

T-LEC Teaching Innovation Award

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“Teaching Complex Organizations By Applying Theory: Student Project to Design a  
Nonprofit Organization”

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## *Introduction*

Although I graduated from a research-oriented graduate program that focused on academic research and careers, one of the challenges since coming to UHCL has been to translate theoretical knowledge into practical information and skill-building. While this shift at first was frustrating (since I was trained to teach theoretical concepts and how to conduct academic investigation), it has developed into a meaningful challenge that makes, in my opinion, my teaching much more relevant and exciting.

This challenge is especially true teaching my class Complex Organizations. The subject matter tends to be very theoretical, filled with theories of bureaucracy, managerial theory, the importance of voluntary organization to civil society, and the growing significance of international organizations. However, I challenge all my students in every sociology class to think about how they can take what we learn and apply it to making positive change in society. In other words, to take what you learn in a sociology class and become socially engaged. To this end, I decided to develop an assignment that would help students translate the theoretical knowledge of Complex Organizations into the development of their own organization that addresses a social problem: to design their own nonprofit organization.

1. **Originality.** This assignment was pioneered first in the Fall 2005 semester, and is now on its second iteration. Although I am sure others have done this kind of assignment, I have never seen it anywhere and created it myself. The assignment culminates in students writing a paper about a social issue that could be addressed

by creating a nonprofit organization. In the write-up, they have to completely design a nonprofit organization, making decisions about funding, by-laws, a board of directors, membership, mission statement, and follow the process for filling out both federal and state paperwork. For full details, see the Appendix to this proposal for the assignment guidelines given to the students.

2. **Rationale.** I decided that students should design their own nonprofit in order to accomplish three main goals:

- Think about how organizations in civil society can be used to address social problems.
- Apply organizational theory to the design of a student's own organization. For example: How would membership be recruited? What would the bureaucratic structure look like? How would funding be secured? What role would a board of directors play? What would be the challenges of managing such an organization? How would human resources best be developed in this organization? How would organizational management (the student, presumably) balance the use of resources for organizational development versus the pursuing the mission of the organization?
- Go through the sometimes difficult process of filling out the paperwork to become incorporated as a 501(c)(3) nonprofit organization with the Federal Government and the State of Texas (see Appendix below).

Overall, students would be learning the application of organizational theory, as well as learning the legal basis for the nonprofit sector in our society. In addition, this assignment

encourages students to think about how they could translate ideas for addressing social problems into organizational structure, policy, by-laws, and mission, a potentially valuable skill that is used everyday by educators, managers, scientists, public servants, and social service providers.

3. **Effectiveness.** I did not formally attempt to measure the effectiveness of the assignment. However, I found the quality of the papers to be excellent. They covered topics from organizations developing after school programs for at-risk youth, to nonprofits that promote women entering politics, to organizations that promote the conservation of urban park trails. In fact, two students went ahead and paid the few hundred dollars to actually become incorporated, and have functioning organizations to this day. Given the feedback that students gave me, I think this assignment met its instructional goals of applying organizational theory and thinking about the role of complex nonprofit organizations in our society.

Some of the student comments include:

- “I really appreciated the nonprofit assignment. It made me think about all the ways that I could have an impact just by creating an organizations [sic].”
- “This assignment was an eye-opener. I never thought about how hard it is to organize something like a day care center or service agency. But this gives me a head start if I want to pursue my idea...”

- “Probably the best thing about the class was having to develop my own organization. I want to work with nonprofit organizations after my Masters, so this gives me valuable insight.”

4. **Transferability.** As one can see from the attached assignment sheet below in the Appendix, the Federal Tax Code recognizes many different types of organizations that can receive 501(c)(3) status: those that address poverty, religion, education, science, patriotism, health, social welfare, the arts, and the community good, just to name a few examples. Instructors from a wide variety of disciplines could use this type of assignment to help students think about how to address issues in their respective fields, since nonprofits themselves address so many social problems. The complexity is moderate; looking at the websites I provide in my assignment sheet (see Appendix) gives examples and advice for designing one’s own nonprofit. In addition, the text referenced at the end of the assignment sheet is a great resource for understanding the nonprofit world in general. The cost is minimal, since students are downloading forms and information from the web. The generalizability is high, as mentioned above, since federal recognition of nonprofits is so wide-ranging, nearly any discipline—not only in the social sciences and humanities, but also the natural sciences, engineering, public education, the law, and the business world—could adapt this assignment to its subject matter and methodology.

# Appendix:

## Assignment Guidelines for Students

### **Student Project: Development of My Own Nonprofit Organization**

This semester, I thought a practical assignment that would harness our interest in organizations would be to look into the process of forming our own nonprofit organization. Nonprofit organizations (NPOs) are the third type of organization that function in our society. The first two are: 1) Government/State Bureaucracies, which function at the federal, state, county and municipal level of society, and are governed primarily by Max Weber's legal-rational bureaucratic rules; 2) Profit-oriented businesses/corporations, which utilize market forces to make decisions of production, supply, demand, etc. But NPOs, or sometimes called the Voluntary Sector, are a different type of organization. They do not distribute profit to owners (or dividends to stockholders), but use resources to advance the programs that define their goals. As such, they are a vital component to democratic society, called by social theorists "civil society." The French philosopher/social critic Alexis De Tocqueville in his famous book *Democracy in America* said that voluntary organizations make democracy work in practice, and not just in theory.

Thus, we will begin the process of learning how to create a nonprofit organization as our own personal contribution to US civil society. It should be an organization that focuses your personal interests on solving a social problem, addressing a social need, or educating society about a social issue. This is a learning process for the instructor as well as for you (although some of you may already have incorporated a tax-exempt nonprofit organization). Our goal is to design an organization, and begin filling out the state and federal paperwork that incorporates that organization. This information can help you set up something now, or give you background information in the event you ever want to do so in the future.

#### Some definitions to keep in mind:

- Charitable organization: an organization that has been designated by the Internal Revenue Service (IRS) as tax-exempt, otherwise known as 501(c)(3) status.
- Nonprofit organization: an organization that may or may not make a profit, but whose resources are channeled into the organizations goals, and not to its owners. Nearly all charitable organizations are nonprofit organizations, but not all nonprofits are necessarily classified as charitable organizations.

- Incorporated organization: this creates by law a separate legal entity or corporation (which may be either for-profit or not-for-profit) where liability is confined to the organization itself, and not to those who manage it.

## Final Product

Your final product for this assignment will be a 10-12 page paper that will include the following elements:

1. A concise but knowledgeable explanation of the social problem or social issue that your NPO will address. This can draw from literature you have studied in another of your classes, or resources that you develop for this class. See the list below for the 12 different types of charitable organizations recognized by the IRS and federal tax code. You need to provide a bibliography that has at least 5 sources which references the social problem/issue that your organization will address.
2. A mission statement for your organization. What are your organization's goals and guiding principles?
3. Filling out IRS Form 1023 to designate your organization as a 501(c)(3) (see <http://www.irs.gov/pub/irs-pdf/f1023.pdf>).
4. Filling out estimates of IRS Form 990 (see <http://www.irs.gov/pub/irs-pdf/f990.pdf> or <http://www.irs.gov/pub/irs-pdf/f990ez.pdf>). This is the yearly reporting of financial transactions for your NPO. This form is difficult to fill out and understand, but you should attempt to at least fill out some of it. Part of the form asks for by-laws, which you should provide (in at least a rudimentary form). Your grade will not suffer if you can only fill in a limited amount of information. You can get help filling these forms out at: <http://nccsdataweb.urban.org/FAQ/index.php?category=41> and [http://www.npcny.org/Form\\_990/990.htm](http://www.npcny.org/Form_990/990.htm).
5. Providing an organizational chart of how the organization is structured. Describe the roles and duties in the hierarchy, all the way down to staff, members and volunteers (if applicable). This will, by Texas State Law (which governs the creation of NPOs) require a Board of Directors of at least 3 people, but has no limit to the number of directors. Boards of Directors can be formed by:
  - a. A membership elects the directors and the officers (which can include a president, vice-president, secretary and treasurer).
  - b. A membership elects the directors and the directors elect/appoint the officers.
  - c. A self-perpetuating board elects/appoints officers (after incorporating, the board recruits new members, sometimes through term limits, without putting the process to an election by the membership).

For the most part, the law allows a nonprofit organization to use whatever governing structure it wants.
6. Provide some detail about how your NPO will raise money (to not only provide its services, but to rent office space, meet salary obligations, etc.). Fundraising

- can be through direct mail, special fundraising events, capital campaigns, fee-for-service projects, grants, or planned giving. Describe what are possible granting agencies you would look to for funding your type of organization. Some resources on the web include:
- a. Center for Nonprofit Management (<http://www.cnmsocal.org>)
  - b. National Council of Nonprofit Associations (<http://www.ncna.org>)
  - c. Nonprofit Hub.com  
(<http://www.nonprofithub.com/resources/websites.htm>)
  - d. The Nonprofit Resource Center (<http://www.not-for-profit.org>)
  - e. The Foundation Center ([http://fdncenter.org/for\\_individuals/fiscal-sponsorship/05.html](http://fdncenter.org/for_individuals/fiscal-sponsorship/05.html))
7. Filling out the articles of incorporation for the state of Texas, found at:
- a. Form 202: Articles of Incorporation (see <http://www.sos.state.tx.us/corp/forms/202.pdf>)
  - b. For more information, see [http://www.sos.state.tx.us/corp/nonprofit\\_org.shtml](http://www.sos.state.tx.us/corp/nonprofit_org.shtml)
8. Finally, a short description of where you would like your NPO to be in the next 5 years. What will be its growth? What will be its financial health? Has the scope of its mission expanded or changed over the years?

## **IRS Definition of Charitable Organizations:**

Federal Tax Code recognizes the following types of organizations that can receive 501(c)(3) status:

1. NPOs for the relief of poverty; such feed the homeless and/or provide them with shelter, operate a counseling center, provide vocational training, provide low-income housing, or offer transportation services.
2. NPOs for the relief of the distressed; which can be physical or emotional distress. This category is somewhat vague, since the law tends to precisely define the term poor, but the term distressed is largely undefined and expansive.
3. NPOs for the advancement of religion; usually in collaboration with churches/synagogues/mosques/temples. It can be to maintain religious worship buildings, monuments, cemeteries, or distribute religious literature.
4. NPOs for the advancement of education; and includes providing student assistance, advancing knowledge through research, or disseminating knowledge by means of publication, seminars, lectures, etc.
5. NPOs for the advancement of science; for the furtherance or promotion of science and the dissemination of scientific knowledge.
6. NPOs for the lessening of the burdens of government; includes the erection or maintenance of public buildings or monuments, or help finance assistance to police or firefighters, public transportation, recreational centers, or help establish public parks, lakes, or beautify a city.

7. NPOs for community beautification and maintenance; such as maintain community recreational facilities, or preserve and improve public parks (overlaps with previous category).
8. NPOs for the promotion of health; includes establishment and maintenance of hospitals, homes for the elderly, drug abuse treatment centers, blood banks, hospices, and home health care organizations.
9. NPOs for the promotion of social welfare; one of the most indefinite categories of charitable endeavors. Can include issues such as temperance, national defense, PACs, eliminate prejudice, defend human and civil rights, and combat community deterioration and juvenile delinquency.
10. NPOs to promote environmental conservation; which preserve and protect the national environment for the benefit of the public.
11. NPOs for the promotion of patriotism; which can include organizations that assist in the celebration of a patriotic holiday, provide a color guard, or underwrite flag-raising ceremonies.
12. NPOs for the promotion of the arts; such as operating a community theatre, promote artists and filmmakers, and sponsor festivals or exhibits.

## **Bibliography**

Hopkins, Bruce R. 2005. *Starting and Managing a Nonprofit Organization: A Legal Guide*, 4<sup>th</sup> ed. Hoboken, NJ: Wiley and Sons.