



**MS Alliance Principles & Standards for
Nonprofit and Philanthropy Excellence©,
Excellence in Action©,
and Diagnostic Tools
RESEARCH PROCESS AND SOURCES**

MS Alliance Principles & Standards for Nonprofit and Philanthropy Excellence©

Excellence in Action© and Diagnostic Tools

RESEARCH PROCESS AND SOURCES

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EXECUTIVE SUMMARY

Extensive research, literature reviews, interviews, and discussions with over 100 stakeholders and partners resulted in the creation of new resources and tools to enhance capacity-building, collaboration, and certification in nonprofit management excellence, national best practices, and standards for Mississippi's nonprofit and philanthropy sector. Beginning with how and why the *Panel on the Nonprofit Sector* convened in 2004 and resulting in the 2007 edition of *Principles For Good Governance And Ethical Practice*, the MS Alliance of Nonprofits and Philanthropy adopted and adapted national standards and best practices for Mississippi with assistance with the MS Secretary of State's office and a collaboration with the Minnesota Council of Nonprofits.

Updated in 2020 with the addition of two additional categories including philanthropy national standards, the *MS Alliance Principles & Standards for Nonprofit and Philanthropy Excellence©* is the foundation for all the endeavors of the Alliance starting with the Alliance board and staff, and continuing on into capacity-building programs, policy work, and other Alliance initiatives. The *Alliance Excellence in Action© EIA* certification program and the *Alliance Organizational and Individual Diagnostic Tools* reinforce and help participants prioritize practices for different organizational sizes and stages of development.

BRIEF HISTORY AND RATIONALE

Developing National Standards

“Charitable nonprofit organizations in the United States—educational, charitable, civic, and religious institutions of every size and mission—represent the most widespread organized expression of Americans’ dedication to the common good. The creation of these voluntary, often grassroots organizations to accomplish some public purpose is a distinguishing feature of our national life. Since the 1835 publication of Alexis de Tocqueville’s *Democracy in America*, they have been recognized internationally as a source of social cohesion, a laboratory of innovation, and a continually adaptable means of responding to emerging ideas, needs, and communal opportunity. Individuals have continued to use their First Amendment freedoms of speech and association to create and energize organizations that define common needs, rally popular support, and pursue innovative approaches to public problems. These nonprofits have been a source of national achievement on many fronts.

The variety of purposes, forms, and motivating beliefs that make up the charitable community in the United States is one reason why it has consistently earned widespread support from large numbers of Americans. Preserving this diversity, adaptability, and capacity for innovation for the purpose of improving life and the natural world depends in large part on maintaining the public’s trust. The public has high expectations for both the ethical standards and the impact of the country’s 1.55 million charitable organizations but often has trouble distinguishing one nonprofit from another. Unethical or improper conduct by an individual organization, though rare, can thus jeopardize the human and financial support on which countless other activities rely.

Charitable organizations have long embraced the need for standards of ethical practice that preserve and strengthen the public’s confidence. Many such systems in fact already exist, though before the *Panel on the Nonprofit Sector’s 2007 Principles*, none had applied to the entire range of American charitable organizations.” page 4 *Principles For Good Governance And Ethical Practice* at [Principles2015-CoBrand-NAO.pdf \(nonprofitoregon.org\)](https://www.nonprofitoregon.org/Principles2015-CoBrand-NAO.pdf)

Factors That Led To The Creation Of The *Panel On The Nonprofit Sector*

"The vast majority of charitable organizations conduct their work in an ethical, responsible, and legal manner. As in the commercial and public sectors, a small number of individuals and organizations have abused the public trust placed in them by engaging in unlawful or unethical conduct. Particularly after the corporate governance scandals that marked 2002, the national media has reported on allegations of questionable conduct by trustees and executives of public charities, and private foundations. In some instances, the alleged abuses were clear violations of the law. In other cases, questions were raised about whether the practices at issue met the high ethical standards expected of the charitable sector.

While recognizing that only a small number of charitable organizations engaged in such conduct, leaders of the U. S. Senate Finance Committee and state legislators across the country asserted that further legislative and regulatory action might be necessary if illegal and excessive practices continued. Their concern resulted in a hearing convened by the Senate Finance Committee in June 2004, which was followed in July by a Committee staff-led roundtable at which sector leaders responded to a draft of possible remedies to the problems that had emerged. Many national and local organizations has long shared the concerns of the Senate Finance Committee leadership that unethical actions of even a few bad actors had the potential to undermine the good work of the entire sector. As a result, the nonprofit community recognized the need to come together to find ways to better address these issues.

On September 22, 2004, the chairman of the Senate Finance Committee, Senator Charles Grassley (R-IA), and the ranking member, Senator Mac Baucus (D-MT), sent a letter to Independent Sector encouraging it to assemble an independent group of leaders from the nonprofit charitable sector to consider and recommend actions to strengthen governance, ethical conduct, and accountability within public charities and private foundations. In response, Independent Sector convened the Panel on the Nonprofit Sector which engaged thousands of people involved with charities and foundations to address concerns shared by nonprofit organizations, members of the public, Congress, and federal and state oversight agencies about reports of illegal or unethical practices by some charitable organizations and their donors." pages 9-10 *Panel on the Nonprofit Sector INTERIM REPORT presented to the Senate Finance Committee March 1, 2005*

"Senators Grassley and Baucus issued their report titled *Strengthening the Transparency, Governance, and Accountability of Charitable Organizations*, to Congress in June 2005, with a supplemental report issued in 2006, that offered more than 100 recommendations for improving government oversight, including new rules to prevent unscrupulous individuals from abusing charitable organizations for personal gain. The Pension Protection Act of 2006 enacted many of these recommendations into law.

Developing Sector-Wide Principles To Support Self-Regulation

The Panel was equally committed to formulating effective, broadly applicable methods of self-regulation, and in October 2007, it issued the *Principles for Good Governance and Ethical Practice*. The work of the Panel was premised on a belief that the best bulwark against misconduct will always be well-informed vigilance by members of the nonprofit community themselves, including a set of principles they could adopt or adapt, promote sector-wide, and improve over time.

Among the earliest efforts to self-regulate date back to 1918, when a coalition of nonprofits established the National Charities Information Bureau to help the public learn about the ethical practices and stewardship of organizations that raise money from donations.

Since that time, many excellent systems of self-regulation have been in use in various subsets of the charitable sector, each tailored to the goals, resources, and challenges of its particular field and constituency. In developing the 2007 *Principles*, the Panel conducted extensive research across the nonprofit sector with a panel that eventually involved over 125 leaders from charities, foundations, and academia.

Since their publication in 2007, the *Principles* have been distributed and/or downloaded over 200,000 times with an updated version published in 2014 resulting in the current 2015 edition of the *Principles*." pages 5-6 *Principles For Good Governance And Ethical Practice* at [Principles2015-CoBrand-NAO.pdf \(nonprofitoregon.org\)](https://www.nonprofitoregon.org/Principles2015-CoBrand-NAO.pdf)

Adopting and Adapting National Standards for Mississippi

In 1994, the Minnesota Council of Nonprofits (MCN) became the first state association of nonprofits to develop a set of accountability principles and management practices. Through the efforts of Mark McCrary, MS Center for Nonprofits second Executive Director, a partnership developed between the state nonprofit associations of Minnesota and Mississippi. The Minnesota Council of Nonprofits gave Mark permission to adapt their work for Mississippi. After two years of research, review, interviews, discussions, regional meetings, and phone calls with hundreds of Mississippi community and nonprofit leaders, *The Principles and Practices for Nonprofit Management Excellence* was published in 2007 that mirror the Panel's *Principles For Good Governance And Ethical Practice*.

After the Mississippi Center for Nonprofits and the Mississippi Association of Grantmakers merged in 2019 to form the Mississippi Alliance for Nonprofits and Philanthropy, the existing Principles and Practices were updated from the 2007 original document, philanthropy standards were added and renamed the *MS Alliance Principles and Practices for Nonprofit and Philanthropy Excellence©*.

THE PROCESS

Documents Reviewed

The process to update and revise the existing Principles and Practices involved reviews of twenty-five similar state documents, reviews of philanthropy standards, discussions with philanthropy partners, and conversations with The Council on Foundations. In-depth reviews of the following documents were considered:

- *Principles & Practices for Nonprofit Excellence* in **Kentucky**
- *Standards for Excellence©* **Oklahoma** Center for Nonprofits
- *Principles & Practices for Nonprofit Excellence* The Nonprofit Association for **Oregon**
- *Standards for Excellence©* **Maryland** Association of Nonprofit Organizations
- *Principles & Practices for Nonprofit Excellence* **Minnesota** Council of Nonprofits
- *Guiding Principles & Best Practices for South Carolina Nonprofits* Together SC (**South Carolina**)
- *The National Standards for U.S. Community Foundations*® accreditation program and the Community Foundation Excellence (CFE) courses at **Council on Foundations**

Discussions

- Jane Alexander, Community Foundation for MS
- Terri Lane, Washington County Community Foundation
- Rodger Wilder, Gulf Coast Community Foundation
- Lauren Williams, Gulf Coast Community Foundation
- Suzanne Friday, Executive Director (2020), Council on Foundations
- Kevin von Bronkhorst, Director, National Standards-Council on Foundations

Revisions after Research and Review

The MS Alliance Principles & Standards for Nonprofit and Philanthropy Excellence© is unique because it combines nonprofit and philanthropy national standards, legal compliance, and best practice suggestions in one document. Following the abovementioned research and review, Mississippi's document has twelve categories arranged alphabetically with sub-category listings to help people find topics important to them. There are also summary paragraphs at the beginning of each major category.

A Process of Continuing Vigilance and Adaptation

“Strengthening ethics and accountability is an organic process that requires an ongoing commitment by boards and staff of individual organizations and by the entire nonprofit community. Over time, discussion within organizations and across the community may well result in refinement of the principles presented here. Such discussions would provide a further demonstration of the value to the whole sector of coming together to improve its work. For organizations whose practices do not currently meet the standards recommended by the Principles, and for existing systems of self-regulation that fall short as well, reaching those levels may take some time. Yet even the process of striving toward these standards will strengthen the organization and its ability to serve its community.” page 8 *Principles For Good Governance And Ethical Practice* at [Principles2015-CoBrand-NAO.pdf \(nonprofitoregon.org\)](https://www.nonprofitoregon.org/Principles2015-CoBrand-NAO.pdf)

Capacity Building, Resources, and Tools to Implement Principles & Standards

The MS Alliance Principles and Standards for Nonprofit and Philanthropy Excellence© are meant to educate nonprofit leaders, board members, managers, volunteers, and staff about the fundamental roles and responsibilities of nonprofit and philanthropic organizations.

Clearly a large list of recommended practices presents challenges for small organizations with limited resources. Small and mid-sized organizations may have limited or no staff or lack specialized positions to develop recommended policies and systems. To make this task more practical and achievable, the Alliance provides additional tools and resources on its website and training calendar to help organizations prioritize practices for different sizes and stages of organizational development. These tools address questions about why practices are recommended and the steps organizations can take to achieve them.

Excellence in Action© EIA

The primary capacity building endeavor that supports and expands the *Principles & Standards* into practice is the MS Alliance certification series called *Excellence in Action©* or **EIA**, for short. Supported by our philanthropy partners, EIA certification includes session attendance by boards and staff as well as a Peer Review Site Visit to review how each nonprofit and philanthropy has put the *Principles & Standards* into practice.

Excellence in Action (EIA) is the state’s only core competencies certification program of its kind for all nonprofits and philanthropies in Mississippi. With a generous grant from the Knight Foundation in 2009, research began and the process of building a practical learning experience based on the principles and practices (now *Principles & Standards*) started.

Research of the field revealed that, while many state nonprofit associations had adopted some form of *Principles and Practices*, not many had developed the training programs or tools to help their charities implement them into their organizations. Additional research revealed that charities in other states were governed by either the state Secretary of State's office or the state Attorney General's office. Some of these had tips and tools on their websites, but no complete training programs were found. The same was found with IRS information across national and state offices. And amendments to state charity laws occurred yearly, so research was and is always ongoing, to incorporate changing laws, amendments, IRS rulings and limits, etc.

Using the Panel's *Principles For Good Governance And Ethical Practice* information as a starting point and conferring with the MS Secretary of State's office and the Mississippi IRS office, **EIA** was launched in the fall of 2010 based on the ten fundamental categories of principles, practices and strategies outlined in its *Principles and Practices*, bringing the goal of excellence off the page and into a strategic learning environment for nonprofits throughout the state.

From June to December 2010, fifty-four nonprofit and philanthropic board members, leaders, and staff representing fifteen organizations participated in an initial pilot class to test proof of concept and receive input from participants. The following suggested changes were incorporated into the EIA process :

- Condense the program to a two-day face-to-face "boot camp" format option as executives, board members, and staff were not using the "at-home" format of the online courses and webinars
- Open the program to additional staff and volunteers other than the required three participants per organization for certification.

Now, an updated version of **EIA** delivers information and practical applications in twelve categories of excellence for nonprofits and philanthropies, as well as articulated to address changing needs as organizations develop. The Alliance continues to work closely with the MS Secretary of State's Charities Division to help remediate compliance issues and assist in the organizational learning development of all Mississippi charities.

Diagnostic Tools

In the formative months and years of the MS Alliance of Nonprofits and Philanthropy, research/consideration was given to the development of some form of assessment tool to help organizations find their knowledge and organizational development gaps. These self-reported gaps reveal what type of training and resources would most benefit each individual organization and, additionally, each individual's knowledge gaps. The word "diagnostic" was applied instead of the word "assessment" because the self-reporting allows participants to discover their own gaps and "diagnose" how to fill their gaps with the trainings, tools, and resources on the Alliance website including gaining a certificate in nonprofit management excellence with **EIA**.

A thorough review of organizational assessment tools was conducted. The format and questions on the McKinsey Assessment Tool and the OCAT (Organizational Capacity Assessment Tool), while very lengthy and expensive, were the best suited to Mississippi's nonprofit sector but were not closely linked to the *MS Principles and Standards*. Development then began on the creation of the Alliance Diagnostic Tools questions and were closely aligned to the *Principles & Standards*. A collaboration with SVP Cincinnati (Social Venture Partners Cincinnati) was used (with permission) to help shape Section 2 on the Organizational Diagnostic Tool which emphasizes growth descriptors in the organizational life cycle—Emerging, Growing, or Mature. These tools were then vetted by a review committee and published on the website with an automated response going back to the participant with their questions and answers.

The Alliance encourages participants to complete either or both of the Alliance Organizational Diagnostic Tool for Organizational Development and the Alliance Individual Diagnostic Tool for Professional Development to find gaps in knowledge and/or gaps in organizational development before starting the EIA certification process. Both Tools are also based on the *Principles & Standards* and give practical applications to everyday occurrences in nonprofit organizations.