Using Business Models to Inform Non-profit Sustainability

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Abstract: This article deals with the intersection of strategic management for collective impact.   The main focus of the study is to identify the links between communities of practice focused on knowledge management and the development of collective strategies for enhancing capacity.   We examine how the community of practice framework can be used to develop strategies for collective impact in the nonprofit sector and suggest that by building such collective strategies, businesses-nonprofit relationships can be strengthened. The research team studied extensively the overlap of strategic capacity development in the for-profit and nonprofit sectors. We share the results of capacity assessments conducted in the nonprofit sector and map the results of those assessments into the community of practice framework. We then discuss how a better understanding of the pathways used to share and manage knowledge can enhance the development of collective capacity development. Collective strategic management in the nonprofit sector can potentially increase efficiency and provide new opportunities for business-nonprofit collaboration.

Keywords: *Nonprofit, Communities of Practice, Knowledge Management, Collective Capacity, Strategic Management*

Introduction

In the United States, nonprofits have historically serve as "gap fillers" in the delivery of public services in an effort to improve the quality of life of the communities they serve. The northwest Indiana (NWI) region is composed of thousands of nonprofit organizations, businesses and government units. These organizations are faced with significant obstacles that limit their good works.   Recent economic conditions and heightened societal needs, have increase the burden on the limited set of resources leaving organizations especially nonprofits to consider diverse ways of staying viable. Nonprofits have to continually come up with new models to strengthen their capacity.

Collaborative efforts amongst organizations, while not new, have increased due to limited government funding and stringent funding guidelines by both government and other donors. According to Snavely and Tracy (2000), "collaborative efforts has gained momentum as a result of changing attitudes toward government and growing expectations about private sector social responsibility". This is reflected in the need and ongoing urgency for nonprofit organizations to focus more attention and resources to collaborative arrangements in response to the economic crisis and other pressures.

Severely limited fiscal resources combined with limited knowledge related to the use of collaborative practices that lead to transformational change creates a competitive environment that reduces the effectiveness of service delivery. Furthermore, an ongoing capacity building and performance measurement assessment being conducted amongst key nonprofits in the NWI region by the researchers, identified that nonprofits lack the capacity to engage in strategic thinking on their own. Communities of practice are an effective way of reducing the barriers to collaboration, developing knowledge management tools, and improving problem-solving capabilities.

Indiana University Northwest (IUN) is located in one of the most economically, socially, and environmentally challenged areas in the United States – Gary, Indiana. The university community view these challenges as an opportunity to enrich the role of faculty, enhance student learning and positively impact the community. Working together with community partners over the past several years have created unique learning communities from which lessons for extending the university's reach is realized. Using the case study approach, the article details a framework for advancing communities of learning as a vehicle for local collaborations. We will also provide insight into and examples of university-community partnerships that led to transformative community changes. This micro-level examination of local partnership challenges and opportunities will highlight the process of co-creating solutions to urban economic issues.

Literature review
Strategic Management
The turbulence and uncertain environment that the public and nonprofit sectors conduct business requires a systematic set of processes of coordinating and aligning resources to organizational mission, strategy, and vision. Bryson (2011), suggested that an organization can response to its environment by: (1) thinking and learning strategically as never before; (2) translating their insights into effective strategies in order to cope; (3) developing the rationale necessary to lay the groundwork for the adoption and implementation of their strategies; (4) building coalitions that are large enough and strong enough to adopt desirable strategies and protect them during implementation; and (5) building capacity for ongoing learning and strategic change.

The aforementioned steps collectively inform a system of coordinating and aligning resources in line with the organization's mission, values, and vision. This process entails a fluid system of planning, implementing, and continuous evaluating leading to an efficient and effectively decision making process. The theory of strategic management is illustrated pictorial below.
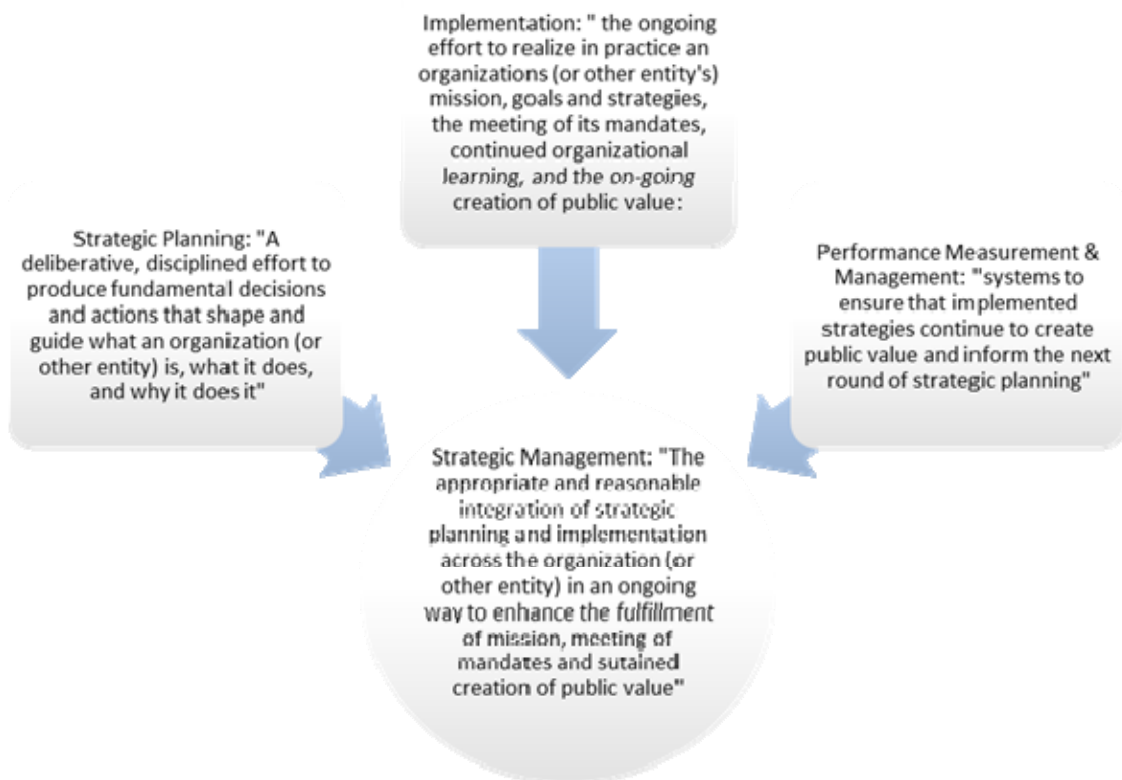
Source: J.M. Bryson (2010) "The Future of Public and Nonprofit Strategic Planning in the US", Public Administration Review, supplement to volume 70, p. s295.

Strategic planning focuses on the longer term, not on the day to day operations of the organization. This entails the strategic planning process starts with figuring out where the organization is, followed by an identification of directions that it wants to take, and developing a plan of how to get there. This is done in consideration with the organization's mission and values and the environment that the organization is doing business. The process entails thinking, acting, and learning amongst stakeholders to attain mission, meet mandates, and maintain public value. Having the ability to bring organizations that are at various stages of implementing a strategic management system lends itself to integrating the community of practice concept to collective enhance the lives of the community they serve.

Community of Practice

A community of practice is a knowledge-management resource that will assist the nonprofit sector develop its capacity to deliver quality services and address the needs of the community.   Communities of practice build innovative partnerships that move organizations toward a shared commitment to addressing a need in the community. Through shared commitment organizations have created "extraordinary value."   (Sir John Brown, HBR, Prokesh, 1997)   Recognizing that communities of practice facilitate the ability to learn better, and to apply knowledge faster and more widely is enhanced,

organizations such as British Petroleum, have adopted communities of practice to enhance business operations.

Communities of practice connect organizations with what and who they need to know to work smarter to achieve their mission and their objectives. They are employed to address all of the areas critical to nonprofit success including strategy and leadership, organization structure and process, technology and systems management, as well as social relations and culture. The self-sustaining network of people that is created among practitioners who share a common set of problems or a commitment to solving issues of common interest are open-ended networks that differ from teams. Unlike a team, a community of practice encompasses all those with similar skills and interests who want to capture, communicate and share knowledge in new ways.

The conditions necessary for a creation of successful communities of practice are present in NWI and foundations are taking the lead. Importantly, the nonprofit culture is amenable to change as has been demonstrated via the community of practice conversations that have taken place over the past several years. While there have been challenges to developing a wider network. The university has been able to forge some public and nonprofit collaboration and partnerships that resulted in various stages of collective strategic management.

The Context

Indiana University Northwest is located in the city of Gary within urban region of NWI. The region comprises of Lake, Porter, LaPorte, Newton and Jasper counties. This area, population 495,558 (U.S. Census Bureau 2010) is considered to be part of the Chicago metropolitan area. Most of these cities are sitting on the shores of Lake Michigan. Historically, the northern portions of this region (Gary, Portage, Burns Harbor, and East Chicago) are home to major steel mills. The region has prospered from the steel industry, but with increased global competition, the steel industry has suffered tremendously. Gary has been one of the cities that saw the downturn in the steel industry. The city has been grappling with economic, social, political and environmental issues for the last decade.

Gary is the second largest city in NWI, seventh largest in the state of Indiana with a population of 80,221 (U.S. Census Bureau 2010). The city of Gary was founded in 1906 by the United States Steel Corporation. While the growth of the steel industry had brought prosperity to the community, the changing competitiveness in the global market during the 1960s started the economic decline of the city. Due to the high cost of doing business, steel companies along the shores of Lake Michigan started closing or drastically reducing their workforce. This brought with it social, economic and ecological hardship for the region, especially for the city of Gary. Today the city of Gary faces the difficulties if increased crime, high unemployment, decaying infrastructure, high environment pollution, and low educational attainment. The city witnessed a population decrease of more than 50% from the 1960 census to the 2010 census. **Table x** below highlights some of the key demographic and economic data comparing Gary to the state of Indiana.

	City of Gary	State of Indiana
Percent below Poverty	34%	13.5%
Per Capita Income	$15,383/year	$24,000/year
Median Income	$27,846	$47,700
Home Ownership Rate	55.6%	71.5%
Home Median Value	$68,600	$123,000
Percentage of Black Population	85%	9.1%

Source: U.S. Census Bureau 2010

It is also important to note that the unemployment rate in Gary for August 2012 (not seasonally adjusted) was 13.5% versus the state of Indiana's of 8.3% (U.S. Bureau of Statistics). The political, social, economic, and environmental downturn in the area has led to an increase in the number of nonprofits rendering services in these areas. The NWI region is served by 37 jurisdictions with approximately 3000 nonprofits (excluding religious institutions). The diverse needs of the region and its people had led to multiple service providers, creating duplication and inefficiencies in service delivery. IUN recognizes the need to leverage the limited resources and knowledge thus the COP framework.

Methodology

How the Project Address the Needs of the Community?

Developing a framework and a strategy for the implementation of capacity building communities of practice will significantly increase the likelihood that nonprofit organizations will effectively improve the quality of life of the region.   A sound assessment and evaluation of the practices that emerge from community of practice conversations will provide the opportunity for continuous improvement for nonprofit organizational management. The university possesses the tools and expertise to deliver a nonprofit community of practice framework and implementation strategy as well as the ability to assess and evaluate the performance of the created communities of practice with key indicators. Thus, the community, the Foundation and the university derive shared benefits in the form of improved functioning of regional nonprofits, increased effectiveness and efficiency of Foundation operations, and applied research opportunities all of which result in an improved quality of life for residents in the region.   It should also be noted that the project collaboration between the university (and universities) and the Foundation, is in itself a unique form of community of practice that can set the standard nationwide for capacity-building initiatives.

Building a Framework for Nonprofit Communities of Practice

A strategic framework organizes nonprofit organization activities according to their impact on four components of knowledge management: knowledge generation, capture, sharing, and the application of the knowledge in problem solving. In building the framework we will ask and answer four key questions as identified by Wenger (2002) that are critical to developing a community of practice:

Knowledge Generation: How does the nonprofit sector best generate knowledge that will optimize the creative approaches that are being used to deliver services? Answering this question will improve situational understanding, and lead to the development of a method for generating knowledge.

Knowledge Capture: How do we capture and make accessible the knowledge that is held by the nonprofit sector? Answering this question will require that identifying ways that knowledge flow is constrained and operationalizing the ways in which we collect and record knowledge.

Knowledge Sharing: How do we share knowledge effectively to expand its reach and effectiveness? Not only do organizations need improved systems of information dissemination but they also will require new ways to share expertise and experience that transforms information into knowledge. In answering this question we identify ways to share tacit knowledge.

Knowledge Application: How do we apply knowledge to achieve optimal program impact? Finally, the last component of framework development will focus on identifying knowledge gaps and providing evidence-based decision-making support tools that will facilitate knowledge application. Completing this step will be useful for the development of key indicators of success that can be used to inform successful Legacy Foundation funding initiatives.

In sum, building the framework for communities of practice will improve the nonprofit sectors access to timely accurate information, improve the capture of lessons learned, enhance the creation of new knowledge, encourage the application of knowledge to improve practice, and create institutional memory thus reducing knowledge loss. This process supports the creation a self-sustaining nonprofit sector.

Creating the Community of Practice Structure: The Early Stages

A successful community of practice is a combination of three elements: (1) a domain of knowledge (set of issues), (2) a community of people who share an interest in the issues, and (3) a shared practice that is developed to be effective in the specified domain. (Wenger, et. al., 2002)

Domain Creation: A well-defined set of issues is the foundation of a successful community of practice as it affirms the purpose of the community and the value of community membership. However, to establish a domain there must be a process in place to identify the core issues, hence guided conversations are required. Organizations benefit from this knowledge in two ways – first, organizations were provided guided

conversation services for internal constituents, e.g., the Board of Directors and staff. As the Board and staff are introduced to and participate in this method, they also acquire the toolset that is needed to create communities of practice in their respective organizations. The team also provide "train-the-trainer" workshops to enhance the capacity of key stakeholders (Board members, donors, etc.) to advance unique and relevant communities of practice.

Community Creation: The community is the social fabric that fosters relationships and interactions that are directed toward advanced learning. To create the sense of belonging needed to empower learning, the team provided opportunities for substantive interaction including workshops targeted to the needs of the organization's constituents. At these workshops learning is interactive and therefore supports the creation of relationships that will lead to improved practice.

Practice: The successful operation of a community of practice assumes a shared foundation of basic knowledge specific to the community's interest, e.g. basic knowledge related to building nonprofit communication strategies. Here the team provided experts in the areas of nonprofit management, to build a solid basic knowledge base in the community. Faculty of the university are engaged in research, teaching and service-related activities, that are directly related to the practice needs of the community.

Maintaining a Community of Practice: The Mature Stages of Development

The main issue facing a community of practice as it moves from the early stages of development to the mature stages of development is clarifying the focus, role and boundaries of the community. (Wenger, et. al., 2002) The transition from sharing information to developing a comprehensive body of knowledge is unfamiliar to most nonprofit communities. This form of transition is part of the everyday business of higher education, and is a specific focus of initiatives supported by the team. Universities are at the forefront of "knowledge building", moving beyond information delivery.

The authors facilitated the transformation of individual ideas into collective knowledge where everyone contributes to the growing body of information, and new knowledge leads to innovation and growth. We delivered the tools to create a shared knowledge space including web-based methods of storing and sharing information that will expand the interest in shared knowledge while reducing the time demands on community members. Assistance in the development of interactive web sites would be an additional service that the team can provide to build collective knowledge. Faculty and students could also contribute to a community's practicum through web-based interactions. Advice in the area of knowledge base creation will focus on effective ways to store notes, connect ideas, and ultimately transition to higher levels of thinking.

Results

The nonprofit collective capacity building initiative contributed a unique set of resources to the strategic management of nonprofit organizations. Specifically, this case study reveals that integrating strategic planning and implementation activities is enhanced when nonprofit organizations, operating in the same context, share their planning and

implementation challenges and opportunities. The dialogue created in collective capacity building helps organization identify appropriate and reasonable responses to challenges and unique opportunities for serving the public good.

The deliberate process of facilitating a community of practice began with a small group of 25 nonprofit organizations identified by the funder, as having growth potential. The researchers initiated the process of building the community of practice by assessing fundamental capacity components, including the organizations adaptive, leadership, management and technical capacities. Nonprofit organizations were encouraged to share their results of the assessment, thus building a shared interest in improvement and strategic planning. Sharing the results of the assessment increased communication between the nonprofit organizations and led to discussions on the importance of identifying methods of joint practice that support individual and collective capacity building. The nonprofit organizations requested improved methods for communicating with one another outside of the training environment and created relationships where none previously existed. In sum, the building the community of practice led to the creating of tools that informed internal and collective strategic planning and provided a feedback mechanism to foster continuous learning and improvement. Performance measurement the final stage of strategic management is the subject of continuing research.

The result of this approach is that the nonprofit organizations are provided a framework for engaging more effectively in the first two stages of strategic management – planning and implementation. Thus, the barriers once noted as preventing the application of planning and implementation processes used by business are reduced and there is an increased opportunity for cross sector learning and collaboration. Bryson (1998) suggested that the nonprofit and public organization's nature prevented exacted duplication with private sector strategic planning processes. Exact duplication would not be the goal in the present instance but rather the development of a shared experience that could advance collaboration. Among the characteristics differentiating nonprofit and business strategic planning processes are the social service nature and the large number of stakeholders. However, in a collaborative community of practice, nonprofits learn that the social service nature of their activities need not be an impediment to successful planning and can be an advantage where social accountability is valued. Communities of practice also provide nonprofit organizations with wider accessibility to information related to their stakeholders and there are economies of scale in the collection of such information, thus increasing the efficiency of program planning and implementation. The nonprofit organizations also build a more uniform level of strategic planning and implementation expertise diminishing differences that previously limited management practices.

Conclusion

The main focus of the study is to identify the links between communities of practice focused on knowledge management and the development of collective strategies for enhancing capacity. We examine how the community of practice framework can be used to develop strategies for collective impact in the nonprofit sector and suggest that by building such collective strategies, businesses-nonprofit relationships can be

strengthened. The work of collective capacity building in the nonprofit sector enhanced the organizations ability to understand and implement key practices common to strategic management in the business sector. By improving their ability and willingness to build relationships the nonprofit organizations found new ways to create and share knowledge that enhances operations. This shared vocabulary and experience positions organizations for effective creation of public value and enhanced efficiency. While communities of practice in the business sector are championed for improving efficiency and profitability, and not public value, the shared framework provides a foundation for stronger relationships between business and the nonprofit sector in urban challenged areas.

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