

Research
Buzz Control
By Jessica Ruvinsky

Stanford Social Innovation Review
Fall 2010

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BY JESSICA RUVINSKY

HEALTH

The Value of Free

► If you have a magic bullet you want everyone to use, how much do you charge for it? Six dollars? Fifty cents? Nothing? The price of a malaria-preventing bed net in Africa is a matter of fierce debate among development experts. On the one hand, someone who buys the net should be more likely to use it than someone who gets it free. On the other hand, free nets should find their way into more households. When the goal is maximum coverage, “it’s not enough to say charging a positive price makes people more likely to use it, if significantly fewer people own it at that price,” says Jessica Cohen, assistant professor at the Harvard School of Public Health.

Cohen tried to find the price point that would get the most insecticide-treated nets into the hands—and over the beds—of the people who need them, specifically pregnant women and children under 5 years old. In 2007, she and her coauthor, UCLA economist Pascaline Dupas, distributed nets to 20 prenatal clinics in western Kenya and randomized the price at which those clinics could sell them. A few months later, the researchers followed the takers home. Their results: It was unequivocally better to give the nets away.

“What we found was that even very small increases in price reduced demand dramatically,” Cohen says. “If a hundred pregnant women would take a

net when it was offered free, only 40 of them would take it at a 90 percent subsidy.”

This result was consistent with the observation that first spurred Cohen and Dupas to do the study. They had started the nonprofit TAMTAM to distribute free nets through prenatal clinics. “We saw big increases in attendance,” Cohen says. After a couple of years, Population Services International (PSI)

nets radically reduced demand, it did not significantly increase usage.

Desmond Chavasse, vice president for malaria control and child survival at PSI, says, “If you give people something free, then even if they have no intention of using it, they’re still going to accept it. Whereas no one would dream of paying for something that they had no intention of using.” He adds, “I



A Kenyan mother protects her two children from malaria with a bed net provided free by UNICEF.

took over distribution in the area. “They started charging just some small nominal fee for the nets,” Cohen says, “and we noticed that attendance rates went down to pre-TAMTAM levels.”

Maybe, though, women who had paid for the nets would also bother to sleep under them, because of the investment they had made. Oddly, says Cohen, that is not what she and Dupas found. “About 65 percent of women were using the nets regardless of what they had paid.” Although charging for the

would have thought that you would find higher usage rates amongst people who had paid.”

Both PSI and the government of Kenya now distribute free bed nets. Chavasse points out that increasing usage was not the only reason to charge—the money raised from net fees served as an important source of support for distribution programs. But as long as the funding holds up, “it’s a complete no-brainer,” says Chavasse. “There should be free nets available in every health facility in a malaria-endemic country where nets work.” ■

Jessica Cohen and Pascaline Dupas, “Free Distribution or Cost-Sharing? Evidence from a Randomized Malaria Prevention Experiment,” *The Quarterly Journal of Economics*, 125, 2010.

CIVIC ENGAGEMENT

Receiving Aid, Receiving Respect

► Senior citizens don’t hesitate to speak up for their Social Security benefits. Why don’t poor people flock to the polls to make known their opinions on welfare? The answer lies partly in how they are treated by the welfare system itself.

“Your experience in interacting with government programs affects how you think about yourself and how you think about yourself as a citizen,” says Sarah Bruch, a doctoral student in sociology at the University of Wisconsin, Madison. “And that can affect your civic participation and your political participation, whether that’s voting or contacting your representative or participating in a march or a demonstration.”

Not every program treats people the same way. Bruch and her coauthors took advantage of this fact to test the effect of a paternalistic approach to public aid. They looked at three different public assistance programs targeted at the poor: Head Start, Temporary Assistance for Needy Families (TANF), and public housing assistance. Head Start, a national program for low-income children, also “gives parents an opportunity to actually engage and participate in decision making in a very positive and what we call ‘incorporating’ way. Whereas a program like TANF has been notorious since at least the mid-1990s as more of a paternalistic or authoritarian type of interac-

tion,” says Bruch. “It’s not ‘incorporating,’ in the sense that people don’t feel they have a say in the decisions that are being made about them.”

Public housing, the third program, serves as a neutral case in the study. “In many cases, you don’t even have to go into an office to apply for public housing benefits,” says Bruch. “It’s very bureaucratic, and you don’t have a lot of interactions with officials,” so the researchers did not expect participation in public housing assistance to affect civic and political engagement. In the study, the researchers took numerous factors into account, including crises such as substance abuse, domestic violence, and eviction, as well as specific social, economic, and political factors.

Bruch and her coauthors found that Head Start increased people’s participation in their communities, that TANF decreased civic and political participation, and that public housing had no effect. Then they went further. Because some states designed their TANF programs to be more directive and punitive than others, the researchers compared different degrees of paternalism. Sure enough, in the states that have shorter time limits, family caps, stronger work requirements, and harsher sanctions, participants were significantly less likely to engage in any civic or political activities.

Under such paternalistic authority relations, “you can only feel angry, you can’t feel proud,” says Frances Fox Piven, distinguished professor at the City University of New York Graduate Center and coauthor of *Regulating the Poor: The Functions of Public Welfare*. But a person is more than the sum of her public assistance programs.

“People draw resources not just from the benefit programs with which they are engaged, but also from other parts of their environment,” Piven says.

“They are not just putty shaped by institutions.” ■

Sarah K. Bruch, Myra Marx Ferree, and Joe Soss, “From Policy to Polity: Democracy, Paternalism, and the Incorporation of Disadvantaged Citizens,” *American Sociological Review*, 75, 2010.

SOCIALLY RESPONSIBLE BUSINESS

Unsoiled Reputations

► Among the big three U.S. automakers, the first to begin developing a hybrid was the one that carries a family name. Ford’s hybrid Escape came out in 2004, and the company now advertises “the most fuel-efficient SUV on the planet.” Pascual Berrone, assistant professor of strategic

Berrone’s sample consists of several industrial giants.

Berrone and his coauthors considered massively polluting firms in the United States, those that manufacture or process more than 25,000 pounds of toxic chemicals annually. Of 194 companies reporting toxic releases to the U. S. Environmental Protection Agency, 101 were family firms. The researchers found that when family members own or control at least 5 percent of the voting stock, “they do tend to invest more in pollution control,” says study coauthor Luis Gomez-Mejia, a management professor at Texas A&M University. “They tend to go beyond the legal requirements, and go the extra mile in reducing contamination problems.”

Gomez-Mejia explains that “the family, unlike a hired executive, is guided by utilities or gains other than just the finan-

own the moral high ground—although to Berrone, who grew up in his family’s catering business in Argentina, “it does seem like there’s something more in family firms. It’s very hard to capture, but you can actually feel it.” He thinks of it as fear of who gets stuck with the blame. When “the face of the firm is the face of the family,” responsibility accrues personally.

The same incentives could apply to any company. “It really is a matter of making sure that people know who’s responsible, that people can see the face, for whatever the actions or decisions are,” says Gomez-Mejia. “The more anonymous it becomes, the more they can hide.” ■

Pascual Berrone, Cristina Cruz, Luis R. Gomez-Mejia, et al., “Socioemotional Wealth and Corporate Responses to Institutional Pressures: Do Family-Controlled Firms Pollute Less?” *Administrative Science Quarterly*, 55, 2010.

CIVIL SOCIETY

What Makes Civic Associations Work

► When Robert Putnam accused America of “Bowling Alone,” the Sierra Club responded by bowling together—or, at least, by wearing bowling T-shirts while they subjected themselves to a research study on what makes civic associations work. With 62 regional chapters and 343 local groups, the Sierra Club is an ideal laboratory. “Are some of these groups more vibrant than others, and if so, why?” asked Kenneth Andrews, associate professor of sociology at the University of North Carolina at Chapel Hill.

The usual answer would be that it’s the context of the organization that matters—if you know something about where a group is working, you have a



management at the IESE Business School in Madrid, thinks that’s no accident.

“On average, family firms pollute less than nonfamily firms,” Berrone says. They are more likely to “consider affective elements that go beyond the economic rationale, like caring about others, treating your employees as relatives and friends.” That may sound more like a mom-and-pop operation than it does like Detroit, but

Ford, a family-owned company, was the first among the big three U.S. automakers to develop a hybrid.

cial gains,” such as the family’s image, reputation, and prestige in the community. “If a firm has a lot of facilities in one particular area, then that becomes even more important, because the family becomes much more visible in the local area.”

This is not to say that families

good handle on whether or not it's going to be successful. But Andrews, along with Marshall Ganz of Harvard University, who co-led the 2003 study, also sought to identify what organizations actually do to make a difference. They conducted extensive interviews and surveys of every group and chapter of the Sierra Club, gathering information about each one, the communities in which they are based, and the leaders directing them.

Good leadership at the local level had a more profound effect than any external factor. "How the leaders of civic associations organize themselves to carry out their work makes a big difference for their own experience and learning, for how well they're able to engage the members of the organization, and for how visible the organization can

be in the community," says Andrews. What makes a civic association effective is not so much the resources and opportunities available to it, but the leader's ability to make the most of those resources and opportunities.

One of the most important aspects of leadership development is interdependence, or how well leaders work as teams. "Some groups have a culture where the group is a clearinghouse for people to pursue their own interests or objectives, [and] go out and advocate on behalf of whatever their pet issue is," says Andrews. Those groups miss the point. "Being able to come together and formulate some common plans is really crucial for getting the benefits of an organization" whose collective voice is much louder than that of any individual.

Leadership isn't easy in a civic association, "where you can't draw on paid incentives to get people to do things," says Andrews. Groups of people with no reason to be there (except that they want to) have to come up with collective solutions to a wide range of problems. They have to work together, hold each other accountable, and sustain their commitment. But it pays off.

"The commitment to invest in developing leaders, to identifying them, nurturing, training them within the grassroots structure, was a monumental shift," says Lisa Renstrom, former president of the Sierra Club. "I'm proud to say we're still seeing results." ■

Kenneth T. Andrews, Marshall Ganz, Matthew Baggetta, et al., "Leadership, Membership, and Voice: Civic Associations that Work," *American Journal of Sociology*, 115, 2010.

FUNDRAISING

Put at Least One Egg in Another Basket

► Diversify. In the business sector it's gospel that a more diverse portfolio is more financially stable. But "there hasn't been a lot of work done specifically on nonprofits to look at how this [revenue] concept applies to them," says Keely Jones Stater, a sociologist affiliated with the University of Connecticut.

Stater and coauthor Deborah Carroll, an associate professor of public administration and policy at the University of Georgia, looked at all the nonprofit organizations registered with the Internal Revenue Service—almost 300,000 of them—over the course of 13 years (1991-2003). "As nonprofits become more

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diversified, depend more equally on a variety of funding sources, they reduce their financial volatility,” says Stater. “When they experience a loss in endowment, or donors are no longer able to donate, they are able to turn to another source of income to bridge the gap.”

A good example of an organization with a diversified revenue portfolio is a university, says Stater. They have endowments (investment income), charge student tuition (earned income), and receive contributions (donated income), and that has helped them weather recent storms. Nonprofits that rely primarily on donations experience more financial volatility over time. The researchers recommend adding grants and investment or earned income.

Does this mean that nonprofits should try to pursue three equally sized income sources? Not necessarily. The study shows that institutional size matters more than diversification. Larger nonprofits with higher growth potential are more likely to achieve stability “because they have more institutional flexibility,” says Stater.

Although an even spread among income sources may contribute to stability, William Foster, a partner at the Bridge-span Group, argues that it does not contribute to growth. “The key to growing, from our research, is developing a particular source that’s a good match and that you’re a specialist in,” says Foster. “The most successful high-growth organizations are actually highly concentrated by source [such as government funding or public donations]. Ninety percent of the organizations that reach \$50 million have 90 percent of their money coming from a single source.”

Foster agrees with Carroll

and Stater that it’s a bad idea to rely entirely on a single source, but he says it doesn’t take much of a secondary or tertiary source to make a big difference. “Their study showed that the first 5 or 10 percent of diversification matter the most.” This should offer some measure of relief. “It’s hard enough for nonprofits to do one really, really well, to find one source that is actually a good enough match with their work to grow,” says Foster. ■

Deborah A. Carroll and Keely Jones Stater, “Revenue Diversification in Nonprofit Organizations: Does It Lead to Financial Stability?” *Journal of Public Administration Research and Theory*, 19, 2009.

SOCIAL MEDIA

Buzz Control

► In March, Greenpeace posted a video on YouTube of an office worker munching away on a bleeding orangutan finger he found in his Kit Kat candy bar. When Nestlé asked YouTube to take it down, citing copyright infringement, a social media revolt ensued—viral video, Twitter chatter, Facebook hijinks. By May, Greenpeace had extracted a promise from Nestlé to stop buying habitat-destroying palm oil for its products.

Social media can be a powerful tool in marketing. “The big story now is that you don’t need a lot of money to get a lot of attention,” says Robert Kozinets, chair of the marketing department at York University’s Schulich School of Business. But it’s not one that is easy to control. “You enter into a game with a different set of rules from the ones you have traditionally been playing with.” When you try to influence people’s communications, Kozinets says, “the message gets changed by the cultural environment.”

To understand how word-of-mouth marketing works in online communities, Kozinets

and his coauthors closely followed one of the first “seeding” campaigns. In 2006, a marketing firm seeded, or gave away, new mobile phones with a usage tutorial to influential bloggers. “The assumption,” says Kozinets, “was that you’d get a somewhat uniform output, that bloggers would stay with the script and recommend the phone to other people. What we found was that they had a lot of need to explain the campaign itself. Rather than drawing attention to the product, they drew attention to the marketing.”

Introducing a marketing campaign into an online community based on trust and relationships creates a certain tension, Kozinets explains. “We haven’t got the social rules yet for how we blend the social and the economic in ways that are comfortable for everybody.” Partly in response to that tension, “the community is going to go out of their way to truth-check.”

And that’s a good thing, says Patrick Thoburn, cofounder of Matchstick Inc., the word-of-mouth marketing company Kozinets studied. “Having coverage that looks credible, that wasn’t scripted, is actually really important,” says Thoburn.

“People don’t believe companies tell the truth in advertising. The most powerful selling of an idea or a service or a product takes place among consumers.”

Still, when you let your message loose on the Internet, you can’t control it. The best you can do is contribute to it. Thoburn recommends listening. “There are conversations happening out there about your brand or product, and there are simple, free tools that you can use to listen to those conversations,” he says. “A really good first step is identifying influential voices and building a relationship with them.”

“The audience doesn’t want just words anymore; the audience wants action, and interactions. The strongest social marketing that you can do is the stuff that invites people to get involved,” Kozinets says. “It’s not a guy on a stage broadcasting to a quiet audience anymore; it’s a person on a dance floor engaging in multiple dances with multiple people. He’s gonna have to learn how to dance.” ■

Robert V. Kozinets, Kristine de Valck, Andrea C. Wojnicki, et al., “Networked Narratives: Understanding Word-of-Mouth Marketing in Online Communities,” *Journal of Marketing*, 74, 2010.

