Innovating Public and Private Institutions—
General Discussion

*Moderator: Gary Gorshing*

Gary Gorshing: As we come to the close of the afternoon session, we have time for some general questions.

Eric Thor, Arizona State University: One of the things from sitting on four boards of nonprofits that has always amazed me is that nonprofits, historically, by definition, have the advantage of not having to pay taxes but know little about revenue and cost. They just aren’t trained that way. Most of their managers come from different schools. They may come from social work, or they may come from some other discipline. What kind of models have you seen to direct them toward the revenue sources, as well as understanding how to manage costs? There are literally thousands of them in the United States and around the world. Do you have any suggestions?

Karl Stauber: There are a whole lot of folks running around saying there are thousands of sources. There are not. I get about 500 letters a year from people who have bought some service that is advertised on late-night television about free grants. We haven’t given a grant to an individual in 70 years, and yet we are listed in that book. I have two pieces of advice. One would be you need to raise the first money at home. Nonprofits are not that different from for-profits in the start-up phase. It is family, neighbors, and you. That is where a lot of the initial seed money needs to come from.

Then you need to pay close attention to who are the larger-scale funders. One of the reasons that Indiana is so blessed is because it has some major funders. Minnesota is similarly blessed. The McKnight Foundation in Minneapolis has created a series of major rural initiatives around the state. The Blandin Foundation in Grand Rapids, Minnesota, has created initiatives. The Bush Foundation (based in St. Paul, Minnesota) also has created initiatives in North Dakota. However, the distribution of philanthropic dollars is not fairly distributed by a long shot.

If you want to take it to the next stage, one of my notions would be that you get the potential funders involved in the conversation as early as possible, so you get their buy-in as you develop it. This would be better than waiting until you have it 95 percent designed, and then taking it to the funders and asking whether they would be interested.

Martin Jischke: One of the observations I would make is there is an enormous variation in those who fund such activities. Typically, nonprofit funders do to the extent of assessing the sustainability of the activity after the initial grant expires. It turns out to be a really hard question and enormously difficult. At least in a lot of the activities, they are funding people who are quite idealistic and committed at a personal level. The hard, bottom-line look at the sustainability of the enterprise—the thing that venture capitalists do in the private sector—tends to be absent. There are some exceptions, but it is not a part of the culture universally.

An interesting way we have tried to help nonprofits in our part of the world is to provide them with fund-raising council pro bono. We try to help them think through a strategic approach, for the purpose of prepar-
ing the case statement in the fund-raising so they can make an effective pitch. But we also help them think through whether they can sustain the activity and how it fits the mission. This is strategic thinking 101, but we get at it from a fund-raising point of view. There are a gigantic number of nonprofits. We have 120 arts organizations in the county I live in, and they are all struggling to finance themselves. We try to provide this professional advice. It sounds to them like fund-raising, but it is about the issue of sustainability financially. Revenues and costs are an important part. Can you afford to ask for the money? Because if they give it to you and it doesn’t pay the cost, you are in trouble. You could undermine the purposes of the organization. It is that kind of thinking we try to give people. As somebody who raises a lot of money, there are certain variables that different nonprofits that we raise money from hold us accountable to. They also test the sustainability of the idea.

**Pike Powers:** A couple of things come to mind. Applied Materials—the world’s largest manufacturer of semiconductor manufacturing equipment—has consciously decided in our community to put on a program called Charitech in Santa Clara, California; Richmond, Virginia; and other places where the company is located. The program brings the entire nonprofit community together with the for-profit business community for a day or two a year. It is a complete “open the kimono” dialogue. It has been helpful to match or merge the two communities. An event like that might be something you could consider. I don’t know whether you like that idea or not, but it has really worked for Applied Materials. It imputed a lot of goodwill to Applied Materials as part of its corporate culture.

I have also seen a second thing that has worked pretty well and admittedly dovetails with the passion in Austin, Texas, for the environment and environmental concerns (other alternative forms of energy rather than some of the traditional forms of energy). Austin has environmentally generated for-profit and not-for-profit ventures that sustain the passion of local investors because of the environmental issues. It permits an ability to raise money in a way that I haven’t seen. It is an environmental thing to keep the air and water clean. So, Austin is able to make a pitch that is business-oriented, has a business plan, has a commercial venture side, and all the while it is more of a nonprofit-type venture. That is the model I have seen that is the most successful in trying to address the concerns you have.

**Mr. Stauber:** I have one additional comment. There is a new survey out. The average age of nonprofit executive directors in America is 56, and 82 percent of them do not plan to take another job as an executive director of a nonprofit. There is a large window of opportunity to do a lot of reeducating, but it is going to come pretty quick, within the next 10 years. I keep looking for that intergenerational transfer of wealth that everybody keeps talking about. I would like to see the intergenerational transfer of leadership in the nonprofit community because it is upon us.

**Jack Geller,** Center for Rural Policy and Development, Minnesota: Throughout the day, I am not sure if it has been said explicitly, but certainly implicitly, the idea that we need to move the paradigm of rural economic development from the community paradigm to a regional paradigm. If in fact you believe this, do we somehow have to start engaging in a conversation that says we can have a robust and economically vibrant region? But that doesn’t necessarily mean every community within that region will be equally robust. If in fact you believe that, and I don’t know if you do or not, how do you engage in that conversation? That has to be difficult and painful at the grassroots level.

**Mr. Jischke:** I don’t know if this is relevant, but we have the same challenges at the university. At Purdue, we have 10 schools. They all have different histories, stages of maturity, and opportunities, and some are more advantaged than others. I see my role in developing the whole university—if you will, the region—is to create an opportunity for all to grow. But I have absolutely no illusions that they will all
grow similarly. There is (I hope it doesn’t happen) the risk that some may actually fall behind. That is not the game plan, but it is a possibility. In my role as president, I shouldn’t disadvantage those who have the competitive advantage and opportunity by trying, in some artificial sense, to level the field. I don’t think that works. It doesn’t make sense.

Similarly, for regional economic development, you would like to have a vision and a strategy that provide opportunities for everyone. It would be foolish, in my view, to condition any progress or seizing of a particular opportunity by asking the question of whether everybody gets advantaged. That will paralyze you. You can’t give them the veto on the rest of the region. My experience is if some start to move, the others get the message, and they learn from the experience. Over the long run, it really does move most of the ships in the rising tide. But some may have holes in the bottom, and they just sit there.

Mr. Stauber: One of the things that is powerful about starting with an analytic frame, whether that is an ecological analytic frame, an economic frame, or even a historic analytic frame, is people need to understand where they are. It needs to be an informed discussion.

How many places have we all worked where the regional conversation is made difficult by who won the football game in 1969? It is still out there. It is still a topic of conversation. I was just back in my home county in North Carolina not long ago, and I ran into a friend. What he wanted to talk about was the other school in the county that stole the regional championship, which then led to that school winning the state championship. I was sitting there, looking at this guy, and I was thinking: Has nothing else happened in his life since 1969?

Having an analytic framework presents an opportunity to have a conversation. It can start off in a sectoral mode. It can be about health care, for example. There are some good examples within health care where this has been done. If the only way to have the conversation is around telling stories, then you don’t get there. On the other hand, you can begin by having a combination of analysis, storytelling, honoring that, and capturing it, while still driving the analysis to a regional conclusion. I don’t think it is that difficult. I have seen it done in quite a few places—sometimes starting with a sectoral approach and then moving on from there. We have helped to do it in seven or eight communities. This sometimes has included transcending across 15 to 20 languages. It is challenging, but people who are afraid their communities are dying are motivated. If you can create that sense of urgency without creating the sense of panic, using the analytic frame, then you can get people to start thinking in a more regional way.

Mr. Powers: I am going to come at it, Jack, in a slightly different way. We have a local organization that was designed to be an alternative to the chamber of commerce and be a CEO-led and member-only organization called the Austin Area Research Organization. It would write white papers about long-range issues. It had the word “research” and it had the word “area” in its name, but it did not do anything that was regional.

A funny thing happened on the way to the forum. One day about a decade ago, all of us suddenly woke up and realized this wasn’t working. Our problems weren’t getting addressed. We needed to change this organization to do what it was supposed to do by virtue of its name. So, we embarked on a broadening of the scope and made it truly regional—meaning five counties. What happened is that we really addressed transportation, education, health care, and a number of other issues successfully through this organization because it was an honest broker and the “keeper of the flame” regionally. It was a bunch of trusted people. The big debate we had early on was about qualitative versus quantitative. We discussed whether or not data should overpower the situation and drive people’s opinions, conclusions, reactions, impressions, and actions, or whether we should be serving up a lot of
beer and barbecue to take down barriers between people and build trust. If they get to know each other, then anything is possible.

Ultimately, we resolved we needed to do both. We needed to have the data to be sufficiently advised about the right things. Our experience with all that, once we got the data, got the beer and barbecue, and took down a lot of barriers, was that we had been quite active in addressing those concerns.

Literally, in our five-county standard metropolitan statistical area (SMSA), one county is very poor. It does not have the money to play with everybody else, but we have found ways to get it funded and involved. Boats have risen as a result of a true regional focus. Admittedly, I am a regional buzz saw person. I think you ought to be about regionalism, whether that is a rural issue or not. You need to be thinking about taking down those barriers and going across jurisdictional lines. Problems don't stop at county lines, as we all know.

Russell Weathers, Agriculture Future of America: Karl, you had in one of your points the terminology “human capital” and throughout the day there have been references to the age of the leadership through various infrastructure discussions. I would be interested in hearing the panel’s or individual thoughts on how we attract the future human capital. I don’t see a whole lot of effort being directed in addressing that issue. We talk about infrastructure, policy, and practice, but the human capacity seems to be a bit void.

Mr. Stauber: That is one of the places where our education institutions can play a huge role. Sometimes it requires them to step out of their sectoral, disciplinary approach. That is easy to say and hard to do in some cases. How do we create the next generation of nonprofit leaders in “x”—whether that is a region, state, or whatnot? Northwest Area has created a rural leadership development program that works with communities of 5,000 or less. We work with three of them within 50 miles of each other, so we get the regional effect. We are doing 10 of the programs. Four of them are run by land grants. Four of them are run by traditional nonprofits. One is run by a tribal college. One is run by a Native American organization in the Pacific Northwest.

One of the things we are most worried about in running a rural leadership development program is we are training people to lead, but we are not training people to stay. If you look at the evaluations that have been done of a lot of rural leadership development programs around the country, they have had an unintended consequence. Kellogg never intended to train people to leave when it ran a wonderful rural leadership development program for more than 30 years. But it helped create networks that made it much easier for people when they couldn’t make it on the farm or as a forester anymore. They were able to connect and move to a metropolitan area.

We are trying to figure out how you create leaders who stay. I would say the same thing is a real challenge in the human capital field. How do we create the next generation of leaders in this room? Who is going to be in this room in 10 years in the key leadership roles at some of the institutions we have all talked about? How do we do that in a way that, instead of them being in Chisholm, Minnesota, they are in St. Paul? It is a real dilemma. It is a place where higher education institutions, particularly the ones that are willing to cross the disciplinary divide and truly be transdisciplinary and place-focused, can provide a huge benefit to the rest of us who are struggling with it.

Mr. Jischke: We try to do a couple of things that have had a positive impact. I mentioned the Technical Assistance Program (TAP) in my presentation, where we help small- to medium-sized businesses around the state. We do that with students, typically a team of students led by a faculty or staff member. Out of that, students have taken jobs in these smaller communities as a result of the experience. It is a way of infusing some younger people into a community.
I would tell you in the surveys we do of our students, the big issue is jobs. This is a case where those who have attractive jobs will attract talent, thus creating a virtuous cycle. It is a sorting out. This is an area where the strength of an economy has a lot to do with the future strength of the economy. You are building on strength. For those who cannot attract these young people, it is a major dilemma.

I do know of one effort in Iowa that Stan Johnson, who is the vice provost for Extension there, started after I left. It has been an interesting program. It is called “Life in Iowa.” Students who apply to this program go through a course in the spring semester about rural Iowa and about the history of the state. They try to acclimate to these issues. Then, they spend a summer in a small community. They are hosted typically by alum of the institution. They live there, work there, and receive a modest stipend. Stan tells me that it is transformative for some of these kids. They literally change their view of where they want to live and where their future is. It is a chance for these communities to show their strength. At least for the students who participate in this Iowa State program, it has had a very positive effect.

We have had some success in Indiana in keeping more kids in the state by helping companies and others become more sophisticated in the way they recruit students. We also have helped them to understand the national marketplace and the things their competitors are doing to recruit students. That might also help with communities. They need to find out what the competition is for this kind of talent; what goes into attracting talented young people and retaining them; and what they are concerned about. This is better than simply sitting back and lamenting the difficulties of the recruiting process. This is something the placement services of these land grants can help with. Find out what they are saying; talk to them; and test the customers.

**Mr. Powers:** My short and snappy response is “feed the passion.” My experience tells me that. I have listened to lots of people who have approached me with every imaginable crazy idea in the world, most of which were about as crazy as some of mine. It is remarkable what ideas can occur out there in the marketplace if you feed the passion. I am on the nanotechnology board at the University of Texas. There is a new nanotechnology group that is multidisciplinary. It has been in existence three years and has 62 professors from biology, chemistry, physics, and other areas. At our last meeting, a young man took an hour to make a presentation on how to construct buildings from nanocarbon materials, as a way to design and manufacture the buildings of the future. We all wondered where he came from, since his presentation wasn’t typical of the classic, traditional departments. The leader of the team said, “He is in the architecture school, but he wants to come over here and work with us.” So, I invited him to join us. Feed the passion. Nobody has a perfect answer to this. Clearly, I don’t; but if you feed the passion then you have a chance to grow passionate and committed human capital. Hopefully, I emphasized that enough as being important to us in Austin, Texas, during my earlier discussion.

**Mr. Gorshing:** We can take one final question.

**Kimberly Pontius, Ivy Tech State College, Indiana:** I would like to ask the panel if you could help me out a little bit. We keep talking about regional governance. In looking at the article, “Innovations in Rural Governance,” we talk about 17th century technology and how the lines were drawn. I am interested in getting your view on how new lines would be drawn. What are we talking about when we talk about regional? Who do you think would determine these lines? Do you think this new and emerging technology will soon overtake those new parameters? Should we be thinking further out?

**Mr. Stauber:** I would suggest that new technology has already overtaken those lines. There was a wonderful sociological study done in the 1960s that looked at the spacing of towns, based on how far apart
steam engines had to have water put in them. Then, diesel technology came along. The spacing changed by a factor of 10. Instead of water and coal fueling stations every 50 miles, it was every 500 miles.

Look at Iowa. It was one of the most progressive states in the country on its matter of state policy when it was first developed. It said that all residents of the state shall be no more than a half-day’s buggy ride from the county seat. This was a highly innovative idea. The further west you go, the bigger the counties become. Part of that is things like rainfall that John Wesley Powell talked about. But part of it is was people realizing they needed more advanced technology.

Part of it is attitude. I increasingly feel the counties that are doing a mediocre job are becoming irrelevant. The counties that are doing a great job are becoming the centers of these new types of clusters. But I also think that if we try to impose this from above, it will be as successful as prohibition. We have to somehow incentivize it to emerge from the county level. You see things happening like groups of people getting together to bring high-speed Internet access to their area. Most single counties cannot afford to do that. Suddenly, five or 10 counties in western Iowa are working together. It is happening.

Minnesota just joined the states that have restructured Extension. It is no longer a county-based system. It now is a region-based system. There is a reason for that. It has to do with affordability. You see these little things happening out there that say it is going on. I would argue that technology is driving it even faster.

“Distance Med” in health care is another example of changing the role of the tertiary and the secondary health care facilities. We are in the middle of the transformation right now. In a number of areas, we are past the tipping point. Local leadership ends up making, in my opinion, a critical difference. The communities that have a vision of where they are going and how they want to get there, and are willing to try different things are the ones that are doing better. The communities trying to drive full speed, while looking in the rearview mirror, are not doing very well. It doesn't matter whether they are a county of 3,000 or whether they are a county of 50,000. That is my take.

Mr. Jischke: Karl is right. It is happening in Iowa and similarly in Indiana. If you look at the community college structure, it is not county-based. In Iowa, there are 15, so it is automatically clustered. Similarly, in Indiana there are 16 in the vocational technical system. He is correct in saying that technology is going to drive it even faster.

An interesting thing has begun to happen in our state. People are beginning to question the cost of the old system. It is another consequence of the tough budget situation. A credible, but admittedly contentious estimate in Indiana is that $150 million would be on the table if you could do away with township government, which is even smaller than county government. As these issues of cost, benefits, and difficult budget circumstances present themselves, there is going to be more and more pressure.

I, however, don't give speeches about reorganizing this. My view is life is short. I look for willing partners. A lot of it now is regional, and I join in. But Karl is ultimately right. This has to come from the local level. It is just not worth devoting a lot of time. There are too many other interesting and important things to do than to advise county governments on how they should organize themselves.

Mr. Powers: It is hard to add much to that. They are both right on target, and that is why I mentioned the two books The Death of Distance and The Future Catches Up with You. Those books confirm what my colleagues have just articulated. I would say, though, one other piece of advice that is a practical day-in and day-out living experience. The technologies made these changes, but what drives the equation is maximum flexibility in whatever we need to do to get the
project accomplished. It may mean teaming up with 21 counties south of Austin to go to San Antonio and being part of south Texas. I don’t care if we call that a region or whatever we need to do to make it work. Even if it means we need to team up somehow with the schools of the Big 12 Conference to skin a few cats, bag a few lions, or do whatever we need to do, let’s do it. Let’s be flexible. Let’s be able to deploy and move on a dime rather than sitting around talking about what precisely might be right in any given instance. I would say to vote with practicality—with your feet first.

Mr. Gorshing: Pike, Martin, and Karl, you have been an excellent panel. We sincerely appreciate it.