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**NGOS BASED ON PROFESSIONAL GROUPS:  
THE ADVANTAGES FOR DEVELOPMENT AND  
CROSS-SECTOR PARTNERSHIPS**

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## Overview

This policy brief discusses the methods and advantages of creating public organizations based on professional groups by analyzing the experience of Ukrainian non-governmental organizations (NGOs). This professionally based structure promotes the formation of effective, long-term partnerships with businesses and state agencies, particularly when the NGO is sufficiently skillful in managing the relationship. Using two examples of successful NGO activities, this brief illustrates the mutually beneficial outcomes of the organizational-development process. The first example centers on the NGO-development work carried out by a group of professional journalists and television producers. The second example focuses on the development of innovative approaches to “cultural tourism.”

Today the Ukrainian third sector is represented by two large subsets of organizations, which have different legal underpinnings and mandates but engage in similar types of activity. The first group is composed of public organizations and the second is made up of charitable funds. In both cases, the experience of Ukrainian NGOs demonstrates that organizations created on the basis of professional groups or that those which incorporated professional groups into their structure and activities are the most successful. Professionalism refers not only to the qualifications and proper education of employees but also to the high-quality standards of recognized social work. There is reason to be confident that Ukrainian NGOs already have gained sufficient leadership and experience in marketing social services, and now can be considered authorities in the following areas:

- Public-information and social-advertising campaigns
- Organization of mass-media distribution
- Advising and consulting (on legal and psychological matters )
- Developing and conducting training (both universal and specialized)
- Conducting sociological research

Having a professional “core” is key to the stability and successful development of NGOs in all areas. Such a structure is essential not only for good performance, but also for exceeding the standards set by competing organizations in the business and state-social-services sectors.

Currently, some third-sector Ukrainian organizations function only as clubs, uniting people with similar interests or hobbies during their free time. Such NGOs charge membership dues that are used to support “vital activities,” although in reality, these groups simply use their non-profit status to decrease their taxes. Generally, these clubs position themselves as NGOs that limit their scope to local activities (for example, “sports” NGOs promote the health of different groups while “youth” NGOs focus on tourism and the creation of clubs) and do not participate in large-scale projects. Ukrainian law currently requires that taxes be imposed on NGO membership dues, which are considered sources of profit just like the activities of ordinary commercial clubs devoted to sports, dancing and other pastimes. (It is interesting to note that taxes are not imposed on the dues of commercial business organizations, however.) Obviously, this situation has proven to be unfavorable for many NGOs. For example, our organization, the Center for Youth Initiatives (Totem), has nearly 100 members, but collects dues more as a matter of principle than as a source of organizational profits. Today, the same dues have to be collected with the legal

distinction of being “charitable dues for statutory activity of a non-profitable organization,” which is the untaxed type of financial activity.

In reviewing the advantages of creating NGOs based on professional groups, it is important to note that many successful Ukrainian NGOs were founded in the “reverse mode” — that is, a group of professionals in a particular industry united and created an NGO, attaining non-profit status and an official mandate to carry out the duties of state agencies and business-sector organizations. Our NGO was formed in the same way. In 1996, courses on TV journalism and TV production were organized in the city of Kherson by a famous Ukrainian TV producer, and five of the program’s 30 graduates became the founders of our NGO. In addition, 12 other graduates have worked closely with our NGO. During the initial stages, our NGO’s primary activities focused on the development of public-information campaigns and the production and distribution of proprietary public-television products. Within a few years, more than 90 telecasts and TV films were created. In 1999, a group of young people in our NGO spearheaded the founding of a youth newspaper that is currently one of the best in the Ukrainian youth press, largely because of its concept, journalistic content and design. (The newspaper enjoys independent financial support and does not cater to political parties and politicians.). Our NGO has gained recognition by presenting its mass-media products at special exhibitions, festivals and competitions and by winning prizes and awards. At the same time, the market for public-television products emerged in Ukraine, and large customers (such as state agencies, international funds and even business firms interested in promoting good public images) appeared. Competition for these big accounts materialized as well. Nevertheless, many Ukrainian NGOs, including ours, were able to win these contracts successfully, thanks to the following basic factors:

- The NGO has a good, deep, clear comprehension of social problems or the NGO can comprehend specific social problems easily, rapidly and exactly.
- The NGO has access to complete, detailed information about social groups and their needs.
- The NGO has partners in many areas of social work and can quickly, effectively leverage their services (consultation, creative ideas and databases).
- The NGO not only has experience in one specialized professional area (such as producing TV and radio shows or publishing newspapers), but also can offer a variety of related services, such as conducting research, focus-group studies and presentations.
- Producing high-quality public products is not simply the “next order” of business for the NGO; rather, it is the execution of the NGO’s mission and the focus of its resources (e.g., consultants, volunteers and programming) on the overall experience of the third sector and the realization of similar social programs.

## Partnerships

When speaking about the experience of our NGO, it is vital to note the role of partnerships. In the case of Totem, operational activities focused on providing public-information and advertising services. Our partnership network has formed gradually, but today it is possible to distinguish three groups of partners:

- Informative – these partnerships provide information about social problems and decision methodology; inform us about their work and programs; and also keep us updated on their sphere of activity (many of these partners are other NGOs, such as the Anti-AIDS Center and the Youth Labor Center)
- Financial – financial partners are the NGO’s customers and may participate financially in the production of goods and services. Such partners may include governmental institutions, other NGOs, businesses and even private citizens
- Coalitional – these partners help to generate popular support and a sense of relevance and urgency surrounding public problems. They help to create public resonance by producing and distributing their public goods and services (e.g., NGOs, government social services and other governmental bodies).

Of course, one can not forget about the role of international funds and charitable programs in the founding and development of many Ukrainian NGOs, including our own. Through international grant programs, NGOs have been able to gain additional experience, develop greater authority and establish other partnerships. At the same time, the most successful organizations started to organize their programming based on a general strategy of development and financial sustainability by strengthening their professional “core.” As a result of this work within Totem, we have established additional revenue sources, such as providing consulting services to other media firms, as well as businesses and NGOs hoping to create their own media products. Our organization can help formulate media-production and development strategies, identify target markets, provide market-positioning strategies, and train and develop a professional editorial staff. Such services are expensive, but showcase the NGOs’ high level of professionalism and authority, which helps build a more robust client base.

The professionally based development of NGOs also opens up other self-financing opportunities by extending the NGO’s skills to similar or related areas of activity. This mechanism is especially critical for countries with developing economies where the market for services is not yet fully formed, and state and business-sector institutions are more open to innovative ideas. Public organizations can generate these innovative ideas because they serve as social “watch dogs” (a role traditionally filled by modern journalism, but also by progressive NGOs) in determining what is impeding social progress. Thus, NGOs can identify new areas in which to devote additional energy and efforts. For example, Ukrainian public organizations have recently taken part in the development of small- and medium-size businesses (SMEs). These activities allow NGOs to play a critical role in experiential exchanges, facilitating internships for businesspeople and conducting training, consulting and governmental lobbying on the behalf of SMEs. The need for services in this area will decrease as SMEs develop more fully, making this

programming temporary, especially if international funds support the SME sector. Unfortunately, only a few Ukrainian NGOs have developed reliance – both financial- and mission-based – on these temporary collaborations, but it is obvious that such possibilities exist.

To elaborate on such opportunities, I cite a current challenge facing our organization: the development of “cultural tourism.” As regional Ukrainian economies have transitioned (or are in the process of transitioning) from large enterprises and industrial giants to SMEs, tourism in the Ukraine has been proclaimed a major area for future development. Naturally, the tourism industry can not be the focal point of NGOs’ efforts in a “pure sense.” The only possibility is collaboration in development efforts – for example, the exchange of experiences across SMEs or the development of new tourist destinations. (Although some regional NGOs conduct tourist activity successfully, the financial management of such organizations can not be considered fully transparent and proper under current law.)

For our organization, participation in the transitory development of the tourism sector was not interesting. Because our NGO was founded by a professional group consisting of historians, art and culture critics and artists, tourism was not a part of our core mission. At first, our group participated in producing general-information programs, such as telecasts and publications highlighting the history and culture of various cities and regions, publishing books on history and art, and providing training and consultation. As these programs achieved a high level of professional quality, they brought to the organization not only the benefits of a positive image, but also achieved financial stability by covering production costs. This success required additional efforts to retain product-distribution specialists and to organize financial management of the new revenue-producing activities, particularly because we are an NGO with different statutory requirements.

### **The Rayko Cottage**

In 2002, the efforts of our historians and artists led to the discovery of the cottage of folk painter Polina Rayko in the Kherson region. The artistic value of this discovery lay in its extensive collection of works – all walls, ceiling, and doors are covered by paintings. Rayko started to draw at the age of 69 after all her children and husband died, and for a few years, her house became a veritable “place of pilgrimage” for journalists, tourists and guests. Rayko received a pension of 74 hryvna (about \$15) and used this small amount of money on paints and brushes. She soon received business propositions to open the house to tourists and receive payments in exchange. Unfortunately, Rayko did not see any of this promised money. Her business partners explained they had opened a personal account for her within the firm and that all the money would accumulate in this account. As an elderly woman who had never dealt with such accounts, she understood very little and trusted her business associates. Over several years, the local state administration only once gave Rayko any assistance, which amounted to the sum of 120 hryvna (less than \$25). Nevertheless, the head of the local administration continued to use her distinctive house for shows involving important guests, including foreigners. At the same time, the local governmental bodies did nothing to ensure the preservation of this “cultural tourism” object. Eventually, only the members of our organization became Rayko’s true friends and only in the presence of Totem members did she consent to conduct tours and show her house.

State institutions such as the Department of Culture and the Society of Monuments Preservation did not demonstrate any desire to take part in the house's preservation. Thus, our organization conducted not only an extensive study of her art, but also developed a strategy for saving this art treasure by developing media and business partnerships. We presented Rayko's art to many international experts who confirmed its uniqueness and cultural value. After Rayko died in the winter of 2003, the task of saving of her house and art became urgent. Again, local government bodies were unwilling to help. Our organization could have lobbied the Ministry of Culture, but such actions often take as much as a year or more. In addition, we knew that the regional-government cultural authorities were primarily interested in the taxes and entrance fees from operating museums, and had little interest in discovering and preserving new objects of historical and cultural heritage. The activity of our organization in this area proved to be the downfall of local officials, who feared their superiors would learn of their failure to pay adequate attention and respect to this artistic treasure.

To salvage and develop this valuable object of historical and cultural heritage, we decided to create a partner pool united by a common preservation goal. Thanks to the actions of lawyers and a public-awareness campaign, we were able to stop the sale of Rayko's home to business interests that sought to destroy it and build a new house in its place. We were able to find new buyers – a group of young Canadian businesspeople based in Kiev, Ukraine – who agreed to purchase the Rayko house and create a museum. They saw this purchase as a simple act of artistic patronage, and they allowed Totem to spearhead the strategic-development plan for the house, which is now being executed in several ways:

- Totem developed and published a full-color album of Polina Rayko's works for public sale proceeds from the sales will be collected for the museum's needs and development
- Negotiations with tourist agencies that will provide organized visits to the house/museum are concluding; the revenues from this activity will go to both Totem and the museum
- A mass-media campaign is now under way; at the time of this writing, more than 50 articles related to the Rayko home have appeared in the regional, Ukrainian and international press, including popular and specialized art magazines
- Artists workshops, art festivals and master classes will be held on the house/museum's premises. On a part-time basis, the house/museum will operate as a "creative dacha" for artists, continuing the traditional art processes dating to the Soviet era. Today, virtually all other "creative dachas" have been destroyed or are undergoing privatization, so this service is very much in demand, though costly
- Domestic and international organizations have expressed interest in participating in the Rayko home's development and preservation. To this end, information about the house has been placed on a Web site:  
<http://www.terra-futura.com/eng/rayko/rayko.htm>. In 2005, we plan to create a separate Web site devoted to the art of Polina Rayko and her home, including specific information highlighting the house/museum's offerings.

## **Roles by Sector**

A central focus of this brief is on how to create partnership pools consisting of NGOs and corporate-sector organizations in order to further the preservation of objects containing historical and cultural significance, particularly when there is little or no governmental participation. The organizational missions of these three sectors underscore the cooperative potential present when common goals are identified, and highlight the ability of NGOs to span all three organizational functions when necessary. The following lists provide a description of these delineated roles using the example of historical/cultural heritage preservation in the Ukraine.

The NGO, or third-sector, mission: identifying, protecting and promoting objects of historical and cultural significance.

Types of activities and methods:

- The discovery of new objects of significance;
- The study of new objects' historical and cultural values;
- The development of programs and projects for object preservation;
- The development of partnerships, especially financial partnerships, to achieve shared goals
- Controlling the program's execution;
- The provision of public-relations and informational campaigns;
- The formation of positive public opinion and issue resonance.

The business mission: to develop an object's commercial (profitable) potential.

Types of activities and methods:

- The identification of target groups;
- The determination of service areas;
- The development of business plans and the setting of price rates;
- The coordination of advertising efforts;
- The organization of the business, including its ability to adapt to new situations.

The state mission: the implementation of state policy toward the cultural and artistic areas.

Types of activities and methods:

- The control of known objects of historical and cultural heritage;
- The discovery of new objects;
- The confirmation of an object's historical and cultural value;
- The coordination of an object's preservation efforts across support infrastructures, which also may be found under the authority of the state (e.g., tourism and small businesses).

In analyzing mutually beneficial interests, one may conclude that objects of historical and cultural heritage hold interest for the tourist industry if it is possible to generate commercial activity around them, e.g., hotels, excursion routes and restaurants. The role of the public organization is to study, preserve and publicize such objects. In this respect, NGOs act very much like good journalists by exposing failings, assessing possible gaps and generating public

support. Concurrently, the public organization continues creating an object's development strategy, establishing partnerships and initiating special projects and programs. A social enterprise is created from the activities surrounding an object of cultural and historical significance. The enterprise earns money to maintain itself while it contributes to the preservation and development of the object's significance. In an ideal situation, the government only determines the legality of all actions.

For developed countries, this preservation logic does not imply there is competition among governments, tourist businesses and NGOs for historical and cultural objects. Optimally, there will be collaboration and development across sectors. Under normal tax conditions, it is possible for an enterprise to be created with the NGO as the primary founder. In the Ukraine, however, such enterprises are taxed the same as commercial activities and can pass on only a portion of the revenue to the NGO for funding its programs. Thus, it makes little sense for business interests to cooperate with an NGO, and such structures are often unstable and disintegrate rapidly. Only if an NGO can establish collaboration, whether in participatory development, public campaigns or lobbying efforts, with attendant tax benefits is it possible to say that an NGO will successfully create an effective partner pool.

In creating such a partner pool, it is important from the beginning to define a clear mission, to reconcile the mission to the statutory activity and regulation of all partners, and to define roles and spheres of interests. Nevertheless, we understand that our organization, as well as many others, is assured of nothing, even if this situation is attained — once business interests decide there is no need for the NGO's services, they will refuse the NGO's help. Only through experience, authority and professionalism can the NGO ensure that the partnership will continue on mutually beneficial terms. For this reason, we constantly search for new possibilities and innovative approaches that extend the usual "borders" of business organization in the tourism industry.

A similar analysis conducted in some other areas — namely, social work, sociology, gender policy, family studies and sports development — shows that ways of "crossing interests" across sectors can always be found. In some cases, the sphere may be broader with business interests than with the state sector, or vice versa. On the basis of such analysis, it is possible to predict whether the partnership will be successful, i.e., how much common interests will "work" in future.

The model of NGO development based on a professional core and the subsequent strengthening of the NGO position is especially important for post-Soviet countries such as Ukraine, where state structures are still suffering from bureaucratic problems. It is much simpler for many officials to be "mediators" between the state budget and the NGOs and to send professional reports to the proper authorities rather than do all the work themselves. For businesses, the fact that public organizations are closely aligned with their target groups is the strongest factor influencing decisions about collaboration.

Attempts by many Ukrainian NGOs to develop profitable activities have brought to light another problem — the absence of professional financial management. Often NGO directors and accountants reject "experiments" with "nontraditional" profits because they are afraid of the tax-

related repercussions, i.e., losing their non-profit status. A common joke is: “If you meet a bear trap, try to explain that you are not a bear.” In our case, this means that a tax inspector will not try to understand all of the details regarding NGO legislation and, thus, will simply label the organization a business with all the ensuing consequences. Such a threat is more common in large cities where NGOs are more developed and operate on a larger scale, and tax inspectors understand all aspects of legislation governing non-profit organizations. Nevertheless, deciding whether to educate a professional financial manager and accountant should be one of the first decisions made by an NGO when deciding to engage in commercial activity.

## **ABOUT THE AUTHOR**

**ELENA AFANASYEVA** was born in 1971. She is the executive director and a project manager of the Kherson Center of Youth Initiatives, or “Totem,” a Ukrainian NGO. She graduated with high distinction from Moscow State University and received additional training in journalism and television (1998). After completing her education, Afanasyeva became one of the founders of the Totem television studio and has produced more than 40 television films. In 1999, she became one of the organizers of the founding members of the public organization CYI Totem. In 2001, Afanasyeva continued her studies at the School of Trainers of Creative Centre Counterpart and received a certificate as an official NGO trainer. In addition, she has earned graduate certificates from such international programs as the Young Women’s Leadership Program (Prague, Budapest, 2002) and the Summer School of Art Management (Kiev, Ukraine, with the support of the International Foundation’s “Renaissance” program). In 2003, Afanasyeva graduated from an arts-management program called Looking Inside (Wroclaw, Poland), supported by the Open Society Institute (Budapest). Since 1999, Afanasyeva has worked as a manager, public-relations specialist and fund-raiser in the CYI Totem. She has completed 17 successful projects supported by international funds and organizations, as well as many other projects with local Ukrainian business and governmental institutions (some of which she directed). In 2002 Afanasyeva successfully directed a project supported by the International “Renaissance” Foundation known as “Icebreaker 2002: Development and Application of Small-budget Mechanisms and Between-sector Partnerships (Local Government, Business and NGOs) in the Sphere of Cultural Policy as a Model of Viable Culture of Regions of Ukraine.”