization would continue to flounder. He cobbled together the necessary resources and mobilized a skeptical board, staff and funders to think boldly and imaginatively about the future of the organization. Five years later the organization is on solid ground, with a strong board, excellent executive leadership and staff and remarkable funding. The chair recently remarked that preparing a strategic plan was the best investment the organization could have made.

2. Rigorous Financial Analysis and Planning are Crucial

Tight operating budgets mean that there is little, if any, room for mistakes. Too often institutional resource allocation and budgetary planning don’t take sufficient account of underlying financial dynamics.

Wise nonprofit organizations analyze all aspects of their programs and operations, determining income and expenses on a program-by-program basis and laying



Giving USA 2010. Giving USA Foundation™

out the financial contributions of each program to the bottom line in order to reduce redundancy, maximize “profitability” and leverage competitive advantage—and thereby prepare truly sound longer-range programmatic plans and accompanying financial plans.

This kind of “bottom-up” analysis allows organizations to determine where to make reductions and where to invest. It can be helpful in posing—and answering—such questions as: What are the high-margin activities that are central to our mission and how can they be profitably expanded? Are there other activities that are low-margin or require subsidies that should be re-focused, redesigned or even eliminated (even though they may be institutional “favorites”)? What financial repositioning will best allow us to build our asset base, generate additional revenue and strengthen our financial profile? What are the longer-term financial strategies that will best allow us to thrive in a variety of uncertain conditions?

Nonprofits also need to have rolling multi-year financial plans that are updated at least annually to support overall organizational strategic thinking and include all income and expense categories (including technology and facilities). Such plans provide a critical road map by which to build annual budgets; review financial performance against goals; identify opportunities and challenges; and ensure a longer-term perspective that is in concert with overall organizational goals and aspirations.

Further, thoughtful nonprofits will ensure that their boards, staff, supporters and funders fully understand their organization’s overall financial picture; have easy

access to key financial data, benchmarks and multi-year financial plans; and feel real ownership of the organization’s financial health and prospects.

3. Serious, Active and Wide Engagement is Essential

Nonprofits cannot be—or be perceived as—disinterested, distant or dismissive of any of their constituencies. The world is seeking [active engagement](#), [transparency and accountability](#)—sometimes with a vengeance—and older models of constituency communications, relationships and involvement are insufficient and inadequate.

Bringing clients, funders, students, alumni, patients, volunteers, faculty and external observers inside the organization pays great dividends. Some of the best ideas about institutional goals, operations and activities often come from the most unexpected sources. Real engagement typically leads to better understanding and support by individuals who can marshal resources, build consensus and generate positive momentum.

Today’s organizational narratives must be inclusive of external perspectives and actively incorporate widespread feedback and input. Organizations that don’t encourage and support community engagement in the broadest sense do so at their peril.

In addition, it’s wise to ensure that boards and staff are actively and meaningfully engaged in setting organizational priorities, objectives and goals and have ample, regular opportunities to help shape institutional perspectives and approaches. It’s prudent to strategically communicate organizational aspirations, achievements and news as widely as possible through vehicles appropriate to the constituency. It’s beneficial to make public all key strategic, programmatic, financial, organizational and management information; empower individuals to use and transmit that information; and allow the information and key messages to span the world.

While the recent recession is technically over, its impact will surely linger for some time and other tectonic forces are reshaping our world and our understanding of it. Vigorous attention to bold strategic thinking, rigorous financial analysis and sophisticated communications provide the best means for nonprofits to flourish in these extraordinary times.

— ANTHONY KNERR / *Managing Director*

Media in an Age of Triage: Making Sense of a Wired World

Janet Sternberg, president of the [Media Ecology Association](#), recently informed the *New York Times*, “[Change has changed](#) qualitatively.” She should know. The term “media ecology”—rooted in the theories of Marshall McLuhan and Neil Postman—has become a key concept in understanding the exponential changes in media that are transforming modern life. The new model proposes that we can no longer think in terms of producers and consumers of content, especially in knowledge industries such as journalism, book publishing and education. Instead, digital media make us all part of a vast “ecosystem” in which everyone produces and consumes information simultaneously.

What do these changes mean for nonprofit institutions? A great deal—and the dust hasn’t settled yet. Over the past two decades, organizations of all sorts have been obliged to invest in a massive retrofitting to assimilate new technologies. Initially, brochures and catalogues went online as websites, record-keeping was computerized and interpersonal interactions migrated onto email. The powers and potential of the new media have been exhilarating—even if the conversion process was taxing, with many costly failed experiments along the way.

This initial wave of change was still in process when the second wave of social media appeared. Over the past decade, the phenomenon known as Web 2.0 has shifted much online activity from static websites to interactive behaviors, through uses such as Wikipedia, Google Maps, and YouTube, as well as Twitter and text messaging. The new models of crowd-sourcing and collaboration have challenged traditional notions of authorship and shaken the very architecture of knowledge. Now nonprofit organizations are grappling with new dimensions of social media, including Facebook and Twitter, trying to figure out where they fit into this fast-changing and seemingly unpredictable world.

In many cases, the new technologies display a clear advantage over traditional modalities. This is particularly true regarding the rapid exchange of “flat data,” which involves clear-cut information involving relatively little controversy. One sparkling example is offered by the National Audubon Society, which has long sent legions of volunteers into the field for its annual Christmas bird

count. Since 2002, it has teamed up with the Cornell Lab of Ornithology to create [eBird](#), a platform that connects those reports to scientific and environmentalist projects and offers a dazzling array of maps to visualize their data. Not coincidentally, the site also serves to enlist and [engage membership](#), build a database and promote fundraising. eBird’s free user-generated content is a major advantage.

Nonprofit organizations must bear in mind that the recent boom in online technology coincided with a robust economy (and even so, many institutions strained to cover the costs of installing and implementing the new technologies). In today’s economic doldrums, institutions will need to be more strategic in their adoption of new technology and make sure that the expenditures are balanced among overall institutional needs. Identifying and connecting with engaged online communities can often accomplish more than sizable investments. Universities may find, for example, that they can achieve more in some areas by training students in new applications for their personal laptop computers than by building out new computer labs.



“On the Internet, nobody knows you’re a dog.”

Much of the most dynamic online activity right now is user-driven and can be carried out on readily available consumer hardware. The devices to power and populate even advanced applications can now easily fit into a large handbag. Facebook and Twitter are two of the most notable developments.

- Over the past two years, Facebook has quintupled its users to a population of over 500 million around the globe. It has become an active organizing platform for everything from homework sessions to street protests. It has become a powerful—though still erratic—marketing tool for younger audiences, and its demographics are now shifting towards an older audience. Many younger members are now experimenting with new forms of online activism, ranging from raising consciousness on international issues to online fund-raising for favorite causes.
- Twitter, launched in 2006, has grown to some 190 million users. The uninitiated often jeer at the idea that anything of value can be expressed in 140 characters. But they may not realize that many users employ it most effectively as a headline service to circulate shortened links to noteworthy articles (or even books). Twitter users achieve particular efficiency and utility by employing lists that receive feeds from individuals and institutions with common interests. These can function as the equivalent of a personalized “publication,” allowing the user to select his/her own masthead.

Many sweeping claims have been made about the new applications’ potential benefit for nonprofits, but some of these require further scrutiny. Online campaigns can alert vast numbers of potential supporters and yield quick, impressive numbers of “one-click” responses, but these often result in little follow-through (or, as young users call it, “slacktivism”). These trends are explored in [Beth Kanter’s](#) and [Allison Fine’s](#) *The Networked Non-profit* (Jossey-Bass, 2010), a user-friendly workbook that walks the reader through new platforms and their deployment. Kanter and Fine have educated numerous nonprofits through their blogging and presentations, and their book is unusually helpful in explaining the jargon and the organizational implications of their field, with plentiful examples.

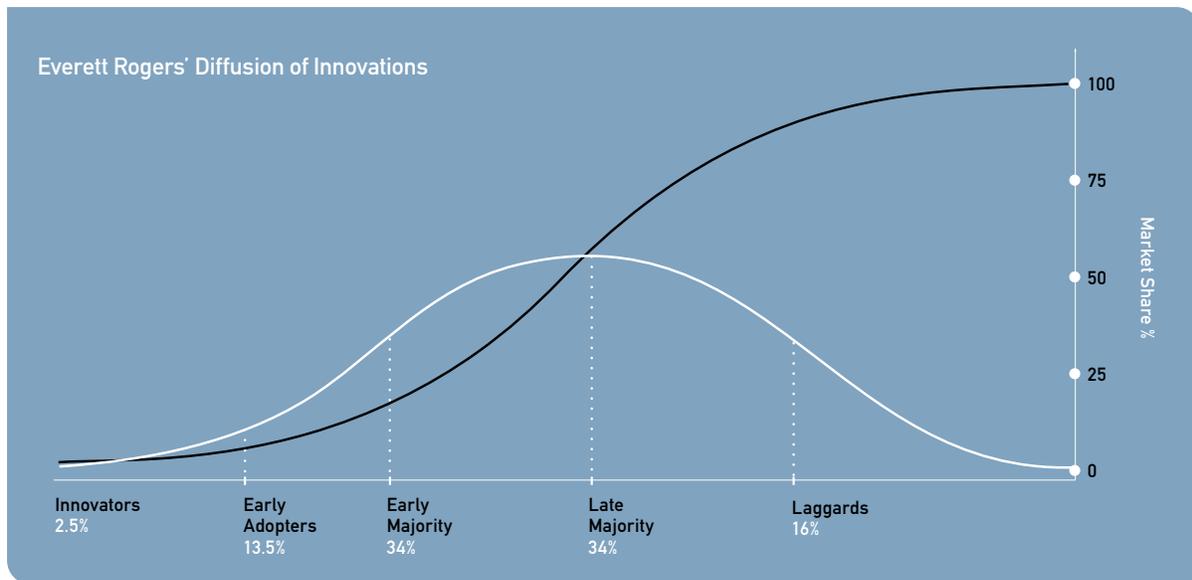
Nonetheless, promoters of the new online activism can be prone to irrational exuberance. The introduction by Randi Zuckerberg (sister of Facebook founder Mark) to

Kanter’s and Fine’s book is a case in point. To illustrate the social power of Facebook, she describes a young man who used it to solicit money for breast cancer research: “By the end of 2009, Eric’s cause had 5.5 million friends and over \$135,000.” In other words, his efforts translated to a little over two cents per “friend.” Other campaigns have yielded greater results; the Obama campaign and the response to the Haitian earthquake come to mind. Even so, they often depend on headlines and emergencies; in the critical aftermath, the attention often moves on.

Identifying and connecting with engaged online communities can often accomplish more than sizable investments.

American universities have been a critical incubator for the communications revolution, and education continues to be a site of experimentation. As the economic downturn continues to batter traditional universities, there will be growing pressures to use digital technology to bring down the high costs of education—from both the consumers’ and the educators’ perspectives. The transformations have been extraordinary: in libraries, for example, academic institutions throughout the world have acquired the potential to infinitely expand their holdings through the Internet.

Teleconferencing carries the classroom to far-flung students, and online collaboration has accelerated research in many disciplines. At the same time, some approaches to online learning have been discouraging. A number of for-profit online institutions have sprung up, including Everest University, Kaplan University, and the mammoth University of Phoenix, which enrolls some 500,000 students. These are to some degree democratizing higher education and, in any case, making higher education far more easily available to a multitude of students who are not interested in or able to attend traditional institutions. But these institutions have recently come under [Federal investigation](#) for misrepresentation and potentially fraudulent practices. Furthermore, even experienced educators are uncertain which forms of digital education enhance which forms of cognition.



Principles for Nonprofits in Expanding Their Media Platforms

Nonprofit organizations should keep several principles in mind as they expand their use of the new media platforms:

- **Match your technology to your goals.** Online media do so much so well that they blind us to what they do poorly. Take, for instance, the case of reading. It's still early days in terms of hard research, but there are many signs that [reading long, complex material on a back-lit screen is less effective](#) than reading it on a printed page. (The various reasons range from eye-strain-inducing back-lit screens to distracting links—disadvantages that may be addressed by ebooks and other technologies on the horizon.) But today's students need to absorb their readings today, and the quality of the reading experience matters. (One dirty little secret attached to many syllabi these days is that students are simply printing out their online links and transferring their payment from the author and publisher to the vendor of expensive ink.) The issues of readability and retention may be addressed in the next generation of e-reader, but this should not be assumed.
- **Be careful of significant capital investments “up-front”:** Educational institutions have experienced pressure to install “smart classrooms” at considerable expense. It is astonishing how many resources are devoted to the screens and the interfaces, and how little attention is paid to the classroom environment itself. It is possible to design a space so students can see each other, the instructor, the screen and a white board—but legions of designers forget to ask the instructors

what elements they need to teach. If an institution hasn't clarified its goal and brought teachers to the table, it will be impossible to design the most effective media applications.

- **Introduce new applications and technologies in step with your audience**—not the consumer bandwagon. Everett Rogers' classic “diffusion of innovations theory” is extremely helpful for analyzing how given online audiences adapt to change (*see graph*). In Rogers' graph, the bell curve represents the breakdown in adoption, while the black line illustrates cumulative users. “Innovators” (to the left of the bell curve) take the gamble of experimentation, with the knowledge that much of what they try is bound to fail. This is a fine spot on the graph to attract users whose business is media and/or technology (such as computer science departments, technology programs, journalism schools, etc). But other programs may want to let new media applications mature and prove themselves before committing major expenditures of time and money to building a presence, especially in a period of economic contraction.

Online media do so much so well that they blind us to what they do poorly.

- **Bear in mind that this is a transitional era,** and it has generated a new digital divide. It appears that users

Digital media will yield the greatest benefit when it is used with ethical, public-spirited and fully focused humans firmly in the driver's seat.

aged 50 and over tend to live in their comfort zone of email and web searches, while those under 40 have tended to gravitate towards social media such as Facebook and Twitter. (Much of this traffic may arrive on the same page of content through links—the critical point is how they get there.) So if an organization is addressing both students and their parents, it may well need different generational media strategies for members of the same family.

- **Continue to adapt.** Countless universities and cultural institutions have invested heavily in website designs, involving increasing quantities of content and increasingly elaborate design elements, such as video and interactivity. But this often leads to sites that are vast, unwieldy and hard to navigate. Critical information is buried, locked in pdf files that don't appear in searches, or languishes without updates. The result is that users cannot access vital information and the utility of the site is lost. Institutions need to take the next step of tagging the information and putting it into searchable hypertext, so its contents will show up in searches.
- **Go the distance in online reputation management.** Increasingly, digital information constitutes the public “face” of an institution. It isn't enough to search out and respond to negative information online; institutions need to be proactive. That means making certain that accurate, well-presented information is reaching the users, in the places they're looking for it, in a form they can easily access.

In the recent past, a website was regarded as a brochure or catalogue, free of printing and postage costs. But web traffic is shifting and consolidating. (In August, [Wired](#) magazine reported that the top 10 websites account for about 75 percent of the traffic in the U.S. in 2010.) That means that most of the audience may arrive at an institutional website via a search engine, such as Google, or by way of a link on another site. (For young audiences, that may well be Wikipedia—like it or not.) Organizations that aspire to international audiences (such as universities seeking international applicants) can drive away

users in countries with low bandwidth, who spend hours waiting to download sites with too many bells and whistles.

Although there is much uncharted territory ahead, a number of recent books offer important insights into the promise and the achievements of digital media. These include Yochai Benkler's [Wealth of Networks](#) (Yale, 2006), Clay Shirky's *Here Comes Everybody* (Penguin, 2008) and Jeff Jarvis' *What Would Google Do?* (HarperBusiness, 2009), to name just a few.

Other useful works include caveats and qualifications. Andrew Keen's *The Cult of the Amateur: How Today's Internet is Destroying Our Culture* (Nicholas Brealey, 2007) warns that a glut of online free content is eroding the market that supports excellence that would be expressed by an accomplished author or a classical musician. Nicholas Carr's *The Shallows: What the Internet is Doing to Our Brains* (W. W. Norton, 2010) discusses how web-surfing and multi-tasking can degrade our powers of concentration, while William Power's *Hamlet's Blackberry* (Harper, 2010) takes a hard look at the way technology can affect family life and social relationships.

None of these authors argues that it is desirable (or possible) to go back to a pre-digital past. But they all point to an essential value at stake: the force of human agency.

To make our way forward, institutions that serve the public interest must lead the way in designing hard-headed audits of the impact of technology—on individuals, on organizations and on society—as an honest appraisal of both the benefits and the potential losses. Like the automobile, digital media represents a marvelous advance in technology. But it will yield the greatest benefits, and do the least harm, when it is used judiciously—with ethical, public-spirited and fully focused humans firmly in the driver's seat.

— ANNE NELSON / Senior Consultant

This is an expanded version of an article on PBS MediaShift, <http://www.pbs.org/mediashift/2010/09/the-challenge-of-digital-media-in-the-classroom265.html>. The author posts on Twitter as [anelsona](#) on media, education and development.

Notable Books

In each issue, we identify and briefly describe a small number of books that are insightful about consequential matters and offer new ways of thinking strategically about the nonprofit world.

Higher Education?: How Colleges Are Wasting Our Money and Failing Our Kids — and What We Can Do About It

by Andrew Hacker and Claudia Dreifus

Times Books, Henry Holt and Company, 2010

271 pp., \$26.00

Andrew Hacker, professor emeritus of political science at Queens College, City University of New York, and Claudia Dreifus, an adjunct professor at the School of International and Public Affairs of Columbia University, provide an interesting overview of the dismal and frightening cost structure of higher education in the United States today.

They lay out in compelling detail a range of analytic data widely familiar to campus leaders, faculty and administrators, college parents and the general public: average costs rising at rates that far exceed the rate of general inflation; increasing average debt loads for undergraduates and graduate students; and attenuated average college completion time for undergraduates. They suggest that declining full-time faculty teaching loads, ever more elaborate campus sports programs and an institutional “arms race” to enhance student amenities are among the causes of ever increasing tuition levels. Their jeremiad fundamentally questions the value of undergraduate education at most institutions today because of what they consider to be low value in relation to high price.

The authors make prescriptive suggestions for correction, such as abolishing tenure, capping executive compensation, and limiting college athletics, most of which are politically untenable and institutionally unrealistic. The real value of their work lies in graphically depicting a failed financial architecture in what has been one of the U.S.’s truly world-ranked industries (to be crass about the economic power of U.S. higher education in the world market). This comes at a time when U.S. universities and colleges play an ever more important role in economic development and manpower training and provide leadership of the knowledge economy that no other sector can hope to provide.

The Conflux of Three Significant Factors

What the book unfortunately does not do is to think through the likely collision course of three factors: an increasingly problematic financial architecture of higher education (both public and private); the inevitably disruptive impact of technology on higher education pedagogy, positioning and outreach; and the adversely changing U.S. higher education “balance of trade” with other countries that threatens to reduce higher education’s historically effective contribution to society in advancing research.

There is coming a likely collision in U.S. higher education of a problematic balance of trade.

College Pricing

Tuition rates can surely not continue to increase so rapidly during an era of fragile overall economic conditions — even with the growing role of third-party payers, primarily the Federal and state governments through guaranteed loans, direct financial aid and research funding with related overhead. (See [William Bowen’s](#) seminal work regarding the systemic inability of universities and colleges and other nonprofit institutions to increase productivity at the same rate as inflationary expense growth.)

Much of the reason that tuition levels have inexorably increased is that higher education is inherently expensive and increasingly costly to provide. Interestingly enough, the book implicitly suggests that the higher education terrain may mimic the consumer sector, with segmentation into strata of low-cost providers versus high-priced elite institutions that will continue to appeal to individuals with sufficient disposable resources and/or tolerance for indebtedness. Hacker and Dreifus name a group of ten institutions that they maintain provide high-quality education at low cost, and thus offer

a new definition of a “good college”—while acknowledging that many colleges and universities fall in the middle, between the “value” and the “luxury” market for educational institutions.

Technology

Most institutions of higher education—and many commentators on the sector—have not yet realized that technology will substantially alter the current business model, though in ways that are not yet evident. The current messy complications of health care offer a parallel: positioned at the intersection of increasingly dominant third-party payers; absorbing technologically-driven advances in understanding and treating human disease; and reacting to the growing impact of science and delivery on improving the overall quality of health care—all at a time when a large sector of the population lacks affordable access to such care. Technology’s impact on newspapers and magazines is another sobering example of its ability to wreck havoc on a long-standing, successful business model.

On the other hand, technology will undoubtedly provide significant opportunities to increase flexibility of instruction (including, but surely not limited to distance learning), reframe in-class pedagogy (no longer a need to provide basic or advanced information) and, possibly, lower costs of educational delivery. It will surely also enhance institutional affiliations and partnerships, continue to foster multi-site research and instruction and improve the quality while lowering the costs of administrative and support services.

The disruptive impact of technology is likely to advance rapidly, as an increasing number of young students who have grown up with the Internet (and now social media) contemplate college and enroll in classes taught by a generation of faculty that is generally unfamiliar with the newer learning modes, and are more motivated by research. Stay tuned.

Balance of Trade

U.S. institutions have enjoyed a positive balance of trade with international students for the past several decades. Foreign students have provided healthy margins to many universities and colleges because they have typically not required institution-funded financial aid and their number has been robust and growing. But strong institutions of higher education are emerging in Asia, India and the Near East. Foreign students are encountering increasing difficulties in obtaining visas and U.S.

higher education costs are continuing their inexorable rise. The problem is compounded by the many foreign students who are electing to return to their home countries upon graduation to build strong institutions of higher education that can emerge as competition to their U.S. counterparts.

Research

While undergraduate teaching has surely suffered at some institutions because of emphasis on research (and not all research can be called path-breaking), the overall volume, quality and impact of research results flowing from America’s universities is unparalleled. Sixty years ago there was an inspired decision to nestle government-funded basic and applied research within universities rather than independent research centers, and to insist on peer review to depoliticize the process. While research costs have exploded over the past several decades, they have not substantially contributed to growing tuition costs. And an increasing number of institutions are providing meaningful opportunities for undergraduates to participate actively in serious research projects.

Advancing Public Scrutiny of the Nonprofit Sector

The real issue that *Higher Education?* inadvertently makes evident is that a whole swath of the nonprofit sector in this country is increasingly under siege. The book is symptomatic of growing public concern about the value, purpose and costs of higher education—and by extension, much of the whole nonprofit sector—at the very moment that higher education holds the greatest promise for unleashing the vast potential for innovation, entrepreneurship and economic revitalization that the country needs to counter severe economic challenges.

Thus, Hacker’s and Dreifus’ work is important for the nonprofit sector—rather than just higher education—because it so nicely manifests early symptoms of the current disturbance, with a tone bordering on frustration, distress and regret. Their suggested remedies are not likely to be practical or relevant; they miss some important larger issues; and the book does not take imaginative advantage of its rich analytic base. But raising the flag about the conjunction of troubling trends plays the helpful role of a “canary in the coal mine.”

There will surely be many more articles and volumes about the problems of higher education and conceivably the whole nonprofit sector. These should be taken as warning signs that major change is coming. It will be

prompted by evolving public perceptions of the value, integrity and impact of nonprofits — at the very moment when nonprofit missions have never been more relevant, important and critical to meeting an unparalleled set of societal needs and demands. Therein lies a critical strategic challenge for the whole nonprofit sector.

— ANTHONY KNERR / *Managing Director*

Disrupting Philanthropy: Technology and the Future of the Social Sector

By Lucy Bernholz with Edward Skloot and Barry Varela
Funded by the John D. and Catherine T. MacArthur Foundation, 55 pp., [Available online.](#)

Disrupting Philanthropy: Technology and the Future of the Social Sector is a must-read for “donors and doers,” especially those associated with large, traditional foundations.

Authors Lucy Bernholz, together with Edward Skloot and Barry Varela (under the auspices of the Center for Strategic Philanthropy and Civil Society at Duke) open our eyes to how philanthropy is changing. When we think of philanthropy, foundations such as Gates, Rockefeller, MacArthur (of which I was President for 10 years) and Ford come to mind. But the field is far broader than this would suggest. The 400 largest foundations and 60 largest individual donors together gave \$32 billion in 2008, compared to a total of \$308 billion given by all donors.

Where does the rest come from? We learn about online philanthropic organizations with names like All for Good, MyC4, Kickstarter, Faster Cures, Ushahidi, and more. Bernholz and colleagues provide robust examples of how social media, networks and access to data on the web enable individuals to direct their giving to medical research, earthquake victims, conservation, human rights and more. And we learn how social media like Youth Truth Evaluation gives ground truth to the impact of charitable giving.

We also learn how technology helps advance program objectives: using cell phones to report human rights abuses or transmit healthcare information in Africa, serious games to teach about conservation and a video game to help youth living with cancer stick to medical regimens.

The authors are not technology romantics. They warn us about unintended consequences such as increased

transparency limiting risk-taking, or network-driven standardized metrics skewing giving toward near-term easy fixes, rather than less quantifiable longer term, more complex interventions.

And they raise interesting questions about how regulatory regimes will keep up with new forms of philanthropy, especially those that blend not-for-profit and low-profit enterprises.

I wish the authors had posed some questions—or even offered advice—to the large established foundations. The latter have a lot to learn about how to harness technology to advance their programmatic objectives and how to bridge to the new world of networked individual giving.

Social media, networks and web-based data can enable individuals to direct their charitable giving.

I also wish the authors had thought more about global philanthropy. I am currently doing a study of funding trends in human rights. Only a few major U.S. and U.K. foundations have significant human rights programs, not enough to support the burgeoning number of human rights and civil society groups around the world. Where will support come from to sustain groups like Access to Justice in Nigeria, the Nizhny Novgorod Committee Against Torture in Russia or the Arab Human Rights Foundation in Lebanon? Bernholz and her colleagues offer an answer: the aggregation of small donations through groups like Awesome and Social Action.

Bernholz and colleagues rightly conclude, “Philanthropy in the U.S. is entering a new phase” (which applies to global philanthropy as well). They have provided concrete examples of how technology advances social goals, enables new forms of giving and collaborations, and improves evaluation and accountability. They have also posed a rich agenda for further inquiry.

Their parting advice is sensible: “We can agree not to fear, scorn, or ignore new technologies, but to be open to learning about the experimentation with them, and sharing the results.”

We will need time to see whether technology “disrupts” philanthropy as we know it, or rather provides new tools

that will deepen its impact in incremental steps. I lean towards the latter view.

— JONATHAN FANTON / *Senior Consultant*

Five Minds for the Future

By Howard Gardner

Harvard Business School Press, 2009 (revised edition), 196 pp., \$17.79

“The empires of the future will be empires of the mind,” Winston Churchill once declared. He was not alone in his fascination. The enterprise of classifying the human mind has both attracted and eluded thinkers ranging from Plato to Max Weber. Howard Gardner’s book [Five Minds for the Future](#) suggests a new paradigm of mind types, while acknowledging perspectives such as Daniel Pink’s *A Whole New Mind* (Riverhead, 2005), which puts the emphasis on the “softer sides of cognition.”

Gardner, a professor of cognition and education at Harvard, is best known for his work on multiple intelligences. He ties together his experience in neuroscience, psychology and education to create a sweeping classification of the human mind defined as cognitive abilities, or the “ways of being” required for the “survival of our species in the 21st century.”

The Five Minds

The book is organized in chapters corresponding to the five minds: the *Disciplined Mind*, the *Synthesizing Mind*, the *Creating Mind*, the *Respectful Mind* and the *Ethical Mind*.

At the foundation of Gardner’s paradigm is the *disciplined mind*, which features an ability to master the way of thinking associated with a major discipline or profession, as well as the ability to improve and learn continually. In a prevailing culture that values creativity and self-expression, Gardner makes a point of emphasizing mastering “the basis of a discipline before entering a debate,” and sees logical and cognitive ability as necessary for any work, including creative endeavor.

Further, the *synthesizing mind* is uniquely capable of processing disparate pieces of information from multiple sources, “uncluttering the mind” to focus on what is important to create a coherent picture and reach valid conclusions. Based on the intellectual rigor of the disciplined mind and the insights of the synthesizing mind, the *creating mind* uncovers new horizons and defines

new ways of thinking as opposed to following the old. Edward de Bono conceptualized it as “lateral thinking,” the capacity to shift frameworks and wear different hats.

It is particularly curious to read how Gardner contrasts the Chinese education approach, centered on tradition and memorization, and the American paradigm that puts creativity on a pedestal—a contrast that may be waning, as Asia increasingly builds its capacity as a center of creativity (which Gardner himself recognizes). Gardner’s interpretation of creativity, unlike Pink’s, goes beyond traditional creative disciplines into business, where he makes the distinction between the manager, with predominantly a disciplined and synthesizing mind, and the leader, who breaks new ground, formulating and pursuing new visions.

Gardner argues that the *respectful* and the *ethical* minds will command a premium in the future. The respectful mind possesses the ability to respond sympathetically and constructively to differences between individuals and groups; Gardner insightfully describes this skill as a particular kind of intelligence. Finally, the ethical mind falls within the realm of bringing meaning to one’s life and work—“the ability to strive towards good work and citizenship,” and live one’s life in accordance with those values. Gardner’s explorations of these last two minds are intriguing, but he describes them less vividly than the others, and does not provide a clear practical application.

There is no legitimate reason why the cultivation of one kind of mind should preclude the cultivation of others. Yet, as a practical matter, there may be trade-offs.

The focus of the book is to make the case for cultivating all five areas and to illustrate the best ways of doing so. One of the other intriguing points of Gardner’s approach is on fostering the different minds through one’s formal education and adult life, in particular the creating mind, claiming that the creating mind is akin to that of a five-year-old. As Picasso famously said, “I used to draw like Raphael; it took me my whole life to learn to draw like a child.”

Gardner postulates from the outset that he intends to avoid the stark contrast of his predecessors’ classifica-

tions—his system is more akin to concentric circles or a pyramid, in which each type of mind builds on each other, rather than discrete “boxes” of different categories of cognition. The book goes to great lengths to show interdependencies, which reveals its strength and its weakness at the same time. Gardner writes, “In no sense do these kinds of minds need to represent a zero-sum. There is no legitimate reason why the cultivation of one kind of mind should preclude the cultivation of others. Yet, as a practical matter, there may be trade-offs.”

Some Complexities and Inconsistencies

Gardner himself recognizes the difficulty of his approach, and his arguments can be inconsistent. He disagrees with Pink’s exclusive focus on cultivating the “right brain,” yet joins Nietzsche in contrasting the Apollonian mind (which, in Gardner’s terminology, would be “synthesizing”) with the Dionysian (which Gardner would call “creating”). This creates difficulties in identifying concrete applications of his typology to developing certain types of intelligence. For example, while there are clear implications for educators (such as the need to develop the whole range of different minds rather than “boxing” students into particular categories), conclusions for nonprofit leaders and managers are harder to draw, particularly in the absence of clear correlations between the specific mind areas and factors such as success, managing teams, recruiting and training individuals, etc. Gardner explicitly talks about selecting people already possessing the “right” kind of mind for a particular position—a stance that seems contradictory to his “inclusionary” approach to education.

Gardner’s approach shares the weakness of previous classifications in its ambition to draw a comprehensive landscape of human intelligence. This exercise is fundamentally abstract. Only the ethical mind is based on any kind of empirical evidence, drawn from Gardner’s Good Work project, a study interviewing more than 1,200 individuals to explore which factors contribute to work that is “excellent, ethical and engaging” and determine formative influences on a “rich life.” Gardner claims that work stands at the center of modern life (in contrast to Freud, whose phrase “lieben und arbeiten,” or “love and work,” described his key to a good life).

Understanding the mind will continue to fascinate us, especially in our increasingly “flat” world, interconnected and overloaded with information. While Gardner offers captivating illustrations of the different foci of human intelligence, his argument largely falls in line with the

existing classification systems while providing some interesting, if not ground-breaking, contributions.

Still, the idea that these five minds could offer a framework for education, talent and leadership development is intriguing and relevant to nonprofit leaders, whether they are directly involved in succession planning, strengthening the governance or executive team, or maximizing the human potential of the organization.



Furthermore, Gardner’s description of the different types of minds is not necessarily exhaustive. Gardner himself points out the possibility of uncovering or seeing the rise of new minds—especially as our cultural horizons broaden eastward into Asia.

Ultimately, the book prompts two observations: first, Gardner does not entirely clarify the relative weight of each mind toward contributing to a person’s success and happiness or a “good life” in a platonic sense, nor does he decisively reconcile our society’s preoccupation with rigor and “bottom-line” orientation with the need to value creativity. Second, the work would benefit from more scientific evidence to bolster its arguments. Surely, there will be others to tackle these issues. That said, *Five Minds* is an engaging and accessible read for anyone with an interest in human intelligence, which surely includes most nonprofit leaders.

—LANA ATANAZEVIICH / Consultant
ANNE OLDEROG / Affiliated Consultant

Selected Recent Client Assignments

Acquincum Institute of Technology

Budapest, Hungary

Strategic counsel on the establishment of an American study abroad program.

Archives of American Art — Smithsonian Institution

Washington, DC

Preparation of a strategic plan.

Blithewold Mansions, Gardens and Arboretum

Bristol, RI

Evaluation and recommendations on organizational capacity building, communications, branding, marketing and programming.

Cambridge University

Cambridge, United Kingdom

Strategic counsel on Cambridge's 800th Anniversary £1 Billion Campaign.

Fordham University

New York, NY

Diagnostic assessment of institutional reputation and recognition.

Girl Scouts of the USA

New York, NY

Strategic assistance in planning and coordinating a nationwide 100th Anniversary Campaign that will join 110 local Councils and GSUSA in a \$1 billion or so initiative.

Hunter College

New York, NY

Preparation of a strategic plan.

Inwood House

New York, NY

Preparation of a business plan and counsel on selected strategic issues.

National Museum of Natural History — Smithsonian Institution

Washington, DC

Counsel on preparation of a strategic plan.

National Trust for Historic Preservation

Washington, DC

Preparation of a strategic plan for Chesterwood, the summer residence and studio of Daniel Chester French in Stockbridge, MA, a National Trust Historic Site.

Norman Rockwell Museum

Stockbridge, MA

Counsel on governance, strategy and financial planning.

Pace University

New York, NY

Strategic counsel on a range of issues.

Planned Parenthood Golden Gate

San Francisco, CA

Assessment of management, leadership and fundraising.

Rubik Studio

Budapest, Hungary

Strategic design and coordination of planning with Erno Rubik of an international touring exhibit of the Rubik's Cube upon its 30th anniversary.

University of the Sciences in Philadelphia

Philadelphia, PA

Academic program cost and capacity analysis.

State University of New York

Albany, NY

Facilitation of the strategic planning process and preparation of a system-wide strategic plan.

Variety the Children's Charity of New York

New York, NY

Initial stage of a strategy development process.

Wadsworth Atheneum Museum of Art

Hartford, CT

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Yale University

New Haven, CT

Strategic counsel for the Center for Faith and Culture, Yale Divinity School.

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