

# Disruptive Forces:

Driving a Human  
Services Revolution



# DISRUPTIVE FORCES:

## Driving a Human Services Revolution

### **DEDICATION**

*Peter Goldberg*

July 14, 1948 – Aug. 12, 2011

*Disruptive Forces: Driving a Human Services Revolution* is dedicated to the late Peter Goldberg, President and CEO of the Alliance for Children and Families, a visionary leader who never shied away from challenges and opportunities. This report is an example of his dedication to strengthening nonprofit human service providers.

*“Your communities have benefited from your bravery. It takes courage to move out of the comfort zone, to take chances, to change, and yes, to innovate. In this field, there is little reward for taking risks, but driven by your mission, and compelled to provide high quality programs and services, you take those risks in order to better serve your communities.”*

– Peter Goldberg, Alliance for Children and Families National Conference, October 2009

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# What is a “Disruptive Force?”

- A monumental, unexpected change that does not fit previous patterns<sup>1</sup>
- A circumstance that creates such dramatic change that it transforms existing industries or creates new ones<sup>2</sup>
- A revolutionary force, not an evolutionary progression

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Inherent in the recognition of a disruptive force is the opportunity it presents nonprofit leaders to dramatically enhance responsiveness and the efficacy of the delivery model in the future. While disruptive forces conjure a negative image for many, this report takes the strong position that high performing strategic organizations will capture opportunities.

Historically, those who have recognized implications and opportunities have innovated at a level previously unimagined. In the future, those who choose to ignore these forces will be unlikely to survive.

## **Disruptive forces in the for-profit sector:**

- Kindle, iPad, Nook
- Southwest Airlines
- Netflix

## **Disruptive forces in the nonprofit sector:**

- Grameen Bank, Kiva, microfinance
- Government pay-for-performance initiatives

In contrast to these revolutionary disruptive forces, an example of the traditional evolutionary progression in the child welfare sector over the last century:





The Alliance for Children and Families is deeply grateful to the Consuelo Foundation, which provided a generous grant for the research, writing, and printing of this report.

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### **About the Alliance for Children and Families and Baker Tilly Partnership**

The Alliance for Children and Families is a membership association that strengthens the capacities of North America's nonprofit child- and family-serving organizations to serve and to advocate for children, families, and communities. Baker Tilly is a full-service accounting and advisory firm with specialized expertise in advising nonprofit organizations with audit, tax, and management issues. Our two organizations came together with a shared goal of identifying how human services organizations can react to, leverage, capitalize on, and, in some cases, become disruptive forces to dramatically change the sector.

# Forward

It began with a comprehensive report produced by IBM. The 2010 IBM Global CEO Study captured the attention and imagination of the late Peter Goldberg, president and CEO of the Alliance for Children and Families. As was Peter's modus operandi, he saw an opportunity for the nonprofit human services sector as he considered the IBM report.

While Peter guided the Alliance and its sister organization, United Neighborhood Centers of America, toward their 100th anniversary, it was his vision to develop a corollary to the IBM Global CEO Study for the human services sector. He believed that there is no better time to look to the future than when you are completing a celebration of your storied past—we agree.

## We set out with three specific goals:

1. Identify and assess disruptive forces and issues that will be faced by nonprofit human services organizations during the next three to five years
2. Identify the key goals and philosophical shifts in the human services sector
3. Identify competencies and strategies necessary to position human services organizations so they can thrive

*Disruptive Forces: Driving a Human Services Revolution* was compiled using research, an online survey, focus group discussions, and individual interviews with a cross-section of thought leaders in the sector. This report was reviewed closely and further amalgamated by Alliance staff, the Alliance's strategic positioning committee, and the advisory committee for this report.

Since it is clearly predictive, *Disruptive Forces: Driving a Human Services Revolution* may not be 100 percent correct. Rather, it is an effort to help organizations plan for successful futures by illuminating complexity, inspiring tough conversations, and pushing them to think outside of their comfort zone. Indeed, the concepts delivered in this report can be viewed as opportunities. This report is another example of the Alliance's ongoing commitment to elevating the role of strategy within the sector.

As Peter frequently counseled, even with dramatic changes that have the power to transform, don't ever underestimate the ability of nonprofit organizations to adapt and innovate. In fact, this sector would not be offering services on the scale it does today, without that willingness to adapt to the changing landscape and changing needs of communities.

## We are optimistic—you should be too.

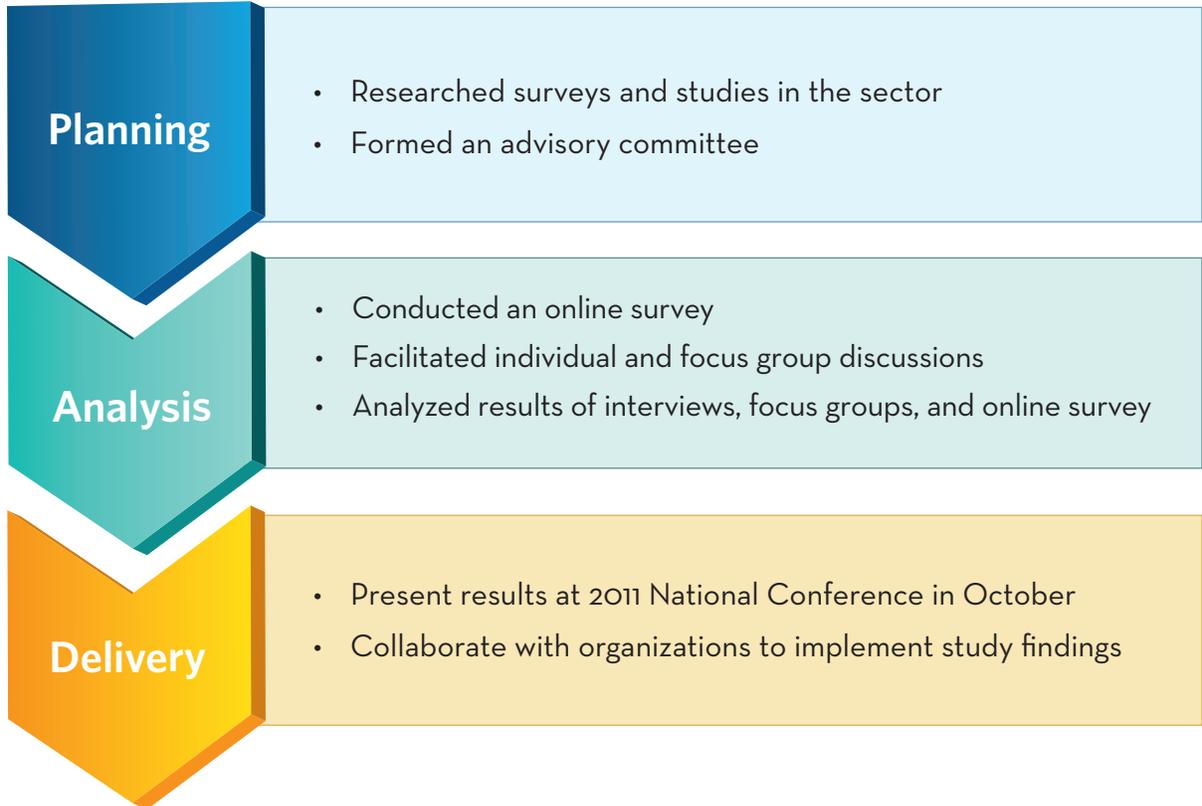
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*Interim President and CEO*  
Alliance for Children and Families

CHRISTINE SMITH  
*Principal*  
Baker Tilly

MONICA MODI DALWADI  
*Director*  
Baker Tilly

# Report Methodology

We employed a rigorous methodology to complete this study, gathering input and insight from leaders, strategic partners, and funding decision makers of human service nonprofits. Our goal was to create a vision for the next three to five years, identify disruptive forces, and spotlight actions required to preserve quality services within the boundaries of anticipated fiscal and other challenges.



In March 2011, we organized an advisory committee consisting of experts from diverse human services stakeholder pools, including government, academia, foundations, human service nonprofits, and consulting firms. The advisory committee helped to establish the framework and guiding principles for our work.

Then, in May and June 2011, we conducted an online survey to poll individuals nationally about potential disruptive forces and their impact on the nonprofit sector. Based on feedback from more than 150 online survey participants, we conducted individual interviews and focus group discussions with over 50 leaders in the nonprofit sector to further test the hypothesizes and predictions gleaned from the online survey data.

Finally, in July 2011, we re-convened our advisory committee to discuss in-depth the disruptive forces and associated micro- and macro-roadmaps.

## Fast Forward: A Portrait of the Future Landscape

Over the next five years, the human services sector will face challenges and new opportunities<sup>3</sup> as clients age, communities become more culturally diverse, and the funding environment changes. Without a significant human services nonprofit-led intervention:

- The number of individuals with the same social ills we face today will increase
- The nation will continue to struggle with the definition of the role of government, and government will significantly reduce its funding of the sector
- Foundations will hone their focus to the few proven, impact-generating organizations

We will begin to see the proliferation of focused and more tech-savvy nonprofits as the social entrepreneurship movement matures. Where potential revenue streams exist or will emerge (e.g., health care services), increasing numbers of for-profit competitors will emerge. To fill a portion of the funding void, alternative models will take hold, including social impact financing, social investment bonds, B-corporations, low-profit limited liability companies, and capital markets fundraising methods.

If these funding models do not effectively fill the gap, we will see a hybrid environment where traditional, for-profit corporations and private foundations provide funding for targeted philanthropic services, as well as a return to family and broadly-defined, multi-generational communities that support direct care for individuals within those communities. Additionally, some percentage of the population simply will be forced to go without care. In this time frame, successful, high-performing networks of human services organizations will:

- Embrace technology, employing sophisticated and integrated systems to manage clients, operations, and advocacy
- Apply scientific and medical advances to deliver their services
- Form innovative partnerships that deliver via multiple sectors (i.e., private, public, and nonprofit) to provide a full continuum of “community-determined” services
- View the sector as a system, where all parts are interconnected and impacts are collectively measured
- Be comfortable with increased complexity

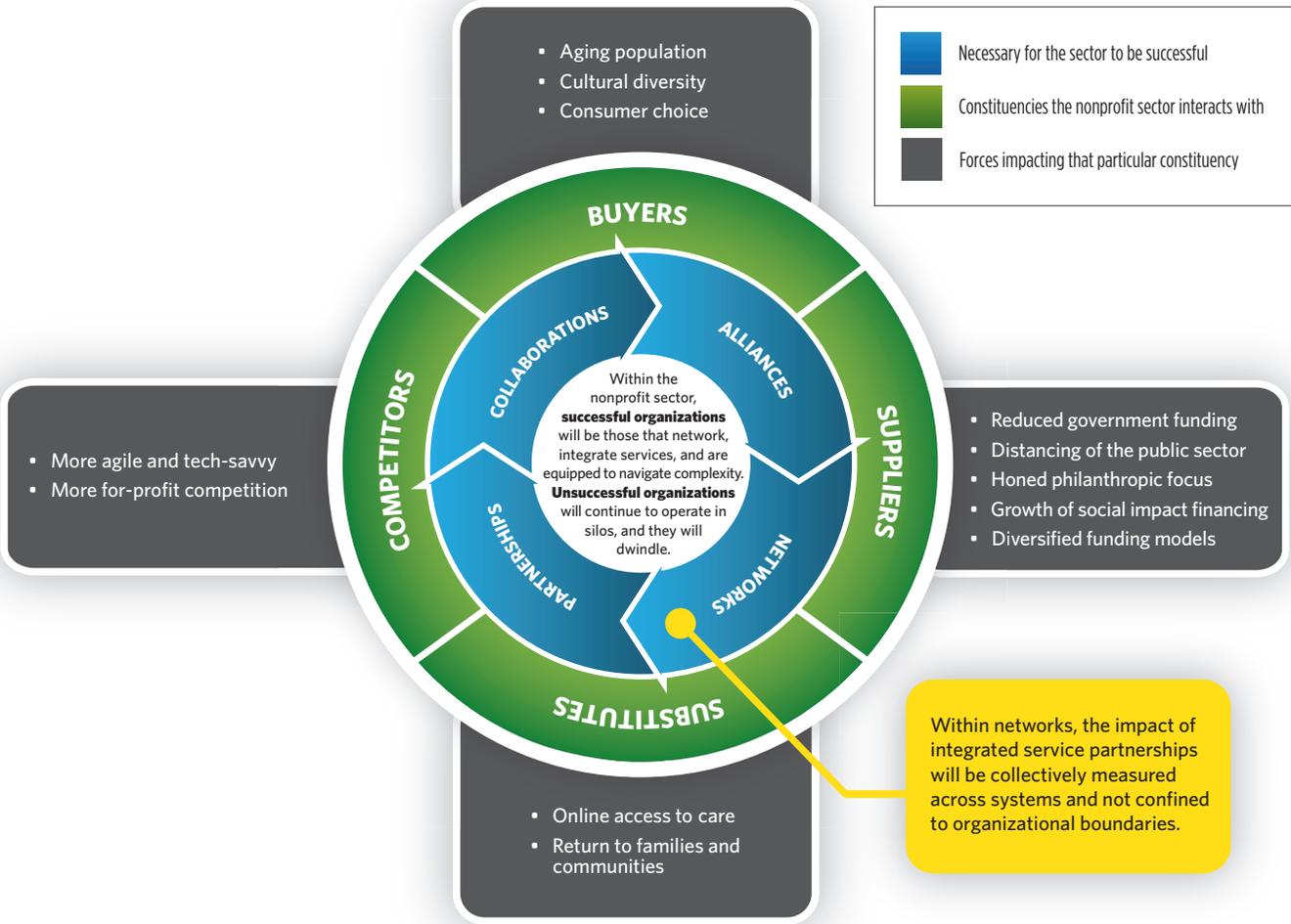
“The economy will recover, but government will remain impoverished.”

– Lee Grogg, Executive Director and CEO, Ryther Child Center

# Fast Forward: A Portrait of the Future Landscape

Below, we attempt to illustrate the complexity of the nonprofit sector—simply. Our goal is to portray a system, where each stakeholder’s actions have consequences for the others in terms of funding, impact, and the future of change.

## Future Landscape of the Nonprofit Sector



“The world we are in now requires evolutionary approaches. We need board members that are courageous enough to move forward in uncharted territory, leaders who are clear about purpose and willing to let go of programs in favor of new opportunities. Leaders need to be willing to embrace efforts for which success may not be defined and outcomes are not guaranteed.”

– Angela Blanchard, President and CEO, *Neighborhood Centers Inc.*

# The Fundamentals

The fundamentals are about what we already know, and we won't belabor the point—there are many great books, articles, blogs, and other periodicals on the topics below. Generative leadership and governance is foundational and prerequisite to making well-reasoned, strategic decisions. The following pyramid diagram illustrates a non-exhaustive set of examples (e.g., governance, leadership, and human capital matters) of fundamentals that are not disruptive forces on their own, but are necessary for organizations to respond to disruptive forces. In other words, that which is necessary to “survive,” versus that which is necessary to “thrive.”

## Foundational Elements Necessary to Successfully Respond to Disruptive Forces



“Consider the evolution of an organization like Apple. There are very few leaders like Steve Jobs that can take a company from a small, entrepreneurial start-up to a large, complex machine. Leadership is evolving to reward those that know how to collaboratively manage large, diverse organizations. Teams of empowered leaders that provide inspiration and articulate new ideas will have to work together to efficiently and effectively deploy their resources.”

— Wayne Luke, Head of Executive Search,  
*The Bridgespan Group*

### Governance and Leadership: Changing the Conversation

Boards of directors and their underlying structures have remained virtually unchanged for centuries. It is unlikely that there will be radical shifts in the constructs of boards over the next three to five years. However, effective leaders will collaborate with their boards to change the discourse to include more ethically-based discussions, such as:

- What should be done (not just what can be done)?
- How long should people live?
- Who should get service and who will not?
- What if a client cannot pay?
- When is it appropriate to “re-wire” someone’s brain?

## Uncertainty in the Next Three to Five Years

The confluence of fiscal reality and our ideal social policy are currently diametrically opposed to one another. Individuals across the nation are asking tough questions that don't have simple solutions:

- What is the role of government?
- What are we getting (e.g., return on investment) for our tax dollars in the human services sector?
- What can we afford to do and what should the funding source be?
- How many can we afford to serve?
- What are individuals entitled to receive?
- How do we balance human services needs with other competing priorities (e.g., failing infrastructure, pension plan under-funding)?

The current economic situation reduces the availability of government generated revenue and increases the scrutiny relative to how and where those dollars are spent; while at the same time competition for those funds increases and broadens. Depending on the answers to these questions and allocation of limited federal resources, we could see:

- Loss of tax-exempt status
- A flat tax
- Changes to taxable deductions via donation limits
- Increased charges to nonprofits for community services (e.g., police, fire, water)

Individuals don't seem to trust that government will be able to provide a workable solution, but still very much want to be personally connected to a purpose and cause—nonprofits can provide this space in which people can connect and contribute.

### Call to Action:

In this report, we encourage you to seize the opportunities that contradictory, complex situations create.

“The social compact is on the table  
in a way that it hasn't been before.”

– Diana Aviv, President and CEO, *Independent Sector*

# Disruptive Forces

Why should we pay attention to disruptive forces? The Alliance believes the future sector landscape will require successful organizations to have well-honed radar for adaptation. The ability of nonprofit leaders to proactively position the sector to address disruptive forces at play depends on their ability to proactively recognize, and collectively act upon, the specific opportunities presented.

Within the following pages, we describe a portrait of the future for each identified disruptive force that is specific to the nonprofit community. Following the discussion of the disruptive forces, we provide sector and organizational roadmaps to address them.



### Given Disruptive Forces

Additional disruptive forces that were widely mentioned are not discussed herein, because they are seen as given occurrences that the sector may or may not be able to control. They will happen and we will need to adjust to them.

### Forces to which the sector will have to react—nimblely:

- Large scale weather disasters
- Terrorist attacks
- Increased government debt
- Shifting national demographics

### Forces the sector can impact—collectively:

- Healthcare reform
- Changing role of government

# DISRUPTIVE FORCE ONE

## Purposeful Experimentation

Multiple forces combined will require increased and purposeful experimentation: (1) Risk-taking activities of for-profit competitors; (2) Low-cost information technologies; (3) Growing role of social media in communications, and (4) Desperation—as funding sources decline. Further, the demand for new, innovative solutions is high. Every day there is a new technology, service,

“Investment is key. Research and development is critical, but highly underfunded. It is needed to create new models of program intervention and service delivery.”

— Father Steven Boes,  
National Executive Director,  
*Father Flanagan’s Boys’ Home*

or scientific advancement to meet the changing consumer needs. There is wide agreement from the majority of participants that much broader levels of experimentation will be needed within the human services sector—and that survivors will take calculated risks.

Traditionally, nonprofits and their boards have been risk averse. There was little incentive to experiment. In the next three to five years, those organizations that stay the course (i.e., they don’t think differently, quickly, and innovatively), will not succeed. Accompanying the requirement to increase risk tolerance, will be the need for new business models to adapt at-risk navigation including the ability to conduct continuous risk assessments in support of courage-based vision execution.

Funders can assist by creating endowments or other resources for research and development. Nonprofit organizations should acknowledge that risk assessments as traditionally performed have been too infrequent and conservative; therefore the nonprofit approach to risk must be recalibrated to assume a level of risk tolerance correlated to the anticipated “reward.”

**TRANSLATION:**  
**Innovation as an Imperative**

The invention of a MySpace may lead to a Facebook, which can spur a Google+ Model that would in turn revolutionize the sector.

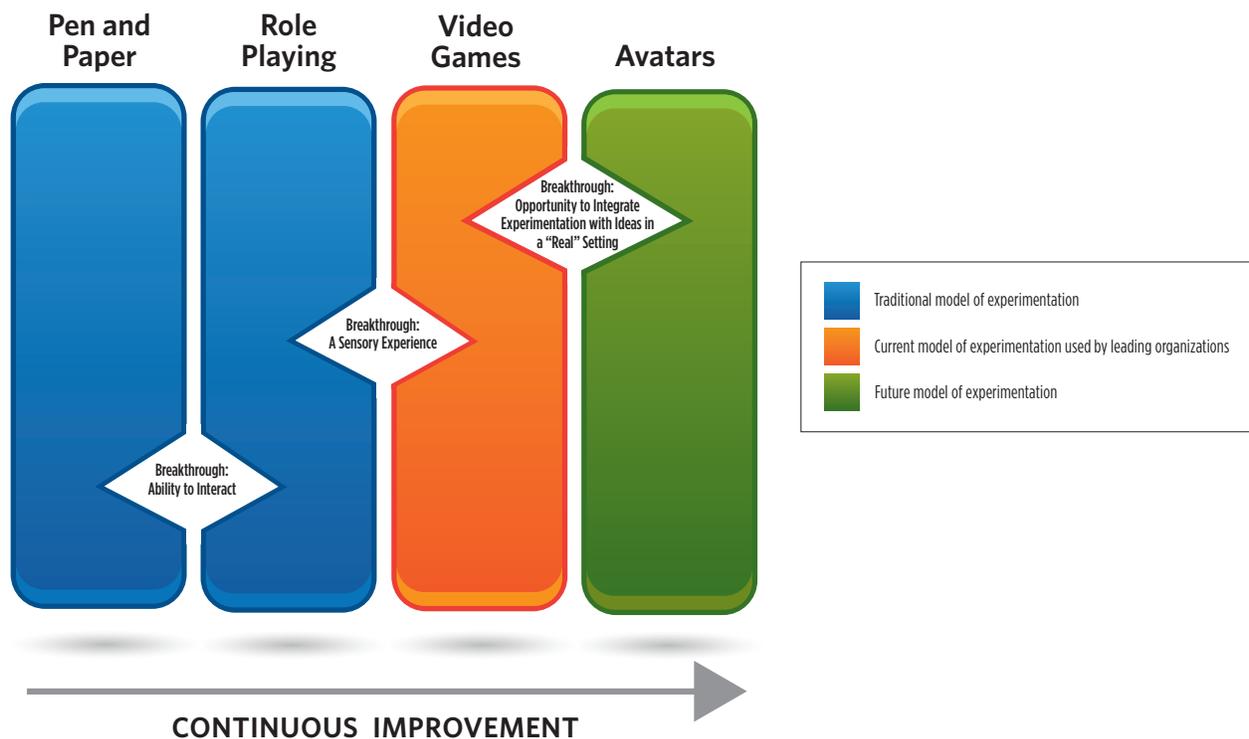
“Innovation, by definition, is taking risk, and as a sector we need to preserve risk takers; this is where innovation will occur.”

— Christina Molnar, President and CEO, *Safe Space NYC*

## Purposeful Experimentation Potential for Success

Over time, we have evolved from “pen and paper” methods (e.g., drawing) of imagining possibilities to role playing (which allows for sensory feedback). Imagine if resources, which can be provided in many forms, including “app-savvy” volunteers, were provided to develop video games to test new markets, services, and outreach models. This is the evolution of “role playing” in our

current vernacular. Initially, games could be used to drive input into the sector, build a pipeline of future workers (e.g., training and education), and improve program delivery. Eventually, avatars could be used to cost-effectively place human services employees in environments in which they need to work (e.g., in a remote geography).



“Innovation should be the focus of foundation funding and will require more than a two to three year commitment. Long term partnerships with primary funders are a needed shift.”

– Neil Nicholl, President and CEO, YMCA

# DISRUPTIVE FORCE TWO

## Information Liberation

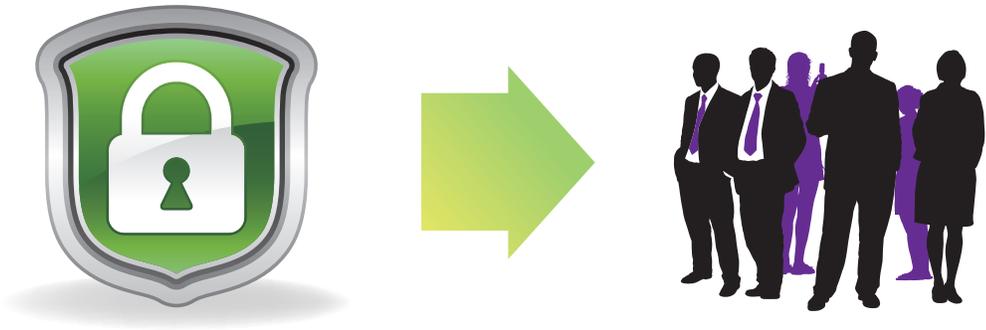
In an age where individuals widely share more personal information online than ever before, regulations like the Health Insurance Portability and Accountability Act (HIPPA), that go to great lengths to ensure information confidentiality, will become outdated. A new generation of consumers has emerged. They share information about themselves with friends, family, and communities, both live and virtually.

“There is too much of a confidentiality framework in human services; so that the systems sometimes hide behind this. The privacy (or confidentiality) belongs to the client, not to the system.”  
– James F. Purcell,  
CEO,  
Council of Family and Child Caring Agencies

The human services sector has used “privacy” and “confidentiality” as an excuse to avoid developments that promote information sharing. Information sharing can improve service delivery models such that they ultimately give consumers more control over how their information is shared and allow other agencies in the same continuum to provide better care.

If the human services sector cannot embrace the systemic changes required to adapt to a disruptive force in this arena (e.g., drop-box models or constituent management systems), then consumers and other industries will ultimately enact the changes themselves.

### From Regulated Privacy and Confidentiality...



### ...To Communities of Shared Information.

#### TRANSLATION: Cradle-to-Career Networks

The Strive Partnership and Ready by 21 framework have formed partnerships with other agencies to develop “cradle-to-career” networks. These networks bring together leaders in K-12 schools, higher education, business and industry, community organizations, government leaders, parents, and other stakeholders, such as mentors and coaches who are dedicated to helping children succeed from birth throughout their careers. In order to succeed, the partnership must share relevant information with all the stakeholders in the process.

# Information Liberation Potential for Success

There is a continuum of options for success, as illustrated below. New business models will be visualized to facilitate sharing and a sense of community amongst consumers. Those organizations that learn how to effectively leverage changing demands will likely lead the next generation of human services.



“In an age of accountability and transparency, hiding behind the privacy veil is no longer a defensible strategy, especially when organizations and key people need to collaborate to produce results.”

– Lynn Wooten, Associate Dean of Undergraduate Programs, Clinical Associate Professor of Strategy, Management, and Organizations, Ross School of Business, University of Michigan

# DISRUPTIVE FORCE THREE

## Integrating Science

Advances in science, engineering, neuroscience, and genetics, to name a few, will be adopted rapidly.

They will alter the ways in which individuals will be diagnosed and treated.

Neuro-scientific research, specifically in the nonprofit sector, such as brain feedback applications, brain stimulation to control behavior, memory erasure, and deliberate cell growth

and replacement, will be widely available. People will

measure brain activity similar to how they measure blood pressure or cholesterol today. Synapse growth and re-connection will be visible to those who demand it, similar to x-rays.

Extraordinary advances in technology will get between what is possible, what is affordable, and what is acceptable. Successful human service organizations will not only leverage these advances, but will partner with the research community to shape how these sciences can be applied cost-effectively to demonstrate impact. Boards will find themselves challenged by the ethical tension between high tech and high touch approaches.

“I see a promising future using research to achieve significant improvements in human service delivery, such as through the integration of neuroscience with cognitive behavioral therapy.”  
– Dennis Richardson,  
President and CEO,  
*Hillside Family of Agencies*

### TRANSLATION: Biometrics

While various conventional forms of securing a facility entrance exist (e.g., keys, access cards, security guards), biometric data provides a more secure method of physical safeguarding.

## Integrating Science Potential for Success

A core of nonprofit organizations' staff, and research scientists and analysts, will collaborate to demonstrate how service delivery programs will bring positive and lasting change to nonprofit customers. The scientific improvements will allow for improvement in diagnosing and treating individuals. Through these partnerships,

human service data-driven intervention models will exist which can demonstrate effectiveness and return on investment. Brain scanning functionality will allow organizations not only to demonstrate clearly the impact of their programs, but to discontinue or alter those approaches that do not demonstrate effectiveness.

### **TRANSLATION:**

#### **Effective and Efficient Procedures to Combat Post Traumatic Stress Disorder (PTSD)**

Medications have long been used in conjunction with therapy to treat PTSD. Traditionally, this approach combined anti-depressants or anti-psychotics with cognitive therapy, exposure therapy, and meditation to enable traumatized patients to minimize their suffering. Advances in pharmaceutical research promise to blur the lines between medication and therapy. Preliminary studies have identified drugs that can essentially "erase" the memory from the brain or tame the fear in the brain and subdue the "fight-or-flight response" that creates such stress, thus allowing PTSD sufferers to cost-effectively and efficiently live with the disorder.

# DISRUPTIVE FORCE FOUR

## Uncompromising Demand for Impact

Impact will be the entry ticket. The ability to demonstrate that particular interventions have efficacy will result

in payment. For example, once there was proof that chiropractic care yielded successful mental and physical changes, the services were covered by health insurance.

Further, funders and communities will expect greater impact at a lower cost. The Hyundai-style

approach of providing functional attributes in design and quality at a low cost has taken hold; competition will be cost based.

Sector members and agencies will first define the desired impact, and then consider what organization or groups of organizations can deliver at the lowest cost. Successful organizations will collaborate to create more complex models of accountability that clearly demonstrate impact. This will fuel strategic partnerships, program approaches, and service delivery mechanisms. Funding will be directly aligned to the ability to articulate proven, low-cost impact.

“CCAM is a game changer for manufacturing operations in this country and around the world. Its collaborative model joins academic research with manufacturing’s drive for competitive advantage and it promises new, valuable innovations faster than ever before.”

– David Lohr,  
President and Executive Director,  
*Commonwealth Center for Advanced Manufacturing*

### TRANSLATION: Collaborative Manufacturing

The Commonwealth Center for Advanced Manufacturing (CCAM) is a collaborative manufacturing research facility in Prince George’s County, Va. Current member companies manufacture a wide range of products, from cameras, to jet engines, to naval ships. CCAM allows member companies to pool their resources into research and development of technologies and efficient manufacturing processes. Innovation risks and costs are shared by members and research results are made available to each company so that they may capitalize on any breakthrough developments that emerge as a result of CCAM research.

## Uncompromising Demand for Impact Potential for Success

An organization, or a network of organizations, will build predictive models, approaches, or processes (e.g., A, B, and C factors mean that the likelihood of child abuse is 85 percent). Further, the actuarial models will demonstrate the cost to a community or society (e.g., every child that fails to graduate costs society \$2.5 million). Methods for information collection and

integration leverage low-cost technology (e.g., monitors on children to record behavior) and brain scans to show progress (e.g., heightened XYZ cortex activity) and impact of nonprofit interventions. The seductive nature of simplistic accountability will be significantly rethought. Metrics for metrics sake will not be sufficient.

### HOW IT CAN WORK:

#### Eradicating Polio

The Gates Foundation has committed to a prominent role in one of the most ambitious internationally coordinated health initiatives in history—the total eradication of polio. As a primary participant of the Global Polio Eradication Initiative (GPEI), it has played a part in mobilizing millions of volunteers around the world, supported the development of global mass immunization campaigns, and helped strengthen the health systems of low-income countries. Given the potential to save eight million lives by 2020, the Gates Foundation has supported the GPEI vaccination strategy through \$10 billion in support, issue branding, and support of creation of public and private partnerships for a coordinated service delivery approach.

“We at Gates are going to be relentless about acquiring quality data and the need to focus on evidence-based decision making. And we will go where the evidence takes us.”

— Vicki Phillips, Director of Education, College Ready, United States Program, *Bill & Melinda Gates Foundation*

# DISRUPTIVE FORCE FIVE

## Branding Causes, Not Organizations

Human services organizations have traditionally marketed themselves and their services to customers and donors based on their specific offerings. In the future, it will be much more effective for these organizations to leverage causes based on issues

than on their particular brand and programs. While brands can seem somewhat artificial and institutional, movements create a vision and goal for change.

Therefore, it is imperative for human services organizations to organize their activities in a clear, concise, and mobilizing way (e.g., “ending hunger in America” or “fighting poverty”).

“We need to prioritize our role as an advocate from a marketing perspective, persuading the public to mobilize, and supporting policy issues.”  
– Dr. David Shern,  
President and CEO,  
*Mental Health America*

### TRANSLATION: Free Software Movement

The Free and Open Source Software (FOSS) movement symbolizes an entire spectrum of organizations and philosophies. Some believe that allowing a community to review software’s “code” increases quality, while others believe that access to information is a human right and should be free and uninhibited. Despite their differing motivations, many software developers have united under this common movement to support their marketing and lobbying power. The success of any one of these software developers, such as the propagation of the Linux operating system, or the Firefox web browser, adds credibility to the FOSS movement and draws attention to other FOSS organizations.

# Branding Causes, Not Organizations

## Potential for Success

In 2004, the American Heart Association<sup>4</sup> (AHA) faced a challenge. Cardiovascular disease claimed the lives of nearly 500,000 American women each year, yet women were not paying attention. The AHA further stated that many women dismissed it as an “older man’s disease.” To dispel the myths and raise awareness of heart disease as the number one killer of women, the American Heart Association created *Go Red For Women*—a passionate, emotional, social movement designed to empower

women to take charge of their heart health. The movement allows individuals to provide direct support by making purchases (“Do Good by Looking Good”).

By working together to advance this important cause, the AHA; National Heart, Lung, and Blood Institute; and other women’s health groups had a greater impact than any one group could have had alone.

### TRANSLATION:

#### Mothers Against Drunk Driving (MADD)<sup>5</sup>

Twenty-five years ago, a mother made a pledge in her deceased daughter’s bedroom. She would do something about the outrage of drunk driving—a decision that quickly inspired a handful of grieving, determined mothers to join in the fight. Though united in cause, they had no office, no money, and no clout. In fact, all they had was sorrow, pluck, and a picture of a pretty, 13-year-old girl killed by a drunk driver. Yet they initiated one of the greatest grassroots successes in American history. They were as their name suggests: MADD. As their fledgling organization grew, they stood toe to toe with politicians who knew the statistics but did not act. They took on a powerful industry that put profit over safety. They challenged a society that viewed drinking and driving as acceptable—even laughable. The getting there wasn’t easy. It was tough. It was messy. And it was fraught with obstacles. Yet MADD proved, time and time again, that it would not be bullied or derailed. In fact, MADD blazed a trail that other organizations have since followed. A grieving mother’s determination sparked a volunteer movement that swept the nation and has saved hundreds of thousands of lives.

# DISRUPTIVE FORCE SIX

## Attracting Investors, Not Donors

The loss of federal dollars, growth in personal search for meaning by individual donors, and the business need

“You need sources of money that allow you to say no.”

– Clara Miller, President,  
The F.B. Heron Foundation

for a vibrant community will require and attract investors. Successful nonprofits will make a clear and concise case to specific investors from all stakeholder arenas (i.e., corporations, individuals, independent foundations, governments).

Investment is defined as: *the purchase of a financial product or other item of value with an expectation of favorable future returns.* The current approach of nonprofit donations will see a shift to an investment paradigm with performance-seeking portfolios aimed at a return that seeks to solve a problem, contribute to a movement, or eliminate an issue. Two primary shifts will occur:

1. Portfolios of investment directly aligned with investors' beliefs and specific expectations relative to outcomes and proven approaches

2. Capital generating tools directed at long-term solution-based research and development activities

Collaborative investment by multiple investors with a common mission will likely be the norm of the future versus individual donors supporting organizations. These investment portfolios will be driven by a convergence of values, common strategic vision, and nontraditional partnerships. The investment community will also likely have a loud voice relative to the models to be employed through their investment given their understanding of research and development and proven outcomes.

The approach will blend personal, social, and economic return—in all different configurations and for the long term. Corporations, for instance, will invest when the nonprofit allows their employees to feel meaning and purpose in their corporate and philanthropic activities—through deep engagement.

### TRANSLATION:

#### Growth Capital Aggregation Pilot (GCAP)

The Edna McConnell Clark Foundation (EMCF) has launched GCAP to help some of its most successful grantees, with programs that have been proven effective, to achieve their potential for growth, become financially sustainable, and better serve greater numbers of low-income youth. EMCF's resources alone could not provide all of the up-front growth capital that promising grantees need, and therefore it launched a pilot to test a capital aggregation approach with three organizations: Nurse-Family Partnership, Youth Villages, and Citizen Schools. EMCF committed \$39 million and 19 co-investors committed the remaining \$81 million. Co-investors agreed to a joint set of terms and conditions, standard performance metrics, shared reporting, and a financial model that allows the grantee to draw-down growth capital only if it achieves performance milestones, including the securing of reliable, renewable funding. All of the GCAP funding flows directly from investors to the grantees, with coordinated payout schedules.

## Attracting Investors, Not Donors Potential for Success

The second required shift is an effective capital market directed toward social impact (with capital raises, similar to the for-profit sector) and models which require outcomes, and link financial institutions, private investors, nonprofit leaders, and stakeholders in a multi-layered financial structure.

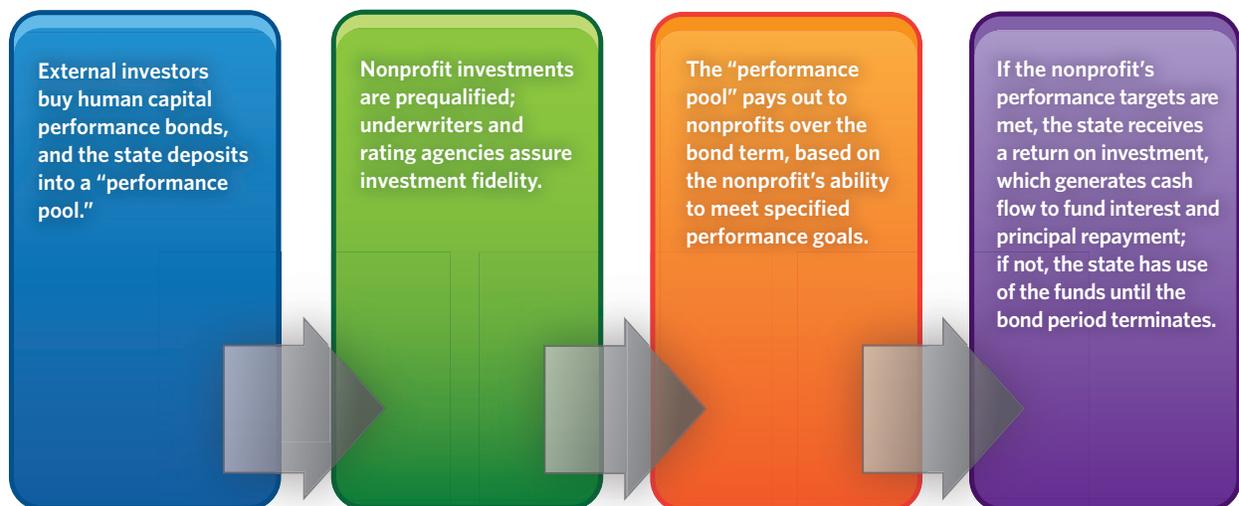
One new innovative capital generating investment tool is the Social Impact Bond, which works by soliciting funding from private investors who are promised returns on their investment if a particular social program

is successful. The program must be able to demonstrate specific, measurable improvements on the issue they are attempting to address (e.g., a rehabilitation program wants to reduce instances of repeat offenders by 10 percent in four years). If the program is successful, then the government pays for the program, plus interest, back to the investors.

Another potential capital generating financial tool being explored is:

### The Human Capital Performance Bond: A State Run Model

The “performance pool” is paid bond interest and principal repayment from the cash benefit received from incremental tax receipts and cost avoidance.



The more successful the program is, the higher the rate of return for both entities.  
The state retains residual cash returns to lower the cost of government.

Additional details about this model are available at [usa-positive-expectations.com/support-files/hcapperfbonds.pdf](http://usa-positive-expectations.com/support-files/hcapperfbonds.pdf).

# Macro-Level: Sector Roadmap

We have purposefully not provided a list of 100 or more recommendations to address the six disruptive forces described herein. We believe that with one large-scale sector shift, the human services sector can begin to be a disruptive force. Because most organizations have been in survival mode over the past several years, we have witnessed many of them adopting a “bunker” mentality, focusing on finding points of differentiation and creating segmentation within the marketplace. That has discouraged, and even prevented, maximizing on new opportunities, including collaboration and partnership opportunities. To execute a large-scale sector shift, this mentality must change. Indeed, no less than an alteration of this business model is required.

Leadership must be comfortable working through and with complexity. There must be a shift from an organizational-centric focus to an acknowledgement of the importance of networks and collaboration (e.g., a systems-thinking approach). For instance, this can entail creating a non-geographically-, politically-, or economically-focused partnership with a primary purpose to maximize each partner’s impact by focusing on core competencies. This shift will be difficult and will require many key players to set aside their own egos and become less defensive of their “home turf.”



### HOW WILL WE KNOW WHEN SUCCESS IS ACHIEVED?

“Here is the ultimate spot—when one organization would give way to another because that organization is doing it better. Let’s say you bring together a bunch of great athletes. If they all decide they want to play the same position, there can be no success. But if they select positions by what each individual is good at, then you begin to create a juggernaut.”

– Wayne Luke, Head of Executive Search, *The Bridgespan Group*

# Sector Roadmap: Potential for Success

Our hope is to inspire CEOs and boards to action, by helping them to consider the myriad of sector-wide success potential through a networked approach.

**Purposeful Experimentation**

The network would allow for organizations to link together intellectual assets to solve problems and find ideas.

These intellectual assets are an extended part of each organization that allow organizations to view problems and solutions from different perspectives to drive innovative behaviors.

**Information Liberation**

The network would allow for organizations to select a common tool for information sharing. It could also increase the power of organizations in negotiating for a sector-wide solution.

**Integrating Science**

The network would allow organizations to collaborate to understand what is possible and affordable.

Partnerships would help to develop more data driven research which can lead to increased funding.

**Uncompromising Demand for Impact**

The network would allow organizations to share documented individual progress in a way that the network's impact is transparent to the individual, funders, and the community.

**Branding Causes, Not Organizations**

The network would allow well-branded causes to leverage movements.

These movements increase appeal to a new generation of investors, drive greater levels of fundraising, and create community legitimacy.

**Attracting Investors, Not Donors**

The network will create market driven, long term, and predictable sources of collaborative investment which support innovation, impacts, and scalability.

## Sector Roadmap: Potential for Success

The Alliance too has been called to action. It is our commitment to view disruptive forces as opportunities and to offer strategic and innovative resources to the field.

### TRANSLATION:

#### Alliance Commitment to Strategy Counts!

The Alliance's partnership with The Kresge Foundation for the Strategy Counts! initiative leverages high level **investment** to support sector wide **experimentation**, integrating a corporate solution to a nonprofit problem—the elevation of strategy so that children and families realize **long-term impacts** through their relationships with human service organizations.

#### Strategy Counts! drives:

- Creativity and innovation around the development of strategy through **networks of shared learning**
- Long-term solutions building pathways for impact not only programs
- **Results-driven research**, development, and practice for long-term impact
- **Stronger, sustainable organizations**

### TRANSLATION:

#### Pushing the Nonprofit Human Services Sector into the Future

Twenty-first century opportunities create space for new tactics and strategies. In 2010, the Alliance **assessed the value** of its fragmented business units and purposefully integrated these units into a **unique brand**, called the Alliance **Intellectual Capital** Division. Through **evaluation and research**, grant-funded **investments** in solution-oriented initiatives, leadership training and development, and the *Families in Society* social work journal, the Alliance Intellectual Capital Division mobilizes:

- **Ideas** that challenge outdated systems
- **Power** structures to form sector-wide solutions
- **Markets** for sustainable investments in high impact organizations

# Micro-Level: Organization Roadmap

We envision the following questions as an assessment tool that leaders can provide to their boards to help frame provocative, strategic questions. Prior to discussing these questions, re-consider the foundational elements discussed previously in this report to ensure that the organization is poised to take advantage of the opportunities that the disruptive forces will provide.

## **Illuminate core competencies:**

- What are your organization's core competencies?
- What are the aspects of your mission that you are currently under-equipped to address with excellence?
- Can you identify organizations with strengths that align with these under-equipped aspects of the mission?
- Who in the organization has the expertise and enthusiasm to execute upon core competencies and form strategic partnerships?

## **Inspire networks:**

- How can you simplify life for your clients (e.g., connecting them to complementary services in a network)?
- Who can engage in a dialogue with those organizations to identify other organizations in the network that would be beneficial to tackling a cause?
- What information is necessary to address the problem holistically and what are the barriers to accessing that information?
- How can you approach funders with a network solution to an issue, rather than a single-organization solution?

## **Build partnerships:**

- Can you find opportunities to partner with bio-tech organizations, research institutions, or academic institutions to purposefully experiment?
- Which other organizations are key to resolving issues for your constituency, and how can you more effectively partner with them?
- Can you find corporations whose employees can find deep personal meaning and professional growth through your cause?

## **Explore shared service models:**

- In addition to cost savings, what shared services exist that could improve operations and/or help achieve your mission (e.g., human resources support to assist in talent management)?
- Who can engage funders/foundations in the discussions concerning shared service opportunities to share in the problem solving and help identify partners?
- What information systems will allow seamless information sharing and analysis?

## **Secure nontraditional funding sources:**

- What level of funding is truly predictable and what are options to ensure predictability?
- What steps are necessary to assess the level of capital required to innovate or create required research and development infrastructure?
- What avenues are available to secure funding through performance based investment portfolios offering long term investment levels?
- What funding collaborations are required to create the economy of scale and skills sets required to jointly resolve a community, state, or national issue?

## **Market success:**

- How effectively (frequency, reach, message) do you articulate your goals, vision, and expected impact to investors, clients and the community?
- What do you currently do to report out on how you are doing and the specific ROI for volunteers, community members, and investors?
- What modern communication methods are you using to tell your story?
- Which broader movements, alliances, or networks do you align with or link into to show geographic or issues-based impact?

# Endnotes

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<sup>4</sup> American Heart Association: [goredforwomen.org](http://goredforwomen.org).

<sup>5</sup> Mothers Against Drunk Driving: [madd.org/about-us/history/madd25thhistory.pdf](http://madd.org/about-us/history/madd25thhistory.pdf).

# About Us: Alliance for Children and Families

The Alliance for Children and Families, a national membership association of private, nonprofit human service providers in the United States and Canada, offers its nearly 350 members a solid value proposition. This value proposition is driven by its unique MISSION to fuse intellectual capital with superior membership services in order to strengthen the capacities of North America's nonprofit child- and family-serving organizations to serve and to advocate for children, families, and communities so that together we may pursue a VISION of a healthy society and strong communities for all children and families.

The members of the Alliance represent a significant force in the nonprofit human services sector. Members share a common vision of creating a healthy society and strong communities for all children and families, while the mission of most members involves serving children, families, and communities, and/or a focus on economic empowerment.

Members provide an array of community-based programs and services to all generations, serving close to 3.4 million people each year. Collectively, they:

- Contribute more than \$14.8 billion to local, state, and national economies
- Operate with a collective \$3.6 billion budget
- Employ approximately 53,000 full-time employees
- Operate in about 2,700 locations
- Are governed by nearly 8,000 board members
- Benefit from the goodwill of roughly 58,000 volunteers
- Receive generous support from more than 560,000 individual donors

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## About Us: Baker Tilly

Baker Tilly is a full service accounting and advisory firm whose specialized professionals connect with you through refreshing candor and clear industry insight. Founded in 1931 with one central objective, to use our expertise to help our clients improve their businesses, Baker Tilly has grown steadily over the years, broadening our service offerings and expanding our geographic presence to meet the evolving needs of our clients.

We currently have more than 1,350 total staff members, including 170 partners, serving clients nationwide from offices throughout Illinois, Wisconsin, Michigan, Minnesota, Washington D.C., and New York.

### Nonprofit Expertise

Baker Tilly possesses deep experience in serving nonprofit organizations. We are known nationally for our expertise in this area, with a commitment spanning half a century, a core team that has been in place for 15 years, and an extended team of more than 90 members. We advise nonprofits to help them:

- Gain confidence (thorough financial statement audit, accounting, internal audit, information technology risk management, enterprise risk management)
- Avoid trouble and solve compliance and regulatory problems (with government audits, cost accounting, research compliance, internal controls, tax reporting)
- Optimize and align resources (via cost take-out, process improvement, technology enhancement)
- enhance governance activities (by advising boards, strengthening policies)

We are also involved in the following associations through positions on boards and committees as well as educational presentations:

- American Institute of Certified Public Accountants
- American Institute of CPAs Governmental Audit Quality Center
- Affordable Housing Association of Certified Public Accountants
- Institute of Internal Auditors

With a deep understanding of the issues you face, and the compassion and humanity required to thrive in the nonprofit world, these professionals will bring you reliable solutions that deliver measurable value to your organization and the communities you serve.

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