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**STANFORD** SOCIAL INNOVATION *review*

## Upfront

### **Wallflowers Grow the Tallest Enterprising orgs fare better on the fringes of nonprofit networks**

By Alana Conner Snibbe

Stanford Social Innovation Review  
Spring 2007

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# Wallflowers Grow the Tallest

*Enterprising orgs fare better on the fringes of nonprofit networks*

A private college in the Minneapolis-St. Paul area is the belle of the local nonprofit ball. Many Twin Cities business executives, public officials, and other urban elites regard the college highly and support it amply. Nonprofit leaders share with it their information, personnel, clients, and facilities. And although it hasn't grown spectacularly, its budget has expanded steadily over the past decades.

Meanwhile, in an outlying Twin Cities suburb, an alcohol abuse program is more of a wallflower in the philanthropic scene. Neither urban elites nor nonprofit leaders know much about it or share much with it, leaving the organization on the edges of the nonprofit network. And yet the program has enjoyed explosive growth. In 1980, its expenditures totaled only \$200,000. But by 1994, its budget had grown more than tenfold to \$2.7 million.

These two income-earning organizations illustrate a broader trend, report Joseph Galaskiewicz and colleagues in the September 2006 issue of *Administrative Science Quarterly*: "Commercial" nonprofits like the alcohol abuse program and the college, which earn much of their budgets from fees and sales, grow more and faster when they are not tightly linked to other nonprofits. In contrast, "donative" nonprofits, which earn much of their money from grants and gifts, do better when they are well woven into the nonprofit network, says Galaskiewicz, a professor of sociology at the University of Arizona.

The authors, who also include Wolfgang Bielefeld, a professor in the

School of Public and Environmental Affairs at Indiana University, and Myron Dowell, an independent consultant in Minneapolis, surmise that networks may be a "hindrance" to the success of commercial nonprofits. As an organization becomes more financially independent, they explain, maintaining its ties to other nonprofits may prove more expensive and time-consuming than useful. Moreover, stumping for customers requires a different set of skills from trolling for donors, and so commercial nonprofits have less to learn from their more donative counterparts.

The authors' findings contradict current wisdom, which holds that good networking bodes well for businesses. "There are infatuations with networks as if they could solve all the problems in the world," says Galaskiewicz. "But they aren't always going to produce the best results."

Joel Podolny, dean of the Yale School of Management and an eminent scholar of social networks, says that the authors are "completely correct" in pointing out that good net-

working will not solve all organizations' problems. He notes that certain topics of study, such as networks, "can become like fads. But now, research and practice are figuring out what processes should be put in place to maximize the value of networks."

Data collection for the study began in 1979 and ended in 1994. Although all 156 of the studied nonprofits are located in the Twin Cities metropolitan area, Galaskiewicz thinks that organizations everywhere can learn from this rare examination of commercial nonprofits' growth.

The authors found not only that more lonesome commercial nonprofits fared better than more networked ones, but also that the more commercial an organization becomes, the more it moves to the periphery of its networks. "They don't need those people anymore," Galaskiewicz concludes. Yet he finds the unmooring of nonprofits from their networks worrying. "The nonprofit sector is often seen as an important vehicle for responding to community problems as they arise," he says. "That response is much simpler and quicker if organizations are already linked together in networks. If each organization is off doing its own thing, though, you have to go about building the network before you can respond."

He recommends that until funders know more about how commercialism affects the nonprofit sector as a whole, "they shouldn't push nonprofits too hard to become self-sufficient. Dependencies are very important in keeping a community together."

—Alana Conner Snibbe

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