A New Nonprofit Incubator Model

Introduction:

Nonprofits and NGOs (non-government organizations) are currently the most rapidly growing types of organizations in the world; over ninety percent of nonprofit organizations currently in existence were created in the last twenty-five years (Dobkin, 2). In this recent time of rapid growth, certain changes in society, as described later, have had a negative effect on the sector as a whole. These market changes have created a threatening environment for nonprofits to which they must adapt.

The New Nonprofit Environment: Economy

Nonprofits receive charitable donations from socially conscious individuals and public entities with which they attempt to achieve their mission. From 2007 through 2012, cash-strapped states resorted to $290 billion in cuts to public services (McNichol, 2012) pushing those services to the responsibility of the nonprofit sector. A United States nonprofit fundraising study, conducted in Fall 2011, indicates that while the economy was slowly recovering, the nonprofit realm had not seen many signs of improvement (Nonprofit Research Collaborative, 2011). The economic downturn being described forces nonprofits to cope with limited funding, in turn creating a new tension within individual nonprofits due to an increasing competition for limited resources.
The New Nonprofit Environment: Marketization

Also challenging the paradigms of “business as usual” for nonprofits is the increased marketization occurring across all industries. Social entrepreneurs are pushing the perimeters of “their thinking about value creation, their business models, and their leadership styles” (Elkington & Hartigan 2008, 1), creating the need for nonprofits to focus on relationship building in order to remain key players in their problem spaces. Within this competitive environment, nonprofits cultivate partnerships with donors, volunteers and, “other important public [actors] to achieve their goals of leveraging improvements in their communities and making positive contributions to solving pressing social issues at home and abroad” (Pressgrove, 2013). Central to the success of these relationship management endeavors is public relations, defined by the Public Relations Society of America as, “a strategic communication process that builds mutually beneficial relationships between organizations and their publics” (2012). In order for a nonprofit to keep donors engaged and donating to their nonprofit over another, the organization must take on this new task of proper communication.

Part 1 - The Problem

Introduction

The above trends in the nonprofit sector pose a problem for organizations and their ability to effectively solve social issues. The common opinion of nonprofit professionals is that, “Marketization undermines or subverts the socially oriented missions and values of nonprofit organizations, thereby threatening their ability to
create and maintain a vibrant civil society” (Eikenberry and Kluver, 2004). These concerns stem from a fear, “that the encroachment of market principles such as efficiency and entrepreneurship will divert attention to only the most marketable, manageable and immediate efforts at the expense of those considered unpopular, difficult or unpredictable” (Frumkin, 2002). As a result of these market changes, and the fear that they have created in the nonprofit sector, organizations are putting themselves into dysfunctional silos in an attempt at gaining some control over what is happening to their rapidly growing sector.

These silos are an important entity to understand and then work toward dismantling, due to the self-destructing nature inherent to the action of retreating from communal relationships. The first portion of this paper identifies four specific reasons nonprofits steer away from collaboration with similar organizations in the new nonprofit environment mentioned. The second part will propose and test a solution to these challenges in the form of a new nonprofit-incubator model.

**Why Nonprofits Are Not Incentivized to Collaborate**

There are several reactions to the state of current societal affairs that cause nonprofits to steer away from collaborating with one another. The next portion of this paper will address specific reasons why nonprofits steer away from seeking out this advantage. Categorized into four explainable fears, the reasons include: an increasing competition of resources, no clear model for anticipated benefit through collaboration, losing even more control and lastly, the lack of a proper model to do so.
**Competition for Resources:**

Competition is a central part of any external context of organizations that produce similar products or provide similar services (Johnson, 2011). The nonprofit sector has been transformed during the past twenty years wherein competition has become more intense (Phillips, 2012). An article published this year from the Journal of Health Economics, describes this situation further, “When seeking income or other essential resources, nonprofits must "sell" or legitimize themselves in the eyes of the public, usually in competition with other nonprofits that are vying for the same finite resources” (page 267). The article explains competition as a practice similar to other industries as well:

Thus symphony orchestras compete with opera venues. Hospitals compete with each other for patient loyalty, for the best doctors and other medical staff, and sometimes for research grants from government agencies like the national institute of health. Even homeless shelters and soup kitchens compete with other NPOs for their share of public attention, volunteer resources, and charitable contributions (Tucker, 267).

When organizations are offered an opportunity to collaborate, they steer away because often times the partnering organizations are reaching for the same donation-dollars, making it a conflict of interest.

**No Clear Model for Anticipated Benefit Through Collaboration**

In a 15-year study, Huxham and Vangen (2005) state that more is possible when collaborating because an individual or an organization is not limited to his or her solitary
expertise or resources. Unfortunately, leaders in the nonprofit sector often overlook this truth causing them to focus their efforts toward individually operating in this constrained environment, where maintaining economic viability and growth has become a critical issue (Weerawardena et al., 2010). As Lindenberg (2001, p. 248) explains, “NPOs fear that too much attention to market dynamics and private and public sector techniques (collaborating with private sector) will destroy their value-based organizational culture”. As a result of this fear of engaging in value-changing relationships, nonprofits retreat to dysfunctional silos as a “better” alternative because they simply do not see the advantage, rather they see it as a threat to their organizational culture.

However, even if the reality is that nonprofit leaders are failing to see an advantage to collaboration, according to the novel The Collaboration Challenge by James E. Austin, “The macro forces are creating an environment in which collaboration is becoming the rule rather than the exception for NPOs” (Page 8). Going back to the introduction to this investigative paper, the environment nonprofits must exist in has changed dramatically since its initial growth twenty-five years ago. James Austin talks more on the concept of dysfunctional silos nonprofits put themselves in:

> An integral part of this strategic process should be a dispassionate analysis of the feasibility of continuing to operate independently. Going it alone is quickly moving to the endangered strategy list. Among the benefits to be by nonprofits from this partnering are cost savings, economies of scale and scope, synergies, and revenue enhancement. (Page 10)

This shows, the advantages that emerge from working in commune with one another, are much greater than to retreat to ones individual workspace.

**Fear of a Loss of Control:**
For any cross-sector collaboration, power imbalance is a potential concern (Baur and Schmitz, 2011). The term power can be defined as “the potential to influence others’ action” (Emerson, 1976, p. 354). Nonprofits, for the most part, are founded and funded by people who do not want to give up control of their organization. In more cases than not, the amount of passion and commitment that person put in as capital to their organization, outweighs any potential loss that could come from collaborating with others. Additionally, Das and Teng (2011) state in their research on collaborations, it is evident that power issues can be exaggerated in situations where organizational self-interests and the collective goals of the collaboration are not congruent (Page 53), which results in nonprofit leaders distancing their organization from collaborative relationships.

**Lack of a Successful Model:**

Lastly is the anchoring fact that holds all of these fears down; currently, there exists no successful model to look to for this type of organizational success in the nonprofit sector, one that disrupts all of these reasons for nonprofits to silo themselves. Several models exist, however none that speak to each objective mentioned above. Two types looked at further for the purpose of analysis are NBCs (nonprofit and for-profit business collaboration) and the tech-incubator model.

Collaborative models between nonprofits and for-profit businesses, called NBCs, are one way the nonprofit and the private sector intersect. They can be thought of as the types of alliances typically done as corporate philanthropy ventures, between only two organizations; specifically defined as, “a discretional agreement between an NPO and a for-profit business to address social or environmental issues and to produce specific
organizational benefits for both partners” (Al Tabbaa, Omar, Desmond Leach, and John March, 2013). A partnership of this nature provides nonprofits access to funding and advertising, two very visible advantages to their participation. The benefit for the for-profit business involved is found in tying their brand to a good willed initiative. This type of collaboration induces the nonprofits fear of losing control due to the fact that the for-profit company has a large amount of control.

The use of accelerators and incubators in the technology industry has been well documented (Clark, P. 2013, March 14), and recently used in the nonprofit sector as a reaction to problems posing the sector mentioned previously. Bee Space, launched by Marissa Sackler, New York Consultant, in 2013, was done as a way to give young nonprofits access to office space, educational programming, and a community of nonprofit peers. The model provides six nonprofits at a time office space in Manhattan, as well as support from in-house staff specializing in tech, design, fundraising, and public relations. In order for nonprofits to be considered as possible “Incubees” they must have innovative brand communications, effective programs- of work, approach and scalable impact, and the “right” people- judged on their strength, integrity, skills and drive (beespacenyc.org).

Although there are other models that could be mentioned in this section, these two are both similar in their intention, and design, as the model being presented in the next portion of this paper. It is important to note that a good model created to curb these reasons for detachment must be accessible and benefit the broader range of organizations in the nonprofit community, something these two models lack in the nature of their structures.
**Problem Summary**

Due to notable changes in society such as in the economy and in the emergence of Marketization across all industries, the environment in which nonprofits exist in has changed, in turn forcing them to change as well. Unfortunately, rather than working with similar nonprofit organizations that are also struggling to survive, nonprofits have taken to retreating from others in hopes of gaining some control. The increased competition for resources, no clear model for anticipated benefit through collaboration, fear of losing even more control and lastly, the lack of a proper model, are four reasons organizations remain individualized. This fractures their ability to compete in the competitive market that has emerged for nonprofits.

**Part 2 - The Solution**

**Introduction**

Engaging in collaborations with other nonprofits and participating in an exchange of ideas rather than remaining insolated provides for something called the *collaborative advantage*. The collaborative advantage occurs when something can be achieved which could not have been achieved with one of the organizations acting alone. The reality of why nonprofit organizations choose to silo, rather than come together in commune, is not concrete nor is it unfixable. More over, an argument can be made in favor of a new model of nonprofit incubation.

The Next Mile Project is a nonprofit incubator located in Boston, Massachusetts. The model being tested by the Next Mile Project provides solutions to each of these reasons [described above] for withdrawal. Fundamental attributes of this model propose two essential components. First, a curator, one with nothing other than
philanthropic interest in the matter, is the facilitator of the community. Second, the
presence of an intern-run Media Lab, one that addresses the communication and
marketing ails of nonprofits, including graphic designers, videographers and
marketers. By creating a structure void of self-interest, the incubator becomes a
community in which each organization receives equal benefits for being involved
counter acting each of the four reasons for prior desertion. The confirmation for the
success of this model resides in the qualitative evidence, improved cost structure, and
the increased access to knowledgeable resources that the Next Mile Project provides.

A New Nonprofit Incubator Model - The Next Mile Project

The solution to the four problems [described in part one] has been implemented,
and presented in this paper, in the form of a new nonprofit incubator model. Since its
kick off in June 2013, the Next Mile Project has brought in fifteen nonprofit
organizations named “member organizations” to form the envisioned community. The
Next Mile Project’s mission statement is as follows:

Starting from great ideas and driving towards real impact, the
Next Mile Project provides nonprofits with committed pro
bono legal and professional services, access to a deep
network of subject matter experts, a source of funding, inter-
organizational mentoring and, most importantly, a wealth of
knowledgeable resources from all of the nonprofits
themselves in a collaborative workspace on the Boston
waterfront. (Nextmileproject.org)

This new nonprofit-incubator model provides shelter to nonprofits from the
reasons they previously gave to putting themselves in silos, starting by offsetting the
nonprofits decision to not become part of a community in the first place. By removing
any type of competition for resources, The Next Mile Project community invites
member organizations in for their participation and acceptance of resources. Competition does not arise between individual nonprofits because Next Mile member organizations are sharing space and knowledge, not funding and donation-dollars. Although the community cannot change the current condition of the economy, it does succeed in encouraging a team-based approach to such challenges, rather than leaving nonprofits to their individual efforts posing organizations against one another.

**Increased Access to Knowledgeable Resources**

By being part of an incubator of this type, nonprofits are armed with a new support system that takes place in three forms. First, the incubator has a media lab composed of interns from a wide range of communication fields. The purpose of the media labs is for the interns to provide the nonprofits with high quality communication materials. What makes the Next Mile Project such a successful model for nonprofit support is the mutual appreciation for this service from both the intern pool and the nonprofit community. The second part of the nonprofit support system is the increased access it provides to valuable resources. Specifically pro-bono legal and business strategy support, administrative resources, wealth of knowledge from the member organizations themselves, connections from all of the members of the Next Mile Project, access to subject matter experts etc. The third area of support is what Next Mile has named their Tuesday Lunch+Learns. Professionals from a variety of fields come in to give lectures on topics ranging from nonprofit storytelling given by academy award winning producers to capacity building given by faculty from the Harvard Kennedy School. These are services that nonprofits would not have access to if they were not a part of this community.
**Improved Cost Structure**

Described in part one is the difficult economic environment nonprofits are currently being faced with. The second reason this model has proved to be successful in disrupting nonprofit isolation is the improvement to each organizations cost structure once becoming a member organization. Next Mile charges $150 per person for space in the middle and $250 per person, per desk, in a shared office. Aside from improving the budget in terms of rent, this incubator provides administrative resources with their space as well including access to printing, wifi, multiple conference rooms, a full-scale kitchen area etc.

Speaking directly to the function of the media lab, when member organizations were asked to describe, in one hundred words or less, what issues/topics related to nonprofit work they are currently struggling with most, 50% of the answers were directly related to the field of communication. [From the results section of the survey]:

**Q2**: As a nonprofit, what strategies/information do you wish you’d had more access to while starting out:

**A2**: Communications-
- Fundraising Strategy (ex: ways to approach foundations and grant-giving agencies
  - Branding & PR (ex: telling ‘our story’)
  - Website creation
  - Networking with social media

**Q3**: In 100 words or less, what issues/topics related to nonprofit work are you currently struggling with?

**A3**: Communications-
- Management of external relations (ex: staying connected with donors)
• Building a support base
• Finding grant-giving agencies that align with our mission and vision
• Branding & graphic design know-how
• Creating effective online and hard copy communications
• Cross-cultural social media

The media lab created this survey for member organizations here at the Next Mile to help come up with Tuesday Lunch + Learn topics as well as topics the media lab could create helpful how-to videos highlighting common challenges faced by nonprofits and then provide practical strategies used to overcome them. The specific requests included a range of topics such as branding and graphic design know-how, creating effective online and hard copy communications, and creating cross-cultural social media. The purpose of bringing in the results of this survey is to legitimize the need nonprofit organizations have for communications and also to offer the solution of the model being used by the Next Mile Project to address them.

Another collaborative obstacle that the Next Mile Project is exempt from is the fear nonprofit leaders have of losing even more control of their organization. The curator of this new model offers nothing but resources to the member organizations- no additional board of trustees to answer to, or to share control with. This relates to an improved cost structure because often times collaborations are conducted by private sector individuals that require more from the nonprofits than they are equip to give (Huxham, C., & Vangen, 1996).

**Conclusion:**

In the past twenty-five years the nonprofit sector has changed a great deal making it difficult for such organizations to effectively implement their
programs and act on their missions (Dobkin, 2). As a reaction to the economic devastation, and the introduction of Marketization across all industries, nonprofits have retreated to their individual work with a resistance toward other nonprofit organizations intervening. The four fears inducing this state of isolation include an increasing competition of resources, no clear model for anticipated benefit through collaboration, losing even more control and lastly, the lack of a proper model. Currently being implemented in the form of a new incubator model for nonprofit success, the Next Mile Project actively puts all of these reasons to rest through an improved cost structure and greater access to knowledgeable resources.

Although the model is in it’s beginning stages, endless qualitative evidence is available which proves the incubators value and ability to successfully achieve its mission. Qualitative evidence on this models behalf includes partnerships that come out of the space, shared connections and resources, awards won by member organizations, helping others/letting them know about opportunities, funding received from mutual connections and growth in several organizations capacity since joining the Next Mile Project. For future researchers, due to its grassroots state, it is recommended that further quantitative research be done in order to grow the statistical evidence of the Next Mile Project’s success.
Work Cited:


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