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Community-Based Nonprofits in US Inner Cities: Collaborative Strategies for Community Building

James Jennings and Ricardo Torres

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Introduction

Over the last several decades community-based nonprofits operating in low income urban neighborhoods have played important economic roles.¹ But, they also have a long history of emphasizing economic democracy through the mobilization of community residents. Today, smaller community-based nonprofits continue to provide a range of services that are critical for social and economic well-being of urban neighborhoods. In the USA these neighborhood-based nonprofits, with budgets under \$5 million, and even less than \$1 million, are engaged in charitable and economic activities that touch every aspect of neighborhood life. In many instances they provide voice to collective interests and needs that are not typically heard in venues of power and wealth. Recent civic dialogue about the future of nonprofits in this country, tend to overlook the role and impact of this sub-sector of nonprofits. The public and corporate focus is on downsizing and mergers; performance and outcome measures; or standards of accountability. And within this dialogue the issue of social justice and community mobilization is absent.

We propose that community-based organizations have to return to their original mission on behalf of social justice, advocacy and political mobilization of residents. Several researchers have noted that this sector is a latent and perhaps unwilling political actor, but it has an array of political capital. As reported by Hula et al., "First, broad collective interests exist that are not adequately represented in current governing regimes. Second, it

is possible to form viable political coalitions. Third, nonprofit organizations can serve as a viable platform for the aggregation of collective interests, including underrepresented interests. Fourth, the nonprofit sector is capable of marshaling the social resources necessary to restructure the dominant political authority to better represent those collective interests.”² They add perceptively, “Our contention is that if governing nonprofits were able to forge viable coalitions, U.S. cities might be presented with an alternative means of addressing their most pressing problems.”³ And, Macedo et al. observe that nonprofits at the neighborhood level can help to organize residents, and “Neighborhood-based mobilization may be especially important in poor, or disadvantaged areas . . .”⁴ Earlier, community building involved neighborhood organizations in low-income and working-class communities in providing political voice for residents, and organizing on behalf of issues based on the need to redistribute wealth and calling for greater neighborhood investments on the part of the corporate sector and government.

This call, for greater emphasis on civic and political mobilization on the part of smaller, community-based nonprofits, is consistent with political and economic developments today. Community-based nonprofits have to pay greater attention to community building in the current period. As noted in one article, “Community building, in particular, often has been proposed as a mechanism to ameliorate urban poverty . . . As such responsibility to care for others is increasingly relegated to the scale of the local, and the recent trend toward the neo-liberal restructuring of urban governance, including the devolution and outsourcing of widespread public services to private enterprises, has made this reliance on the local integral to social service provisions.”⁵ As the concentration of wealth spirals upward, and government seeks to distance itself from safety-net activities, the collective political voice of neighborhood-based nonprofits becomes crucial for representing the needs of residents and local communities. And as the article cited above suggests, community building should emphasize, in part, improvement in localized living conditions.

The authors of this article extend this thought and propose a mechanism, “structural collaboration”, that can represent a way for enhancing the collective civic voice of community-based nonprofits, and thereby help to enhance their effectiveness and impact on social conditions. A few successful individual nonprofits are not enough to ensure the organizational health and vibrancy of this sector, or more importantly, the well-being of residents in impoverished neighborhoods—places that reflect disinvestment on the part of government, and exploitation by powerful corporate interests. Individual nonprofits in local areas will have to reflect greater strategic collaboration advocacy and mobilization on behalf of neighborhood interests in order to effect positive change. This framework can facilitate the strengthening of community voices in civic dialogues about the future of

smaller nonprofits; encourage foundations to reflect qualitative and comprehensive input from community organizations about what a community agenda should look like and entail; and provide a venue for considering time frames for understanding and evaluating social change.

Accomplishments and Impact of Community-based Nonprofits

At one end of the spectrum of the overall nonprofit world are institutions with hundreds of employees, millions of dollars in revenue, and millions of dollars in operating expenditures, and in some cases, endowments worth billions of dollars. At the other end, there are the small nonprofits with staffs of a few persons, budgets and operating expenditures that are primarily based on yearly foundation grants. The latter sector is also distinguished from the biggies in that they tend to have community roots where they operate. The organizations were founded by community residents, and they have become part of the social fabric of the local neighborhood.

Community-based nonprofits assist government in making impoverished and working-class residents and citizens aware of important benefits that can improve their living conditions and thereby integrate these groups with mainstream institutions and processes. Community-based nonprofits can inform government and foundations as to what are the immediate and changing needs in specific communities. Nonprofits make the programmatic connections between the availability of social welfare and outreach and accessibility. In a real sense, they are the implementors of the missions of foundations, and therefore vital to the work of this sector. These organizations have the capacity, sometimes missing in government and the private sector, to “explain” policy and related services in ways that are culturally, socially and linguistically resonant with the target population.

The impact of smaller nonprofits has not been widely documented. We have an understanding of the impact of the overall sector, but not the smaller, community-based nonprofits in local places where residents struggle to maintain or improve basic living conditions. Except for a few select examples the public does not have a good understanding of how local living conditions in low-income and impoverished neighborhoods are intertwined with the fate of the smaller nonprofits. Despite an important role in low-income neighborhoods this sector does not have the resources or revenue to promote their services and image on a larger scale as is the case with much bigger nonprofits.

In spite of this limitation community-based nonprofits working in low-income and impoverished urban areas have provided voice to residents, and have helped to challenge public policies and corporate practices that exploit residents and local workers. These kinds of organizations have helped to

build “long term relationships of trust and reciprocity”, “shared visions”, “mutual interest” and “financial nexus” all necessary for neighborhood vitality.⁶ Collectively, this sector of nonprofits represent a critical component of society’s safety-net. Nonprofits play an important, though at times unrecognized, economic role in local communities. In lower-income and working-class urban neighborhoods, these kinds of nonprofits assist local and small businesses; it builds and rehabilitates physical infrastructure in local communities; it employs and trains many workers, and provides access to educational and economic opportunities. A number of studies document and show that the economic contributions of community-based nonprofits are considerable.⁷ This is ironic in that many organizations in this sector are themselves fiscally strapped.

At a basic level, nonprofits ‘save’ for government. Wolpert explains that “Through donations and efforts of volunteers, nonprofits reduce the financial burden on local government.”⁸ The sector, as does its much larger counterparts like hospitals, universities and national organizations, raises and expends hundreds of millions of dollars every year on health, education, housing, recreation, the environment, the arts and other areas. But they tend to have a more focused and concentrated effect in some communities as local spenders. As local entities, and as do businesses, they contribute to the community by spending money and increasing the disposable income by paying wages, rents, fees and taxes. There are literally thousands of people employed by this sector to meet basic human and economic needs. At the very local level, community-based organizations help to make neighborhoods more livable and attractive to businesses and have become a channel for the employment of disadvantaged workers, women and people of color.

Based on a comparison of three American cities (Cleveland, Indianapolis and St Louis), for example, Bogart found that local places with healthier nonprofits and strong partnerships with businesses are associated with more impressive economic activities. As he states in *Civic Infrastructure and the Financing of Community Development*, “Beyond subsidies themselves, the partnerships between private for-profit firms, private nonprofit firms and foundations, and public agencies that often help make these subsidies work are an important dimension of development in urban areas.” Karen Phillips, president of Abyssinian Development Corporation in New York, notes that this kind of arrangement is beneficial to the community, nonprofits and businesses: “The public sector works with nonprofit groups to set the stage for the private sector to operate effectively at a profit.”⁹ This occurs according to Bogart because, “. . . nonprofit organizations play an important role in not only channeling capital to projects that need it, and, in giving the market-rate sector faith in the viability of investment in low-income areas. Successful and respected nonprofit corporations lure commercial lending

into distressed areas with the carrot of profitable investment.”¹⁰ In summary, the smaller community-based nonprofits operating at the local level, and on the frontlines of providing safety-net services, are an important key for the design of effective local economic development initiatives. Add to this set of functions the historical political and community mobilizing role of this sector, and one must wonder, what happened? Why do community-based organizations seem to have weakened over a period of time, and more important, how can this sector be revitalized in order to carry a greater and more effective civic and political voice?

Challenges Facing Community-Based Nonprofits

In spite of important accomplishments in improving living conditions and providing services in urban areas, today this sector faces challenges that undermine the capacity of smaller nonprofits. Neighborhood organizations serving charitable purposes have experienced significant reductions in resources while the demand for services have increased. In some cases funders of these kinds of organizations, including foundations and corporate philanthropy, are now demanding a greater return for their ‘investments’ made in the form of grants. Increasingly, this demand is taking the form of seeking measurable outcomes—within very short time frames. Unless they meet these new standards, neighborhood-based nonprofits are being encouraged to close, or merge with larger (though not necessarily more efficient or effective) nonprofits. In other instances smaller nonprofits are losing access to federal assistance that is being re-directed to large universities and giant nonprofits. It becomes difficult for individual neighborhood-based nonprofits to focus on their traditional community building and organizing roles under these circumstances.

Devolution, the shift of governmental responsibilities from the federal level to the states, economic transformations and changing demography are producing fiscal stress for this sector. Further, calls for utilization of faith-based organizations and free-market approaches in the delivery of public services affect how community-based organizations pursue their missions to help people at the neighborhood level. Community-based nonprofits must carry out their missions within a context of fiscal cutbacks, environmental emergencies and disasters on a local and international level, political uncertainties, widening income gaps, increasing skills gaps, increasing technology and infrastructure gaps, increasing needs for services, all while government is scaling back and some foundation spokespersons presuming that bigger nonprofits are naturally better.

Additionally, criticisms have been raised about the impact, or lack thereof, of community-based nonprofit services on social and economic

problems. Some people are suggesting that these nonprofits operate without concern about the effectiveness or impact of particular service-related strategies or approaches. Nonprofits are perceived by some observers as lax in pursuing and adopting organizational efficiencies to reduce repetition or duplication of services. There are concerns about redundancy as a consequence of rapid growth of this overall sector; and complaints about the degree of dependency of nonprofits on state government and foundation funding. This emerging civic dialogue and context tends to weaken neighborhood organizations in low-income places, but also dampens or mutes the civic and political voices of residents in these same places.

Strategic Collaboration: A Civic and Political Tool for Neighborhood-Based Nonprofits

The leadership of community-based nonprofits, and local residents, must consider how to raise and mobilize a collective civic voice in order to change political and economic transformations pointing to lesser resources and greater demands upon this sector. This is essential so that residents can have some input regarding strategies for improving living conditions in the places they live and work. This is not to discourage greater attention to the issue of accountability and impact. But the essentially corporate-based and top-down managerial call for performance measures, or showing impact, or the reduction of duplication, or the sharing of costs and resources should be adopted by community-based nonprofits, but on their own political terms. In other words, progress in becoming more accountable and being able to measure impact should not be divorced from the continual need to strengthen the collective political and economic muscle of low-income groups on behalf of social justice issues. Not doing this means that the discussion of accountability and standards will be dominated by corporate interests that can represent agendas inimical to the well-being of poor and working-class people and their neighborhoods.

The pursuit of organizational initiatives to improve efficiency and effectiveness is important but this discourse must move beyond, simply, sharing costs for printing or cute ways for raising more donations. A collective and consistent civic voice expressing concerns about challenges facing economically distressed neighborhoods, and led by the representative voices of neighborhood-based nonprofits, can emerge as a key political tool in these places. Collaborative networks of smaller, community-based nonprofits can develop civic and political voices that are now invisible in policy debates and many civic forums and dialogues.

Programmatic rather than strategic collaboration between nonprofits can include a range of efforts aimed at generating organizational efficiencies

and improvement in the delivery of services. *Strategic collaboration* includes actions on the part of nonprofits to create or identify collective impact on a community challenge or problem. It includes planning and actions to create, or identify, or advocate on behalf of community-wide interests and agendas for improving local living conditions. This means essentially that community-based organizations in inner cities that are interested in increasing the economic well-being of neighborhoods must re-organize themselves into collaborative, and essentially, political entities. This is the only way this sector can continue its work to improve living conditions at the local level. It is the only way the current relationship of reciprocity with foundations will change.

Consortiums that help to collectivize the civic and political voice of community-based organizations could yield increased funding, along with greater program flexibility as it represents and advocates for comprehensive responses to community problems. In this way, this recommendation is actually the ‘flip-side’ of the corporate-initiated call for ‘strategic philanthropy’. Under this framework foundations can solicit input from alliances of nonprofits about how to define and attack broad community problems; provide flexibility in the utilization of funding granted to nonprofits; fund operating expenses of nonprofits within the catchment areas; and provide low-cost (both in terms of money and staff time) technical assistance to nonprofits.

Neighborhood or place-based strategic collaboration should be supported by community-based organizations because it is a way to enhance the sector’s collective political, economic and civic roles. Sometimes there are too many voices that are having individual conversations with foundations and state government. And, while solo nonprofits may enjoy strong reputations with foundations and state government, it is a framework of strategic collaboration that will mean more resources, and a greater level of equitable distribution of such, for low-income and impoverished people. It will be easier for nonprofits to be creative, entrepreneurial and bold in their approaches if they begin to think and act more collectively in a political and civic sense. Strategic collaboration can encourage nonprofits to work together in networks, or alliances or partnerships, at the city and regional levels. This is actually consistent with the push for collaboration on the part of government and foundation sectors, and whose leadership implies that funding for nonprofits who are “lone players” is coming to an end.

Outcome and Performance Measures: Seizing an Opportunity

Many foundation, government and corporate leaders are urging the smaller and community-based nonprofits to pay more attention to outcome

measurements in order to show impact. Outcome measurements, versus input–output measurements, focus on whether services are making a difference. Ellen Lazar, former President of the Neighborhood Reinvestment Corporation in Washington DC, an organization that has devoted substantial attention to this issue, exclaims:

. . . we must answer the question how effective are we? Many foundations, financial partners, and intermediaries are pushing for answers. At the root of the question is accountability. As community development nonprofits, we are entrusted with substantial public and private resources, for which we must be vigilantly accountable. Outcome measurement techniques determine not only if funds have been spent appropriately, but also what impact the resources have made. Are neighborhoods safer? Are families more stable financially? Are housing opportunities available to families in need?¹¹

An article by John Sawhill and David Williamson, “Measuring What Matters in Nonprofits” states similarly that “Every organization, no matter what its mission or scope, needs three kinds of performance metrics to measure its success in mobilizing its resources, its staff’s effectiveness on the job, and its progress in fulfilling its mission.”¹² And Elaine Morley et al., write that outcome measurement “. . . involves the identification of outcomes; development of appropriate outcome indicators and data collection procedures; data analysis to better understand organization achievements; and user-friendly, regular reporting of the findings.” It is this kind of data, rather than simply monitoring of activities that can “. . . help nonprofit managers or constituents understand *how well they are helping their client*”.¹³

Smaller nonprofits operating in urban areas must heed this call and focus on strengthening the internal capacities of their organizations as a response to fiscal strains and to public criticism. Enhanced organizational capacity is essential in order for these organizations to become more effective advocates of their constituents. However, nonprofits should seize this call as an opportunity to organize, again, on behalf of strategies and evaluations that focus on community-wide political and economic challenges. This potential development responds to the key question raised by sociologist Ann Withorn regarding the “classic contradiction” facing this sector: are they about helping people, or more, part of a system to socially disenfranchise people?¹⁴ While expanding internal capacity is important, therefore, it must be carried out within a context of empowering low-income and impoverished communities.

Terms like “strategic philanthropy”, “social ventures” and “social entrepreneurship” have emerged as a way to assess the work of community-based nonprofits. Strategic philanthropy suggests, in part, that foundations and corporations become more investment-oriented and targeted in how they work with nonprofits. Implicit in this call is the belief that approaching

grant making as an investment creates value. Social venturing involves tapping of donors to use investment strategies to support socially worthy, and efficient, enterprises. Under this framework organizations seek to pool resources of philanthropists and donors in order to invest in nonprofit organizations. But their approach does not involve merely providing a grant. A relationship is established between the venture firm and the nonprofit that allows the former to share its organizational expertise. These initiatives seem reasonable from a technical point of view, but how really will it resolve problems associated with inequality and a history of neighborhood disinvestments? While these ideas have some merit, they can be applied in a Darwinian manner, where only the “strongest survive”. Interestingly, terms like “strong” and “lean and mean” in the nonprofit sector usually indicates who is raising the most money rather than on which organizations are improving living conditions for impoverished and low-income groups. Whether or not these “successful” nonprofits are reducing structural inequalities in society seems irrelevant to some representatives of corporate and foundation sectors.

The push simply to get smaller nonprofits to realize greater revenue is limited in scope and eventually in social or economic impact. Standardized blueprints for achieving success in funding diversity, furthermore, are not applicable to every nonprofit. As a matter of fact, many smaller nonprofits may be having a major impact in providing critical human and social services, but still experience fiscal instability for a host of reasons totally out of their control. The success of some nonprofits in achieving desirable funding base and revenue diversity through corporate orientation and behavior should not obscure the fact that not every nonprofit can pursue these kinds of strategies fully, but are nevertheless critical for local safety-nets.

In 2000, two researchers surveyed 519 nonprofits regarding business ventures and discovered patterns that suggest which kinds of nonprofits seek out and succeed with business ventures.¹⁵ They found that nonprofits in the arts and culture have a tendency to be involved with business ventures; they also tend to be “older, more experienced nonprofits”; and the budget size and number of employees have a strong association with nonprofits involved with these kinds of ventures. More than half (55 percent) of the nonprofits surveyed and involved with a business venture had 100 or more employees! These are not the neighborhood-based and smaller nonprofits. Community-based nonprofits may not be able to pursue commercial ventures in the same way as larger nonprofits. The former organizations do not have the personnel infrastructure or management information systems to pursue alternative funding via commercial ventures. Pursuing these kinds of possibilities can deflect people, skills and time away from a community-based organization’s mission-related activities. It is more difficult for

smaller nonprofits to exercise flexibility in transferring resources from delivery of services towards pursuit of business activities.

Highlighting these potential obstacles is not an argument against the running of efficient organizations. Whether small or large, nonprofits must continually assess the extent to which their expenditures are related to the mission and goals of the organization, and if there are less expensive ways of initiating and completing necessary activities. But, too easily urgings for greater efficiency and impact presume that the social and economic problems facing low-income neighborhoods and impoverished residents are merely managerial issues. That is, a tighter-run organization, and with enlightened and tough leadership, can make a difference. One can only stand back in awe at the implication that problems based in structural inequality, such as joblessness, poverty, poor schooling, poor housing and homelessness, can be resolved by insisting—simplistically—that community-based organizations become more efficient. Equally illogical is how certain foundations decide what should be funded, how it should be funded, and how the funding should be evaluated without qualitative input from community-based organizations.

Encouraging community-building activities that are planned collaboratively and strategically to establish community-wide agendas can discourage faddist-driven grant making. There is a concern that some foundations seem more supportive of what they find exciting or avant-garde, rather than what nonprofits and community groups might consider important.¹⁶

Some now believe that competition among nonprofits, can increase organizational efficiencies of smaller nonprofits in urban communities. Presumably this will occur because individual organizations will be forced to work harder and more effectively lest they are closed or eliminated. The call for more competition in the latter sense does not come without a price or concerns. First, one could ask if the apparent target in the exhortation for more competition are the smaller, community-based nonprofits or, *all* nonprofits? Will calls for competition actually weaken the position of the smaller nonprofits vis-a-vis the larger ones? Another concern is that smaller nonprofits serving very needy clients in low-income neighborhoods do not have the kinds of resources found in other places, and therefore could not possibly compete effectively with bigger and 'richer' nonprofits. Competition weakens the likelihood of collaboration in the nonprofit sector. Edward Skloot, a leading authority on social venture strategies, notes that:

It is obvious that a strong dose of competition can productively and usefully weed out poor performers . . . But the further weakening of already vulnerable nonprofit service deliverers can have an obviously damaging effect on the provision of quality service and an equally destabilizing affect on local communities in which they are located . . .¹⁷

Another potential problem is that the effects of competition will be skewed. Competition as a policy tool may hurt smaller nonprofits while not addressing incompetence or ineffectiveness on the part of larger nonprofits since they have more resources to resist proposed changes. Here, again, without a strong political and collective voice, a framework based on competition places the smaller and community-based nonprofits at a great disadvantage compared to much bigger nonprofits.

Conclusion

Nonprofits require a mechanism that will allow organizations to share ideas and pursue and implement programmatic and strategic collaboration. The establishment of nonprofit consortiums in local neighborhoods can result in enhancing the collective civic and political influence of smaller and community-based nonprofits and increase possibilities of collaboration in terms of programs and services. Nonprofits should consider formal consortiums that encourage common risk taking within neighborhood-based zones. Nonprofits should establish geographic-based consortiums for increasing efficiencies, of course, but the more important reason is to increase collective civic clout. Advantages to nonprofit consortiums could include more effective communication and exchange of information about community concerns; better understanding of how to utilize resources to trigger positive community changes; helping to create best practices in the delivery of services; and, showing impact more clearly and effectively.

Civic and political consortiums can also become a response to the broad challenges facing smaller nonprofits and a way for the sector to have voice in the rising call for accountability. This is one of the most important recommendations offered by Cohen in his report, *A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking*:

The time has come for nonprofits, with their allies in the foundation sector, to come together and organize—to bring their concerns and their hopes for the future to the doorsteps of foundations and philanthropic trade associations in order to compel their attention and action.¹⁸

Accomplishing this will be very difficult initially since there are a range of organizational, turf, cultural, philosophical and fiscal issues that obstruct moving in this direction. It will also be resisted by interests who are threatened by the political potential of community-based nonprofits working together on civic and political agendas. But, there is one thing that immediately provides a basis for collaboration: living conditions in the communities being served. Improving living conditions for all residents is an idea that can be the glue for collaborative and community-wide agendas.

The role of leadership of community-based agencies, whether at the level of executive director or the board, is critical in encouraging and designing strategic collaboration around community-wide agendas. Leadership has to reflect an appreciation and capacity for comprehensive planning and vision. Operationally, this means that leadership has to become more aware of what is happening in the neighborhoods in which they operate. Leadership must be aware and appreciative of changing demographic patterns; social and economic challenges facing the neighborhood; and aware of how to leverage one's own resources with external resources. The leadership of community-based organizations must be aware of broader political and economic developments affecting the city and its neighborhoods, and be willing to support, critique, or offer alternative visions for the future of the community and city, not focus exclusively on organizational needs.

Collaborative and geographic networks of community-based organizations in economically neglected neighborhoods can encourage greater civic involvement and participation in discourses focusing on social justice. Collaborative networks of community-based organizations can help to mold and legitimize community-wide agendas that address economic challenges and develop expectations about the role of the private sector and foundations in helping to resolve these challenges. Only in this way will the smaller, community-based nonprofits survive and continue to provide services to our most vulnerable populations, and continue with missions aimed at building vibrant and healthy neighborhoods for all people.

Notes

1. We use the term community-based, or neighborhood-based, nonprofits to describe the smaller charitable organizations that operate in many inner cities of the USA. Although community-based nonprofits in US inner cities are part of a much larger sector of nonprofits, they really exist in two worlds in terms of size, revenues generated and expenditures, and services performed. See the Executive Summary of *The New Nonprofit Almanac & Desk Reference* published by the Independent Sector and the Urban Institute for data about the number of nonprofits and overall impact on the national economy; also see, "The United States Nonprofit Sector 2001" (Washington, DC: National Council of Nonprofit Associations, 2003).
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ABOUT THE AUTHORS

James Jennings is Professor of Urban and Environmental Policy and Planning at Tufts University in Medford, Massachusetts, USA. [Email: james.jennings@tufts.edu]
Ricardo Torres is a consultant at Venture-Preneur Consulting, LLC, Baldwin, New York, USA. [Email: ricardotorres@optonline.net]