

# KNOWLEDGECONNECT

Connecting you to social impact thinking worldwide



## the Centre for Social Impact

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Edition 2: SUMMER 09

## FROM THE EDITOR

Welcome to the second edition of Knowledge Connect, a quarterly review by the Centre for Social Impact (CSI). Knowledge Connect seeks to connect readers to the latest social impact thinking worldwide.

This issue focuses on leadership. Those in leadership positions in nonprofit organisations, government, and philanthropic bodies are presently facing a new set of challenges as they seek to chart a way forward through turbulent economic times. The articles profiled examine ways to enhance leadership decision-making, to cultivate leadership, and to hold leaders more accountable.

According to *McKinsey Quarterly* authors Bryan and Farrell, uncertain times place new onuses on decision-makers. Leaders must position their organisations to respond to unexpected opportunities. Volatile times may also cause waves in labour markets, prompting individuals to consider opportunities and transitions across sectors — the theme for a number of other pieces in this issue.

Two other articles, *For-Profit Activism* and *Will They Pay?*, provide a snapshot into some leading edge thinking in new spheres. There are also extreme challenges to leadership under grave political unrest and insecurity which *The New Yorker* profile of work with refugees on the border of Sudan reminds us. And, since even good leaders can make bad decisions, there is demand for greater accountability such as the Australian government's newly proposed federal disclosure regime for nonprofits.

The review of *Money Well Spent* showcases ways philanthropic leaders can hold themselves more accountable. Duncan Peppercorn, our guest book reviewer, reflects on the importance of employing strategy in philanthropic giving. From small-scale neighbourhood initiatives to large-scale global efforts, leading philanthropists are asked to clarify their goals and design strategies to anchor their organisations and enhance their intended social impact.

Please enjoy these summaries and be sure to investigate the complete texts that interest you through the links provided.

You can contact us with ideas for future editions at:  
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**Barbara J. Merz**  
Editor, *Knowledge Connect*

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## 1. 'LEADING THROUGH UNCERTAINTY,'

by Lowell Bryan and Diana Farrell, *The McKinsey Quarterly*, Number 1; 2009.

The global financial crisis is forcing leaders to recalibrate. Wildly vacillating financial markets make planning more difficult, especially when no-one seems to know the depth or duration of the financial downturn. While *McKinsey Quarterly* authors Bryan and Farrell target corporate leaders in this piece, their approach also applies to nonprofit and government heads.

Bryan and Farrell assert that even as senior executives confront uncertainty they should nurture organisational flexibility, awareness, and resilience. Their two-by-two matrix depicts future scenarios contingent upon the length of time global credit and capital markets remain volatile and the severity of the recession.

These scenarios matter to leaders who are making decisions about capital outlays, budgets, and organisational development. They say that leaders must take a more flexible approach to planning and develop multi-pronged strategic action plans, not

just one. Each plan must be action-oriented so that when the future becomes more certain, managers can nimbly make operational decisions.

During a financial crisis, options such as streamlining personnel and mergers between other organisations doing similar or redundant work tend to arise. A featured case study of Cisco Systems shows that when it was forced to streamline, leadership thoughtfully redesigned roles and responsibilities to yield greater cooperation among functional areas moving forward.

The authors conclude that the next year or two will offer profoundly new market dynamics. The future will belong to leaders who remain calm and prepare their organisations "for whatever the world throws at them."

To access the full article see: [www.mckinseyquarterly.com/Leading\\_through\\_uncertainty\\_2263](http://www.mckinseyquarterly.com/Leading_through_uncertainty_2263)

## 2. 'FULFILL THE DREAM OF LEADING A NONPROFIT,'

by David Simms and Wayne Luke, *The Harvard Business Review*, January 2009.

The authors of this *Harvard Business Review* article have worked with several hundred private sector executives seeking to transition to social-sector leadership positions. Their advice to corporate employers? Start lending a hand.

Employer programs that help people move into nonprofits can make restless managers more productive and bolster a corporation's CSR goals. This article cites a study where 9.5% of U.S. workers between 44 and 70-years-of-age have already moved into the social sector: Half of corporate workers surveyed say they would also like to make the switch.

This article encourages employers to ease the way for executives searching for the right nonprofit second career. For example, they created a program IBM called 'Transition to Teaching' which helps employees find post-retirement careers

in education. The program does this by identifying the skills employees will need, as well as providing funding for workers to attend the right courses as part of their professional development.

The authors argue that easing a transition from private to public service allows private sector managers to stay focused until they depart because they have a strategy outlining what they will do afterwards. Also, it may help build the corporate citizenship brand in the community. Another plus from using this approach is that it could help foster a greater respect for the professional development and skills required of leaders as they transition between sectors.

To order a copy of the full article see: [www.hbr.org](http://www.hbr.org)

## 3. 'LEVERAGING LEADERSHIP EFFECTIVENESS,'

by Sarah Cornally, *Third Sector*, Issue 3, January 2009.

*Third Sector*, published by The Australian Society of Association Executives (AuSAE), explores issues affecting not-for-profits. The most recent *Third Sector* issue, 'Weathering the Economic Storm,' includes an article on leadership by seasoned management consultant, Sarah Cornally. Turbulent economic times test leadership effectiveness. These times in particular require leaders to remain composed and steadily focused on their organisation's purpose and long-term vision. Good leaders, Cornally says, turn knowledge into positive action. To assess one's effectiveness, Cornally provides a series of questions

for self-reflection. These include: What truth are you not facing about the situation, yourself, or the people you need to influence? What would it mean if you faced the truth? What would you need to do if you did? What is your relationship with doing that? What are the consequences of not doing that? And, what choices do you need to make? While this article is brief, it encourages leaders to take stock of their style and effectiveness — a useful exercise in any financial weather.

To access full article and issue see: [www.thirdsectormagazine.com.au](http://www.thirdsectormagazine.com.au)

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## 4. 'THE ALCHEMY PROJECT FEASIBILITY REPORT,'

**FAR Social Enterprise; 2008.**

Alchemy is the process by which base metals are turned into gold. The Alchemy Project by FAR Social Enterprise seeks to similarly transform nonprofit careers into golden leadership opportunities.

The Alchemy Feasibility Report findings are based on consultations with individuals from Australia's not-for-profit, corporate and government sectors. This report suggests the key requirements for this transformation are resources to support mentoring, time for self-reflection, and collaboration between sectors. The report explains that the essential elements to foster leadership include seeking out diverse experiences, building strong networks and connections, manifesting a will to learn by stepping outside of one's comfort zone and being willing

to learn from failures. Each area is explored and case studies are featured to outline where programs and initiatives already exist within the sector.

The report highlights consistency across the not-for-profit, corporate, and government responses. Although this report focuses on careers in the not for profit sector, there is arguably an equally compelling call to action for transforming leadership in boardrooms across the sectors. The authors hope that nonprofits and their partners can usefully adapt the project findings within the leadership laboratories of their organisations.

**To access the full report see: [www.csi.edu.au/publications](http://www.csi.edu.au/publications)**

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## 5. 'FOR-PROFIT ACTIVISM: CHANGE WE CAN PROFIT FROM,'

**The Economist, print edition; January 29, 2009.**

Never heard of a Carrotmob? You're about to. Carrotmobs are beginning to crop up for a cause, thanks to two Silicon Valley entrepreneurs who have turned to activist campaigning as the next start-up industry.

*The Economist* reports that Brent Schulkin and Steve Newcomb's company, Virgance, plans to profit from organising campaigns for change. The company builds campaigns by recruiting volunteers and creating an on-line presence through paying bloggers and producing YouTube videos promoting the campaign. For example, their campaign 'One Block Off the Grid' (IBOG) encourages homeowners to switch to solar energy by getting together with their residential blocks to build a buying club. Virgance earns a slice of the energy bill discount negotiated with clean-tech providers as they bring in new customers.

Now, in its new 'Carrotmob' venture, Virgance recruits shoppers and organises a competition between shops to be the greenest. The winning shop is then inundated by crowds of activists galvanised by the campaign — the 'Carrotmob.' Virgance earns its profit through paid sponsorship from participating shops looking for green-related marketing and branding opportunities. Even though Virgance is not the first professional campaign organiser, *The Economist* uses them as an example of a social impact organisation that chose to structure as a for-profit. It says the founders' choice to structure this way enables the company to achieve greater social impact by working with market forces rather than relying on donors. Keep an eye out for Carrotmobs in shops near you.

**For the complete article see: [www.economist.com/business/displaystory.cfm?story\\_id=13031214](http://www.economist.com/business/displaystory.cfm?story_id=13031214)**

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## 6. 'WILL THEY PAY?'

**by Laura Starita, Alliance Magazine; December 1, 2008.**

Donor advisory firms have paved the way to assist wealthy individuals and families who want more information about the effectiveness of their giving. According to a recent study by the Boston College Center on Wealth and Philanthropy, 66% of wealthy donors surveyed said they would give more — and differently — if they had information about the effectiveness of their gifts.

Two former partners at Goldman Sachs, Gavyn Davies and Peter Wheeler, created New Philanthropy Capital in 2002 in the UK to provide what they felt was lacking: high-level philanthropic research and a bespoke advisory service. Other groups have also grown to assist burgeoning philanthropists develop a giving strategy, provide due diligence, and evaluate results. Philanthropic advisory models abound such as conferences and seminars for like-minded donors to access philanthropy experts and to exchange ideas about strategies and grantees.

This author raises the question of whether philanthropic advisory services are financially viable as stand-alone entities. The article suggests that as philanthropic advisory services continue to emerge, advisors may need to collaborate with others in the nonprofit sector to gather information relevant to good investing.

**For the complete article visit: [www.alliancemagazine.org](http://www.alliancemagazine.org)**

## 7. 'WHY GOOD LEADERS MAKE BAD DECISIONS,'

by Andrew Campbell, Jo Whitehead, and Sydney Finkelstein, *The Harvard Business Review*; February 2009.

Why *do* good leaders sometimes make poor decisions? According to this *Harvard Business Review* article, leaders are just as vulnerable to basic cognitive biases as the rest of us. Additionally, we entrust leaders to make public decisions that affect other people's lives and livelihoods — meaning the consequences of these decisions are more exposed.

Authors Campbell, Whitehead, and Finkelstein raise awareness of common mental traps that marshal against good decisions. Their analysis is based on decision neuroscience; research into how the brain works when faced with choice.

Most decisions are made through *heuristics* — pattern recognition and emotional tagging which usually makes for quick, effective decisions. Though they often serve us well, sometimes these shortcuts produce the wrong result. The aftermath of Hurricane Katrina is a classic example the authors point to where leadership decision-making went wrong.

In analysing 83 such cases of flawed decisions by influential individuals, this piece identifies three key factors that distort judgment:

1. The presence of inappropriate self-interest
2. Distorting attachments
3. Misleading memories

In order to safeguard against these sources of bias, the authors design an approach to recognize red flag warning signs:

- Lay out the range of options
- List the main decisions makers
- Choose one decision maker to focus on
- Check for inappropriate self-interest or distorting attachments
- Check for misleading memories
- Repeat the analysis with the next most influential person
- Review the red flags you have identified

Once a red flag is detected, leaders must introduce more debate, independent assessment and governance. The article makes a strong case for important decisions to be explicitly examined.

To order a copy of the full article see: [www.hbr.org](http://www.hbr.org)

## 8. 'IS THE GRASS GREENER?' SECTOR SHIFTING AND CHOICE OF SECTOR BY MPA AND MBA GRADUATES

by Mary Tschirhart, Kira Kristal Reed, Sarah J. Freeman, and Alison Louie Anker, *Nonprofit and Voluntary Sector Quarterly*, Volume 37, Number 4, Sage Publications, December 2008.

Which pasture holds the greener grass for aspiring graduates: business, government, or nonprofit?

The authors of this study published in the *Nonprofit and Voluntary Sector Quarterly* surveyed 688 graduates to track their careers within and between sectors. They argue that today's graduates have abandoned the traditional view of a career inside one workplace, concluding that few stay with just one employer throughout their working lives. However, there has been little empirical research addressing whether or how graduates shift between sectors and how graduates decide upon which sector to work.

In this piece, the graduate programs studied: MPA (Master's of Public Administration) and MBA (Master's of Business Administration) attract individuals from across the three sectors. Examining the stated preferences of these graduates, the authors' findings reveal subtle shifts in perception about the sectors. As expected, those seeking work in the business sector did not expect job security. Yet the study findings also revealed those who desired to work in government had no expectation of long-term employment security either.

Overall, it's believed individuals who move across sector boundaries shift because they feel competent in the new field. This indicates that hands-on experience within a graduate program may be the key to encouraging more individuals to build their competencies and potentially shift sectors upon graduation.

Social sector organisations that want to attract graduates should consider making available opportunities for graduates to familiarise themselves with the field and develop competencies. Creating opportunities for individuals from business and government to work within non-profit organisations may attract them to the sector over the course of their careers.

To access the full article see: <http://nvs.sagepub.com>

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## 9. 'DISCLOSURE REGIMES FOR CHARITIES AND NOT-FOR-PROFIT ORGANISATIONS,'

by The Senate Standing Committee on Economics, Senate Printing Unit, Parliament House, Canberra, Australia; December 2008.

Leaders of Australian third sector organisations may soon face new national disclosure regulations with the Australian Senate Standing Committee on Economics' recent report on models to improve governance, accountability, and transparency in the not-for-profit sector. Historically, Australia's legislation regulating not-for-profits came about in a piecemeal fashion, with lack of a coordinated approach to transparency and accountability. Charities are not obliged to report in a consistent manner. Instead of an overarching regulator, numerous compliance regulations operate at the State, Territory, and Commonwealth level. This proliferation in regulatory systems forms a significant barrier to transparency and general accountability.

The current disclosure regime was seen to be insufficient because it lacks information of a comparative sort that would

allow donors to make informed choices about their giving. The multiplicity of regulation and regulators also causes inconsistency across the sector. To bolster transparency, each organisation must state its purpose, objectives, and measures of success. Accountability measures include clarifying who is responsible — and to whom — as well as stating the consequences if the rules are violated.

It is not yet known when the new disclosure regime will come into being, with a taskforce now required to implement the report's recommendations. Perhaps sector leadership should take this opportunity to clarify and publicise their own strategies before the government requirements takes hold.

To access the full report see: [www.aph.gov.au/Senate/committee/economics\\_ctte/charities\\_08/report](http://www.aph.gov.au/Senate/committee/economics_ctte/charities_08/report)

## 10. 'LIVES OF THE SAINTS: INTERNATIONAL HARDSHIP DUTY IN CHAD,'

by Jonathan Harr, *The New Yorker*; January 5, 2009.

This *New Yorker* piece depicts the challenges of leadership in a field office situated on the eastern frontier of the African nation of Chad. Chad is considered a hardship posting within the ranks of the United Nations High Commissioner for Refugees (UNHCR.)

The office is situated close to the Dafur border, where nearly two hundred and fifty thousand Sudanese have fled to escape death, mayhem, and ethnic cleansing. The UNHCR works to assist some 33 million refugees, asylum seekers, and internally displaced people worldwide. It is supported by a budget of about US\$1.2 billion a year.

According to hardship veterans, a UNHCR posting like this attracts personalities fitting into the "3M's": missionaries, misfits, and mercenaries. Leaders in hardship posts must operate far from where commands are created and where circumstances can shift impulsively. They must maintain logistical operations and morale while bracing to quickly evacuate if conditions become too dangerous.

Compounding their daily work is an inordinate amount of reporting requirements: "The agency's job is to take care of refugees, a task that is full of uncertainty and peril. But it also has to raise money for its operations, supervise its staff, and report to its donors. In the perverse way of bureaucracies, these secondary tasks, less fraught with uncertainty and peril than refugee situations and thus seemingly more manageable, have assumed an importance equal to, and in some instances greater than, the job at hand."

This commentary on reporting requirements — so clearly arduous given the reality of a hardship context — may also relate to by those comfortably working within organisations far from the frontline.

For the complete article see: [www.newyorker.com/reporting/2009/01/05/090105fa\\_fact\\_harr](http://www.newyorker.com/reporting/2009/01/05/090105fa_fact_harr)

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## BOOK REVIEW

### **MONEY WELL SPENT: A STRATEGIC PLAN FOR SMART PHILANTHROPY, PAUL BREST AND HAL HARVEY, BLOOMBERG PRESS; 2008.**

Book reviewed by **Duncan Peppercorn, Founder of Social Ventures Australia Consulting.**

Thank goodness for this book. I hope that it quickly becomes obligatory reading for all those who want to invest in creating a better Australia.

Brest and Harvey have managed, with great clarity and appropriate simplicity, to outline the rationale for philanthropists — and by extension all funders of social change — to take a strategic approach to their investment. In practice, this means working-out up front what you are trying to achieve and setting clear goals, putting resources into ensuring that you have a well-argued and evidence-based plan to achieve them (and are investing accordingly), and making sure that you take the time (and resources, again) to demonstrate that you have achieved what you set out to do. This is in contrast to the charitable approach of looking for people doing good works, and funding them in a hopeful fashion.

This argument — with plenty of thoughtful examples — is laid out in the very first chapter (which provides an excellent executive summary for those without the time or inclination to read further.) I was a little concerned that the remaining 250 pages might water down the argument, or head off in new and more esoteric directions. But no: the authors dig deeper (into creativity, capacity funding, venture philanthropy, social return on investment and the challenges of collaboration, among other things), but the basic thesis remains. It's very refreshing. Plenty of examples from their own experience are elucidated — failures as well as successes — and by the end it is hard to believe that any funder or organisation would have any doubts about the validity of the argument.

Many years working with and encouraging Australian organizations to take the same approach has confirmed for me the wisdom of strategy in both fundraising and achieving social impact. From the National Breast Cancer Foundation, who focused around some clear fundraising goals and ended up massively exceeding them, to the Queensland Ballet who likewise set clear audience targets and drove towards — and delivered — on them; there are many in Australia who would confirm *Money Well Spent's* thesis.

If the book has a shortcoming, it is in trying to cover all bases: from a new philanthropist considering where to invest to a huge foundation making long-term, multi-million dollar choices. The underlying philosophy remains, but the detail is inherently different. Also, from the Australian perspective, there are some references to the legal framework under which American foundations operate which are not pertinent here, e.g. tax laws and constraints on lobbying.

But perhaps the biggest question mark is of scale. When the authors propose significant investment in planning and evaluation (hundreds of thousands of dollars) it will undoubtedly make sense for a foundation investing millions of dollars over many years, with many partners and massive objectives. But it is much harder for philanthropists with fewer funds who would rather target their money at the issue itself. None-the-less, if the first step is to realise the importance of a strategic approach and consider how to put it into practice with all social investments, of any size, *Money Well Spent* makes the case compellingly.

To order please see: [www.smartphilanthropy.org](http://www.smartphilanthropy.org)