

# Competition as a Gift

*Craig McGarry*

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## GHC Conversations

Annually, Gary Hubbell Consulting convenes and hosts a small hand-picked group of social sector professionals for three days of intense dialogue and critical thinking. We strive to create a thought-provoking, mind-opening, and stimulating conversation about the social sector, philanthropy, and leadership. This deep exploration of the nature and challenges of the environment is intended to engage, inform, and inspire senior leaders to be catalysts for change in their own organizations and communities of influence. With each GHC Conversation, we seek to establish the seeds of a continuing and enriching network that nourishes us as individuals and helps each of us change how we converse, inspire, and seek new dimensions of impact.



## Participant Bio

### Craig McGarry

VP University Relations, Briar Cliff University

A California transplant, Craig has spent most of his adult life in the upper Midwest and Rockies. He is a recovering banker that has changed careers after unsuccessfully retiring. He presently serves as Vice President for University Relations for Briar Cliff University, his undergraduate alma mater. Not completely weaned from banking, he also manages a \$100MM trust department for a Native American owned bank.

An attorney by education, Craig spent most of his career leading turnaround and reinvention efforts for trust and investment groups within the banking industry.

He has turned an avocation during his business career into a vocation after retirement. He invested a significant portion of his community service work in boards with a focus on kids and education. He has served on the boards of both his undergraduate and graduate almae matres. He also served as National Alumni Board Chair for Creighton University, where he attended law school.

Craig and his wife of 43 years are the parents of six children with 14 grandchildren.

This is Craig's first GHC *Conversation*.

## Competition as a Gift

*Craig McGarry*

Right thinking requires us to believe that cooperation is superior to competition. Or does it? While growing up, most of us were taught that it is critical to cooperate to get things accomplished.

“Can’t you get along with your sister/brother? “

There is considerable logic to this admonition in support of cooperation. Literature suggests that in social groups where there is broadly experienced and shared satisfaction there are several common characteristics. It is the combination of effective social ties between group members coupled with significant levels of cooperation that are the two most common characteristics. But, recent research has also found that a reasonable level of self-interest can actually encourage a balance in which cooperation and grouping flourish and societal cohesion prevails. (<http://phys.org/news/2011-07-cooperation-competition-greed>)

So, what does this exercise of self-interest or competition mean for our work? It would be a natural reaction for any entity to view a crosstown rival as an enemy. In the case of a university, every student a competitor recruits is a threat to your survival. If they recruit a football player, it means one less football player for you to recruit. If they recruit a music student, it’s one less music student for you to recruit. In an environment in which the population of traditional college-age students is shrinking, this is a significant threat. In any setting, if a competitor prices a product or service at less than what you need to breakeven on that same product or service, they threaten the very existence of your competing product or service. From one perspective, it would be easy to feel that everything a competitor does is driven by evil motives, and likely aimed at you.

For those competing for grant dollars, a hypothetical discussion with a grant-making entity could bring the issue into even sharper focus.

“We believe that the way for us to get the most out of our grant investment is to ask you to collaborate with your competitor. Can you figure out ways in which you could work together to accomplish goals and have it require a single investment, not competing investments in both of your institutions. We believe that it will insure that we don’t compete against ourselves with our investments.”

Could you forget your displeasure with your competitor for long enough to work together and apply for the grant? Would you simply say you didn’t want that source of funding anyway and go somewhere else for the funding? The granting agency “.....can’t possibly understand what it’s like to compete in the real world. How could they possibly expect us to team-up with our rival? How could we possibly be expected to cooperate

with somebody who would be happier, and likely more successful, with us eliminated as a competitor?"

This discussion poses a couple questions. The first is whether our constituents are better off for the existence of competition? This first question can be explored by looking at both the impact of competition on an organization and also in the overall impact of competition on donations. The second question asked is how do you model behavior for those that look to you as a mentor? What does the next generation of leaders deserve in modeled behavior?

As to the first issue, it is frequently said that nonprofits are not businesses. Embracing that saw entails significant peril. Nonprofits acquire and use resources to create and provide goods and services for communities and customers. A desire to operate above the mundane fray of the business world does not reconcile with reality. Many nonprofits operate in a world in which competitors, including some of whom are for-profit, operate with the same goals of educating students, caring for the ill, providing shelter for the elderly and providing other needed services or products.

Unfortunately for some, the nonprofit badge of honor means there is no owner demanding efficiency, effectiveness and something left over to cover the costs of capital at the end of the day. While there might not be demands of shareholders to answer to, surely the demands of the marketplace ought to require the use of resources to accomplish the mission and optimize the benefit for those served. Stakeholders are entitled to efforts that optimize success to the extent that the marketplace, the mission and the law allow.

All of the tools that are regularly used by successful for-profit organizations could and should be employed by nonprofits. These tools and efforts should include planning and organizing, working to take advantage of market niches, downsizing or rightsizing to match need, consolidating efforts with others, diversifying revenue sources, investing in training to strengthen staff and potentially even going out of business. (How Nonprofit Organizations Fight Off Competition, Barry D. Friedman, Ph.D., 2008) No organization has a right to be in business simply because they have existed for some period of time. The ability to provide a product or service and be self-sustaining may be the best yardstick. For discriminating donors that measure is frequently taken using tools like Charitable Navigator.

In the opinions of some, nonprofits should be insulated from the pressures of competing in the marketplace because there is no need to generate a profit. As long as their donations and other resources hold out, they can continue to compete for customers regardless of their efficiency. I believe that it is competition that pushes us to be more efficient and effective with our resources and more innovative in our application of our efforts. That seems to be in the best interest of those served.

Concern and discussion about the propriety of a nonprofit using its nonprofit status to compete against for-profit businesses adds another level to the discussion. The Girl Scouts organization, for all the good they do, takes hundreds of millions of dollars of retail cookie sales from for-profit retailers. These sales, totaling nearly \$800MM (in '11-12), are just short of the total annual revenue of all NCAA sports combined! The goal is not to criticize the Girl Scouts organization, but rather to highlight the sacred place occupied by some pretty big hitters. This competition exists in everything from higher education to blood banks to recreation centers to testing laboratories to day-care facilities to health care providers to insurance providers. Does the privileged status carry with it some special responsibility? (Friedman, 2008) The purpose is not to suggest that nonprofit status should be eliminated,

but rather that it should not insulate from competition or the obligation to focus on efficiency and effectiveness.

The tax-exempt status exists in part, because many believe that nonprofits need special protection to be able to compete. As small, weak and vulnerable organizations, they need protection to compete. Since they are needed to provide essential services, a special status exists to encourage and support endeavors that society considers important. While this clearly does not apply to all nonprofits, in some cases, a self-serving monster may have been created that has the potential to be focused on its own survival, even to the detriment of its stakeholders.

The other part of this first question looks at the impact of competition on total dollars raised. Frequently there are multiple choices in a receptacle for your eleemosynary largess. In many cases there are multiple choices for entities serving the same avowed purpose or cause. Nothing precludes multiple organizations from pursuing the same good work, but what does this mean for the beneficiaries of that good work? Should there be a mechanism that eliminates overlap and duplication? Is the marketplace not that mechanism?

Wouldn't the ultimate recipients of the largess be better served with the aggregate dollars raised devoted to a single solution instead of competing solutions? While the net revenue raised by two separate nonprofits might be less than the net revenue raised by a single combined organization, after taking into account efficiencies and a reduction in work force, the solution might not be that easy to get to or even the desirable result. It appears that the effect of competition for donations is that it lifts all boats.

A study originally published in 2012 leads to the conclusion that competitive motivations serve as a driver and raises more funds than a cooperative or collaborative approach among donors (Ned Augenblick and Jesse M. Cunha, July 2012). A field study was used to test lab results (Bornstein and Ben-Yossef, 1994; Bornstein et al., 2002) that had shown this to be true. The field experiment tested the impact on donor contributions when presented with information about the 1) contributions of members of their own group, 2) contributions of members of a competitor group and 3) no information about the contributions of others. There seem to be clear indicators that suggest that competitive motivators drive both higher contribution rates and total contributions. At the very least, this study suggests that when there are multiple nonprofits competing for donations, even if for the same ultimate beneficiaries, this competition may lead to a larger total raised.

The downside of aggressive competition is that many will perceive that the competition as putting them personally under attack. Yet, isn't that what is both desired and required? Those served deserve creative, innovative and relentless pursuit of individual missions.

As leaders, how then can we model behaviors for dealing with the likely reactions to the competition that we must seek? If a lack of stiff competition deprives us of the stretch and challenge we need to be our best, it means that we likely will sub-optimize our own performance. Who really knows what they are capable of without having competed against a worthy opponent? Encouraging vigorous discussion and disagreement about ideas and processes polishes the finished product. This dynamic seems true whether it is in a work situation, committee or board meeting or simply in your own head. A discussion in which you alone are the two voices or views likely will not be enough. Force yourself to find someone who will help you stay objective in light of inconvenient facts. Force yourself to have a discussion with someone who will challenge you to re-examine your thinking. Do this both in your work and in your personal life. Bring those you would mentor into those

discussions. They have much to learn and much to teach. Their insights will surprise and delight you. The innocent questions will educate both you and them.

Demonizing competitors serves no useful purpose, reflects poorly on the person doing the characterizing and likely diminishes rational capacity to glean the very insights from analyzing methods and approaches that might improve our own efforts. Ego requires us to believe that every action a competitor takes is because of us. Shamanic teacher, Don Miguel Ruiz provides uncommon insight when he, in his “Four Agreements” advises us against taking things personally. While hesitating to guarantee that your life will “become filled with grace, peace, and unconditional love,” as a result of not taking things personally, it seems appropriate to suggest that it will at least give us the opportunity to focus outside of ourselves. A focus outside of ourselves will allow us to realize that actions that might seem to be aimed at us may not be quite so sinister. Regardless of the actions of another, we cannot know their motivations. Lest we desire the same interpretation of our actions, we are best served by avoiding judgment of motivations.

The exercise of keeping score in a game lets us know how the competitors are doing. Keeping track of performance in our work measures our success. Access to meaningful measures will make donors and consumers better at what they do. It seems appropriate to suggest that there is both an obligation and an opportunity to provide donors and consumers quality information that will aid the consumer, the donor and the provider. Each of us, in our own sector, needs to support the free and accurate flow of information and the objective analysis of that information. Donors have a right, and an obligation, to know information about the effectiveness and cost structures associated with the nonprofits they support. While emotion will drive some to invest in horribly inefficient nonprofits, we need to encourage transparent, high-quality information.

As leaders, we need to model behaviors that rationally react to the aggressive competition we see in the marketplace and in our competitors. We have an obligation to promote appropriate behaviors and call out actions within our organizations that do not serve the mission or the constituents. Appropriate reaction is the rule of the day.

*God, grant me the serenity to accept the things I cannot change-*

Reinhold Niebuhr’s serenity prayer offers a calming, rational and appropriate approach to many challenges, not the least of which is this work we do. Living with imperfection and uncertainty is the human state.

*The courage to change the things I can-*

To protect the efficiency and the effectiveness of this important work we do, we must seek to inform. By creating wise donors and consumers, we insure that our efforts are truly for the benefit of those we serve.

*And wisdom to know the difference-*

Seek out counsel and advice, even if, or especially if, it is not what we want to hear. Look in the mirror. This work we do to help those that need our support, requires no less of us, but at the same time, provides us with uncommon reward.



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