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Ethics in Business: Interview with Alice Korngold

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July 21, 2009

[Alice Korngold](#)

JULIA KENNEDY:
Welcome to the Carnegie Council's Global Ethics Forum. I'm Julia Kennedy.

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[Ethics in Business: Interview with Alice Korngold](#) (Audio)

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Today we'll hear from consultant, author, and blogger Alice Korngold. Korngold has been working in the world of corporate social responsibility for more than 15 years. Her company, Korngold Consulting, links corporate executives with nonprofit boards that fit their interests and expertise. She has written a book on the subject called [Leveraging Good Will](#). Fast Company magazine's website publishes Korngold's blog on corporate social responsibility. It's called "[Leading Companies for Good](#)."

We began our conversation by talking about how Korngold discovered her niche in the consulting world.

ALICE KORNGOLD: I worked in the nonprofit sector for 25 years and built, actually, three nonprofit enterprises myself. A little over 15 years ago—it was in 1993—I'm actually from the Northeast, but at the time was in Cleveland, Ohio, and a group of large companies, the heads of these companies, knew I had been successful as what's now called a social entrepreneur. The term wasn't around when I first started working with nonprofits.

These companies approached me. They had been very philanthropic and were looking for ways to be involved in the community other than straight financial giving, and also were hoping to involve more companies than just themselves. Actually, the companies were BP, TRW, Eaton Corporation, Jones Day, and Key Bank.

I embarked on this project the same way that I started the other nonprofits, which was to do a study of the needs of nonprofits. I interviewed, with a couple of colleagues who volunteered to help me on the project, 128 heads of nonprofits—board chairs and CEOs of nonprofits—and also some funders, to ask them two questions: What were their most serious challenges? They said, financial and strategic. And what were the most valuable ways that companies could help them? They said that volunteers would be helpful, but where they really needed help was at the board level.

My reaction was, Aha! Businesses want to be useful. They have talented people. Nonprofits need help most importantly at the strategic and board level. This is a no-brainer. Match talented people with nonprofit boards.

I said to the nonprofits, "Is there anything else I need to know and understand?"

They said, "Yes. You need to train these people for nonprofit boards, because this is a different realm."

The next question was how to build a model that would be financially self-sustaining, if I were to build a nonprofit to meet the needs and interests of businesses that want to be engaged and also to be a high-impact service for

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nonprofits, based on what they were telling me. I knew that nonprofits couldn't pay what it would cost to do this well, that the individuals wouldn't pay, but businesses were saying, "How can we be more useful?"

What I decided to try—sometimes I thought it was brilliant, sometimes I thought it was crazy—was a "business membership plan," where we would charge businesses/employers for a package of services, to provide them with consulting services, to help them integrate philanthropy board service and volunteerism more broadly, to help them create a whole strategy and then implement it. I knew that the jewel in the crown would be this very sophisticated approach of training and placing their senior executives and professionals on nonprofits boards, but that it had to be really high-quality.

So that's the organization I built and created in 1993. Then, with grants from the [Carnegie](#) and [Mott Foundations](#), I started to teach other cities how to replicate the model, then in 2005, returned to New York City, where I have been doing that on my own. My work became national and global before I returned to New York.

That has become my sole work through my own firm since then. The more I got involved, the clearer it became that this was a really high-impact approach for companies to help strengthen nonprofits by involving talented people.

Let me also mention that early on it became apparent, within a couple of years of placing what became hundreds and then well over 1,000 business executives on nonprofit boards, that the nonprofit boards where we placed executives then wanted training, which led to consulting, to help them transform themselves into higher functioning governing bodies.

That led me to experiment with and then create and refine processes and approaches to assess and then transform the performance of nonprofit boards. Businesspeople, as with any people, want to be very focused and say, "Look, I want to join this board to add value and to be useful and to be helpful, but help us do that in an effective way."

So the whole thing is, as I said, really high-impact, really exciting, and I think, in this era with even more constrained funding, all the more powerful a way for the companies to be involved, and individuals, and nonprofits even more excited for that kind of support.

JULIA KENNEDY: What do executives come to you with? Do they generally come to you with an idea, "I want to work with X nonprofit," or, "I want to work with X sector," "I want to work at the national level or the global level"?

ALICE KORNGOLD: I love that question, because what's really interesting is that almost every candidate comes with a very open mind. Most candidates are open to the fact that they don't know the realm of possibility of nonprofits that could be available to them, and they are eager to learn that.

I spend half my time exploring nonprofits for my business candidates. At least a couple times a month, I'll come across a nonprofit where I just think, "Oh, my gosh, I could never have imagined that you would exist, that an organization combines this and that to do this and that."

JULIA KENNEDY: Like what? Give me an example.

ALICE KORNGOLD: There's [Materials for the Arts](#), which is in Long Island City. Businesses that have products and goods and office supplies in abundance and too much send them to the warehouse of Materials for the Arts, which organizes them and inventories them, and then nonprofits go on shopping sprees a couple of days a week, and schools, and Materials for the Arts teaches them how to use them for art projects, as well as performances, et cetera. It can be just Styrofoam cubes or it can be, obviously, paint—just the most creative objects that are leftover supplies, and they use them for art projects.

JULIA KENNEDY: Very clever.

ALICE KORNGOLD: The warehouse is beautifully kept. And their mission is environmental, as well as arts in education. Nothing is wasted. One of the

people I got involved two years ago, who is now chairman of the board, had an arts background, working a number of years previously, in a senior role, with the Museum of Modern Art and wanted that arts connection, but is also passionate about the environment. This is the most perfect position for her.

JULIA KENNEDY: So how do you define corporate social responsibility? That's one of the subjects of your blog for Fast Company. I'm just curious how you define that term.

ALICE KORNGOLD: Businesses of all sizes encouraging and supporting the involvement of their executives and professionals on nonprofit boards, if we can imagine it, in significant numbers—tens of thousands, hundreds of thousands—in a methodical, thoughtful way.

It's not only an opportunity to elevate the talent and the effective functioning of nonprofit boards, but it's also the most effective way to develop the next generation of business leaders. They are involved in nonprofit boards, developing expertise and learning about issues related to the environment, social justice, human rights—the world's most important issues. And they are developing leadership experience through their nonprofit board experience.

When you're on a nonprofit board, you're part of a small group of people whose role is to envision the greater potential of an organization, create the revenue model for this small enterprise—or large enterprise; whatever size it is—and ensure that this organization achieves success.

So if you're at a company and you're 35 to 40 years old, you're not running the company. You're somewhere in the middle or moving towards the top. You don't get to see what the organization looks like from the CEO position or from the governing board position. But you are ready to add a great deal to a nonprofit board. I think nonprofit boards are the greatest learning experience in ethics, accountability, board governance. And boards rule the world. They are powerful in terms of nonprofits and corporations.

I see the transformation person after person when they go on a nonprofit board and they develop experience. It's the consensus building. It's the team building. It's becoming an advocate. So the learning is just extraordinary.

As I said, if people are matched to the right boards, they usually emerge as leaders. If they are on the right board where they care, they get excited and then, when someone says, "Who's going to help with this? Who's going to help with this?" the hand goes up, "I'll help," and before you know it, they are leading a committee, they are leading this, and then, the next thing you know, they are leading the board. They can't help themselves.

JULIA KENNEDY: It sounds like you're saying that's good for business in the long run, because then they can take those skills back to the workplace.

ALICE KORNGOLD: Exactly. Before you know it, you have a cadre of leaders at the company, all with expertise in different facets of world issues and, now, leadership experience before they are in very senior seats.

I have also followed leadership trajectories of people who move through a sequence of nonprofit board leadership roles and then wind up on for-profit boards. It's a terrific learning trajectory there, too.

JULIA KENNEDY: Why did you start your blog "Leading Companies for Good"?

ALICE KORNGOLD: As many opportunities in life happen, this was happenstance and turned out to be a terrific one, I think, I hope. I had helped someone—actually, a writer—with an article, not realizing she was with Fast Company, and it turns out she was an editor there as well. She asked me to write an expert blog for Fast Company. I was off and running by the end of last August. I was concerned if I would have enough to say. As it turns out, I have plenty.

It's great fun, for a lot of reasons. I feel like it's a platform to showcase companies that are doing exciting and innovative things in the field of CSR and

nonprofits that are doing really important work that are models for others to learn from.

When I started working in this field 15 years ago, so many people looked at me like I was an alien. So many people thought, "I don't know. You can't mix Republicans and Democrats." I thought that was peculiar, because it really had very little to do with politics and more to do with the mission and the good work that needs to be done. I find, in the work of nonprofits, people come together from diverse backgrounds and perspectives for common causes. And that's really exciting.

JULIA KENNEDY: I can imagine, as you are writing and as you are choosing what to highlight on your blog, that you sift through many, many different policies on the business side and nonprofits on the nonprofit side. This probably works for your work matching executives as well.

ALICE KORNGOLD: Right.

JULIA KENNEDY: How do you select which to highlight?

ALICE KORNGOLD: I make it my business to spend a good amount of my time being alert for nonprofits in a broad variety of fields, and I have broad networks, just amazing, wonderful people—in the business world, foundation, academic, and nonprofit sector—alert to who are experts, whose judgment I trust, and when I hear about nonprofits doing good work and then know how to research online. It's fun. Some of my corporate clients have asked me to start working in other cities.

So much information is available online.

So between my networks, in terms of vetting organizations, and then researching information online, you can really do quite a bit from a distance.

Then I go out and meet with the board chairs and CEOs of nonprofits to understand what their needs are and to get a sense of organizations. Even walking in the door, you get a strong sense.

Then it's based on experience, knowing what's new, what's innovative, what's effective, being able to size up a business and their model and a nonprofit and their model.

JULIA KENNEDY: What do you see in terms of trends among nonprofits that would be new, innovative?

ALICE KORNGOLD: I think nonprofits that are going to be particularly successful are being more innovative about how they are generating their funding. The key sources of revenue for nonprofits are government, whether that's federal or state/local, fees for services. It's more straightforward if it's schools, which is tuitions, or hospitals. A whole variety of nonprofits are figuring out a variety of ways to generate fees.

Now, that's tricky. I've always said that if a homeless shelter could make a profit, it would be a hotel, and if a soup kitchen could make a profit, it would be a restaurant. So I think we have to be careful about what we mean by that.

Greyston Bakery—they bake brownies and sell brownies. The revenue from the brownies covers half of their expenses—it's a multimillion-dollar operation—to cover the cost of providing health care, daycare, school programs, job training and placement programs.

D.C. Central Kitchen in Washington, D.C., is a food-services program, and they have job training and placement.

Very clever revenue models.

Greyston was founded 25 years ago, so they are probably one of the earliest. What their motto is, is, "We don't hire people to bake brownies. We bake brownies to hire people." And by the way, I am a brownie maven, and they are the best brownies. And they sell them to restaurants and hotels, so there is even more opportunity to capture revenue, and for businesses to help them.

So that's a new revenue model.

So sources of revenue would be government funding, fees for services, and then philanthropy, which is corporate, foundation, and individual. That's an area where I think boards are becoming more self-aware, but need to be even more so. Boards need to be more ambitious and more engaged in terms of fundraising and giving and outreach and philanthropy. That's an area I try to focus some attention on.

So best practices and trends in terms of nonprofits would be looking at their revenue models and being aggressive and innovative.

Another area of trends and innovative practices—this is really important, and this is my focus—is board practices. Fifteen years ago, when I started working with boards, we were really coming out of the dark ages, with boards really just coming around and meeting and not really too conscious about what their roles were.

Now, especially with the economy, especially with a variety of scandals, especially with transparency, with watchdog groups and people looking online at information, boards are much more self-aware, which is a good thing, and starting to think, "Gee, what is our role exactly? Is it really such a good idea to have 35 people on our board, half of whom we don't even know? What are we supposed to be asking of ourselves? How do we make sure we are each performing to the best of our ability?"

So that's a very positive trend. Boards are also saying, "Who would be the best to serve on this board," which is a different answer for every board. It depends on what you are trying to accomplish and what expertise and background and perspectives you need.

That's what I love to help boards to do. You can really help take an organization to the next level. It's so critical to have the right people and have them fully engaged and really committed. You can just take it to a whole new level.

JULIA KENNEDY: Are you seeing interest in serving on boards and corporate giving? Are you seeing those horizons expand from local to national, to maybe trends in global giving?

ALICE KORNGOLD: Absolutely. People have asked me recently if there is any setback in terms of the economy. Certainly there are individuals who were interested and now, because of jobs and concerns, are taking a step back. But overall, there is tremendous interest in people serving on nonprofit boards. There is an increase from businesses in encouraging and supporting the involvement of their executives and professionals in serving on nonprofit boards.

JULIA KENNEDY: Why do you think that has happened?

ALICE KORNGOLD: What's happening with companies is, because of the stress on the economy, companies are becoming more strategic about their philanthropy.

So instead of sort of throwing it all around, they are saying, "Okay, if we want even more benefit from every dollar we give"—and they are cutting back on human resources, on marketing. They are cutting back on a number of areas. They are realizing, if we tie our dollars with a board matching program, we get the value of leadership development. We also strengthen the nonprofits. We strengthen the community. We strengthen our brand. There are just so many benefits of tying together philanthropy with board service and volunteerism. Let's really wrap it together in an integrated, strategic approach.

JULIA KENNEDY: It sounds like what you're saying is that corporations are moving more to giving time rather than money.

ALICE KORNGOLD: Time to complement money, so that it's integrated, so that it's a more powerful impact. I don't know about "rather than"; I think integrating it—and valuable time. I think while the hands-on team volunteering is a good thing, companies are realizing that they have very powerful

expertise to offer and that that is a powerful combination—not just planting trees and doing these one-day-at-a-time projects, which are nice, but people serving on boards is especially powerful.

JULIA KENNEDY: In your position, interacting with all these different nonprofit boards, how often do you run into nonprofits that simply aren't sure what they need or want?

ALICE KORNGOLD: Often. That's, again, my role. Often a board says to me, "Look, Alice, we need people who bring money. We're just stressed financially." I understand that. That's where my role in meeting with them and sitting down with them—often, that meeting with the CEO and often a board leader is usually a good two-hour meeting. Having done so many of these and having built and run nonprofits, I can sit down and cut to the chase pretty quickly. It really is understanding the revenue model. What do you do? Where does your money come from? Who is on your board? I can look at a board list and figure out pretty quickly what's missing and where they need help.

So it's diagnosing that, and also asking, to what extent is there 100 percent giving on the board? That's a factor, too.

For example, if the budget—I see this many times with social services organizations—if the budget is \$80 million and 98 percent of it is coming from government sources—very common—and there's a board of a dozen people that are giving a total of \$4,000, this is a problem. You have an agency—this is the major business—where the CEO is generating all the revenue through government sources, maybe a couple of grants here and there, and the board would not necessarily have any expertise in the field. This would be an agency that's heavily, heavily regulated.

Most of the CEOs that I see running these organizations have tremendous expertise. The big question is, what value is the board adding? The fact is that government funding does not cover the full cost of infrastructure, does not cover R&D for program development. Government funding is provided after the fact of programs and services being provided and does not fund, by the way, competitive salaries. So you're running a business at a tremendous loss.

Let me also say, government funding is whimsical in the sense that certain programs are cut from year to year. So staffs are cut; new staffs are built. This is no way to run a business.

A board like that should be concerned about raising a good \$10 million a year. In many cases, boards are just not focused and don't want to hear about that. I see that too, too often.

JULIA KENNEDY: So having done this for more than 15 years now, it sounds like you are seeing more and more interest in partnering between the private sector and the nonprofit sector in the area of boards. Are there any trends that are disheartening? Is there anything you would like to see more that you haven't seen happen yet?

ALICE KORNGOLD: First of all, you mentioned partnering. I'm seeing a tremendous and very positive trend in partnering among nonprofits, which is fantastic. I think the economy is driving that. Funders have been asking for that. But I think what needs to happen more is for people, and people like me—I try to do this, but I think it's a role that funders who know a lot of nonprofits can do—to help make introductions. I love doing that, when I see organizations that have complementary program services, personalities, cultures, to introduce the CEO from one organization to another. Often great things can happen. A partnership doesn't necessarily have to mean a full merger, but even program collaborations can lead to good things.

Funders can be very financially supportive to help make those possible. There are expenses involved in helping to facilitate those.

There is a growing interest in companies in collaborating with nonprofits. The emerging generations really get it about for-profits and nonprofits having shared purposes.

That's really thrilling and exciting.

The trends over the past 15 years—I just see a tremendous force towards corporate-nonprofit partnerships, towards interest in service, high-impact service. The generations that are emerging towards leadership roles really get it. I think the future is very positive.

JULIA KENNEDY: Alice Korngold, thanks so much for your insights. It has been a pleasure to have you here in the Carnegie Council studio.

ALICE KORNGOLD: Thank you so much.

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