Columbia Business School

THE NONPROFIT SECTOR AND THE CITY

Course B8544-001

FALL 2019 (BIDDING)

Uris 140 -- Mondays, 4:00 p.m. – 7:15 p.m.**
**(First class will be held on Friday, February 1st)

Instructor: **Douglas Bauer**

Office Phone: 212-977-6900

E-mail: dbauer@clarkest.com

Office Hours: By appointment

Teaching Ass't: **Ariel Merrick**

E-mail: AMerrick19@gsb.columbia.edu

REQUIRED COURSE READINGS

Excerpts from the following texts will be assigned, and as far as possible available on Canvas as well as the library:

1. Collins, Good to Great and the Social Sector
2. Crutchfield and McLeod, Forces for Good
3. Drucker, Managing The Nonprofit Organization
4. Hunter, Working Hard and Working Well
5. Marino, Leap of Reason: Managing to Outcomes in an Era of Scarcity
6. Salomon, The State of Nonprofit America (2012 Edition) (Chapter 1)

Marino's "Leap of Reason" and Hunter's "Working Hard" can be downloaded for free at www.leapofreason.org.

In addition, the following articles will be assigned; they will be available on Canvas:

1. "Philanthropy and the Social Economy: Blueprint 2019", Bernholz
2. "How to Leave a Mark", Brooks
3. "A New Approach to Funding Social Enterprise", Bugg-Levine, Kogut, and Kulatilaka
4. "2009 Congressional Research Service Report for Congress: An Overview of the Nonprofit and Charitable Sector", Gravelle and Sherlock
5. "FEGS 6/30/14 Audit," Loeb & Troper

6. "Risk Management for Nonprofits," MacIntosh, Millenson, Morris, and Roberts
7. "America's Greatest Public Works", Miller
8. "The World Has Changed and So Must We: Heron's Strategy for Capital Deployment", Miller
9. "Overlooked and Undercounted: The Self-Sufficiency Standard for New York City," Pearce
10. "Philanthropy in the Service of Democracy", Reich
11. "Tale of Three Cities," Sievers
12. "The View From the Cliff", Stid and Shah (www.bridgespan.org)
13. "New York Nonprofits in the Aftermath of FEGS: A Call to Action," Stix

There may also be additional readings/handouts in class or available via Canvas. The additional readings are essential to comprehending the content of the class.

Finally, I urge you to learn about the sector through regular reading online of Philanthropy News Digest, Chronicle of Philanthropy and the Stanford Social Innovation Review. Stay on top of current events, especially in New York City, because they will contribute to the richness of class discussions. We will use them and expect you to be aware of them.

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

There are no prerequisites for this course. The concepts in this course will use, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Financial Accounting	1. Understanding the Accounting Equation in Nonprofits 2. Revenue and Expense Models in the Nonprofit Sector 3. How to Review Nonprofit Audits and Tax Returns
Strategy Formulation	1. What is Economic Value in Nonprofits 2. How is Social/Environmental/Cultural Value Created or Generated by Nonprofits 3. The Role of Competition and the Marketplace in the Nonprofit Sector
Operations Management	1. What is best practice in Nonprofit Management? 2. What Role does Governance and Leadership play within a Nonprofit? 3. How does a Nonprofit Manage to Outcomes or Achieve Impact

Students will be expected to have mastered these concepts and be able to apply them in the course.

COURSE DESCRIPTION

There are many forces that keep cities vibrant and livable. There are two forces that are clearly visible and acknowledged – government and commerce – for the good that they generate and provide. But there is another force that is not so readily acknowledged, and yet, plays a key role in ensuring that a city not only functions but is a strong community of service, health, education, and culture.

It is the nonprofit sector that supports this latter work. In New York City, nonprofits have had a long history of activity and action. Currently, there are 30,000 nonprofits in Metro New York -- and over 1,500,000 in the U.S that account for

than $1.5 trillion in revenues annually and control over $3 trillion in total assets. The nonprofit sector is now the third largest industry in the country and bigger than construction, banking and telecommunications. Indeed, some of the largest employers in New York City are nonprofits: Mount Sinai Medical Center, New York Presbyterian Hospital, New York University, and yes, Columbia University.

Much is expected of the third sector – especially in urban communities. Not only to simply provide shelter for the night for the homeless or food for the hungry, but also to tackle more complex issues such as public education reform, developing green jobs, and rethinking and reforming the juvenile justice system. But why does this matter? Because according to Robin Hood Foundation, New York City has 1.9 million adults and children living in poverty. And fair or unfair, nonprofits have been asked to try and fill the growing chasm between the haves and have-nots.

In addition, the third sector is called on to tackle issues that government or the market cannot address or is not willing to address and usually do it with fewer resources. Thanks to the ongoing flux of public finance and funding at the federal, state and city level, this is quite a challenge, and will become even more so in the era of Trump. So, some say it is impossible; the challenge is far too steep. Others argue that this country's nonprofits are dynamic and resilient and can indeed meet the challenge – by being deeply connected to the communities they serve and being nimble enough to provide the services that are truly needed and demonstrate impact.

Some questions for the class to consider:

- Is the third sector a viable answer – a panacea – to many of the problems that hinder urban communities?
- What would public-private-nonprofit partnerships that can provide various services to the less fortunate really look like? What will happen to the social safety net?
- What tools, tactics, and strategies does a professional working in the nonprofit sector need to succeed?
- Is there enough capital in the nonprofit sector – public, private or philanthropic -- to go around? Where is it going? Why is it going there? How is it used effectively?

This class explores this energetic sector. While much can be learned and gained from reading and reviewing various books, articles, and websites, the instructor not only believes in bringing the class into the community to engage first-hand the issues and nonprofits, but also to meet and engage with the leaders behind these efforts. This is a class that bridges theory and practice. We are deeply fortunate that New York City provides such a full array of leaders, organizations and programs that are concerned with tackling and solving issues and problems that confront us as a community.

COURSE FORMAT

This will be an active three-hour class. The instructor has knowledge and experience to impart, but very much sees himself as a facilitator. Lecturing will be kept to a minimum. In the course of the half term, we will read various books, articles, and documents and **discuss** them. Be ready to do so. You will meet leaders from the nonprofit and philanthropic community. Be ready to **engage** them. In the course of the semester, you will visit and consult with nonprofit executives for your final project. Be ready to **observe** and **absorb** what they share and say.

This course is not for the student who wants to receive information and then simply present it back in the form of papers. We are looking for students who want to engage with the material and the people in this vibrant sector. Class participation is vital and will count toward your overall grade (see next section). Get to know your classmates as the journey in this work is better understood and enjoyed by shared experience.

COURSE REQUIREMENTS

There are three major components for this course.

I. **Class participation.** Class attendance and preparation are critical. All of us bring different perceptions and ideas to this dialogue about the nonprofit sector, cities and how they both function. Prepare for each class by immersing yourself reviewing in the readings, and be ready to provide an open and comfortable atmosphere in which to share comments and participate. For each class, students will also submit to the professor and the teaching assistant via Canvas a brief synopsis (two to three paragraphs) of at least two of the readings. Each student will enter their submission by noon the day of that particular class.

II. **Mid-term paper (due February 25).** You will be presented with a scenario in which you will be asked to respond. The mid-term paper will be in the form of a memo from you, an executive director of a NYC-based human services nonprofit, to your board chair. In this memo you will highlight how you will move your organization forward given a set of circumstances described in the scenario. While pulling on your own set of experiences is certainly acceptable, it will be important to consider ideas, strategies and tactics you have absorbed from the readings, class presentations and discussions.

II. **Final: Team project and presentation (due March 4).** Each student will participate in a team project and do a presentation during the final class session. There are seven neighborhoods in New York City that, according to federal census data, have some of highest rates of poverty in the U.S.: Bedford-Stuyvesant (34%), Bushwick (31%), East Harlem (31%), East New York (28%), Lower East Side (26%), Mott Haven/Hunt's Point (43%) and Sunset Park (23%). Each team will select one of seven neighborhoods and explore the role of the nonprofit sector within each community. How is the sector helping to alleviate poverty? Reforming public education? Does it effectively partner with the government? How does philanthropy play a role in assisting nonprofits in the neighborhood? Which are the most effective nonprofits? Why? Over the course of the class, student teams will visit the neighborhood, interact with and interview senior staff of at least three nonprofits serving that neighborhood. In the final presentation the team will share and analyze what they have learned about that neighborhood and its issues and the nonprofits and the programs they provide. The team will also develop a set of tangible recommendations or solutions that can be considered by the nonprofits and community leadership and would help that neighborhood thrive. On **February 11 (Session Three)**, the team will submit a one-page progress report on the project and a list of the nonprofits to be contacted.

Along with the content of the papers and presentations, they also will be graded for clarity and sharpness of the analysis and possible recommendations.

Type	*Designation*	*Discussion of concepts*	*Preparation of submission*	*Grade*
A	group / group	Permitted with designated group*	By the group	Same grade for each member of the group
B	group / individual	Permitted	Individually (No sharing of any portion of the submission)	Individual
C	individual / individual	None of any kind	Individually	Individual
D	(An optional category to be defined in detail by the faculty member)			

Mid-term paper (type C)	25%
Final paper and presentation (type A)	50%
Active class participation (type C)	25%

CLASSROOM NORMS AND EXPECTATIONS

As noted earlier, the class and its content should be a bridge between theory and practice. The readings we discuss in class and the speakers we invite into the class complement each other. We will spend time in each session exploring the readings and interacting with the speakers, so please complete the readings before class for which they're assigned.

This course is not for the student who wants to receive information passively and then simply present it back in the form of papers. We are looking for students who want to engage with the material and the people in this vibrant sector, through site visits as well as in-class opportunities. Class participation is vital and will count toward your overall grade. Get to know your classmates as the journey in this work is better understood and enjoyed by shared experience. Since the topics discussed in this class often involve values and personal beliefs, we expect everyone to respect diverse viewpoints and experiences.

Students are expected to attend all six classes for the three-hour sessions each time. Absences, as well as partial attendance of a session, must be justified in advance to the satisfaction of the instructor.

Use of cell phones is strictly prohibited.

February 1 (It's a FRIDAY!! 4 to 7:15 in 140 Uris Hall) – Session One

Topic: Introduction and Overview on the Nonprofit Sector

Our first class will provide an overview on the course, an introduction to the nonprofit sector and the assignment of your team's neighborhood. In the introduction to the sector, we will explore the history, values, politics and economics of the sector.

- Miller, "America's Greatest Public Works"

- Pearce, "Overlooked and Undercounted: The Self-Sufficiency Standard for New York City"
- Sievers, "Tale of Three Cities"
- Download: "Wake Up Everybody," Harold Melvin and the Bluenotes; and "Dear Mr. President," Fitz and the Tantrums

February 4 – Session Two

Topic: The True Capacity of the Third Sector

This class will focus what on the nonprofit sector can actually deliver in the form of services and programs. As we look at issues like poverty, education reform, access to the arts, and healthcare, is the sector doing its job? What helps or hurts the sector in being successful or not? What role does politics and policy play in the sector's ability to perform? We will be joined by a leader from the sector who will discuss all these issues and more.

Guest Speaker: Sharon Stapel, President and Executive Director, Nonprofit Coordinating Committee of NYC (www.npccny.org).

- Bernholz, "Philanthropy and the Social Economy: Blueprint 2019"
- Gravelle and Sherlock, 2009 Congressional Research Service Report for Congress: An Overview of the Nonprofit and Charitable Sector
- Reich, "Philanthropy in the Service of Democracy'
- Salamon, The State of Nonprofit America (Chapter 1)
- Stid and Shah, "The View From the Cliff" (www.bridgespan.org)

February 11 – Session Three

Topic: Nonprofit Management: The Manager as Leader

This is the first of two classes devoted to the principles and practices of nonprofit management. To get things done you need leaders. This seems especially true in the always resource starved nonprofit sector. What is leadership in the nonprofit sector? Is it different than in the private or public sectors? We will explore this critical dynamic by engaging two leaders in the field of juvenile justice and youth development in what promises to be a provocative conversation about this vital important topic.

Guest Speakers: Laurie Parise, Founder and CEO, Youth Represent (www.youthrepresent.org); and Rich Berlin, Executive Director and CEO, DREAM (formerly Harlem RBI) (www.wearedream.org).

- Brooks, "How to Leave a Mark"
- Crutchfield and McLeod, Forces for Good (Chapters 1, 8 and 9)
- Hunter, Working Hard and Working Well (Chapters 2 and 3)

February 18 – Session Four

Topic: Nonprofit Management: Theory and Practice

This class will focus on the ideas of the leading thinkers on management – the late Peter Drucker and current guru Jim Collins. Drucker spent the last years of his life devoted to the nonprofit sector and Collins is spending more and more time trying to apply his ideas to the sector. But how does that thinking translate into real day-to-day management? We will also explore the role of outcomes in nonprofit management via the thinking of tech entrepreneur/investor and philanthropist Mario Morino and longtime nonprofit evaluation guru David Hunter. And, in a discussion with a top management consultant (and CBS alum) from the NYC nonprofit sector, we will explore what really works in the real world of nonprofits. We will also check in on the status of your team's final project.

Guest Speaker: Elise Miller '15, Manager, Advisory Services, Nonprofit Finance Fund (www.nff.org)

- Bugg-Levine, Kogut, and Kulatilaka, "A New Approach to Funding Social Enterprise"
- Collins, Good to Great and the Social Sectors
- Drucker, Managing The Nonprofit Organization (Parts One, Two and Three)
- Morino, Leap of Reason (Introduction, pgs 1-74, 95-98, 105-110)
- Download: "Volunteers," Jefferson Airplane

February 25 – Session Five (MID-TERM PAPER DUE)

Topic: The Role of Capital in the Nonprofit Sector

Money matters -- and it really matters in the nonprofit sector. Yet a proper system of accessing capital does not exist in the nonprofit sector the way it does in the private sector. Through a combination of philanthropy, government support and/or contracts, and if applicable, earned revenue, nonprofits cobble together revenue to survive and deliver services. But is this any way to grow or sustain a sector? To build additional capacity or scale up to serve more people? We will explore this question with a retired investment banker who now devotes a lot of time, energy and intellect looking at how to build better streams of capital for the third sector.

Guest Speaker: John MacIntosh, Managing Partner, SeaChange Capital Partners (www.seachangecap.org)

- Loeb & Troper, "FEGS 6/30/14 Audit,"
- MacIntosh, Millenson, Morris, and Roberts, "Risk Management for Nonprofits"
- Miller, "The World Has Changed and So Must We: Heron's Strategy for Capital Deployment"
- Salamon, The State of Nonprofit America (Chapter 14)
- Stix, "New York Nonprofits in the Aftermath of FEGS: A Call to Action," Stix

March 4 – Session Six (FINAL PRESENTATIONS DUE)

Topic: Team Presentations on NYC Neighborhoods

The final class will be mostly devoted to the final presentations by the teams on the neighborhoods they explored. Each team will present their analysis to the instructor and a guest judge. The Judge as well as fellow classmates will critique each presentation. The final segment of the final class will be focused on the key themes and ideas discussed during the class.

Guest Judge: Yancy Garrido, Senior Program Officer, The Clark Foundation

- Download: "A Change Is Gonna Come," Sam Cooke

INSTRUCTOR BIO

Doug Bauer is Executive Director of The Clark Foundation. The Foundation focuses on helping individuals out of poverty and then leading independent and productive lives, and supports nonprofits and programs in New York City and Cooperstown, NY. Doug manages not only the Clark Foundation but is also executive director of the Scriven and Fernleigh Foundations. Together, the three foundations have assets over $770 million and provides over $38 million in grants, scholarships and programs annually. Prior to Clark, Doug was a Senior Vice President with Rockefeller Philanthropy Advisors (RPA) from 2002 to 2009 and led the organization's Strategic Initiatives Team. Prior to joining RPA, he was a Vice President at Goldman Sachs and President of the Goldman Sachs Philanthropy Fund, the firm's charitable gift fund. From 1997 to 2000, Doug was Director of Community Partnership at SmithKline Beecham (now GlaxoSmithKline) and Executive Director of the SmithKline Beecham Foundation, where he focused on community-based health care around the world. From 1992 to 1996, Doug was a Program Officer for Culture at the Pew Charitable Trusts. And from 1988 to 1992, he managed the Scott Paper Company Foundation.

Doug's opinions and ideas on philanthropy have been featured in the *Associated Press, The Chronicle of Philanthropy, Contribute*, the *Financial Times*, the *Los Angeles Times, The New York Post, Stanford Social Innovation Review, The Wall Street Journal* and on NPR, PBS and CNBC. Doug co-authored, with Steven Godeke, *Philanthropy's New Passing Gear: Mission Related Investing, A Policy and Implementation Guide for Foundation Trustees.* Doug is a past chair of Philanthropy New York and current co-chair of its Public Policy Committee and also serves on the boards of The Leatherstocking Corporation, The Melalucca Foundation, The National Council of Nonprofits, Partners for Health Foundation, The Rockefeller Institute of Government, and is a member of the Leap of Reason Ambassadors community. He is also an adjunct faculty member at the University of Pennsylvania and its School of Social Policy and Practice. Doug is a graduate of Michigan State University. He also holds a M.S. from Penn and a M.J. from Temple University.

TEACHING ASSISTANT BIO

Ariel Merrick is a second year MBA candidate. Prior to Columbia, Ariel worked in nonprofit development for eight years in New York City, for the Gilder Lehrman Institute of American History and then a healthcare organization in the South Bronx called BOOM!Health. In addition to working in fundraising, she also worked in production and casting for a multimedia artist who produces works of public art for institutions including Lincoln Center. She spent last summer working in Private Wealth Management at Goldman Sachs.

At CBS, Ariel is VP of Fundraising for Microlumbia, a CMC Fellow, and her cluster's Alumni Representative. Her electives have included almost all of the nonprofit focused classes offered including Nonprofit Sector and the City, Global Philanthropy and Investing in Social Ventures. Ariel has a B.A. in English and Dance from Barnard College.