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THE EFFECTIVE PRACTICE

OF

NONPROFIT MANAGEMENT

by

INSTITUTE FOR NONPROFIT ORGANIZATION MANAGEMENT

Prepared under Grant #87-JS-CX-0001 from the Office of Juvenile Justice and Delinquency Prevention, Office of Justice Programs, U.S. Department of Justice.

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This volume was written for the many dedicated managers and board members of youth serving organizations served by the Office of Juvenile Justice and Delinquency Prevention. We hope the information will help these individuals improve the effectiveness of their operations, and, in turn, will translate into effective services to benefit children and families.

- The Editors

Stephen R. Block

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Jon Van Til

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The Role of the Nonprofit Organization in American Life

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OVERVIEW: THE ROLE OF THE NONPROFIT ORGANIZATION IN AMERICAN LIFE

Jon Van Til

INTRODUCTION: THE THIRD SECTOR IN ITS SOCIETAL CONTEXT

Nonprofit organizations are important in American society because of what they aim to do, and often succeed in accomplishing. These organizations address a number of problems with a sharper focus than do governmental and business organizations, and are recognized by both law and custom as important actors in contemporary life.

The tradition of addressing social problems by means of voluntary action predates the formal founding of the republic, and figured centrally in the definition of American traditions. John Winthrop put it dramatically in 1630:

> We must delight in each other, make others conditions our own, rejoice together, mourn together, labor and suffer together: always having before our eyes our commission and community in the work, our community as members of the same body.

Throughout the development of the American republic, voluntary action has been identified as a "natural act of virtue," a source of community, an antidote to loneliness, a building block of democracy, a source of social justice, and an efficacious method of problem resolution (See Van Til, in process; O'Connell, 1983).

Today it has become common to speak of voluntary and nonprofit organizations as the bulwarks of a "third sector", which together with business and governmental organizations are the major places in which Americans work, produce goods, and solve problems. This third sector amounts to 6% of the gross national product of the country, and accounts for 9% of all employment (Hodgkinson and Weitzman, 1984).

Third sector organizations link closely with governmental organizations, businesses and corporations, community and neighborhood organizations, and families in addressing a wide range of contemporary problems--ranging from the care of homeless pets to the housing of homeless people, and from the exhibition of priceless art to the counseling of human exhibitionists.

Many organizations in the third sector choose to take the form of "nonprofit organization", which term generally means that the organization's public or charitable purpose has been recognized by law as exempting it from taxation. Among such organizations are churches, foundations, mutual-benefit associations, advocacy and lobbying groups, and service-providing organizations. All such organizations share the characteristic of having a public purpose and being governed by a board of directors prohibited by law from receiving any financial profits from the organization's activity. In addition, many, but not all, such nonprofit organizations employ the efforts of volunteer as well as paid staff achieving their stated goals.

While the third sector is sometimes referred to as "independent", it is in actuality highly interdependent with government, business, and informal organizations (from neighborhood to family). The typical nonprofit organization, for example, receives funding from three major sources in relatively equal amounts: grants and contracts from governmental agencies, charitable contributions (which themselves derive from surplus funds generated by businesses and corporations), and fees derived from the sale of services to individual clients and consumers (Cf. Salamon, 1987; Ostrander, Langton, and Van Til, 1987).

Nonprofit organizations may be seen to be possessed of some of the major characteristics of government, and other major characteristics of a profit-seeking business. They are like governmental organizations in that they have a public, or at least a collective mission. They are like business organizations in that they must raise enough funding to cover the costs of the outputs they provide, or else dissolve (NASPAA, 1987). Moreover, like any organization, they consist of human beings working together, however imperfectly, to achieve a set of goals that emerges from that interaction.

Given the complexity of the role of the nonprofit organization in society, and its role of providing services that neither government nor business is well-suited to provide (Hall, 1987), it is not surprising that the task of leading and managing such organizations requires a special set of skills. Thus it is that a profession of nonprofit organization management is currently developing (Block, in process), manifested through the work of dozens of programs offering formal education, training, consulting, and publications. The present volume, indeed, is part of that process of professionalization, aiming to provide its reader with an understanding of the special context of managerial skills required to guide the fortunes of a nonprofit corporation.

The purpose of this chapter is to look at the task of the nonprofit organization manager from the point of view of the societal context of the organization he or she manages. The chapter introduces and explores three main ideas--ideas that I believe are very important for leaders of nonprofit organizations to keep in mind as they develop and advance programs in these challenging times.

The first idea is that of "partnerships", something we all seem to have talked a lot about in the 1980's.

The second idea is less often in our vocabulary, but involves a way of looking at what partnerships can be based on: this is the idea of "coproducing" services.

And the third idea involves a way of holding ourselves to a testing of the value of what we do: it involves the development of "criteria" for the evaluation of our work.

PARTNERSHIPS

Few themes have seemed more compelling in the '80's than the quest for effective partnerships. While rarely specified by either theory or canon of practice, this theme appeals to a widespread desire to do "more with less", to create "win-win" relationships, to "get to yes."

Stuart Langton (1983:3) observes that, on the surface, "the idea of partnerships appears simple, sensible, and benign. Quite simply, the idea suggests greater cooperation between government, business, nonprofit groups, and individual citizens in addressing community needs. In an era of strained government resources and uncertainty about the role of the state in addressing social problems, such an approach seems like a promising way to go."

Some have accused the Reagan administration of speaking of "partnerships" when they really mean "divestiture"; this thrust has been seen to be part of an overall strategy of privatization of formerly public responsibilities. Nelson Rosenbaum has pointed to the difference between partnering and privatizing, noting that genuine partnerships involve the joint investment of energies and resources. One is not acting in a partnership mode when one simply tells another that their problem is no longer your responsibility.

The future of our "political economy of cooperation", to use Alison Clayre's (1980) term, is uncertain at best. Partnerships take many forms, ranging from the genuinely collaborative to the cynical pseudo-partnership, dominated by corporate purpose and power and often created largely to allow for policy support or gains of tax-exemption. We know that partnerships can fail, and that the common strands in successful partnerships include cooperation, support, basic respect for the needs of each sectoral actor, active involvement on the part of the government in planning and managing the partnership, and a degree of trust between the partners. Whether this knowledge will help us create an effective development tool, or just to articulate another political shibboleth, remains to be seen. Nevertheless, it is undeniable that the partnership vision appeals to something deep in the American character. It is closely related to ideas of teamwork, fair play, and productivity. And it also reflects a basic truth about the way we Americans have structured the provision of governmental services. This tradition of "coproduction" deserves closer attention, and leads me to identify for you this second major idea.

COPRODUCTION

When political scientists sought to develop explanations of how public services are actually delivered in cities and towns, the concept of coproduction was developed. Most simply, coproduction means that the client and the provider jointly produce a service that might otherwise be thought to be produced by the provider alone.

Thus, "public order" in a city is produced not only by the actions of municipal employees--police, courts, and corrections officials--but rather by the interaction of these officials with an alert and watchful citizenry. As Jane Jacobs has noted, the parent watching his or her child at play in the street below, or the neighbor seemingly idly chatting on the front steps, play important roles in the provision of urban order. Their very presence dissuades the criminal or vandal from striking under their watchful eyes. The vigilance of the urban citizenry performs the tasks of street surveillance with far greater efficiency than the limited ranks of police personnel, who may thereby concentrate their efforts on quick response to reported crimes.

As with public order, so with nearly every other municipal service. The cleanliness of streets results from both the proper disposal of trash and its effective collection. The minimization of loss by fire results from citizen attention to prevention and prompt reporting as well as from the skills of the fire department. The provision of adequate shelter involves the attention of homeowners and tenants to the maintenance of property as well as the regulatory attention of city-enforcers and licensers. The maintenance of public health results from the prevalence of proper diets and habits adopted by individuals as well as from the availability of doctors, nurses, hospitals, and medicine.

The list of services to which coproduction may be applied can be extended to include drub abuse, family planning, education, and nutrition. Programs in each of these areas depend as much on the efforts of clients to secure and utilize information as they do upon the abilities of staff members.

The enforcement of retrenchment in human services occasioned by recent public policy provides a unique opportunity to reorganize these services with greater attention to the gains of coproduction. Consider first the opportunities in the area of day care of young children and able elders.

Models of day care for children and elders developed in the past twenty years assure that the facilities will be separate, and that clients will be staffed in mandated ratios by paid service providers. Thus fifty children will be cared for by between ten and fifteen service providers, and activities for able elders will be provided on a somewhat higher ratio of clients to providers, say one service-provider to ten.

If, however, the concept of coproduction were applied to such a situation, new images of institutional structuring begin to emerge. When children and elders become viewed as more than passive clients, incapable of being "empowered", they may begin to appear themselves as coproducers of services. Several thousand years of human life would suggest not, if the relations between grandchildren and their elders are reflected on.

Children, after all, are not mere clients, but possess unique abilities to delight and occupy elders. And most elders are possessed of unique skills and long experience in relating to children. If these service-creating skills were joined, and parts of the senior center merged with the childrens' center, it becomes plausible to assume that some proportion of the elders would willingly occupy themselves as "child care volunteers", such that they would come to see the children as their own "service-providers" while simultaneously looking after the interests of their younger charges.

Many other ideas for social service coproduction may be developed (think for example of the work of senior citizens "gleaning" farm produce passed over by mechanized pickers, or disabled individuals teamed to provide together capacities of physical or mental strength lacked by one or the other). The concept should now be clear. Service production affords a powerful tool for redefining the client into a productive citizen, permitting many social services to be redefined so as not to suffer proportionally with ongoing budgetary cuts for their provision.

Coproduction is a concept that applies more broadly than to services alone. It can also be used in the neighborhood to facilitate the development of cooperative projects for the growing of food or the collection of solar energy, in the community to impress upon the owners of businesses and industries their responsibilities to provide employment, and in the nation to address pressing problems of public policy which do not receive the full attention of officials. The widespread nature of the "nuclear freeze" initiative in the early 1980's suggests one such issue, as citizens sought to coproduce peace in the face of an apparent disregard for this value by several prominent officials in this country and elsewhere.

Coproduction is also an idea well fitted to our times. It implies the need for new partnerships, and for an awareness that our future is filled with perils and pitfalls unlike those faced by any previous era. Here is where it seems to me we need to be very clear about how to evaluate the work we do, or might choose to do, through the vehicle of nonprofit organizations.

CRITERIA

As I have been reading the literature on American voluntarism, both in its history and its current practice, it seems to me that a number of major themes are rehearsed time and again. These themes describe what our work has been about, and offer us guidance as to how best to direct our energies in the future.

While I don't have the space in this chapter to provide full documentation for this list, I can mention to you that it is the meat of a book I am presently writing, the tentative title of which is *The Three Sectors: Voluntarism in a Changing Social Economy*. I have developed a list of ten individual criteria for efficacious third sector activity, and I now turn to an identification and discussion of these criteria.

The work of nonprofit organizations is most important, productive, and valuable, I assert, when it:

1. Builds habits of the heart.
2. Is constructive of community.

3. Recognizes both regulation and social reform.
4. Assures democracy and restrains authoritarianism.
5. Seeks to develop genuine partnerships.
6. Begins to pervade corporate and governmental structures.
7. Enhances social justice by addressing the difficult questions of how to eliminate unjustified inequalities.
8. Enables understanding of society.
9. Solves problems by means of an effective internal structure.
10. Demonstrates both good leadership and effective management.

Let me elaborate on each criterion, and please note that I am not asserting that all nonprofit organizations do meet, or ought to meet, each of these criteria. Rather, I would suggest that each of us think of them as desirable goals to aim for as we structure our work and our organizations.

1. **Builds habits of the heart.** This criterion has been central to almost all perspectives on the phenomenon of voluntary action. Provided a persuasive empirical base by the work of Bellah and associates (1985), this criterion insists that voluntary action generate sentiments of interpersonal identification on the parts of both the donor and the donee in the voluntary relationship. Problematic in an age of mediated and bureaucratic social relations, this criterion

nonetheless insists that it is possible to build a society in which people care about each other and manifest that caring in their everyday actions.

2. **Constructs community.** Closely related to the first criterion is the generation of widespread social solidarity as a result of manifold individual acts of caring and concern. The identification of an overarching societal interest in solving problems and improving the quality of life of all its members is a first step in the creation of community. From that point emerges a social pattern in which common interests rise to the surface, and competitive interests are subdued. Whether in the context of family, neighborhood, or mass society interactions, a society in which community has been achieved is one which manifests a greater presence of civil interactions and deeper intergroup understandings.

3. **Recognizes regulation <u>and</u> reform.** A key value of voluntarism involves its deference to central principles in both the conservative and liberal traditions. With most conservatives, the criterion of regulation recognizes that cultures evolve glacially, and that values and structures achieved over generations are altered at the risk of creating less adequate institutional means: personal and social needs for stability and predictability are critical in this perspective. On the other hand, this criterion understands a central component of the liberal tradition: that social institutions can typically be improved in order more fully to meet the needs of individuals and to fit the changing conditions of the time. Both

"holding fast to that which is good" (the conservative principle) and seeking to build a truly just society (the liberal principle) are elements of a fully-functioning voluntary contribution to society.

4. **Assures democracy** and restrains authoritarianism. By developing basic forms of democracy, voluntary action is frequently said to make a critical contribution to the building of a democratic society. Perhaps the most difficult of the criteria to subject to empirical test, it is nonetheless defended by a long tradition of political theorists of a variety of ideological persuasions. One way nonprofit organizations can advance this criterion is by themselves embodying principles of humane and democratic organization. Studies of effective nonprofit structuring are beginning to be conducted and should be carefully attended to assess the costs and gains of participative structuring. Clearly, nonprofit organizations have become central actors in the contemporary political scene, I believe they can affect the battle between forces of democracy and authoritarianism that rages at many levels of model institutional life.

5. **Fosters genuine partnerships** (I will return to this theme in a moment).

6. **Pervades corporate <u>and</u> governmental structures.** This criterion, rarely articulated in the literature, follows the preceding one in its insistence that voluntary associations possess a special and distinctive quality among the social institutions of model society. With their vision of community and their mandate for conservation

and change, participants in nonprofit organizations have much to offer to governmental and corporate leaders in the way of structure and process. The corporate world, particularly, is often urged to adopt voluntary means (e.g., quality circles, participatory management) to improve its own operations. It is at least plausible to suggest that voluntary sector leaders might provide useful input to the restructuring of over-bureaucratized and hyper-authority-centered organizations in the other two sectors.

7. **Enhances Social Justice** by addressing the difficult questions of how to eliminate unjustified inequalities. This is probably the most difficult criterion, reflecting ancient divisions regarding charity, philanthropy, and voluntarism. On the one hand stand those who see the voluntary sector as clearly tilted toward the righting of distributive wrongs in society--the ally of the poor and unempowered; from this perspective injustice is build into some social institutions, and needs to be confronted and removed. One the other hand those who view voluntary action as a matter of assisting those temporarily down in their luck; from this perspective the institutions of society are basically fair--it is only chance and the lack of motivation that prevent individuals from achieving success. Positions located between the extremes of the Marxist and the Smithian invisible hand might agree that injustice is sometimes a matter of structured inequality and at others a result of rotten luck. Voluntary sector institutions might do well to dispense both change and band-aids, depending on the occasion at hand.

8. **Enables society understanding.** Voluntary sector organizations should enhance rather than obfuscate the nature of society. The field of voluntarism has long been plagued with boosters, who attach bloated value to concepts that cannot withstand their weight. Voluntarism has frequently been identified as virtue itself in the American tradition. Contemporary scholarship has come particularly to question the wisdom of identifying a distinct "third sector", removed from other sectors both in terms of its putative independence or merit. Similarly, the distinction between public and private is often inaccurately drawn in order to conform to particular ideological preferences. The best voluntary action research should raise questions that sharpen the practice of voluntarism, rather than serve as chants for the cheerleaders of the trade.

9. **Solve problems** by means of an effective internal structure. As in business and government, there is no free lunch in the voluntary sector. The "bottom line" confronts any organization, and costs and gains are assessed in terms of human as well as financial resources. The emergence of academic and applied professional subspecializations in nonprofit management during the past decade signals a welcome attention to the finer points of problem solving in the third sector.

10. **Involves good leadership and effective management.** Leadership and management are sometimes seen as competing values in the administration of effective voluntarism. Positing opposition between these two concepts seems a particularly

unproductive, and probably false, dilemma on which to impale ourselves. Both strong leadership (and good "followership" as well--I refer to a recently published volume called "Leaders and Followers: Challenges for the Future" that Trudy Heller and I have just co-edited)--both strong leadership and effective management are required of voluntary sector practitioners. As a criterion, the effective blending of the two invaluable aspects of organization are required.

Now, you may properly ask, how can we set about meeting more of these criteria in the daily workings of our organizational life? Let me conclude with some practical suggestions as to how the creation of genuine partnerships can be of use.

TOWARD GENUINE PARTNERSHIPS

Writing some years ago in introducing a Special Issue of the Journal of Voluntary Action Research on "Interagency Collaboration", Ronald Lippitt and I (1981) sought to identify a number of steps through which all collaborative efforts must pass if they are to succeed.

Lippitt and I began by noting that "Collaboration begins with a dream, a vision, or a fantasy, or an idea--about how something in the world would be better if two or more organizations were to work more closely together in resolving a problem of mutual concern." This may be seen as the first step toward building a genuine partnership--establishing the preconditions of collaboration.

The second step involves testing the collaborative waters. Here we find four tests that need to be applied to the vision, and passed in a "mental experiment" conducted by the potential proposer: 1) it must be clear that the collaboration will not threaten the turf or "domain" controlled by either partner; 2) the collaboration must be shown not to threaten the organizational autonomy of either partner; 3) an image of potential "domain consensus" or vision of potential collaboration must be able to be plausibly sketched, and 4) the impact on any already-existing collaborative networks needs to be considered.

In the third step, the potential collaborator can now approach the chosen partner. This is a delicate step, for the literature on failed collaboration is replete with instances in which parties to the process did not clearly see collaboration as a vehicle for problem-resolution. This is a time for being quite sensitive to the danger that one may be perceived as an "empire-builder", for demonstrating how collaboration may extend the use of resources, and for sharing quite openly the way in which the collaborative vision has emerged.

The fourth step toward collaboration involves the definition of the proposed partnership. Here we find the need for clearly-defined collaborative team, whose members demonstrate, when needed, that they can act independently of their home base loyalties. Such "boundary-spanners" come to take on a new identity--"loyal to their own organization but possessed of the broader vision that comes from working closely with trusted colleagues of somewnat different experience and perspective."

A fifth step is that of invigoration, for the maintenance of a working partnership, as with any marriage or liaison, has its moments of boredom, fatigue, and disillusionment. This is a time to remember that the open examination of problems can be productive, and that it is important to celebrate important milestones and anniversaries of the collaboration.

The sixth step Lippitt and I identified is that of evaluation, and this is an ongoing process that should not be neglected.

Out of all this emerge Van Til's Laws for the Building of Genuine Partnerships; there are three of them:

1) First, make certain that you have done your darndest to assure that the potential partner understands that you intend to address a problem that is mutual. It is astounding how often otherwise intelligent persons who delivery voluntary services are willing to pretend that the problems they seek to resolve are their own responsibility, and no one else's.

We must be very clear that we are all in this predicament together. Partnerships begin with a process of accepting ownership of a problem. The search for any partnership that does not begin with such a process of finding and accepting mutual interest and responsibility becomes "mere charity"--the less than responsible granting of small sums to assure that a problem will stay hidden from us. We are far too deeply enmeshed in social and economic turmoil in our land to settle for such a palliative. As Elliot Liebow reminds us in the conclusion of his study of ghetto life: "We must love each other or die."

2) This takes me to Van Til's second law: partnerships are two-sided things. The question is not just: "OK, nonprofits, what can we do for you?" It is also: "What can you help us do to be more effective in meeting the profound domestic needs of our times?"

Here, obviously, I believe we can build upon the conceptual and practical strengths of our practice to assist large, bureaucratic institutions to learn the arts of coproduction and to benefit from the structural magic of the participation of committed volunteers.

Let us now sell ourselves short: we in the voluntary sector among the few in this society who know how to relate directly to people. We know how to identify their needs, to help them rise toward to self-esteem and self-sufficiency, and to embody a caring respect for the uniqueness of each individuals. Those who seek to spend their lives convincing us that we need to buy the particular feminine deodorant their company manufactures or to elect them to Congress because their hair is attractively styles and their spouse (of whichever sex) looks demure in a fifteen-second TV spot have much to learn from us about what people really need and want, as well as to how to work with people in a context of mutual respect, rather than one-sided manipulation.

3) The final lesson involves learning that no single institution or sector of society possesses all the resources, all the wisdom, or all the energy to create the kind of healthy society we all seek. Waldemar Nielsen has pointed us in this direction when he notes that the voluntary sector "does not offer a substitute for the social and humanitarian programs of the modern welfare state. But it does offer a means of supplementing and stimulating them and of lessening some of the most dangerous fiscal, psychological, and political side-effects of excessive bureaucratization, centralization and depersonalization of governmentally administered programs" (1979:251).

Nielsen's measured perspective reminds us that it does as little good to rail against the unproductivity of government or the sterility of corporations as it does to inflate claims for voluntarism. We need all our major institutions--churches, corporations, national government, voluntary social service organizations, schools, small businesses, universities, local governments, neighborhood organizations, colleges and universities, labor unions, citizen cooperatives, and on and on--working in concert, to meet our pressing needs.

Our task, then, is to regroup and reinspire forces rather than to fantasize that one set of institutions can lead the way to the future we desire. As leaders of nonprofit organizations, the organizing and brokering of partnerships--the dreaming up of ways to coproduce vitally-needed services, offer a challenge and an opportunity you are ideally suited to meet. The writing presented in this volume well represents the good thinking available to nonprofit organization leaders on how to lead and manage effectively and productively. The work of the readers is the core of the sector, and I can only join the other authors of this book in wishing each of you "Godspeed!" as you pursue those tasks.

Part I: Human Resource Management in Nonprofit Organizations

Strategic Planning: An Effective Management Tool for Mapping the Success of a Nonprofit Organization
Stephen R. Block

Conjoint Directorship: Clarifying Management Roles between the Board of Directors and the Executive Director
Robert F. Leduc, Stephen R. Block

Leadership in Nonprofit Organizations
Trudy Heller

Volunteer Management
Jean Carroccio

INTRODUCTION TO PART I

HUMAN RESOURCE MANAGEMENT IN NONPROFIT ORGANIZATIONS

The chapters in this section deal with basic skills required in working with people in nonprofit organizations. Strategic planning, leadership, and effective skills in working with board members and volunteers are required of all leaders of nonprofit organizations.

People are at the heart of the nonprofit mission, and the chapters in this section describe methods by which organization leaders and managers can work productively with their co-workers in a participatory setting. Organization requires the use of considerable people-skills, we believe that as you read these chapters you will gain a greater insight into the kinds of skills that will make all nonprofit organizations leaders more able and effective.

CHAPTER 2

Strategic Planning: An Effective Management Tool for Mapping the Sucess of a Nonprofit Organization

Stephen R. Block

STRATEGIC PLANNING: An Effective Management Tool for Shaping The Success of Youth Serving Organizations

Stephen R. Block

INTRODUCTION

It may sound ominous, but it's not. The term **STRATEGIC PLANNING** may conjure up visions of uniformed generals positioning tiny colored flags and little plastic battleships around maps of the world. But, the type of strategic planning we will be addressing is not that type of tactical planning, although tactics does play a part in it.

For our purpose, strategic planning is a term used to represent an active management process of planning for the future existence of a nonprofit organization--your youth serving organization. The process that will be described in this paper will provide a framework or model for your planning participants--the executive director, board members, and perhaps other key staff and volunteers--to examine the agency's mission, existing policies, organizational values, human and financial resources, and the environment in which the organization operates. The aim of developing a strategic plan is for the staff, board of directors and volunteers to have a clear picture, road map or "Game Plan" of the organization's direction and its intentions to achieve certain agreed upon results and thus maximizing the opportunity for success. The time frame for which activities would be instituted to achieve the agreed upon goals and objectives could range in time from the immediate to a more extended period bridging the next three to five years. Moreover, strategic planning assists in creating a sense of ownership which builds belief of the plan and a commitment to the work of the board and staff to fulfill the service mission of the organization.

As a management tool, strategic planning blends everything you might have heard about concerning the art of long-term planning, short-term planning, operational planning, and management by objectives-type planning. Although parts of these various planning tools are contained within strategic planning, strategic planning is a different "animal" and one which can prove to be critically important when applied by nonprofit organizations.

The reasons that make strategic planning so important for nonprofit organizations are multifaceted. Besides the concrete end-product of the strategic plan, there is much value for the board of directors and the key management staff to involve them- selves in the interactive strategic planning process. While it may sound abstract or "touchy-feely," the planning procedure can lead to a harmonious event characterized by sharing ideas and opinions. The sharing experience fosters the evolution of a sense of unity and bonds the group together in a commitment to achieve a common goal. For many board members, this may be the first real opportunity they have had to express ideas, concerns, and hopes for the organization. It may also be the first time since the organization's founding that the board of directors has really discussed the nature and challenged the purpose of the organization, a process which is very important but somehow, very naturally, gets overlooked with each year's passing.

This paper will discuss some of the practical problems encountered by nonprofit organizations who attempt to plan and establish organizational priorities and may provide some additional reasons for engaging in strategic planning. Afterwards, some of the key elements of the strategic plan will be defined and examined. By that time, you should understand the nature of strategic planning and have a better "feel" for its valuable potential to your nonprofit, youth-serving organization. Finally, the balance of the paper will discuss some of the problems involved in the strategic planning process and some practical ideas for engaging in the process.

TYPICAL NONPROFIT ORGANIZATION PLANNING

To imply that there is a typical way that executive directors and/or board members of nonprofit organizations engage in planning is really not intended to be a pejorative comment, although in our consulting experience to nonprofit organizations, we have found that a displeasing trend certainly does appear to exist. It seems that nonprofit organizations usually establish their plans through the influence of any one of three factors. The first influencing factor concerns the method by which the board and staff establish organizational goals and objectives. Usually, reference is made to the existing organizational mission or purpose statement that was part of the original Articles of Incorporation or bylaws. On the face of it, referring back to the organization's charter is certainly an appropriate exercise for planning. The problem arises when the board and staff neglect to question "today's" relevancy of the original intent of the founding mission and the goals that are contained in the founding purpose statement. By not reviewing the organization's mission with a critical and chronological eye, the nonprofit organization may overlook important institutional or environmental changes and, thus, miss out on establishing newer and more timely focused goals and objectives.

A second factor which often influences the establishment of a nonprofit organization's plan to achieve goals and objectives is the amount of money that the organization has to spend or has spent in the previous year. While it seems quite responsible to set objectives in light of the funding expectation, it may also be a backward process! In other words, for many nonprofit organizations, the budget drives the goal-setting instead of the necessary organizational goals and objectives determining how much money is needed for mission accomplishment. Of course, establishing the budget according to goal and priority choices provides a tidy challenge to the board and the staff to work even harder in networking and resource development activities.

The third factor is less of an influence on how the plan or the goals and objectives are established, but more of an influence on how a plan is implemented. The method by which a plan is executed can be critically important as to whether the objectives of the plan are attained. For this vital reason, it should be sadly noted that too often when nonprofit organizations have responsibly established a formal set of goals and objectives, we find that the plans are not accompanied by a "blueprint" of how to put the goals and objectives into operation. As a result, there are few ways to monitor the steps leading toward progress of the organization or correct the steps that are leading away from progress. This is not to suggest that the organization cannot still achieve and be successful. It certainly can be successful. What it does suggest, however, is that precious resources such as money, volunteers, and staff may not be appropriately allocated for the most effective and efficient usage. Consequently, success might be a result of a hit-and-miss approach rather than by design. And, unfortunately, organizational struggle, confusion or failure are all likely scenarios in the absence of that additional blueprint.

A potential problem and one that is most often overlooked by the board of directors and staff while engaged in strategic planning is the fact that the nonprofit organization (as with any organization) does not exist in isolation. While executive directors and board members are usually quite sensitive and aware of the immediate implications that result from direct, cause-and-effect type of decision-making, there is a point in which they overlook the fact that their decisions and judgments can have a dynamic and broad-reaching interactive relationship to other activities and behaviors that take place within and outside the organization. Because plans are most often developed without looking at the organization in a systems-theory context, goals and objectives may not be realistic. Even when the goals and objective seem attainable, they may not be accomplished because the planners have not adequately accounted for obstacles and they have set the objectives without matching more closely the pressures and constraints of both the organization's internal and external environment. The likelihood that goals and objectives will be achieved is diminished when plans do not account for predictable situational changes, or give consideration to the powerful influences of regulatory agencies, or other competing forces, including the changing or varying needs of the organization's clients, board members, other volunteers, staff, and funders.

WHAT DO WE KNOW ABOUT STRATEGIC PLANNING

Let's be clear about one thing. Strategic planning can assist an organization in achieving its mission, but it cannot guarantee success. The planning activity requires the active involvement of individuals and requires the use of judgments and intuition of the planning participants. What we know about strategic planning in the nonprofit sector is largely through experience. There isn't much literature about the application of strategic planning in nonprofit organizations, although some meager amount of writings can be found.

Strategic planning originated in the business sector after much research into the planning activities in both business and the military (Gilmore and Brandenburg, 1962). The basis for strategic planning, according to Radford (1980), arose out of the ideas of the French management pioneer Henri Fayol. In 1949, a translated version of Fayol's work described planning as a three step process: one, projecting the organization into the future; two, prioritizing the activities of the organization; and three, determining the best course of action for achieving future goals.

In Fayol's day, his approach to planning was quite satisfactory. Now, approximately fifty years later, the complexity of society and contemporary organizations requires a planning procedure which is wider in scope and capable of addressing more impelling issues. Hence, strategic management and strategic planning evolved as a management tool for the business sector. However, Israel Unterman and Richard Davis (1984) strongly propose in their book, *Strategic Management of Not-For-Profit Organizations*, that business sector techniques can be and should be adapted for use by nonprofit organizations, which must also exist in the complex world which houses its for-profit cousins. This is also the sentiment expressed by Bryan Barry (1986) of the Wilder Foundation in his *Strategic Planning Workbook for Nonprofit Organization*. Barry (1986, p.9) states:

Why are growing numbers of nonprofits doing strategic planning? Funding cuts, increased competition, and pressures are forcing some organizations to plan for their very survival. Growing emphasis on sound management leads others to consider strategic planning, a practice widely used in for-profit corporations for over twenty years. Management assistance organizations, funders, and universities increasingly promote strategic planning as a management tool needed by today's nonprofit organizations.

Although there is considerable logic to the argument that "what is good for the goose (business sector) is good for the gander (nonprofit sector)," there are also some fundamental differences between the two sectors which require some caution in transposing the use of a powerful management tool such as strategic planning. Since the tool was originally designed for business sector planning, we must modify some of the information that is described in the business literature for appropriate use in the nonprofit sector. For example, Below, Morrisey, and Acomb (1987) present an excellent description of the strategic planning process in their latest book, *The Executive Guide To Strategic Planning*. In their chapter on "Gaining Organizational Commitment to Planning" they note that, "Board members, individually or as a group, may offer advice and counsel on key strategic issues, but their involvement in the strategic plan normally is limited to the establishment of broad guidelines in terms of organizational direction and financial projections." While this viewpoint is representative of the business sector strategic planning literature, clearly this advice would not be appropriate in the nonprofit sector. In fact, without the participation of either the full board of directors or the executive committee or at least an appointed representative group of the board, the strategic planning process would become an empty exercise. While there may be value in the business sector in engaging homogeneous planning participants, in the nonprofit sector pluralism is the preferred mix.

Another major difference in the application of strategic planning between the nonprofit sector organization and the business organization concerns each sector's orientation to money. While money is an important consideration for both groups, the consequence of the strategic plan in the business sector is the maximization of **earning** it, while in the nonprofit sector the end product is the delivery of a service mission which **costs** money. Thus, resource development and service delivery become two distinct but related issues in the strategic planning process in the nonprofit sector; in the business sector this separation rarely exists.

A more complicated set of issues arises in how the values of a nonprofit organization get played out. This is certainly evident in the strategic planning process around discussions of accountability. As the basis of contrast, let's agree that the business sector organization is pretty clear that the strategic planning team is accountable to the board of directors and shareholders of the organization. In the nonprofit organization, establishing goals and objectives are often colored by differences in feelings of obligations to either the client group, the staff, the board, other volunteers, the funders, the community, and even the Internal Revenue Service. Indeed, there are many more constituencies to pay attention to and please in the nonprofit sector.

On a related matter of accountability, one can find in the business literature, and from everyday experience in reading the business section of the daily newspaper, many examples of a business creating a new division or dismantling a department, reducing or increasing the size of staff or changing the style of management from a centralized structure to a decentralized one, or vice-versa. All of these decisions emanated from a strategic planning process, and again, with an eye toward maximizing profits for the shareholders. These characteristic organizational changes rarely occur in the nonprofit sector. In fact, in either small, moderate, and even large-size nonprofit organizations, any decision to change management style or organizational design will be accompanied by considerable difficulty. While this conclusion is not intended to minimize the difficulty of transition-making in the business sector, or to suggest a "cold" emotionally detached attitude to such decisions therein, the fact is that the business community appears to be clearly oriented to the "bottom-line." On the other hand, the need to take bold action which might realize some future opportunity in the nonprofit organization is typically approached by the board and staff with more guardedness and a frequent tendency to leave things unchanged. While it is not necessarily in the best interest of the nonprofit organization, staff and boards tend to be fuzzy when it comes to setting objectives which might have a direct bearing on changing staffing patterns or requiring a restructuring of the board of directors or questioning the appropriateness of maintaining everyone's favorite committees. In other words, resistance to change appears to be greater in the nonprofit sector, out of a loyalty to individuals or an avoidance of offending individuals. In either case, maintaining the status quod is accomplished by the many opportunities to impose personal needs or agendas into the policy-making process, such as in influencing committee reports or expressing personal views at board meetings. Therefore, it becomes an uppermost concern during the strategic planning process to gain consensus from the planning board (consisting of the executive director and board of directors) when commitments are required to alter the composition of paid or volunteer staff, or modify services to clients. Otherwise, implementing the plan might be met with greater resistance and its ultimate failure.

Let's review then some of the major reasons that nonprofit organizations find difficulty in engaging in or implementing a strategic planning process:

1. **Engagement:** The board of directors and the executive director have not committed themselves to the idea of strategic planning. This lack of commitment manifests itself in several ways. Often, there are complaints of committing time or organizational resources to the tedious process of planning. Among other expressions of lack of commitment is the claim that the organization is functioning smoothly: "Why rock the boat?" Others may point to the achievements of the organization, implying that the organization is already on a successful path and "bad luck" will come if other ways of doing things are discussed. And, a commonly heard excuse for those organizations which are characteristically reactive than pro-

active is "the organization is embroiled in a current crisis that requires the immediate attention of the staff and board."

2. **Implementation:** After a plan is developed it really has no value unless it is implemented. This requires a continued commitment to the strategic planning process. In fact, the breakdown comes when the board and staff grow tired of this undertaking and choose not to evaluate its on-going progress. Planning never really stops; the work and issues of the organization will require continued observation, scrutiny, and reflection culminating in modifications of the strategic plan. Conflicts can arise during this phase of the process when staff or board members become too inflexible about modifying the plan to fit evolving issues of the organization. In addition, plans fail when the role and responsibilities of the board and staff are not clearly defined for this stage of the organization's work.

3. **Other Related Issues:** Another related issue that interferes with committing to the strategic planning process concerns the facilitation of the planning meetings. Arguments might abound whether there is merit for the board or staff to "lead" the participants through the planning process or whether an outside consultant should be hired for this purpose. Here, arguments can range from not wanting to discuss "our dirty laundry" in front of a stranger," to not wanting a board or staff member to impose his/her "hidden agenda" and manipulate the process. Another substantial concern involves the ability of an in-house person to guide the

process as against inviting an outside consultant to provide assistance.

THE STRATEGIC PLANNING PROCEDURE

Many of the merits of strategic planning have been presented as well as the pitfalls that often occur in attempting to reach a commitment to begin planning or implementing the plan. At this time, it will be instructive to discuss a case example to illustrate how an organization was able to gain a commitment from the board of directors and how they decided upon a planning facilitator. Through this example we will see what goes on in the planning meeting and how the plan was implemented:

A CASE STUDY

Children's Future, Inc., was incorporated as a nonprofit organization only six years ago and received its 501 (c) (3) tax exemption almost one year later. Originally formed by a group of active parents from one of the local public school PTA organizations, the founders were of the opinion that a private nonprofit organization was needed to encourage the funding of after-school activity programs as a way "to prevent delinquency, promote moral character, and develop the interests and talents of children in areas of academics, arts, crafts and sports." After operating out of the basement of a board member's home for two years, a local insurance salesman donated a portion of his office to the organization. Almost three years into the operation there was enough interest and financial support by the local foundation community and local merchants to hire an executive director and a secretary. Some of the original founding board members had moved away but interest in the goals of the organization attracted enough attention to maintain an active board of directors of fifteen members, the maximum established by the organization's bylaws.

With the leadership and influence of the executive director, the organization not only brought attention to the varied children's related activities in the community, but it also began "to fill the gaps" by designing and providing some direct program services. In these activities, it used a number of donated facilities for space and on certain occasions rented out meeting halls; it also petitioned the city for the right to use certain grounds on a weekly basis in one of the nearby city parks.

In its sixth year, the organization could count its program successes and its ability to generate $510,000 in private and public grants, and contributions and fees to support its own programs delivered by both paid and volunteer consultants. During this same six-year period, the population of the city had remained somewhat stable, although a large population boom took place in surrounding suburbs altering somewhat the character of the city and demands for increased services. Additionally, a number of other nonprofit organizations were initiated which resulted in more competition for local financial support among a growing shortage of potential funders.

The organization had only one of the original founders left on the board; five new board members recently were accepted to begin a rotating three year term. Although the board meets on a monthly basis, one hundred percent attendance has not occurred for some time. There are three staff (including the executive director) which are responsible for the daily operations of the organization. Board meetings seem to focus on reports of the latest program activity, for example, a mini lecture/film series among junior high school aged children on the subject of sexual abuse in and outside the home. This program stirred some controversy in the community and the Board. Several meetings were devoted to addressing the complaints of parents. Also board members were divided on their feelings about the work of the organization, their commitment to fundraising, and their reserve about taking formal positions on leading issues which have an impact on the children and families of the community. These issues plagued the board eight months and the organization was in the midst of confusion.

The executive director and the board chairwoman began to meet periodically to discuss the growing inactivity of the board and the organization. The director suggested that the purpose of the organization and the commitment of each board member needed to be addressed. The chairwoman agreed. The next board meeting agenda was devoted to creating a solution to the problems of the organization, rather than hearing more of the same old complaints and telling the director what he should be doing.

The idea of strategic planning was met with some mild resistance. The executive director had sent some materials about strategic planning before the meeting, so some of the board members were prepared to discuss its merits. Some of the comments included: "How can we plan when we can't agree on current activities?" "I don't have time to devote to planning!" The actual issues expressed by these statements were feelings of not being appreciated for the work and efforts that have been devoted to the organization. Some comments also reflected concerns about the successes that have been slipping away from the organization along with the losses of long-standing funding support. Both the executive director and the chairwoman acknowledged these concerns, but they also expressed strongly their commitment to investing time in re-establishing the objectives of the organization and moving this admirable organization back on track. Both the director and the chairwoman were careful not to oversell the idea. Instead they set clear and realistic expectations and talked about how the organization had not prepared itself adequately for the recent events of the last year, and how everyone seemed to have lost sight of the organizations purpose and mission.

The board agreed to participate in the strategic planning process, but insisted that it be facilitated by an outside consultant. While the executive director was acknowledged as a capable group leader, the director also needed to be an integral part of the planning process, free to express his views on a variety of issues. It would be very difficult to guide the process and be a member of the "team" at the same time. The board approved the hiring of a consultant but wanted to engage one who had experience in working with nonprofit youth organizations, and also familiar with issues related to resource development. It was seen as acceptable if the consultant's expertise with nonprofit organizations lay outside of the youth arena, as long as the individual was objective, challenging, and could stay focused. However, the board succeeded in locating the type of individual they had in mind.

Before the first strategic planning meeting the consultant sent a memorandum of introduction to each of the board members. The purpose of the memorandum was to prepare the board members for the planning process and to inform them of the critical components of strategic planning:

To: Children's Future, Inc. Board of Directors

From: Strategic Planning Consultant

I am looking forward to actively participating in the Children's Future, Inc., planning sessions. The first meeting is scheduled for Saturday, 9 AM to 4 PM at the City Hotel meeting room. After the first meeting we will schedule a block of four follow-up three-hour meetings, or other time schedule that will accommodate our purpose and your availability for full participation.

The purpose of this memorandum is to provide a brief explanation of the strategic planning process and some definition of terms, so that you will have some idea of what to expect during our planning sessions.

Strategic planning is an important management tool which will be used for determining the basic nature and concept of your nonprofit organization. A strategic plan can provide an overall direction (strategy) for fulfilling that concept and serves as a road map for carrying out the plans for achieving both short-term and long-term results.

The planning procedure that we will follow can be best described in terms of the following components:

1. Review of the Children's Future,Inc. Mission. The mission is the foundation from which all of the other strategic plan elements emanate. The mission statement identifies the basic concept of the organization and provides the focal point for identifying its purpose and reason for existence. A mission statement should provide a common vision for the board, staff, and other volunteers. To begin the review of the mission statement, we will review the organization's history. Why was Children's Future created? What significant events have taken place requiring major organizational

changes? What have been the major success stories and/or failures? What are the Children's Future values? What are our shared beliefs about the community, the type of services we want to deliver, our expectations of staff and how we encourage staff and volunteer efforts to achieve? Do we care about image and, if so, what type of image do we want to convey?

In many respects we will be defining the "culture" of Children's Future. After this exploration, the board will be asked whether the current mission statement should be revised to reflect current activities, and plans for the future, or to be more representative of the value system the organization wishes to project. To assist us in answering these questions, we will use the attached Mission Worksheet [see appendix A].

2. The next step will require an analysis or "scan" of the internal and external environment. This analysis will provide a data base for the strategic plan. In this situation, the data are the factors which are likely to have some impact on the future of the organization. The data can emanate from within the organization (internal) or from the outside (external). The process of examining the external and internal environment allows us to identify the critical issues that need to be addressed when considering the establishment of longer-term objectives. One critical question that will arise is whether the Children's Future has the resources and capabilities to achieve its mission. In order to answer that question, the internal analysis will focus on the organization's present situation: staffing, financial

position, current and future program plans, committees, and other important facts that bear on the management of the organization and program operations. To assist our examination we will use the the Internal Analysis Worksheet [see appendix B]. During the internal analysis, we will also want to spend some amount of time exploring how Children's Future has expressed its organizational values.

Because Children's Future does not operate in an isolated environment, it is critical to assess the opportunities and threats that are generated from outside of the organization. Typically, this external analysis consists of examining the organization's clients/stakeholders, competitors/allies, and other social, political, economic, and technological forces that can affect the present and future operations of the organization. For example, are there any social or political trends which might impact the organization? Is the condition of the economy helpful or hurtful to our efforts? Are there organizations providing similar services or can we collaborate on program activities with other community groups? Our External Analysis Worksheet [see Appendix C] may be helpful for this exercise.

3. Visioning. This next step in the strategic planning process provides an opportunity for the Board of Directors to determine the future direction of the organization. What would you like Children's Future to look like over the next several years? The scenarios that are developed will be evaluated by the board. The preferred scenarios will provide the basis upon which the board will establish

long-term objectives which describe what Children's Future wants to have become in the next one, two, and three years. There are several categories which may be considered for establishing long-term objectives. One major category concerns the operations of the organization, the other focuses on programs. So, consideration might be given to organizational image, new markets, new services, growth, human resources, position in the community, and so on.

After establishing long-term objectives, the Children's Future board will be asked to prioritize the objectives. After selecting and ordering the key objectives, the board will be asked to translate the objectives into specific action steps. The development of action steps to achieve each objective will be assigned to task groups of the board. This assignment will require the group members to work together outside of our meeting time and report back during one of the planning sessions. A Planning Worksheet is enclosed [see Appendix D] to help facilitate this assignment. When developing the action steps it will be imperative to refer back to the data in both the internal and external analysis. This data base is a sort of reality test for what obstacles might need to be overcome to accomplish the objective; therefore it is part of the "meat" of the action steps. Also note that the action plan requires an assignment to either a particular individual or committee to accomplish the tasks within a certain time frame and cost.

After the task groups report back to the board, and the board has provided feedback on each report, it is likely that some amount of revision will be required to integrate the additional ideas of the board. After the revisions are made, the revised planning worksheets should be submitted to either the executive committee or an ad hoc committee (we will decide this later on). The assignment of the committee will be to critically review the plans and determine whether they are consistent with the wishes of the board. Once the plans are acceptable, then the full board should meet for a briefing and adopt, as policy, the strategic plan of the organization.

4. Implementation. Once the strategic plan is adopted, then the executive director and the board should begin implementing the strategic plan by following the several action steps that were identified and outlined in the reports adopted by the board. But let's be flexible. As we get into the implementation, new issues might arise and obstacles might be faced which require several other action steps or a re-examination of a particular objective. We need to be open to this possibility.

5. Evaluation. Future board meetings will be an appropriate forum to report on the progress of the strategic plan. To prepare for these meetings, the executive director should be monitoring the progress of the people or committees which were identified as having primary responsibility to accomplish the action steps. On-going evaluation is a primary part of the implementation process. The key questions that we will want to focus on are: Are we following the action steps? Are we on deadline? What discernible differences have there been in Children's Future operations or programs? Have we observed any

unanticipated consequences since implementing the plan? Do we have any solicited or unsolicited feedback from clients, the service community, or funders? Has our budget been on target? How well are the staff, volunteer, committees, and consultants doing their work? After six months, we will take a closer look at the organization's progress and determine if we are on track and again determine if modifications to the plan are necessary. By the way, some of the usual pitfalls in implementing a strategic plan which are revealed after the first six months are the following:

1. Not enough resources allocated.
2. Those assigned to responsibility were not skilled or knowledgeable.
3. Employees and volunteers were not committed to the plan.
4. Major obstacles appeared which were not anticipated.
5. The timetable to achieve the plan was not realistic.

The entire strategic planning process will be very interesting and will give all the participants an opportunity to really get a thorough understanding of Children's Future. I am sure you can tell that the process will require a considerable time commitment and a longer-term commitment to putting our work into operation. I think you will find, however, that your efforts will be rewarded by your personal attention in shaping, maintaining, and steering the organization toward its achievements.

I look forward to seeing you on Saturday!

Perhaps you can imagine the hard work that went into developing the strategic plan for Children's Future. Many significant changes had been experienced by the organization since the originators first conceived of the idea of Children's Future. Some of the board members were fascinated by listening to the tale of the historical evolution of their organization. Many did not know that in its beginning Children's Future did not develop and offer programs, but only served as an advocate for other children's activity groups. It was clear that the direction of the organization had changed and the mission now needed revision to support a new set of ideals and board philosophy.

In the course of the planning meetings there were several lively discussions on values and reaching a collective vision and direction for the organization. Several of the participants became very animated, although others seemed unsure and perturbed at times. However, the atmosphere lent itself to sharing and no one was castigated for their ideas or expression of difference. In fact, the opportunity to be creative inspired a few of the board members to go a bit "over board" on their wishes for the future of the organization, but they were soon balanced by some very conservative visioning by others. It was heartening to witness the melding of the ideas into some very agreeable objectives that were finally adopted by all.

In the end, the board and the executive director were very pleased with their hard work and agreed with the consultant that the strategic plan should be written up in form of a report. The format they followed basically consisted of the major components that were focused on during the actual strategic planning sessions:

1. A Summary by the Board Chair
2. Organization Mission
3. Strategic Analysis (Internal and External Analysis)
4. The Goals of the Organization
5. Long-term Objectives
6. The Plan to Achieve (Action Steps)
7. Financial Considerations
8. Evaluation Procedures

Additionally, it was decided that the board's commitment to the plan marked a new era for the organization and the board decided to commemorate their direction-setting with a public relations campaign. Public service announcements were sent to the press, radio, and television stations as well as to community agencies and current and potential funders. An inexpensive brochure was also designed by one of the board members which outlined the goals and objectives of the organization. Children's Future took on a new public face and they wore it proudly.

That is the story of the Children's Future, Inc. But, your youth serving organization, you say, is very different and does not have the same type of problems that the Children's Future suffered. So, you ask, is strategic planning still something you should be doing? Our answer is yes. Strategic planning is not just for organizations in trouble. It is a management tool to be used by nonprofit organizations who are doing quite well and have some very definite ideas of what they want to accomplish. Here are some of the advantages that well-functioning organizations have experienced and stated through their participation in strategic planning:

1. It provided an opportunity to hear the expectations of the board and staff.
2. It has led to modifications of existing policy.
3.It provided an opportunity to establish job descriptions and standards for the board, committees and other volunteers.
4.It provided a vehicle for clarifying the role differences between the staff (particularly the executive director) and the board.
5. It improved morale by bringing all the key staff and volunteers together to discuss their hopes and dreams for the organization.
6. It provided a forum to address new ideas and receive valuable suggestions from many sources.
7. It renewed a commitment to work.
8. It was "preventative medicine" by assisting in the preparation of contingency plans.
9. It provided a forum to address and update everyone on the latest issues facing the organization.
10. It helped the organization redefine its proper place in the service community.

FINAL CONSIDERATIONS

While we have a bias that an outside consultant should be used to facilitate the strategic planning process, your organization may not feel that it has the funds to pay for this service. There isn't a set fee for this type of service and a consultant may be willing to accommodate somewhat to your organization's financial situation. In any event, it is worth calling around to several consultants to discuss your organization's needs. It is important to check out the experience level of the consultant and their familiarity and expertise in working with nonprofit organizations. Check references. Robert Kelly, writing in the March 1987 issue of *INC.* has a very good suggestion for choosing a consultant. He states:

A good general consultant is, or should be, a teacher. So when you choose one, look for the sort of person who would make the best teacher--someone who is articulate, patient, clear, and supportive. You'll want a consultant who is willing to take you through the process, answer your questions, and ultimately let you make the final decisions.

If, after the hunt for a good and affordable consultant, you still find that the organization cannot afford the fees and you can't find an underwriter since your most supportive funders have just given their grant monies away elsewhere, don't despair, do it yourself! Under these conditions it is always best to give it a go than not try at all. Select someone from your pool of volunteers, maybe a former board or committee member. As a good starting point, have that person follow the outline presented in the Memorandum to the Children's Future Board of Directors. The primary obligation of your volunteer meeting facilitator will be to commit to the amount of time which is required to guide the process, and to become familiar with the process. In fact, it is more important that the facilitator know how to guide the process than it is she or he be familiar with the content that will be discussed. After all, the content will come from the planning participants. And, finally remember the following in order to avoid some of the common pitfalls:

1. Don't begin the strategic planning process until all the board members and key management staff commit themselves to the idea of developing an implementing a strategic plan. Visible commitment must come from the Board Chair and Executive Director.

2. Familiarize all the participants about the process and the components of a strategic plan. Everyone should understand the same terms.

3. Establish realistic expectations. Strategic planning does not take the risk out of risking; nor is it a guarantee for success.

4. Explain everyone's role. Clarifying the expectations of the planning team helps prepare the participants and gives permission to be creative.

5. Remind everyone that every stated opinion is a valuable contribution to the whole process. Let's not have anyone feel they are attacked or embarrassed for expressing a wish or an idea.

6. Keep an ongoing record of notes of the meeting. This will be helpful in establishing the report of the strategic plan.

7. Choose a facilitator who is comfortable with the process and, if possible, experienced in leading planning sessions.

8.Establish a reasonable timetable to complete the planning process.

9. Develop a reasonable timetable to complete Action steps for achieving the long- or shorter-term objectives.

10. Think through the budget process and identify all costs that will be required to put the various action steps into place.

11. On the real tough issues, make sure the group fully agrees with the decisions. A simple majority vote is not enough in this situation to represent the backing of the organization's leaders.

12.Evaluate, evaluate, evaluate. Keep an eye on the developments and the consequences as intended or unintended. And, report the findings at board meetings.

13. Review the progress and the commitment to the plan every six months. Modify the plan as required. This is a living, on-going document.

14. Demonstrate a sound and effective management approach to the organization. Keep outside funders and supporters abreast of the plans and achievements.

15. Don't lose sight of the team effort.

Now, go strategic planning!

INSTITUTE FOR NONPROFIT ORGANIZATION MANAGEMENT

WORKSHEET A

MISSION STATEMENT

1. Why was our organization created?

2. Has the intent of the organization changed over the years?

3. What "business/service" are we really in?

4. What issues, concerns, or ideas do you have about the current mission?

5. What do you want the organization to accomplish now (3-6 months) and in the future (2-3 years)?

<u>NOW</u> <u>FUTURE</u>

INSTITUTE FOR NONPROFIT ORGANIZATION MANAGEMENT

WORKSHEET B

INTERNAL ANALYSIS

<u>INTERNAL</u>: What are the major strengths and weaknesses of our organization?

	STRENGTHS	WEAKNESSES
1. STAFF		
2. VOLUNTEERS		
3. BOARD		
4. PROGRAM PLANS		
5. FINANCES		
6. OTHER________________________		

INSTITUTE FOR NONPROFIT ORGANIZATION MANAGEMENT

WORKSHEET C

EXTERNAL ANALYSIS

1. Who are the organization's current clients and stockholders? Are there potential groups we might serve?

2. Who are our current competitors? What do we compete for? What advantages/disadvantages do we have compared to our competition? Who might become our competition and why?

3. With regard to your answers in #1 and #2, what opportunities exist for expanding our services? For additional funding? What threats exist that might change the support or demand for our service?

INSTITUTE FOR NONPROFIT ORGANIZATION MANAGEMENT

WORKSHEET D

PLANNING WORKSHEET

Organization:____

Planning
Team:____

Goal:____

Objective:____

Time
Frame:____

Projected Expenses: $__________ Projected Revenues $__________

The following is: [] A Draft
[] Accepted as Policy by Board on __________

PERSON(S) OR COMMITTEE	BUDGET COMPLETION	EXPENSES	ACTION STEPS /TASKS	RESPONSIBLE DATES	REVENUE

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CHAPTER 3

Conjoint Directorship: Clarifying Management Roles between the Board of Directors and the Executive Director

Robert F. Leduc, Stephen R. Block

CONJOINT DIRECTORSHIP: CLARIFYING MANAGEMENT ROLES BETWEEN THE BOARD OF DIRECTORS AND THE EXECUTIVE DIRECTOR

Robert F. Leduc and Stephen R. Block

In any organization, there are a number of management roles that must be played if the organization is to be successful. In business organizations, for example, the board of directors empowers a management staff, comprised of a chief executive officer and her top management team to run the operation in the interest of earning money for the shareholders of the corporation. Toward this end, the management team is assigned the authority and autonomy to make and implement their own program plans and operations decisions. Meanwhile, the board's role is shaped by its own culture, history and the canons of the corporation (Mueller, 1982).

Management roles in the nonprofit sphere are somewhat different. In nonprofit organizations, the board is the legally constituted leadership body and shares actively in fulfilling the mission of the organization (Connors, 1980). Although the nonprofit board usually delegates the day to day management tasks to the executive director, many of the most important management roles and program functions are shared among the board, the executive director and her support staff. These shared management areas include planning, budgeting, marketing and fund raising.

Nonprofit organizations generally maintain fuzzy lines of management responsibility. In fact, the ambiguity of assigned responsibility in nonprofit organizations often leads to staff and/or board concerns about the parameters of tasks assigned to both paid and unpaid personnel. Furthermore, serious tension in the nonprofit organization is a common outcome when volunteers and staff are unclear about the boundaries of their assignments. In fact, various writers (Conrad & Glenn, 1979) have addressed the phenomenon of "dynamic tension" in the nonprofit organization and suggest that there are benefits in struggling for perfect role clarification.

Unlike the concept of dynamic tension which relies on a tug and pull approach to clarify management role responsibility, the authors favor another view of shared management. In this article, it is suggested that board/staff relations can from its outset, reflect a positive <u>team</u> approach. One might call this approach "conjoint directorship," the goal of which is to maximize the management capacity of the organization while simultaneously fulfilling the board's legal responsibility to control its mission and allow the executive director the range of management prerogatives necessary for proper operations. The premise of "conjoint directorship" is based on the idea that important management roles can be thoughtfully and intentionally ascribed to board members or staff. This approach builds on the theoretical management framework advanced by Henry Mintzberg (1973). In the *Nature of Managerial Work*, Mintzberg (1973) examined the cluster of managerial roles and developed a model which describes responsibilities and a set of activities that is expected of an individual in a management position. Here we explicitly apply his model to the nonprofit arena.

The goal of this article is to review Mintzberg's ten managerial roles and demonstrate their applicability to nonprofit organizations. Through this application we will see how role identification in the nonprofit organization is possible, and how the division of management functions can be a consciously stated process rather than an unguided behavioral course. The outcome of this exercise is a better understanding of the role difference between board members and staff members which, in the end, will help advance the mission of the organization (see Table 1).

Table 1. SUMMARY OF TEN ROLES FOR MANAGING NONPROFIT ORGANIZATIONS[a]

Role	Description	Principal Responsibility
INTERPERSONAL		
Figurehead	Symbolic head; obliged to perform a number of routine duties of a legal/social nature	Executive Director
Leader	Responsible for motivation and activation of subordinates	Executive Director Board President
Liaison	Maintains self-developed network of outside contacts and informers	Executive Director Board Members
INFORMATIONAL		
Monitor	Seeks and receives information to understand organization and its environment.	Executive Director Board Secretary
Disseminator	Transmits information received	Executive Director

	and interprets informations	Board President
Spokesman	Transmits information to outsiders. Serves as "the voice" of the organization.	Executive Director
DECISIONAL		
Entrepreneur	Initiates improvement projects and searches for opportunities.	Executive Director
Disturbance Handler	Responsible for trouble shooting and planning for crisis intervention.	Executive Director
Resource Allocator	Allocates the organization's financial and human resources.	Executive Director Treasurer
Negotiator	Negotiates/mediates internal/ external disputes.	Executive Director Board President Board Members

[a]Headings and role descriptions are adapted from Henry Mintzberg, The Nature of Managerial Work, (New York, Harper & Row, 1973), Principal responsibilities have been added.

MINTZBERG'S INTERPERSONAL ROLES

THE FIGUREHEAD

A figurehead is a person who is put in charge or identified as the leader of the organization or occasionally the head of a special project for the organization. While this position is often symbolic in nature and does not carry the power for independent decision-making, the person who serves in this status role is immediately identified with the organization. This special identification can be an influential tool as well as a valuable asset for gaining entree into meetings and ceremonial civic events. In fact, the figurehead often emerges when the organization is expected to be represented at public functions and community activities. Generally, the dominant personality in the organization will evolve into this position.

Although this role can be played by board or staff members, the role is almost always served by the executive director. In some situations, a board member (typically the board president), one of the organization's founders, or an organizational volunteer of longstanding may assume this position. Some organizations build the image of the organization around their executive director. In this case, the figurehead is a paid staff member who can bring continuity to the the organization as volunteer members come and go. Furthermore, the organization may consider more than one figurehead to share the duties, responsibilities and the prestige of the figurehead role. However, if more than one is selected, it is a good idea to partialize or carve out specific aspects of the organization or issues for them to represent. For example, someone can be identified with the organization as a whole, while someone else is seen as the organization's expert in child issues, housing issues, or health care, etc.

It is a good practice for the Nominations Committee to choose individuals with leadership qualities who can eventually serve in the figurehead role. Finally, the figurehead position should generally not be assigned to an individual who is already identified with another voluntary cause.

THE LEADER

Mintzberg defines the organizational leader as one who is responsible for the motivation of subordinates and for staffing the organization. Since it is virtually impossible for anyone but a fulltime employee to keep up with the daily staffing demands of a medium size or larger organization, this role is most likely to be played by the executive director. On the other hand, motivation within an organization is a more complex issue. Anyone can generate the motivational force in the organization. In this case, motivation is an outcome of vision and charisma, and people other than the executive director can provide this quality. Although others may have the ability to demonstrate this force, they may not have the time and positional power that is inherent in the executive director's station.

The concept of "leader" can also be considered from another perspective, especially as it relates to policy decisions. In this area, the board's role may largely be delegated, it is critical that it maintain an overview and final authority. In fact, the board must be involved in establishing the parameters of the organization's mission, markets, and services, in addition to participating in efforts to raise financial resources.

In the truest sense, the board and the executive director must work in partnership to lead the organization. A useful distinction to make here is that the board's decisions are the longer term ones (with the advice of the executive director), while the executive director must make the short term decisions (hopefully with the advice and counsel of one or more members of the board). In addition, boards may delegate much of their responsibility to an executive director, but the board must assume a willingness to change the chief of staff when that person is not consistently accomplishing the duties of the job. To underscore the point, it must be emphasized that the board holds the ultimate leadership responsibility for hiring, and if necessary, firing the executive director.

THE LIAISON

The liaison role calls on the organization to maintain an outside network of people who can keep the organization informed as well as provide the occasional favor (e.g., when an outside source informs the executive director or a board member of a grant opportunity or a proposed piece of legislation that might affect the organization's clientele). Usually, the executive director will evolve as the principal functionary in this area because of the time demands, attention and visibility that is necessary to cultivate a meaningful network. Nevertheless, it is possible through their own personal business and community contacts for board members to share in this responsibility. The only potential for conflict in this situation is when different sources provide contradictory information. In this instance, rather than try to persuade everyone that their "inside" information is correct, it will be important for both the board member and the executive director to direct the conflict outside of the organization by returning, diplomatically, to their original informants for clarification.

MINTZBERG'S INTERPERSONAL ROLES: AN OVERVIEW

In all three roles--figurehead, leader, and liaison--the emphasis is on the interpersonal management activities of the organization. A most important skills is an ability to interact with people in a manner that will promote their voluntary support of the organization and its goals. The role is what Wilson (1976) referred to as "an enabler of human resources." In order to accomplish this end, it is necessary for the organizational leadership to be visible, accessible, and responsive. Naturally, the executive director has the time and, hopefully, the interest, to assume the interpersonal role effort. However, the organization would be far better off if it recognized that one or more of the board members can also participate in a noncompetitive way, by actively engaging in one of the interpersonal functions, especially when the organization must interact with key stakeholders, such as funders, volunteers, and other community leaders. Indeed, the three interpersonal roles can reinforce the teamwork concept.

MINTZBERG'S INFORMATIONAL ROLES

THE MONITOR

Because an organization is deluged with information of both an internal and external nature, it is necessary that all information funnel into one nerve center. Again, time pressures plus her intimate understanding of the organization and its surrounding environment virtually demand that this monitoring role be assigned to the executive director. Furthermore, the executive director might delegate monitoring tasks to her staff, but in the end they should be required to brief her fully so she knows the nature and content of information that has been received or exported.

Also, the board, through the office of the secretary, is responsible for certain monitoring functions. Specifically, the board has oversight of legal and information documents such as the articles of incorporation, tax determination letters, and by-laws.

THE DISSEMINATOR

In this informational role, the disseminator is the individual who transmits the mass of information received by the organization from outsiders or insiders. This is a very important role because the function demands a great deal of integration and interpretation of information. Consequently, the position allows the translator to "tell the story" as they see it. Naturally, the disseminator would yield influence and direction by how she views the facts or interprets her organizational world or by her own self-image (Bales, 1970; Boyatiz, 1982). In practice, this role is primarily performed by the executive director. In turn, the Chair of the board assumes this role when reporting to the board of directors.

THE SPOKESMAN

The spokesman is the voice of the organization, the person who transmits information to outsiders about the activities, issues and positions of the organization. The format, content, and seriousness of the message is the key for determining the organizational spokesman

(Stech, 1983). The range of functions for the spokesman may vary from sending news releases to debating public officials on radio or television. While the board may hold the legal responsibility for informing the public about its mission, purpose and activities, this role is likely to be delegated to the executive director who has the time to fulfill this function and was often hired for her verbal and writing skills.

MINTZBERG'S INFORMATION ROLES: AN OVERVIEW

The informational roles assigned to the monitor, disseminator, and spokesman are critical for moving information through the organization. How the information is sent and the content of the message will reveal meaning about the organization's stated and unstated positions, in addition to providing clues about the leadership's strengths and weaknesses (Watzlawick, et al, 1967). Therefore, the most insightful and skilled management individual should assume the informational roles. These competencies should be identified in the executive director who has the time and rank to accomplish these important tasks.

While the executive director is the most appropriate person to control the flow of organizational information, the board must understand that her ability to control information places the executive director in a very powerful as well as vulnerable position. Intentionally or unintentionally, the executive director can influence the policy decision capability of the board by either stressing or withholding certain information.

Being aware of the executive director's potential power to filter certain information, the chairperson of the board must prevail upon himself to ask the executive director for as much information as he feels is necessary in order for the board to responsibly govern the organization. Finally, board members should also feel comfortable to make inquiries to the executive director or request information which they believe will enhance their individual voluntary or governance role.

MINTZBERG'S DECISIONAL ROLES

THE ENTREPRENEUR

In the role of entrepreneur, the goal is to search the organization's environment for opportunities to improve both its standing in the community, through "improvement projects," and its financial resource base. While it is probably true that nonprofit organizations are not as enterprising as most people feel they should be, it is categorically true that nonprofit organizations are not as entrepreneurial as they could be (Crimmins, 1983). Instead, the search for resources continues to focus on gifts from foundations, corporations and the affluent friends of board members (Koch, 1979).

In many respects, the individual who is able to raise the bulk of the financial resources, or ascertain a place for the organization in an important community endeavor, will be acknowledged as "the entrepreneur." In this role, the individual may also be viewed as spokesman, figurehead and leader.

While members of the board can play a significant role in the development of resources, it is usually the executive director who can devote the time necessary to this important activity. Finally, to be successful at entrepreneurship, the organization must adopt a willingness to examine creative alternatives to raising revenues and investing funds (Brandt, 1982).

DISTURBANCE HANDLER

The role of the disturbance handler is that of a "trouble shooter." Through this role, the organization can take corrective action when faced with important, unexpected disturbances. In this case, the disturbance handler will facilitate an emergency staff meeting, or board/executive committee meeting to discuss the problem facing the organization. At the meeting the disturbance handler keeps the group on target in order to develop a strategy or plan for resolving the crisis. The legal responsibilities of the board demand that it address organizational problems, but the execution of the plan may be delegated to the executive director and her staff. While the executive director or the board president are the likely individuals to assume the disturbance handler role, it is not uncommon for a committee chairperson or other board officer to be thrust into this position.

RESOURCE ALLOCATOR

Since competent financial management is imperative to the survival of any nonprofit organization (Connors and Callaghan, 1982), the role of resource allocator is a most important one. The individual who is assigned this role is responsible for allotting the organization's finances or other assets for the purpose of moving the organization forward toward meeting its program plans and mission. This role has been legally defined as one which every board member must sustain, but it has particular import for the treasurer (Leduc, 1980). In fact, the duties of the treasurer are so significant, it is critical that this officer be motivated, strong, and attentive to the whole financial picture of the organization (Leduc, 1980). The importance attached to this function necessitates that this officer rely on the day to day financial management skills of the executive director and the bookkeeper. Furthermore, the board and the treasurer must depend on the budget plans and recommendations from the one individual who is most intimately acquainted with the operations of the organization, i.e., the executive director.

Finally, the executive director should have some independent authority to change budget line items and allocate resources, up to an agreed upon level, without waiting for the next board/executive committee meeting. Besides enhancing her decision-making capacity, this flexibility in resource allocation authority permits the executive director to maintain greater continuity of operations.

THE NEGOTIATOR

The activity of negotiation is "a basic means of getting what you want from others. It is a back and forth communication designed to reach an agreement when you and the other side have some interests that are shared and others are are opposed (Fisher and Ury, 1981: xi)." In the nonprofit organization, the negotiator finds herself bargaining with the organization's significant stakeholders, such as funders, volunteers, and community groups. Furthermore, Gordon (1977) suggests that a leader with proven negotiation skills will increase the likelihood of effective management meetings, and the establishment of acceptable policies.

The negotiator role is usually played by the executive director, but can be assumed by the president or other members of the board. In some instances, it may also be necessary to contract with a consultant or attorney to assist the organization in negotiations of a critical nature.

MINTZGBERG'S DECISION ROLE: AN OVERVIEW

The four decisional roles--entrepreneur, disturbance handler, resource allocator, and negotiator--require more board involvement than do the informational and interpersonal roles. The activity that threads the four decisional roles together is "strategy" development. Whether the focus is on designing cash producing projects, alleviating a crisis, determining cash outlay, or settling disputes, the board must be involved in the planning process or, at the very least, it must sanction the plan of the executive director. Indeed, decisional roles are partnership opportunities which provide a chance for coordinating the views of both the board and the staff. As with the informational and interpersonal role sets, the board may delegate key managerial activities to the executive director without diminishing their legal responsibility to make or approve final decisions.

CONJOINT DIRECTORSHIP: RECOMMENDATIONS FOR APPLICATION

The framework offered in this article outlines roles that must be played by the board and/or executive director of a midsize or larger nonprofit organization. Throughout, it was implied that organizational success is a measure of both the careful assignment of managerial roles and respect for the participants' abilities. Mintzberg's model was adapted to the nonprofit arena in order to identify the key management roles. In addition, the model offers guidance in determining which organizational character would be best suited to handling each of the roles. The nonprofit organization will perform more effectively and with less confusion if the members of the organization assess the competency and time commitments of its personnel and volunteer body, and fit the right person to each of the important operational roles.

Although members of an organization can find several ways to integrate the conjoint directorship model into their organization, we favor the method in which the board of directors, the executive director and key management staff participate, at least annually, in a planning/re-evaluation retreat. This type of retreat has the capability of enhancing team building providing that the agenda focuses on goal-setting, problem-solving, and developing collaborative efforts (Dyer, 1977). In addition, the retreat should permit the participants an opportunity to renew their organizational commitments as well as clarify expectations of each other. Also, when planning a retreat, we recommend a balance in the schedule between business items and social activity in order to facilitate relationship-building.

One of the more important goals of the business agenda will be the development of a "job description" which details the role assignment, tasks, and functions of the volunteers and the executive director. By utilizing the managerial descriptions found in this paper, the participants can establish job descriptions which not only outline the key responsibilities of essential positions, but also define the limits of both the volunteers' and the executive director's role.

In some cases, the organization will already have existing job descriptions and new ones will not have to be written. In this situation, the board and staff should still review the existent job descriptions. By following this process, the board and staff will have an opportunity to reaffirm current policy and be reminded of the responsibilities which they may or may not have effectively assumed. Of course, during the review of extant job descriptions, modifications also should be made which reflect changes in the organizations goals or fiscal capacity to achieve them. Finally, besides detailing the role of the board members and the executive director, the retreat participants should also outline their expectations of committees, describe major organizational projects, and set appropriate deadlines for evaluating organizational achievements.

Following the retreat, a comprehensive written summary of the events should be send to the board and management staff. Included in these "minutes" should be a copy of the agreed upon job descriptions and assignments. By distributing the products of the retreat, the idea that the meeting was successful will be reinforced, and the newly stated commitments and expectations of the board members will have moved from the informal retreat setting back to the formal organizational environment. Furthermore, copies of the job descriptions and revised organizational goals should be sent to the nominations committee in order to assist them in their search for appropriate board members.

CONCLUSION

Throughout, the emphasis on the qualities and expectations of the executive director has not been exaggerated. The executive director should be capable in a variety of managerial roles and she should support her competencies with talented personnel. One the other hand, the board is legally responsible for the organization and should exert its influence, like the corporate board, with a sense of ownership.

The objectives of the staff and the board should be a shared vision and determination to advance the organization's mission and goals. In order to accomplish this objective, the organizational participants will need to pool their skills and choose their assignments carefully. Indeed, teamwork is not only possible, it is in the best interest of the organization and its goals.

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CHAPTER 4

Leadership in Nonprofit Organization

Trudy Heller

LEADERSHIP IN NONPROFIT ORGANIZATIONS

Trudy Heller

INTRODUCTION

Some aspects of leadership are eternal and ubiquitous. Students of leadership may read Machiavelli's *Prince* or a Shakespearean drama and find material of precise relevance to the dilemmas of a contemporary nonprofit administrator.

For in these works a leader can learn about the psycho-dynamics of his/her role. Here are tales of sibling rivalry and competition over the inheritance of the leader's role or resources. Here are stories of aggressive and hostile attempts to overthrow leaders. Here are people who blame all of their troubles on a leader, and force that leader out, only to find their old troubles re-enacted under new regime. Here are followers who are obsessed with the leader's "fairness", and who vie for his/her favors. Many of these same dynamics will be seen in the case examples contained within this chapter. These examples are drawn from contemporary non-profit organizations.

Other aspects of leadership are specific to the context of contemporary American society, and to today's attitiudes toward authority. For leaders today represent organizations whose authority in society has changes and continues to change.

A primary basis for the changes attitudes toward authority is a loss of confidence in organizations, a realization that they not only serve us but can harm us; that they are not always models of virtue, but are sometimes corrupt. Public opinion polls document the loss of confidence in mandy differenct kinds of organizations such as government agencies, corporations, and unions (Heller, 1984).

In many businesses, governmental, and nonprofit organizations, the authority of the boss has changed along with the institutions these leaders represent. Changes in the boss' authority represent a double loss: loss of the motive to lead and loss of willingness to submit to authority and take direction. A long-willingness to submit to authority trainees summed it up as an attitude of "the hierarchy be damned" (Howard and Bray, 1981).

Perhaps the most elaborate description on this kind of change comes from Richard Sennett's book *Authority* (1980). Sennett describes the chronology of American society's collective attitudes towards the authority of the boss. Before the industrial revolution, the boss frequently was the father in either a cottage industry or an agricultural enterprise. In one person lay the responsibility for the organization/enterprise, the authority to discipline, and the love of a father.

In the late 19th century the "boss as father" became a metaphor for management as paternalism developed. But the fallacy of the father metaphor became evident as industrial bosses such as George C. Pullman proved they could be most uncaring.

Following the demise or loss of faith in the "boss as father" came the call for a more professional boss. This need was filled by the bureaucratic boss, one who was rational and fiar, with no pretense of caring about subordinates.

Now we are in a stage of disillusionment with the faceless bureaucrat and expect to find more humanness, people skills, and consideration in a boss. The new breed worker expects the boss to give meaning to work by being someone worth working for. A new contract exists between workers and their organizations: people are no longer willing to submerge themselves in a work role which expresses values that differ from or conflict with personal values or lifestyles.

One organizational role that people may not want to play is that of the boss. Pearche (1982), for example, described the reluctance of volunteer workers to assume leadership of their organizations. Citing the independence of those workers who do not earn financial subsistence from their work, Pearch noted the difficulties this loaded onto management roles: problems of developing loyalty, commitment, and performance of tasks. Paid employees increasingly resemble these independent volunteer workers.

A perspective of cultural change provides a view of these changing authority patterns that offers at lease the possiblity of a positive outcome. Through this perspective, the loss of authority is seen as a stage in a process of loss and substitution, a "revitalization process" (Wallace, 1961).

The issue for today's organizational leader then becomes not only one of how to survive in this turbulent time, but how to advance this agenda of social change in a positive direction. The question of what constitutes a positive directions will be addressed in the remainder of this chapter.

II. WHAT WE KNOW: CURRENT ISSUES FOR LEADERS

Task vs. People Orientation: The Androgynous Leader

A perennial issue for leaders is the question of how much to be focused on the task or work of his/her organization and how much that people should be the focus. Different terms have been used by leadership from the 1950's talks about a leader providing "structure" and "consideration" (Stogdill, et.al, 1957). A later framework used the terms "production orientation" and "people orientation" (Blake and Mouton, 1964). A more group oriented theory discusses "task groups" and "sentient groups" (Miller and Rice, 1967) distinguishing between organizational members who join together by a common interest in the work and those who join together because of shared attitudes and feelings.

The message from all of this research is that, of course, leadership is maximized when both aspects are addressed and coexist in a compatible way. So, the question for the leader, then, is not whether to be production or peoples oriented, but, rather, how to do both at the same time. In other words, how to use your leadership role to create an organization where the feelings and attitudes of members serve and support the orgainzation's work goals.

For example, an agency of the Defense Department may appropriately make use of a "fight" or "us against them" attitude in its employees, The perception of a threatening enemy may inspire staff to heighten productivity, working together despite individual differences for the common good of defense.

Another way of thinking about this issue is in the contemporary notion that a leader should be "androgynous". The call for an androgynous leaders suggests that the leadership role be performed in a way that demonstrates both sterotypically male qualities such as rationality , decisiveness, toughness, and such stereotypically feminie qualities as intuition, emotionality, and sensitivity to individual (not just organizational) needs. Hence we may seek a male leader with "people skills" or a female leader who is "assertive" (Heller, 1982).

Working with Differences

Through a variety of social forces, such as affirmative action, and the changed nature of the American family, organization now contain diverse memberships with such differences as gender, age, race, and socioeconomic background. This development means that struggles for equality that once existed in society but were largely kept out of the white, male workplace, are now reproduced and mirrored in organizational life. Thus is one of the tasks of leaders is to manage these differences.

Also, the complexity of contemporary organizational life means that one administrator cannot know it all. She/he must be able to work with interdisciplinary teams of marketing experts, financial and legal experts and, perhaps, even computer experts.

The ability to manage differences requires an additional set of skills. The first is the self-awareness of you own stereotypes, and prejudices. Another is a willingness to do the extra work required to develop working relationships with people who are different from yourself. Another is the humility to recognize you own limits. Finally you must be able to model these working relationships to set an example for organizational members.

Changing Authority Patterns

No aspect of contemporary society is more apparent to leaders thatn the change in authority patterns. Middle-aged supervisors can remember when employees were more obedient and docile, more respectful of authority. Senior administrators may recall the days when employees unquestioningly conformed to organization directives, even when sacrifice of family of personal life was involved.

The pervasiveness of this change extends not only to authority figures such as "the boss" but also to society's organizations and institutions. Watergate, Abscam, and criminal dealings by corporate executives have undermined the public trust in both organizations and the leaders who represent them. The result is an erosion of authority of those institutions. So ubiquitous is this erosion of authority that one could assert that if represents a change in a core value of our culture. Evidence of this change can be found in many of society's institutions. Hence family therapists discuss the failure of parents to be authoritative with their children, to set limits and enforce them (Silberman and Wheelan, 1980). Observers of our legal system have recently written that diminished confidence in the law is yet another aspect of society's crisis of authority (Nonet and Selznick, 1978).

Changes in the leader's or boss' authority presents at lease two dilemmas to today's leader. Either they will cherish the good old days when subordinates were loyal and subordinate. In this case, they may be shocked and contemptusous of staff members who do not share these values. Or, they may be so modern and conteptuous of authority themselves that they may find it difficult to maintain their authority from within, and to find a comfortable way to enact their leadership role.

Smaller May be Beautiful

Retrenchment is another aspect of organizational life made more difficult in these times. The role of the leader who has bountiful resources to dispense may be an attractive on -- although it may still be a challenging task to maintain a sense of fairness amoung organizational members. But a fact of life in many organizations today is that resources are declining. For leaders this may mean playing the role of the "bad guy" who must cut budgets, fire employees, and lead and organization through a process of grief and depression.

The measure of success of a leader can no longer be seen in terms of growth. Small may be beautiful. Talented, indeed, is the leader who can take an organization through a process of downsizing. For it is during such a change that issues such as the clarity of the organization's mission and the balancing of individual and organzitional needs become more critical.

Krantz (1985) describes the "perilous" conditions for the leader of a process of decline, noting that the process has been likened to the way in wich people react to death or seriour impairment. The main danger, according to Krantz, is that the leader will succumb to the sam pressures that the staff is experiencing, and begin to "enact unresolved personal conflicts in the social field" of the workplace (p.14). Another danger is that, as the anger and agression of members is directed toward the leadership, they will become isolated from staff at the very time when it is most critical that staff and leadership work together.

Suggestions for dealing with a retrenchment process include allowing for the mourning of staff members to be expressed. "The inevitable losses involved in decline will be far better integrated and in a more mature way, if the leadership provides the opportunity for mourning (Krantz, 1981). Both angry and depressive phases of the mourning process must be encouraged. (Trist, 1980). Another suggestion is the leadership to recognize that "organizations in decline accomplish less, not more, as much of the members' energy becomes directed to personal and fanatsy-driven activities." (p.16) Both of these suggestions represent leadership tasks that are never easy.

III. PITFALLS AND SOLUTIONS

Scapegoating

Like parents of young children, people in leadership roles tend to be seen as either very good or very bad. As either a parent or an organizational leader, you have probably experienced both the pleasure of basking in the idealizations of children or staff as well as the chagrin of finding yourself the brunt of their anger and denigration.

Sometimes organizations are structures so that there is a division of labor in these leadership roles. One leader, usually the "higher up," takes all of the idealizations. He/she may be a figurehead, representing the organization to the work outside the organization's boundry, and avoiding sticky internal staff issues.

Another leader, perhaps the second in command, takes up the role of the "bad guy", implementing tough staffing decisions, and bearing the brunt of the member's anger and agression toward the leadership. It is this second leader's willingness to "take it" that allows the figurehead to be viewed as the benign and benevolent captain of the organizational ship. Although they may not speak of it, these leaders have tacitly agreed that one be the "good guy" and the other the "bad guy."

A common pitfall of organizations lies in confusing the individual with his/her role. Sometimes an organization will come to believe that all of their difficulties are being caused by one individual and that if only that person could be ejected from the organization, their troubles would be over. Leaders are particularly vulnerable to being "scapegoated" in this way.

Let me illustrate with a case example of a nonprofit development corporation (heretofore known as the DC): The mission of the DC was to spawn economic development in inner-city neighborhoods in a large east coast city. The founding director created a first major project for the organization. His vision was of a worker-owned food market in a neighborhood that had long been deserted by major super market chains.

The director, Bob, raised funds for the project, developed a business plan, commissioned marketing studies and architectural plans. He proceeded to recruit and train fifteen men and women to become the worker-owners of the store.

The ground-breaking ceremony was a major media event in the city. The Mayor attended and expectations ran high. This was to be the first new structure to be built in this neighborhood in many years.

The construction phase of the project brought the usual delays -- and some unusual ones a well. The contractor's performance became more and more unsatifactory until the principals in the project decided to bring in a new contractor. A complicated arrangement was worked out with lawyers, bondsmen, city agencies and the DC to get the construction back underway with a new contractor.

But the delays had caused the DC to get deeper and deeper into debt. Just as a very delicate point in the negotiations over the contractor, the Board fo the DC decided that they could not continue to go further into debt. They developed the following plan: they would merge with a similar DC in the same city. Bob would resign and the director of the other DC, Sam, would take over the administration of the food store project.

During the merger process the former director became the object of scapegoating. As the new director exposed the details of the project's path to its current stalemate, Bob was increasingly accused of mismangement. Threatened law suits flew in both directions. The new director, Sam, became idealized in the eyes of Board members and trainees as a savior who would set things right.

Sam accepted the authorization this idealization provided and proceeded to eject everyone from the project who had worked with Bob. Architects, consultants, suppliers, and contractors were all tainted by their association with Bob. Just as Bob, through scapegoating, was now perceived as having done nothing right, so, too, these people were seen as part of the bad management.

Sam proceeded to bring in a whole new crew of contractors, architects, and suppliers. He attempted to restart the project with this clean slate. But under the weight of litigation with the former contractor, and reluctance of lenders the project failed.

A common but succinct way of describing the moral of this story is that the Board "threw out the baby with the bath water". Certainly the first director, Bob, had made mistakes and the Board might have played a more active role thereby safeguarding against some of his errors, but the notion that one director could be all bad (and everyone associated with him) and another new director be all good was fanciful. When emotions in an organization become so polarized it is important for leadership to question the reality of these labels and be wary of the phenomena of scapegoating. For the bad qualities of an organization cannot, in reality, be ejected with a member or a leader.

Incomplete Delegation

The case of the semi-authorized administrator. Leaders often complain that their staff members do not take enough responsibility; that they, the leaders, wind up doing it all. They present the problem that no matter how much they tell their staff member that they want them to be more independent, staff members are unwilling to take the authority that they attempt to delegate. The following case illustrates this common dilemma and suggest possible solutions.

A small nonprofit counseling agency dedicated to serving the needs to alcoholic men and women was just getting off the ground. During the six months since it had opened its doors, funders had kept a close eye on this new, "experimental" organization.

While the fledgling agency was well-supplied with technical assistance, two co-directors, Susan and Teresa, actually ran the place. They both put in long hous training and supervising staff, keeping the books and working with the budget, agonizing over the purchase of supplies, thinking of ways to market and promote their services, and, in the beginning, even mopping the floors.

There was an informal division of labor between the two co-directors. Susan had more training in budgeting and finance and had taken charge of scheduling and supervising the professional counseling staff. Teresa took charge of the nonprofessions staff, used her family connections to get "deals" on equipment purchases and brought in family members as volunteer workers to do plumbing repairs and cleaning.

After six months the funders did an assessment of the agency and found that things were generally o.k. The number of clients was increasing and feedback about the quality of the services was good.

There was, however a problem that the audit identified. The problem was that the co-directorship was not really working. Things were falling between the cracks. Management of such activities as the development of a marketing strategy and the reassessment of the fee structure were never carried out.

The funders decided to appoint Susan as the sole director. The established division of labor between Susan and Terry would remain intact, but Susan would be held accountable for the performance of the direcotorate and the agency.

The funders and the Board felt confident that they had made a wise decision and that things would improve. But three month later when they returned they found that not only had management problems not improved, but that now Susan and Teresa were having interpersonal difficulties.

What happened? The Board and funders gave Susan too little too late for her to be fully authorized in the role of (sole) director. She received no increase in salary, no change in work hours or responsibilities and her latitude in decision-making without board approval was not increased.

Both women understood that she was being asked to "play" Director without fully authorization. Susan developed a hostile attitude toward the Board and a sense of personal failure. Teresa compete openly with Susan and undermined her authority. Teresa was joined in this sabotage by her family members who did volunteer work in the agency but had not received formal notice of Susan's new position.

Through the interventions of a consultant, the Board decided to hire a director from outside who would be fully and clearly authorized by everyone to take this role. A careful process of hiring was conducted with Susan and Teresa fully involved and even with volnuteer family members duly notified that the new Director would be in charge and accountable for the entire operation.

A job description was carefully written with salary, responsibilites and accountability clearly distingushing the Director from the other staff. A candidate that was acceptable to everyone was hired, and things improved.

Not Taking Authority

I want to mention two other pitfalls more briefly. One has to do with a leader's authority, and the way that some leaders tend to deny the authority of their role (while others take illegitimate authority). In these times when leadership is fraught with dangers from members who are in the habit of questioning authority and challenging those in leadership roles, "You be the Leader and I'll be the Assassin" is a dynamic that exists in many organizations.

A leaders of a peace organization bristled at the my use of the term, leader, in reference to herself. "I'm not a leader, I'm a facilitator", she said angrily to me. This attitude is understandable, but, in some cases, my not fulfill the leadership needs of the organization.

An example is the agency direcotr whose agency was retrenching. Lay-offs were required and the Director's solution was to devise a lottery to determine which organizational members would lose their jobs. This method was "fair" in the sense of treating everyone equally, but it did not allow for consideration of individual differences, needs, and wishes.

The lottery served to protect the director from the anger of organizational members that could only be directed at Lady Luck. A difference method of decision-making, one that did consider individual needs, would have required the director to make judgement calls and to risk incurring the wrath of organizational members. The Director served his own need to be liked rather than the organizational task of retrenching. He abdicated his authority in this situation.

Similarly in the case (presented above) of Susan, the co-director who was appointed the sole director, one could say that although she had been authorized by her superiors to take a leadership role, she failed to find within herself the authority to do so.

Failure to Differentiate

This lat pitfall that I want to mention is common in organizations that have an ethic of equality. For in these organizations there is often a myth that everyone in the organization is the same. Sameness is confused with equality, as in the following examples.

A voluntary organization with feminist ideals formed as a collective. A decision was made **not** to define leadership roles, but to rotate responsibilities in such a way that everyone performed every job.

This organizational structure worked until the organization grew to a certain size. While any of the members could control a meeting of 8 or 10 people, not all members were equally talented at conducting a meeting of 50 or 60 people. Nor were they eqully talented and experienced at fund-raising, conference planning, etc.

As the organization crew, the membership stayed with the ideal of operating as a collective. Eventually they grew to such a size that the organization disintegrated into splinter groups. These split off groups were, agin, small enough to operate as collectives, and they did. The myth of sameness was preserved.

Difficult issues of competition amoung the memebers, and recognition of different experience and ability levels were avoided. The need to avoid these issues were stronger than the need to organize.

The same dynamic may operate within a unit of a larger organization. Here the best talents and resources of the members may fail to be utilized. The leader who brings out members individual talents will challenge myth of sameness and risk setting up rivalries and jealousies among the organizational membership.

IV. PRINCIPLES OF EFFECTIVE PRACTICE: UNDERSTANDING THE ETERNAL AND THE CONTEXTUAL

A leader must "understand" the eternal, irrational dynamics that surround him/her, but also "understand" the contemporary context in which he/she assumes the role of leader of a particular organization. I say "understand" in quotation marks because I believe that this understanding must not be on an intellectual level alone, but must be "gut" knowledge as well.

Although only one of the principles listed below addresses the eternal aspects of leadership, I consider this to be of equal importance with the other five principles are:

1. **Be a good clinician.** Interpret the psychodynamics surrounding your leadership role. If you find yourself cast in a villanous role, ask why. Know that your leadership role provokes everyone's history with authority figures, and be prepared to withstand members' hostility and envy as well as their idealizations. Interpret and be wary of idealizations as well, for the Messiah is a dangerous role to play.

2. **Beware of leading backward to "the good old days."**

and

3. **Take the opportunity that the leadership role provides to lead forward toward a goal culture.** Changing authority patterns present two possible scenarios, the first of which involves not an innovation, but a form of authoritarianism -- charismatic leadership. People experiencing a sense of loss, such as the loss of authority, are vulnerable to messianic doctrine because the fantasy situation depicted contrasts sharply with the current harsh reality. The messianic leader promises to restore those things which have been lost. The deprived are attracted to the leader's vision of returning to the "good old days."

Organizational scholars have recently become interested in myth and myth-making as an important aspect of organizational life. One significant finding to come from this work is the observation that "myth" has come to mean a falsehood rather that its original meaning, a profound truth. So many of the stories told in organizations are false that we have come to equate myth with falsehood: something to be contrasted with reality, or to be exploded, such as the "myth of the executive lunch," to take recent magazine article's title. We have a sense of the staleness of these myths. (Heller, 1984)

In terms of changing authority patterns, the choices are clear. Crisis presents both danger and opportunity. The danger is in succumbing to efforts to reconstitute pas arrangement, in heeding the siren of the charismatic leader who would have us believe that there is a way to recapture the past and, furthermore, that the way is simple. The opportunity, as leaders, lies in creating new myths.

4. **Realize that we've entered an age where "leaders and followers" is being replaced by "leaders and members."** A specific vision of the future of authority patterns is provided by time when omnipotent leaders may strongly desired. But a leader should be wary of falling into such a role for an organization that operates on such an unrealistic basis may falter in the achievement of its goals because of the same tendency to see what they want to see rather than what really is.

In this chapter I have painted a picture of leading in these times that is challenging at best and perilous at worst. I believe that today's wise leaders make judicious use of supports and does not rely on native talent -- however gifted and experienced she/he may be. I want to conclude this chapter by describing just two of the kinds of supports that are available to leaders: first, the development of a conceptual framework or a way of thinking about the leadership role and the organizations; and second, the use of consultants.

An old saying advises us that "There is Nothing so Useful as a Good Theory." Theory can ba a valuable support to a leader, providing perspective, insight, and a sense of mastery over confusing and complex organizational dynamics. A good theory can help a leader to develop a reflective attitude and to provide leadership to organizational members in this regard.

But, what makes a theory good? Is it when is appears on the best seller list? "How-to" management and leadership best sellers come and go at a dizzying rate. As the keynote speaker at a recent Academy of Management Conference noted: "Management has become a sexy topic." A leader who **follows** the popular tide may search for Lawrence's (1979) concept of "the management of oneself in role." Based on a perspective of the organization as an open system, Lawrence defined his concept as "a reorientation of the individual's of society; a reorientation from having/not having power and authority for the nature of one's being as a system interrelating with other systems, be they other people, families, enterprises, institutions, or society,"

I think that Lawrence describes an ideal state, but the point is that leaders may either encourage their organization's members to exercise authority or they may encourage dependence on the leadership. I am recommending the former.

5. **Learn that authority comes from the task.** Perhaps what distinguishes a leader from other organizational members more that anything else is their attentiveness to the task of the organization. The leader is less free than other members to flee the task or fight

the task. While the leader may participate in changing the task, he/she will lose authority if he/she loses the focus on the organizational task. Part of leader's job, then, is to clarify the task and to help others clarify a role **vis-a-vis** the task.

6. **Recognize your interdependence.** A leader can maintain authority only when it is recognized by those above, those below, and by the leader from within him/herself. Fantasies of omnipotence are common leaders, especially in these difficult excellence this year only to find him/herself switching to Theory Z the year after. A more satisfactory way to use leadership theory is to find one of the more stable and well-developed schools of thought that seems to fit your individual style, then to enter into a course of learning with the understanding that to master a theory to the point of usefulness will take years and repeated exposure over time.

A project director that I know has been actively learning the Tavistock tradition (1) for a number of years. She sets aside time to attend Travistock training events and encourages her staff to do likewise. She sets an example for her staff by pursuing personal learning and development and in taking a reflective attitude toward the work organization that these "times out" of the workplace provide. She state that she would have quit her job as project director if it were not for the help that Travistock learning has provided.

Another administrator that I know devotes at least two weeks a year to attending training events at the National Training Laboratories (2). He, too, describes this annual ritual as a "life line." I think that good leaders are often good theoreticians.

Another source of help for today's leadership is available through the judicious use of consultants. As in the choice of theories, a dizzying array of choices confronts the leader who takes up the search for a consultant to their organization. Let me outline a set of questions that may guide you through this search:

The first question is: "Do I want technical assistance? Is it a specific skill that I want to acquire for my organization? The skill could be grantsmanship or marketing techniques, and you might want a consultant who could simply service you organization with this skill or you may want someone who could teach the skill to you or your staff. Many consultants re-specialized by skill areas. Skills range from the more technical areas such as accounting or public relations to such personal skills as stress management, time management, assertiveness, etc...

The other kind of consultation I shall call "process consultation" This kind of consultant should be called when, in the words of Bob Dylan, "You know something's happening, but you don't know what it is." You may have a vague, uneasy feeling about your organization, or you may have more specific and well-defined notions about the difficulties your organization is experiencing, but not see a way to resolve matters.

In this situation a consultant may provide an educated and objective set of ears and eyes to clarify what's going on in the organization. He/she should be able to clarify and to turn unmanageable difficulties into management ones.

If process consultation is, indeed, what is called for, the next question you should ask is: Do I want a consultation for myself concerning my leadership role? Or do I want a consultant for the organization? The former choice may be less risky, as you alone will probably be the recipient of the consultant's analyses and interpretations. But this strategy may be less effective that contracting for a consultation for the organization -- depending on the situation. This would be a good question to address in an initial meeting with a possible consultant.

Once you have decided that a consultant would be helpful, the next question is: Who shall be the consultant? If you have adopted a school of thought, the task of choosing a consultant is simplified. You will probably want someone who practices from the same framework so that you can speak the same language and successfully collaborate with the consultation.

Both the use of consultants and the use of leadership training institutions, again, emphasize the interdependence of leaders. The

"Great Man" notion of a leader as someone who single mindedly and by divine right creates powerful and authoritative acts of leadership is passe. Even Shakespearean dramas reveal leaders who seek council and invite consultants to provide Elizabethean-style leadership training. This handbook may be just another in a long history of leadership training documents.

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NOTES

1.) The Tavistock Institute of Human Relations in London in represented in the United States by A.K. Rice Institute whose address is: c/o The Washington School of Psychiatry/ 1610 New Hampshire Avenue N.W., Washington, D.C. 20009/ (202) 667-3008.

2.) The NTL Institute for Applied Behavioral Science / P.O. Box 9155/ Rosslyn Sttion/ Arlington, VA 22209.

CHAPTER 5

Volunteer Management

Jean Carroccio

VOLUNTEER MANAGEMENT

Jean Carroccio

INTRODUCTION

Building homes for the poor, making hiking trails accessible to persons with disabilities, splinting broken bones on the ski slope, answering the suicide prevention hot line, and serving on Boards of Directors are examples of work volunteers do in our communities. The most recent data on volunteerism comes from the INDEPENDENT SECTOR. Their research reveals that in 1985:

23 million people volunteered 5 or more hours a week to the causes of their choice
48% of adults volunteered
52% of teenagers volunteered
Adult volunteers average 3.5 hours per week
42% give at least 5 hours per week
80% of all volunteers worked for charitable organizations
A person who volunteers is far more likely to be a financial contributor as well

These findings are good news for America's nonprofit organizations, particularly in today's political climate. The passage of the Gramm-Rudman-Hollings Act is having devastating affects on many nonprofits. "Not only do they have to seek out new revenues to compensate for lost federal dollars, but they also have to respond to the increasing needs for assistance from those constituencies affected by the cutbacks" (Seltzer, 1987).

One way to combat the effects of institutional funding cuts is for nonprofits to maximize the use of volunteers. "Money is, after all, money, no matter what its source. Ultimately, the human and social problems facing this nation must be solved by the work of an active, informed citizenry, not just by grants and contributions" (Allen, 1986).

The INDEPENDENT SECTOR data attest to the significant resources contributed to nonprofits by volunteers. Virtually any nonprofit can benefit from a well-planned and managed volunteer program. Volunteers provide linkages to other individuals, businesses, and the community at large. The formal and informal partnerships that result can prove critical for organizational survival. Volunteers can participate in advocacy and lobbying activities without the restrictions that apply to paid staff. Many nonprofits provide service delivery through volunteers. "Meals on Wheels" uses volunteers to cook and deliver meals to house bound people. Crisis hotlines train and use volunteers to counsel over the phone.

Formal partnerships between business and nonprofits are growing in popularity. These partnerships create an opportunity for considerable voluntary contributions. Employees with expertise in particular skills or professions can provide pro bono consultation on an ad hoc basis. The opportunities for the non profit are limitless for assistance with:

Planning
Marketing
Financial Management
Resource Development
Organizational Development
Service Delivery
Program Evaluation

Informal partnerships developed through your board of directors, staff, and other volunteers can result in the same kinds of donated resources for an organization. Volunteers can be an integral part of an organization. They can enhance the work of paid staff. They can significantly extend and humanize the overall service of an organization. They will ultimately contribute to the fulfillment of the agency's mission. "If we can learn how to recruit good volunteers, design meaningful jobs for them to do, interview and place each one carefully, and create a climate in our agencies that allows them to function effectively and creatively--just think of the astounding inroads we can make into the problems that confront our communities today!" (Wilson, 1976.)

WHAT WE KNOW

Eighty-nine million people volunteer regularly, according to the 1985 Gallup Poll, American Volunteer. These people averaged 3.5 hours a week and their donated time is valued at $9.81 per hour. If volunteer time were calculated into the Gross National

Product, it would contribute $110 billion. Clearly, volunteerism constitutes a significant resource for nonprofit organizations. "The renewal of interest in it over the past 20 years has come from four realizations: that paid professionals cannot meet all needs nor respond appropriately to all situations; that individual citizens, as volunteers, can bring their talents and concerns to bear on community problems in a way that expands and complements those professionals; that community problems are often too important to be left in the hands of a few to solve; and that volunteering is a positive activity for the volunteers, themselves, increasing their satisfaction and sense of empowerment with their role as concerned, involved citizens" (Allen, 1986.)

WHAT DOES TODAY'S VOLUNTEER LOOK LIKE?

Not too many years ago, volunteers were predominantly non-working women. Today, the volunteer profile is quite different. The increase in dual-career families, single-parent families, and, in general, the influx of women into the work force, has directly affected volunteerism. Current research reveals close to a one-to-one ratio of male to female volunteers. Furthermore, instead of a predominantly non-working volunteer force, we find that most volunteers are employed full- or part-time. At the same time, with the graying of America, we find increased voluntary involvement of retired and older Americans.

These demographic transitions dictate new approaches to volunteer management. "Contemporary volunteers want shorter term commitments, perhaps three to six months, as opposed to year-long projects. We now have to arrange things for more flexibility for the new volunteers" (Denver Post, Wilson, 1987). Furthermore, today's volunteers often look to nonprofit experience as a way to meet both personal and professional goals. The best volunteer programs and, often, the best volunteers, view the volunteer experience from an exchange perspective. This perspective recognizes that volunteering should be mutually enhancing both the organization and the volunteer gaining from the experience.

Business and Volunteers

One of the new trends in volunteerism is the creation of formalized volunteer programs within America's corporations. "In 1985, over 600 major corporations sponsored structured activities to involve their workers in community service volunteer activities.

More than 200 companies reported in VOLUNTEER's 1985 Workplace in the Community survey that almost 300,000 of their workers were active volunteers" (Allen, 1986). Their volunteer activities range from management assistance to direct service provision. Companies involved vary in size and are representative of virtually all industries. Their programs vary in structure, some employees are "loaned" for significant time periods to work on daily management functions. Others are allowed to volunteer for a few hours a week during the work day. Still, others are encouraged to become active, but must do so on their own time.

Businesses are becoming involved for numerous reasons. The most common rationales are centered around social responsibility, employee development, community image, and the recognition that a healthy community is tantamount to a profitable business. Again, we see the exchange perspective in action. Both the nonprofit and business are enhanced by their involvement in the volunteer program. A Denver accounting firm manager says: "We feel it's good for the personal development of our staff. We don't want them interested in just taxes and accounting. Volunteer work helps them when they deal with our clients, because it makes them broader people" (*Denver Post*, 1987).

Unemployment and Volunteering

The creation of "unemployment and volunteer projects" is another example of the exchange perspective in action. One such project was coordinated by Volunteers in Albany and supported by VOLUNTEER--The National Center: it "matches 39 individuals with volunteer jobs chosen to help volunteers develop new skills, sharpen existing ones and to develop increased self confidence and confidence in their ability to perform in a different work environment. A 50-member unemployment council, sponsored by Volunteers in Albany, provided peer support and a forum to learn about potential job opportunities, community services, and educational programs" (*Volunteering*, 1987). The project's evaluation report showed that significant percentages of the participants had achieved a paid job, a good job prospect, or had returned to school. Ninety-two percent reported that they would continue to volunteer.

Why Volunteer?

People initially become involved in volunteering because they are asked. But why do they say yes? The 1985 Gallup Poll, American Volunteer, asked that question of volunteers. The 1985 results are consistent with those of past years:

Do something useful/help others	52%
Interest in the work/activity	36%
Enjoyed the work	32%
Religious concerns	27%
Personal family involvement	26%
Gaining learning/experience	10%
Had a lot of free (leisure) time	10%
Thought work would keep taxes down	3%
Other reasons	2%

Volunteers continue their activities when certain agency climate controls are in place. There must be an atmosphere that communicates the positive value of volunteers. The volunteer role must be visible and respected by the agency staff and management. Volunteers need recognition too. If their work is taken for granted, they will not last over the long-term. Basically, the host agency must remove barriers to volunteer participation.

Volunteers are not free: they take space, time and money. But when managed effectively, their contributions far out-weigh their investments made on their behalf. They can bring new creativity and fresh ideas to your problem-solving. They offer unique skills and abilities and bring with them access to numerous people who may be beneficial to your organization. In general, they bring a new energy and enthusiasm to the organization. However, this energy, if left undirected, has the potential to be destructive. Volunteers, like any other human resource, need management. "Management includes needs identification, recruitment, placement, training, supervision, support, evaluation, and recognition of volunteers" (Beugen, 1987). Clearly, a vital volunteer program requires someone at the helm and the support of the agency's board and staff. The management of volunteers has become a business within a business.

There is a wealth of information on volunteer management available to volunteer managers. Local management support organizations collect information and often have libraries for your use. There are books and journals devoted totally to volunteer management. Many colleges and universities offer courses or certification programs in volunteer management. Finally, there are several organizations devoted exclusively to helping nonprofits solve problems and meet needs through the effective use of volunteers. VOLUNTEER-The National Center in Arlington, Virginia is the parent organization to over 380 volunteer centers located across the country. "The future is so important in shaping the civic direction of one's state and its communities. While volunteerism poses some problems we need to overcome, it, nevertheless, offers tremendous potential for addressing our most pressing community needs" (Langston, 1986).

SOME PITFALLS IN USING VOLUNTEERS

"They aren't reliable."
"They don't follow through."
"They take too much time."
"They aren't professionals."
"They just aren't worth it."

How many times have we heard or even muttered the statements above? Unfortunately, we are often "blaming the victim" when volunteers are blamed for the failure of a volunteer program. In most instances, problems associated with volunteers can be traced back to the organization's management practices. The attitudes expressed above are results of poorly planned and managed volunteer programs. Just as agency management in general can determine the health of the organization, the management of individual program components will also determine the health of that particular piece of the agency.

When the volunteer management system is not operating as it should, any number of problems begin to appear. The most commonly experienced problems are related to recruiting, retention, reliability, over-stepping boundaries, and burnout. It has been my experience that when an organization has or is experiencing problems consistently, the primary problem lies in the management of the overall volunteer program. Most problems will fall into one of three categories: inadequate or faulty planning, poor daily management and supervision practices, and inadequate evaluation of the program.

INADEQUATE PLANNING

Inadequate program planning can have disastrous results. Those experienced in volunteer management will tell you that the planning must begin with the executive director and board of directors. This planning should also include paid staff, who are often cited as one of the biggest opponents to a volunteer program. If not included early on in the planning, management, and evaluation processes, staff often begin to feel resentful and threatened by volunteers. Ongoing conflict between staff and volunteers will quickly destroy a volunteer program effort. "Volunteers do not function in a vacuum and are vitally affected by the climate of the organization, reflecting the attitudes of staff towards them" (Wilson, 1976).

In many cases where staff is being unsupportive, they are reflecting the attitudes of their directors. Furthermore, without input from staff, your chances of planning a dynamic and manageable volunteer program are minimal. In fact, you should solicit input from everyone in order to make the best decisions possible. When at all possible, the board, staff, and clients should all participate in the planning process. Although most organizations attempt to engage in some form of planning, their efforts are often too superficial. Those responsible for facilitating the planning process must take adequate time to gather information and study successful volunteer operations. Taking time at the outset to study and learn from others' mistakes and successes will save a great deal of time and frustration in the long run.

Planning, in and of itself, however, will not absolutely guarantee the development of a successful program. Thus, another pitfall is that of being too rigidly tied to an original plan. Plan your work and work your plan, as the saying goes. If you neglect to build in some evaluation check points, you may find yourself carrying out your plan beautifully, but accomplishing little because the plan itself is faulty. And faulty plans can affect virtually any segment of a volunteer program. Recruiting, training, retention, reliability, and burnout problems may all be related to poor decisions made in the original planning process.

The specific problems mentioned earlier (unreliability, poor retention, burnout, etc.) can be results of specific problems with recruiting, orientation and training, supervision, and evaluation. The most common problem is that one or more of these is simply not being done. There are tried and true methods for recruiting, orienting and training, and supervising volunteers. Nevertheless, new information for practice is generated frequently. Thus, staffing and supervision plans and management practices must be continually re-evaluated to prevent stagnation and program ineffectiveness.

In the area of recruiting, many nonprofits make the mistake of taking on anyone who walks through their door. The chances of finding excellent performers with this approach is about 20%. But this approach also means that you have a 60% chance of finding average performers and a 20% chance of ending up with poor performers. There are more effective recruiting methods than the generic approach.

These same pitfalls apply to the other components of a volunteer program. Weak orientation/training, inattention to motivation issues, and poor evaluation procedures will all contribute to the death of a volunteer management program.

One other issue that should be mentioned is the importance of creating and offering a variety of volunteer opportunities. Organizations with strong volunteer programs show great faith in volunteers by providing them with challenging opportunities.

Don't minimize what volunteers can do. Remember, your board is composed of volunteers and they are responsible for making sure the organization meets its mission. Peter Drucker once said, "A job not worth doing, is not worth doing well." Don't sell your organization or your volunteers short. Be sure you are offering chances for growth as well as opportunities for contribution. By the same token, be aware of volunteers' limitations. Most volunteers work part- or full-time. Few people choose to devote all their leisure time to volunteer activities. Unreasonable expectations can lead to problems with the retention of volunteers. It's a tall order, but volunteer opportunities must be carefully designed with a balance of reasonable expectations and worthwhile activity.

VOLUNTEERS NEED VOLUNTEERING

Program planners must step outside themselves and walk in the potential volunteer's shoes. If planners insist on drawing up plans with attention to their own needs exclusively, they are headed for trouble. Volunteers of today are willing to contribute substantially to causes of their choice. However, they are still interested in what their experience will do for them. They are looking for an exchange--their time and talents for something in return. Enlightened volunteer managers know this and they design their programs accordingly. Those that don't are suffering--they find themselves without volunteers altogether or with ongoing retention and supervision problems.

In general, shortcomings in volunteer programs are usually shared between inadequate planning processes and inattention to the exchange perspective that is alive and well in potential volunteers.

OLUTIONS: THE CASE OF "BUDDIES"

Buddies, Inc., is experiencing serious problems. A volunteer-based juvenile diversion project, Buddies matches adult volunteers with juveniles who have been in trouble with the law.

Their mission is to enhance the lives of young people through one-to-one relationships with volunteers.

Clearly, volunteers are the backbone of the Buddies' program. They are responsible for carrying out the mission--they are the service deliverers. Nevertheless, although the board and staff were both committed to operating a first-rate volunteer program, they were falling short. They thought they had planned extensively and their plan did include attention to recruiting, orientation training, and evaluation. Fortunately, the evaluation component was about to save the day. Its findings indicated that Buddies needed to reconsider their recruiting and orientation practices, their placement procedures, and their overall expectations of volunteers.

Specifically, Buddies was not getting an acceptable return on investment with regard to their general recruiting. When volunteers did respond, screening procedures were weak and often resulted in the "hiring" of volunteers with a low levels of commitment. Finally, Buddies volunteers often had unrealistic expectations of themselves. They believed they would be responsible for an overnight miraculous turnaround of their juvenile partner. When that didn't happen, volunteers became disillusioned with the program and would resign from their "buddy." This was causing chaos for the entire program, especially the clients. Here were kids from extremely unstable backgrounds, often including severe neglect, abuse and desertion. Then, entering an informal "treatment" program, they are deserted again. Clearly, some changes were in order.

Program staff began to look closely at their current recruiting practices. The generic recruiting was not working. Instead of a frantic attempt to broadcast everywhere to everyone, they needed to be much more pragmatic and use the "People Approach" developed by Ivan Scheier. Instead of a broadcasting for volunteers, which results in a 2% response rate, nonprofits using the People Approach clearly define, with the use of skills and traits, the position they want to fill; then they aggressively recruit specific people who fit the position description. Research indicates that people initially get involved in volunteering because someone asked them--someone specifically sought them out because of a specific skill or talent they could offer. When the "right" person (a person of influence with a personal or professional relationship) asks, this method improves the chances of getting an excellent volunteer from 20% to 50% and lowers your chances of recruiting a poorly performing volunteer to 5%. Buddies began to employ the people approach in their recruiting strategies.

Buddies also revised their screening procedures. They studied interviewing techniques and recognized the importance of careful screening, as so clearly stated by Ivan Scheier (Wilson, 1976).

1. The clients of the agency must be protected. They must be helped, not hindered by any volunteer involvement.

2.The agency's reputation is greatly affected by the volunteers who work there.

3.Morale of paid staff and other volunteers declines when inappropriate or poor volunteer placements occur; and

4.The volunteer himself suffers when misplaced.
(Wilson, 1976).

Buddies instituted a comprehensive interview process which included an initial registration form and two personal interviews. They soon realized that they needed to interview and screen volunteer candidates as carefully as they did paid staff. This meant Buddies needed to clearly define the volunteer positions they were looking to fill. One-page written job descriptions included key responsibilities, expectations and time commitments required, including an exit point. Next, Buddies began to examine the expectations being placed on volunteers.

Unfortunately, during initial screening and placement, expectations were not being clearly communicated. "We'd like it if you could give maybe three hours a week." This tentative approach resulted in an average of 1.2 hours a week. Similarly, volunteers were almost sheepishly asked if they could possibly commit to work with their "buddy" for one year. The average volunteer stayed with the program for 6.6 months. However, when Buddies stated very clearly, without hesitation, that in order to make a positive impact on a "buddy," the volunteer would be expected--in fact, demanded--to put in 5 hours a week, the average time put in was 6.6 hours. Furthermore, when volunteers were told clearly of the expectations of a one-year commitment, the average length of involvement became 11 months.

Buddies made additional revisions in their orientation and preservice training programs. Their exit interviews had revealed that another reason behind the retention problem was that volunteers had unrealistic expectations of what they could accomplish through their buddy relationship. When they found the relationship difficult and unrewarding, they interpreted it as failure and were throwing in the towel. Thus, in the orientation/ pre-training programs, Buddies realized they needed to make clear the kinds of experiences that could be expected.

In addition to these changes, Buddies also set new objectives for their supervision of volunteers. They recognized that individual counselors, although the experts at creating matches between volunteers and clients, should not be expected to handle overall volunteer management responsibilities. They could monitor the specifics of volunteer matches, but volunteers needed ongoing supervision in a more general sense.

Furthermore, the new program plans needed managing on an ongoing basis. Buddies' board and staff realized they needed to name a volunteer manager--someone who would be in charge of the volunteer program on a regular basis. Vowing to continue a well-planned evaluation process, the newly named volunteer manager set about implementing the new program revisions.

Buddies is fairly typical of how well-intentioned nonprofits get off on the wrong track with a volunteer program. Their original group of volunteers were unreliable, uncommitted, and seemed generally troublesome. But Buddies had a management tool in place that encouraged them to take a closer look at their system. Their evaluation system, coupled with the commitment of both the board and staff, provided them with the necessary ingredients to find workable solutions for their dilemma.

Perhaps this is a good time to recall, once again, that nonprofit boards of directors are volunteers. Not only do we place the future of our organizations in their hands (which says a lot about what volunteers can actually do), but most nonprofits learn early on that they must thoughtfully recruit, train, and, in a very real sense, "manage" their board. Don't forget these valuable lessons when you begin working with volunteers in an administrative or direct service capacity.

PRACTICE PRINCIPLES

DEVELOP A PLAN

Management experts overwhelmingly agree that lack of planning or inadequate planning is one cause, if not the most frequent, of organizational crises. When planning for your volunteer management program, use a planning team, include representatives from the board and staff, and, when possible, a client representative and a volunteer. Be sure all members of the planning team have a clear understanding of, and are in agreement with, the organization's mission.

Your planning must include both what you plan to do with volunteers and how you're going to do it. "That includes making a realistic budget (how much will it cost), defining appropriate jobs and organizational structure (who is to do what tasks), and planning work schedules (when will it be done)" (Wilson, 1976.)

Be sure to encourage creativity in the planning process. The point of using a participatory style with a planning team is to encourage a synergistic outcome (synergy meaning the whole being greater than the sum of the parts). Thus, with everyone's input and the careful examination of alternatives, your final decisions will be of the highest caliber: they will be better than what any individual could put forth on his or her own.

Finally, planning should permeate every component of your volunteer program. Planning is not a linear process, nor is it ever completed. It includes attention to long- and short-term considerations and is always subject to revision. "The simple fact is this: it must be an ongoing, constant process, because needs change, workers change, commitments change, and we must be aware of and responsive to those changes" (Wilson, 1976).

I recommend that you follow these 10 points when you embark on a volunteer program plan:

1. **Secure Board/Staff Commitment**

I alluded to the importance of the support and commitment of your board and staff throughout the chapter. This point bears repeating. "The board formulates policy and makes plans that affect volunteers, hires the executive director who should be responsive to volunteer needs, and passes a budget that includes adequate funding for volunteer support. "A review of volunteer management plans is a board responsibility" (Unterman and Davis, 1984).

In addition to board commitment, you need to engage the support of paid staff. The way to prevent volunteer/ staff conflict is to involve staff in the planning process. It is the most effective method for getting

the issues on the table and dealing with them constructively. Including staff in the process will reinforce the perspective that volunteers have a specific role which is different from that of staff. It takes many volunteers to fill one staff job. A great deal of fear and anxiety will be eliminated when the staff realizes that volunteers have a separate but complementary role in the organization. "People from all groups who will be affected by the volunteer management plan and who will be implementing it, should be given an opportunity to be involved in assessing needs, actual planning, or reviewing the plan. When people share their ideas and actually participate in the NFP planning process, they also share ownership and enthusiasm for the final plan" (*Strategic Planning*, Unterman and Davis, 1984).

2. Appoint a Volunteer Manager

"The skills used in working with volunteers are the same used in supervising paid personnel: organization, communication, delegation, training, negotiation, team development, etc" (Unterman & Davis, 1984). Volunteers need a volunteer manager. The person appointed does not necessarily need to be a paid professional--he or she could be a volunteer. The point is that someone needs to be in charge of managing the program and its volunteers. Choose your director carefully. In the presence of a poor manager, even the best laid plans and most exceptional volunteers will fail.

3. Offer Challenging Opportunities

Adopt a consumer/organizational exchange perspective when designing volunteer job opportunities. Recognize that volunteers have specific skills to enhance your organization and that your organization can provide volunteers with certain unique opportunities. On the whole, volunteers of today will not tolerate long-term stints of stuffing envelopes. You are in the company of some 800,000 nonprofits, which means that potential volunteers have virtually endless choices for involvement. You are also competing with people's leisure time--you'd need to be offering interesting work. By offering skill-building experiences, outlets for creativity, and leadership opportunities, you are more likely to attract first-rate volunteers. Equally important, you will be greatly enhancing the quality of your organization. This is exchange theory in practice--a win-win situation. Both volunteers and the agency gain through their relationship.

4. Create Expectations

Remember the concept of the self-fulfilling prophecy--we tend to get exactly what we expect. If volunteers are treated tentatively with "maybes" and "do you think you could....," you are very likely to find yourself with unreliable and uncommitted volunteers. Remember the Buddies experience. When they "hoped" for 3 hours a week, they got 1.2 hours, but when they made clear their requirement for 5 hours, they found volunteers were giving 6.6 hours of their time.

Create one-page job descriptions for all volunteer positions. Your volunteer recruiting should be based on organizational needs. Developing job descriptions will force you to define those needs. Keep them clear and concise. Include: title, purpose, major responsibilities, qualifications, and time commitments. If you keep your expectations reasonable, you will be pleasantly surprised at the performance of your volunteers.

5. Target Your Recruiting

General broadcasting for volunteers is ineffective. Remember, people decide to volunteer because someone (usually someone they know and/or respect) asked them and because they have an interest in the specific cause of an organization.

Therefore, nonprofits need to do two things--clearly define volunteer positions and seek out the specific kind of person who can fill the position. If you need a new brochure designed, using your board, volunteers and staff networks, identify who you know that has experience in designing brochures. Then have your contact ask the prospective volunteer if he or she would be willing to donate their expertise to your organization. You have an 80% chance of getting a positive response. Always use your current volunteers to help in recruiting other volunteers. When you have volunteers with deep feelings of commitment for your organization, they are likely to be your best recruiters. They will radiate their enthusiasm and it will be contagious to those around them. If each volunteer recruited one more person amongst their friends, acquaintances or business contacts, your volunteer ranks would double.

The more traditional recruiting methods should not be completely ignored, but, perhaps, given a difficult emphasis. Media blitzes are effective for raising awareness and increasing your agency's name recognition, but, in general, few volunteers are recruited this way. Your organization should have an ongoing recruiting strategy. You should be aware of the variety of recruiting methods and be covering all bases, but the bulk of your efforts should be with the people approach.

6. Orient and Train

Don't set volunteers up to fail. People may be capable of performing at an acceptable level, but, without proper introduction and information, they will fall short. First and foremost, make sure volunteers clearly understand the organization's mission. Everyone, including volunteers, should be able to recite the mission statement. Introduce volunteers to staff members, give them an agency tour, and provide them with written material about the agency. Volunteers should be active participants in an orientation. Encourage two-way communication during an orientation program. Potential volunteers and those already committed volunteers should leave with a clear understanding of how the program is structured, the goal of the volunteer program, who the agency personnel are, organizational policies, and volunteer benefits.

Although orientation is necessary for anyone involved in an organization, training may or may not be required for everyone. If an organization uses the people approach to recruit volunteers and uses volunteers in all facets of the organization, training is not always necessary. Obviously, if you recruit a graphic artist to design an agency brochure, you don't need to train that volunteer in graphic art. However, direct service resource development, or speakers bureau volunteers, etc. would all require some training. Remember too that people have individual learning styles. Some respond better to visual presentations, others to auditory programs, and still others learn by reading information. Cover all bases, and design programs which encompass all three approaches. Also learn to integrate informal training practices into the organization. Job coaching, a technique used in employment of people with disabilities, serves to train people on the job. Some job knowledge and skill is lost between pre-service training and on-the-job placement. Informal coaching daily can improve job performance significantly.

The nuances of training are complex. Be sure you "train the trainer" before he or she attempts to train the volunteer.

7. Reward

"Many management experts feel that, contrary to a claim we've heard since childhood by a well-known cereal manufacturer, feedback is the 'breakfast of champions'" (Stuart, 1986). Feedback, by definition, can be of a positive or negative nature. Although sometimes managers must confront a volunteer with negative feedback, research demonstrates repeatedly that positive feedback is the more powerful of the two for directing behavior. Therefore, try whenever possible to give positive recognition to your volunteers. Most organizations have annual recognition celebrations for volunteers.

However, most everyone in a supervisory position can improve on their ongoing, daily reward practices. There are literally hundreds of ways to let a volunteer know how much of an asset he or she is to your organization.

If you want to build an army of committed and competent volunteers, recognize and celebrate their accomplishments. We are a curious and paradoxical people. On the one hand, we want to be a part of the team, an accepted member; at the same time, we want to stand out for our individual successes. Therefore, recognize your volunteers, celebrate them as a group and for their individual contributions. Showing appreciation is the most cost-effective method of letting your volunteers know they are meeting your goals and their own. Let them know they are making a difference!

8. Structure Opportunities for Closure

Present volunteers with time-frames for their service. Just as board members should have defined lengths of service, so should volunteers. This is one of the best ways to prevent burnout. When appropriate, offer alternative assignments or sabbaticals--don't force someone, who may just need a break, to leave permanently.

Many potential volunteers who are employed full-time are more likely to get involved in short-term projects. Forming an ad hoc group to orchestrate a special event allows people to get involved for manageable time periods. Regardless of the position, always build in checkpoints, which allow the volunteer to exit gracefully.

9. Evaluate Your Volunteer Program

Evaluation, like planning, is an ongoing dynamic process. Original plans should encompass evaluative measures, covering both the overall program and the work of individual volunteers. Funders, both private and public, want to see results when they're made or are considering making an investment. Without evaluation plans, we cannot discern what's working and what isn't. Recruiting, training, supervision, job design, etc. all must be monitored.

Evaluation processes must include both quantitative and qualitative approaches. Having 78 volunteers who donate 234 hours a week is wonderful, but the all important follow-up questions are--what difference do they make? Are they contributing to the accomplishment of your mission?

Finally, a comprehensive evaluation process is useless if it is not put to use. An evaluation is a problem-solving tool. It needs to be distributed, discussed and acted upon.

Volunteers must also be evaluated. Individual reviews should be conducted informally on a regular basis and formally, at least every six months. Such reviews should be handled in the same way a staff supervisor evaluates a staff person. If a volunteer needs to be re-assigned or "let go," don't ignore the task. The organization will pay a price for keeping non-performers, and, ultimately, the client pays the highest price.

10. Sense of Humor

Research is revealing that the saying, "Laughter is the best medicine" is more than a cliche. In fact, humor and laughter are quite instrumental in healing and health maintenance. The most famous case of using laughter as part of the healing process is that of author Norman Cousins, who was suffering from a debilitating and painful disease with a poor prognosis.

"He watched comedy films. He noted that one ten-minute interlude of laughter produced two hours of painless sleep. Further, each laughter interlude resulted in a reduction of inflammation." Over the long term this use of humor in conjunction with nutrition and vitamin therapy, Cousins was able to recover his health. Laughter does have therapeutic value. It serves as internal exercise and massage. "It is also a remarkably useful thing in the context of the whole process of human communication, in that it is an aid to the expression of other emotions and to the transmission of important messages of spiritual, political, educational, or commercial nature" (Allen, 1982). Our lives are stressful--working at solving society's problems can be extremely stressful. One of the most effective ways to deploy stress is to laugh frequently and heartily. Use your sense of humor--discover its power.

CLOSING THOUGHTS

Volunteers are everywhere, waiting to be asked, waiting for an opportunity to make a meaningful difference in their community. You are in a powerful position--you can offer the chance for someone to make a difference. Volunteers come in all shapes and sizes, and from all age groups. Former President and First Lady Jimmy and Rosalyn Carter are volunteers, sawing wood and pounding nails to build homes for people in need. Use your imagination! Imagine what your organization might be if it were all that it could be. Do that instead of finding reasons to be as you've always been. "Our imaginations, our dreams, our visions are the most practical thing in the world simply because we won't work for what we can't imagine, and what we won't work for we won't achieve" (Haskins, 1987).

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Part II: Assuring Resources for the Nonprofit Organization

Resource Development: A Manager's Approach to Fund-Raising
Stephen Wertheimer

Earned and Ventured Income
Michael Seltzer

Financial Management for Nonprofit Organizations
Gary N. Scrivner

INTRODUCTION TO PART II

ASSURING RESOURCES FOR THE NONPROFIT ORGANIZATION

Resource development, the development of earned and venture income, and financial management are all required of nonprofit organizations if they are to meet their purposes and assure their survival. These essentially "business" skills differ in between the third sector and the situations and practices of business and government, though not entirely. The effective nonprofit manager must master these skills, and know how to use them in the context of nonprofit organizations.

In the chapters in this section, you will learn how to support and sustain a nonprofit organization, and how to plan and balance the resources you can generate to the various tasks at hand. Without a full understanding of the skills taught in these chapters, no nonprofit organization will be able to survive: in this line of work, as with others, there exists a "bottom line" that must be met.

CHAPTER 6

Resource Development: A Manager's Approach to Fund-Raising

Stephen Wertheimer

RESOURCE DEVELOPMENT: A Manager's Approach to Fund-Raising

Stephen Wertheimer

Some Initial Thoughts

This chapter is an effort to put fund-raising in a comprehensible context for staff executives such as yourself whose primary experience and skills are in program service, but who have fund-raising responsibilities in their agency. Consequently, the issues which are discussed will be basic and not encyclopedic. I have tried to suggest some of the main concerns you will face in devising a workable fund-raising plan in your situation. Not all contingencies can be foreseen, but the main thrusts of your efforts are considered and suggested solutions and guideline offered. You should feel comfortable, however, to adapt what is said to fill your circumstances and to be guided by your own instincts about the agency you serve and your abilities to take executive action.

Fund-raising, after all, is an executive or management function. It requires of its practitioners an ability to identify the problem that needs to be solved, collect information and analyze its significance to the situation, assess available resources and deficiencies, devise a plan of action that responds to the situation, and make things happen that are called for in the plan.

That is why I am confident that you, as a proven manager in the operation of your agency, can become a successful fund-raiser. Use the information that follows as a starting point and build from there.

A Definition of the Case

Supporters are attracted to causes that show evidence of obtainable objectives and thoughtfully designed programs. When these are described specifically and stated clearly, we call it the "case for support." This is incorporated in a document that is used as the basis for many cultivation and solicitation activities. This document:

- defines activities specifically;

- identifies desired outcomes precisely;

- articulates tasks and functions needed to reach the defined objectives; and

- states the over-all significance of the agency and its programs (not and end in itself, but to serve essentially for a larger goal.)

When you develop your draft, avoid at all costs, the "needy" cause syndrome ("We need, you give"), the "plug-the-gap" appeal ("We're in debt and the program will end by May"), or the world will be saved ("Our program will end the problem of [fill in blank"]. Donors are "consumers" and have every right to examine their "purchase" to be sure it is real, meaningful, and reliable -- "as advertised." Donors, in fact, are smart enough (or fund-raisers should consider them to be) detect implausible arguments that appeal mainly to conscience, guilt, fear, or messianism. Such claims are fraught with special problems for general audiences.

Your first task in making your case is to develop a document which marshals the facts and data on both the problem to be addressed by the institution and the outcome/objective, and which sets forth the work plan for the institution to achieve the desired results. This document in its essential features is written in straight-forward expository prose. From it can come the varied documents needed for fund-raising appeals, e.g., direct mail letters and flyers, foundation proposals, public affairs/information items (news releases, feature articles, etc.), and speeches/statements by institution leaders. This document should be formally reviewed at least annually and continually revised as experience and opportunity arise. A small committee of lay leaders and staff should review it; avoid having it "written" by a committee. Be sure, however, you include all proper concerns that are of concern to your institutional family.

Determining A Goal

A goal in dollar terms should be realistic, both as a function of what is needed and of what can be raised. First, you must project your revenue from "hard" sources that can be secured during a given fiscal year (use historic evidence and the counsel of colleagues in funding agencies). Estimate the revenue you can expect from charges, i.e., fees, and sales of services and products. The difference between revenues from grants, contracts, and fees/sales set against a tight, prudent expense budget may suggest your fund-raising (the "goal" = "deficit" syndrome is often a short computation to disaster).

Realistic goals are derived from analytic integration of historic data of performance; the degree of certainty of commitment by an institution's leaders, staff and volunteer to undertake all reasonable efforts and provide support resources to the fund-raising effort; consultations among representatives of varied support groups; and the counsel of the responsible executive staff. The adoption of a goal in whatever amount is a collegial enterprise, not a directive from above or a rote computational process. When many agree on a goal, they can more comfortably work towards its realization; there surely will be less post-mortem gripes and "I told you so."

The above points refer to annual support goals, i.e. general funds to support on-going operations and programs. It does not address issues of capital funding, whether for acquisition or construction of facilities or restricted/endowed funds for programs. These kinds of funds require capital campaign fund-raising which will vary in important ways from the considerations that are described here.

Designing a Campaign Plan

Fund-raising is the execution of a planned sequence of activities that are designed to present the strongest compelling appeal for the finest gift possible from a prospect at a time when he/she is most ready to commit to give it. In short, fund-raising is not an impromptu exercise.

A campaign should coincide with the institution's fiscal year, to avoid possibly misleading comparisons between different accounting periods and simplify reporting on gifts and over-all fiscal results. Actual solicitation activities should be concentrated into a particular season which is chosen when staff and volunteers are best able to focus their energy and attention and it does not conflict with other local appeals that are of major proportion (United Way or other broad-based appeals, especially for social service or civic causes), although it will surely be impossible to find a completely clear season when no competing drives exist. The length of a campaign should provide enough time to develop plan and materials and implement related public relations before the formal public kick-off announcement; provide a sufficient span of time for solicitation by mail and in-person to take place in orderly phases (lead or special gifts, general gifts; first round and follow-up appeals and final activities, such as "clean-up" and thank you activities to leaders, solicitors, and donors. A reasonable slice of time is three months;

anything that reaches beyond six months stretches the attention-span of all concerned.

Asking for the Right Amount

Prospects need to know kinds of gift are required from everyone to meet the goal and how to measure appropriately the extent of their own participation. That, in turn, requires campaign managers to determine the fiscal components of their campaign goal. Experience has shown that a campaign goal divided by the number of expected donors to yield an "average" gift will have great difficulty achieving its target.

Instead there are at least two and sometimes four levels of gift sizes. From the top down, these might be called"

- Major gifts, sometimes lead or advance gifts; generally these are $1,000 or more;

- Special gifts, which are at least $100 or at higher break points such as $250 or $500 (curiously few gift categories are aimed at $200 or $300); and

- General gifts, which comprise all under $100 donations.

It should be noted that in all categories requests must be mad with specific mention of the amount being solicited; donors rarely surmise spontaneously what they should give and a campaign will be in major difficulty if too many major or special gift prospects give at general gift levels and, to compound the problem, general gift donors give $5 gift rather that $25 or $50. Participation is important, to be sure, but quality participation is critical for success. To help visualize how gift levels are develop, fund-raisers use the donor pyramid; some divide the donor pyramid into equal thirds, others place greater (or lesser) importance on the top or lower levels. Here is how such pyramids might look for a $250,000 goal:

	Gift Size	Number Needed	Total
A. Equal Thirds			
	$25,000	1	25,000
	10,000	4	40,000
	5,500	6	30,000
		11	95,000
	1,000	30	30,000
	500	100	50,000
		130	80,000
	100	300	30,000
	50	600	30,000
	10-25	700	15,000
		1,600	75,000
Grand Total		1,741	$250,000
B. Top Gift Loaded	50,000	1	50,000
	25,000	1	25,000
	10,000	4	40,000
		6	115,000
	5,000	10	50,000
	2,500	10	25,000
	1,000	25	25,000
		45	100,000
	500	25	12,500
	100	100	10,000
	10-50	200	5,000
		325	27,500
Grand Total		376	242,500
C. General Gift	25,000	1	25,000
	10,000	2	20,000
	5,000	4	20,000
		7	65,000
	1,000	25	25,000
	500	50	25,000
	100	200	20,000
		275	70,000
	50	600	30,000
	25	1,500	37,500
	18-20	2,500	37,500
	15		
		4,600	105,000
		4,882	240,000

Obviously, different campaign strategies are called for in each of the scenarios. The model you choose will depend in large measure on how you evaluate the giving potential of your perspective donor constitutency. If you have an affluent prospect pool, the Top Gift model may be most realistic. If prospects for big gifts are few, efforts to gather more middle and lower range gifts must be emphasized. Each focuses on different techniques and requires slightly different campaign styles.

In each case, before you begin, devise a donor pyramid. It will help you target the right group to solicit with the most energetic means. There is no "science" to this; you must simply use available information on your community's giving history and the prospects most readily and realistically available to you.

<u>Getting the Leadership In Line</u>

Few fund-raising efforts succeed without leaders. One will do, but that is rare and it suggest a cause not likely to outlive the commitment, or mortal span, of that leader. Ideally your leadership should be embodied in a broadly-bases grouping of individuals, each of who brings distinct strengths, services, and energies to the institution.

The prime leadership should be situated in a board of directors or trustees who hold the legal and ultimate policy powers of the institution in their hands. In addition, there could be boards or councils of advisors and professionals who identify with your institution's program. A broader group could include members, whether professional or lay, who wish to be a part of your activities in some way but with a lesser level of obligation. Of course, some members will give evidence soon that they wish to bring people in closer to the formal structure and to exploit in a being way their readiness to serve.

In terms of fund-raising, the role of trustees/directors is clear and unavoidable: they must set an exemplary pace to all prospective donors by giving the finest gift of which they're capable -- and the campaign publicity should make it well known that this is so. By "finest gift" I mean that even an individual of modest means whose service in wisdom and judgement is invaluable should give **something**; not all board members can give four, or five figure gifts, although there is every good reason to seek as many directors as possible who can, in fact, give such amounts. One should not compromise standards by placing a person on the board solely for their means, but it is simply foolish not to have as many people possible who enjoy prosperity on your board. A common rubric is directors/trustees should give three W's; wealth, wisdom, and work. A better variant is to insist that every prospect for board leadership is able to provide two aspects of that triad (or one in an utterly smashing way.)

Who should be on a board? All kinds. Your board should reflect demographically the people you serve and the people from whom you gain your support. Just as a "country club set" board is an albatross, all things considered, so is a "poor people's set" board. For the good of both sets, they ought to sit together anyway and learn from and about each other. How many people for a board? You can never have enough people who back your program and objectives. Concurrently, you should never have more that you can keep intimately informed and closely involved with your programs and activities. You should never let them be so many they become remote rubber-stampers. You should know all of them well on a personal level; friendly, if not friends, but your personal allies in advancing a cause you both believe in (when this feeling sours for any reason, you should revise your resume; they will start placing "Position Open" ads with a box number). Not only must each member of the board individually back your fund appeal as a donor, but you must recruit several of them to take a leadership role in your public appeal for funds.

Finally, keep in mind this dictum (and let them know it to): A board sets and oversees policy, it does not execute and administer policy. They keep their eyes and ears open, but their hands off!

Who are the Prospects, Anyway?

Prospects fall into three broad categories individuals, foundations, and corporations. As with many other things in life, however, it is rarely that simple. For example, some individual prospects may have personal or family foundations through which they make their "personal" gifts. Some corporations are closely-held and, in fact, give gifts at the direction of their owner. Again, it becomes a "personal" gift. And some corporations create foundations through which they channel their giving; fudging even more the distinction between real people and legal structures through which gifts come.

What this suggests is that building a prospect list involves research. (At the end of this chapter, there is a short bibliography and reference guide on books and research materials, and organizations which can help you identify and evaluate prospects.

Names will need to be accumulated from many and diverse sources such as previous donors, obviously, board contracts; donors to other causes in the community, and local people in both profit and nonprofit organizations who would lend you their lists or point to promising sources.

List should be qualified on the basis of reasonable criteria for support potential. That is, avoid the phone book, box number, or every mailable address list in town. Fund-raisers are especially eager for lists of a) people who have the means to give, b) people in groups, clubs, associations, or other groups which share common concerns with the cause or institution, or c) people listed on the personal mailing roster of an important community or civic leader (and who would also be willing to associate his/her name openly with an appeal). If all your efforts do not produce many names from these sources, you may need to got to a commercial list broker who can counsel on appropriate lists and acquire them for you, at a price.

Corporations are easier to account for, but of course, not all corporations are the same. You will need to research both local as well as national companies which do business in your community (a plant or major facility). This will need to specify key officers and directors; giving patterns, if any, and how one presents requests; and general information on the size and nature of the business, the number of employees and operating locations. If a list of corporations becomes lengthy (probably 100 or more), some criteria for separating them into prime and secondary prospects is in order (you can't speak or reach everybody; save your effort for the most promising prospects). Perhaps the key criteria for the purpose are giving record, if available; size of business; location of plants or operations, and number of employees, in that order.

Foundations will require a similar research effort and also should be ranked into prime and secondary prospects. Remember, too, that foundations rarely increase the number of grants made from year to year. Most make renewal gifts; when you seek a grant you may have to displace a previous regular recipient, so your case must be strong. And be certain the foundation supports general operating needs, not capital or special projects. Many foundations will only give one-time grants or "pilot" and "demonstration" projects.

In all of this, one must be imaginative but disciplined. Not all individuals or entities are prospects. Even in the remote case where they were, there would surely be neither enough time or people (staff or volunteer) and budget resources to effectively solicit them. Confide your prospect building to high-pay-off potential: 1) People who have the means to give and some evidence that they can be responsive to your strongest appeal; 2) corporations who state that they can give to causes such as yours and are in a position to do so, e.g., are profitable; 3) Foundations which have guidelines for giving compatible with your institution's need and grant making resources responsive to your goal. Be patient, too. Not all your prospects will be identified in the first year. You will need to add to your list regularly, month by month. For that matter, you will have to drop names that turn out to be unsolicitable.

What's Next? A Campaign Timetable

Beware of the **ad hoc** campaign. Recall we mentioned earlier that fund-raising is an orderly sequence of steps which leads to a request presented to a prospect at the right time.

Let's, therefore, look at how you might organize the work that will go into putting together your campaign. We'll just list them in broad outline; note that some things will be on-going throughout a campaign -- and even beyond, throughout the year. Some of the items in a stage must happen simultaneously, especially during planning. In later stages, they begin in sequence, although step one continues even as later steps commence. Above all, don't let things stop. Once a delay sets in, it becomes extremely difficult to renew everyone's attention and energy.

1. Planning Stage (two to four weeks)

a. Organize accumulation of names of prospects and begin research on them.

b. Devise a case statement and derivative solicitation materials, e.g. brochures, letters, pledge/gift forms, thank you and response devices (including reply envelopes), stationary, and miscellaneous forms.

c. Develop a gift receipting and acknowledgement system, including an appropriate accounting scheme that meets your accountants/auditor's standards; and

d. Recruit key leaders to serve as a campaign steering committee which will evaluate prospects, assign them to appropriate solicitors, lend names to general and specific appeals, and serve as liaison among board, staff, donors, and the public.

2. Solicitation Stage

a. Seek major gifts from leadership groups of institution; then

b. Seek special gifts; then

c. Seek general gifts; and

d. Press on with all solications until completed.

3. Final Stage

a. Prepare formal and universal thank you acknowledgement to donors;

b. De-brief solicitors on assignments and record information;

c. Develop complete record of campaign, especially for each donor and even non-donor prospects; and

d. Prepare a "check out" report for guidance in planning next campaign.

This is, of course, a highly general work plan. Some of those activities can happen in a day, or less. Others, however, will take many days and some will be on-going until the very last moment, and beyond. Given you institution's ability to mobilize its resources, you as a manager will be to assign the allowable time for each task. Then be sure to stick to the plan; modify it only as circumstances require.

How to Solicit

Salesmanship has usually been considered one of the things American business does preeminently well. Each American is exposed to hundred of sophisticated (yes, and crude) advertising and sales techniques in the course of a week. We are in a "sales or marketing" defined world.

All this makes it a bit of a mystery why so many of us act as if we have never been exposed to the techniques of salesmanship when we have occasion to solicit someone for a gift for a charitable cause. Selling **is** as American as apple pie. And selling is not debasing or demeaning; selling shoddy goods or service is. So, look at this process positively.

Most solicitors would be able to increase their effectiveness markedly if they would only accept a prime principle of salesmanship, namely, successful salespeople first determine the prospect's need before they talk about the product or service they wish to sell. It matters little whether the "product" is a hospital wing, an innovative educations program, or the latest technical hardware.

Salemanship is basically an understanding of needs and an attempt to present a product or service in a manner designed to answer these needs. In one sense, fund-raisers are continually attempting to discover a prospect's need, or "interest" (e.g. what types of institutions and causes a prospect involves him/herself with).

More often than not, it doesn't work that way.

When you have been given a list of a prospect;s previous interests, you have only been given the basic parameters of a future conversation. You must then talk about these general points in such a way as to determine what the prospect feels is most important.

The prospect's perceptions of the needs might be at total variance with the "obvious" approach most well-meaning, but novice, solicitors would make. As a result of an initial talk, however, you can usually avoid this pitfall.

One of the more interesting and educational exercises for a would-be solicitor is to watch a good salesperson talking to a potential customer. The first impression is that the salesperson is usually there to **listen** to the customer-client as much as to sell a particular product or service. He or she probably asks follow-up questions about the prospect's perceptions. In short, the salesperson is carefully determining their prospect's needs.

Once it can be determined why a prospect feels a particular area is important, it should be relatively easy for you to present your institution's needs in such a way as to reinforce and further those elements that the prospect felt were significant. This does not mean that you must distort the institution's program or objective to conform to the wishes of a potential donor.

Rather, be flexible enough to take the prospect's views and relate them favorable to the fund-raising objective. This process is called salesmanship.

The following highlights some of the basic do' and don'ts:

1. **Do your homework:** Determine the past giving record of the prospect and try to identify possible areas of interest with your institution. This gives the rationale for your initial call.

2. **Don't start selling as you walk through the door:** Your institution is concerned much larger human and social problems than simply meeting this year's budget needs. You're there to talk about these larger goals, and to listen to the prospect's views.

3. **Relate the prospect's perceptions to the project you feel most matches your mutual aims:** This is the heart of the sales phase of your call. Give it all the creative lift. It should do the same for you.

4. **View the prospect as a person:** It is amazing how many solicitors think of their prospects simply as "money," or "sales," not people. If the prospect is to invest in your enterprise, the lease he/she be allowed to do is examine and discuss the cause you represent directly, fully, and frankly.

5. **Listen before you leave the meeting; get a clear and understanding of the next steps:** If the prospect wants more facts, agree on a format -- letter, memo, or another visit -- and set a realistic timetable. Meet this timetable.

6. **Keep the ball in your court:** Don't wait for the prospect to make the next move. You must arrange the next step. Write down your impressions as a permanent records.

7. **Don't expect a home run the first time at bat:** Unless you're raising money for the victims of yesterday's mammoth flood, there is not cause so pressing that it requires a "yes" or "no" answer that day. Rushed decisions are more likely to be "no." Make haste slowly. Remember, no one can force your prospect to give to your - or any other cause. They must want to give; you job is to develop a desire to take these steps in the fullness of time.

8. **Once you've sold them, keep them sold:** The best prospects for any institution are almost always its previous donors.

9. **Keep a donor involved as a person.** Invite him or her to special functions, write them when you aren't talking about money, and even ask for their advice and ideas. Think of the donor as a general institutional resources, not just a financial one.

10. **Ask you prospect to identify other prospects.** "Referrals" are the lifeblood of a consistently good salesperson and this holds for philanthropic salespeople as well.

11. **Be a team.** Take someone with you on call. Make sure one of you **asks** for for gift or the way to take the next step. Someone must "close the sale" and it often helps to have a friendly supporter at one's side. Try to pick someone who complements your role, e.g. a board member-volunteer, and can bring a different perspective than yours to the conversation. Unless these is a good reason, do not go in trio or quarters to solicit. More is less.

12. **By viewing your role as a salesperson, not as a mendicant, you should be able to increase your rate of success.** Do not think of your role as a "beggar" or tin cup booster. Most failed solicitation calls come about because of a poor self-image of what the process is all about. You are asking your prospect to be part of an opportunity to deal directly and wholesomely for a cause of institution in which you believe (you **have** given your **own** gift of time and money, so you are entitled to feel good.) You are asking for no less than what you have done yourself. Be strong.

Paying for Fund-Raising

You will need to spend money to raise money. There is little question about that.

There are, however, many questions about how much to spend. And few good answers.

One cost is generally invisible, namely the time of those staff who do fund-raising but are not in functional fund-raising titles (in this chapter, we're assuming you do not have a full-time professional staff member to run your institution's fund-raising campaign.) Strictly speaking and according the generally accepted accounting guidelines, the cost of staff should be allocated to function to reflect actual financial practice. You should consult with your board and its treasurer, your staff accountant, and your outside auditor on the procedures appropriate to your agency. (And from a fund-raising standpoint, I urge you to have an outside auditor to certify to the credibility of your financial status. To many funding sources, an audited financial statement, or the lack thereof, makes the difference in a gift decision.).

On direct costs, there is not precise percentage that servs as a certain guide. Most "watchdog" agencies, such as the National Charities Information Bureau, will begin to ask more probing questions of gift-recipient agencies when the percentage of costs edges over 25% of the amount raised. There may however, be good reasons why costs are high, especially for new organizations.

Whatever your percentage maybe, you should be prepared to defend the fundraising budget on its merits. For example, printing is often a major cost and subject to careful review. Hence, be sure your prices from vendors are the lowest for the quality you need (and take advantage of discounts of volume, i.e., printing 50,000 is not double the cost of printing 25,000; you may make good use of the added quantity which returns more than the incremental cost of the larger order.) You should aim for quality, not necessarily for glossy printing, but well-designed and well-executed materials. There is no pay-off for looking homemade, so don't apologize for spending to get good results.

Your budget should include provisions for:

a. **Printing:** a modest brochure, stationery (either dedicated to campaign or extra amounts of your regular letterhead and envelopes), business reply envelopes (postage paid and self-addressed to assist donor to respond), pledge cards, thank you forms, etc.

b. **Travel and meetings:** you and your staff members will need to meet prospects, either in their homes or office at at group gatherings; if you prospect pool is in one city, car fare and meals may suffice; if you cover a state or parts of several states, your budget may need to be ambitious.

c. **Computer Service:** to keep track of prospects and donors, you will need to acquire computer help, whether through a service bureau or in-house; if the latter you will probable need hardware or software, even if you already have computer capability.

d. **Consumable and miscellaneous supplies:** every office activity takes it toll in paper-clips and reference books and other services or products that keep communications and activities moving along.

e. **Postage and telephone:** you will send much mail and if your prospects are outside your toll zone, call many people; your budget should allow for as many as three mailing to all prospects and unless the numbers are large, you will not be able to gain the savings from non-profit bulk rates.

f. **Miscellaneous:** the "stuff" that doesn't fill into the big categories, but which an office need to operate; if you don't have nay firm figures, use ten percent of the previous totals as your safety margin.

Remember budgets are plans of action stated in numerical terms. In short, you need to know what you will do to build a sensible budget. But also remember that it is but a plan; if in operation it cannot work or opportunities arise, be bold enough to change it (but get your key leaders to back you; don't surprise them at the end of the year.)

The "PR" Factor

For every fund-raising problem, there are those who have a "public relations" solution. Beware of these people.

A good story on your noble cause in a local newspaper or even national exposure will not be transferrable to fund-raising results. Getting a high-powered publicity drive underway will not generate gifts all by itself.

Remember the wisdom of an old mentor of mine who said "public relations is the handmaiden of fund-raising." It will help your fund-raising to have a good public relations or publicity effort. Its effect will be to increase your institution's visibility (we hope for good reasons) and establish credibility among the general public, and, in turn, the prospective donor public.

So, by all means, have someone on your staff (perhaps backed by a volunteer group with good professional skills and credentials) generate new releases and suggest features to your local media. Highlight program successes, especially when they can be identified with individuals. Be forthright when called to give answers to breaking new stories on issues that concern your program or on controversial issues. Your candor will make media people rely on you in the future when you would like them to cover a story.

Be aware, however, that not every story you suggest or release will come out your way. Reporters give their own "spin" to events. If you are in to the media game, you must accept some of the risk. All news stories are, by their nature, out of context. Your indigent letter to the editor or follow-up press release will itself be "out of context." The "truth" rarely catches up in the next edition.

Relax, it's fun to see your name in the papers.

<u>With All Thy Getting</u>

... get understanding from your donors. Yes, getting the money is important. Fund-raising is critical to your success. But donors should be thought of for more than fiscal resources to be tapped annually and then shelved for another twelve months.

Donors are your best advocates. They can speak up for you in the community and among professional and business associates. They can give you access to expertise and services you could not buy or retain. Their good will can make your agency and its cause a force to be reckoned with in the formulation of policy that affects not just your agency but the larger social issues in which you deal.

To do that, make them feel that their financial investment in your cause makes them, in a sense, partners in your common enterprise. Send them information and news on a regular basis. Invite them to suitable occasions and meetings. Answer their mail. Send them a pleasant thank you when they give; invite them to take some role in your work. I can't suggest all the possible things donors could do to be sensibly involved with your case, but give the problem of how it can be done in your situation a great deal of careful thought (and ask others on your staff and leadership to do likewise.)

And finally, remember that fund-raising should be fun. After all, the first three letters of that verb spell F U N!

Enjoy the process.

The Artifice and Craftiness of Fund-Raising

In the case that follows, you need not worry about the actual outcome of the issues, but consider them merely as "theoretical." There are, moreover, no correct answers, but analytical method and procedural skills will be desired outcomes to this exercise.

*** *** ***

You are engages to be the fund-raising consultant on development for the National League for Urban Development, and amalgm of more than 100 city-wide civic improvement associations that promote business and jobs, health and social services systems, and cultural uplift. Each association is on its own, financially and programmatically, but the national office, which is your client, provided technical aid, national public relations and identity, Federal liaison, and, of course, fund-raising oomph.

You have been brought on because the "oomph" and is "pfsst." No in in your circle has ever heard of N-LUD and the money in the bank show it. Last year, they raised $175,000, most of it from the usual "do-good" foundations and a mailing to the most liberal-minded fund-raising lists money could buy (it had a response of 1.5% and raised $1.10 for each $1 of cost; 3,000 names came on to the donor list.) A national board is dominated by delegates selected by the local bodies. No one from a major foundation ($10 million-plus assets) is represented. The "public" members are friends of the designated delegates.

The national office has an incumbent director of development. You suspect he may be recumbent. In any event, you've got to find out quickly if she is good enough to implement your plan.

And you have got to develop that plan quickly to bring in dollars now; your consultancy expires in six months unless the renewal option is exercised.

As you plan your first day of consulting, here is what you may be thinking about:

1. How can I test the director of development's skill and commitment? Indeed, what skills should she have? How does she test commitment? Does skill outweigh commitment? (Or, do you need to be a patient to raise money for cancer?)

2. What can we do about business support? Is there a case that will get is excited? After all, business does its business in urban settings; shouldn't it back a group that seeks to create "livable cities that earn a living for people and companies, "as N-LUD's charter puts it? Perhaps the answer, in part, is to get a spokesman, What if we were

to recruit someone like Lee Iacocca to do it? Let's see: what would be a strategy to bait a hook that will lure Mr. I to the N-LUD cause?

3. What does that liberal mailing list tell me about N-LUD's changes as a public appear? Should we do more mailing? What about the present donors? Can they give again -- and more? How to do it? An when?

4. The board looks troublesome. They appear to know everything about zoning and jobs, but nothing about public leadership. How can they, representing their local groups and local professional interests? Still, a movement needs regulars, folks who act upon conviction and special knowledge. But, we need to invest some PR life into the body so that it spurs the organization to action. Maybe I should devise a suitable structural plan to integrate leadership symbolical and actual, grassroots and national, advocates and specialists, lay and expert? How? Who would be on my mythical dream board?

5. The N-LUD Executive Director has a national budget for $1.6 million, mostly derived from local chapter dues, meetings, services (the locals get charges for tech help), and overhead from grant money (Federal and foundation) Income breaks out this way:

a.	Dues, 100 associations (per Metro area)	$ 25,000
b.	National and regional meetings, conclaves and conferences, net expense	150,000
c.	Services of tech program experts	800,000

d. Federal and foundation grants, overhead at 10% 300,000

e. General fund-raising 175,000

What is sensible fund-raising budget? What is the case for a generous initial investment? How can a big jump in the current development budget (it goes largely for the DOD and two secretaries, mail, travel, and miscellaneous; it does not count inputed administrative overhead such as rent, telephone, and supplies) be justified, in light of eventual return? What will national "watchdog" agencies, such as the National Charities Information Bureau, say?

6. Here's a group that has a local presence in 100 major centers and **no** real public recognition. Public relations (perhaps you'd better define that for the N-LUD executives, so they know what it **is** and what it **can** do and **can't** do) would help fund-raising. How can we get some attention in the media? Is it worthwhile to stage some events? An awards program? Let's see if we can brainstorm 25 ideas and work on making five of them happen?

CHAPTER 7

Earned and Ventured Income

Michael Seltzer

EARNED AND VENTURE INCOME

Michael Seltzer

INTRODUCTION

Food products. Greeting cards. Cookbooks. Calendars. Magazines. These are only a few of the consumer products that have become staples for nonprofit organizations in their fundraising efforts. In fact, the array of goods and services that nonprofits have created for sale at the marketplace is endless. Traditional items such as buttons, T-shirts, bumper stickers, and posters have been joined by numerous imaginative and needed goods and services. Consider the following examples:

> In Philadelphia, the House of Umoja, a volunteer organization that works with gang youth members, runs a security service that guards shopping centers and all-night grocery stores.

> Bronx 2000, a nonprofit development corporation in the South Bronx in New York City, operates a recycling center. The center--called R2B2 for Recoverable Resources/Boro Bronx 2000--is putting money into the pockets of the unemployed, the elderly, the homeless, and others.

The Northwoods Coalition for Battered Women in Bemidji, Minnesota, runs a computer Services business to provide financial support for its shelter services and to train battered women in computer-related skills.

Again in the South Bronx, the Bronx Frontier Corporation has built up a composting operation. They have recently added a new product to their line--"Zoodoo"--the outcome of an agreement with the New York Zoological Society, who realized that their animals produced economic assets!

Examples of creative ventures by nonprofits into the consumer marketplace abound in almost every community. This trend is not new, however. After all, the Girl Scouts have been selling cookies for fifty years. The gift shop at New York's Metropolitan Museum of Art was established in 1908. In fact, some well-known classics in their field, such as the _Fanny Farmer Cookbook_, were originated by nonprofit groups. Fanny Farmer developed her first cookbook to raise funds for the Boston Cooking School in 1896. The War Resisters League, a national organization that promotes Gandhian nonviolence as a method for creating a democratic society free from racism and human exploitation, has designed and sold peace calendars and appointment books for twenty-five years.

Clearly, both new and older nonprofits have learned something about the public: individuals are consumers as well as contributors. Also, both small, community-based groups and their larger institutional nonprofit counterparts have learned that they can produce goods and services that are in demand in the marketplace.

How do nonprofit groups, unaccustomed to the vagaries of the business world, learn to operate in this environment? How do they decide whether they have something of value to offer that others will be compelled to buy? How can nonprofits develop the necessary business acumen to earn enough from their efforts to cover direct costs and to add funds to help defray the costs of their core programs? These questions need to be answered before any nonprofit organization can successfully enter the consumer marketplace.

THE DIFFERENCE BETWEEN EARNED AND VENTURE INCOME

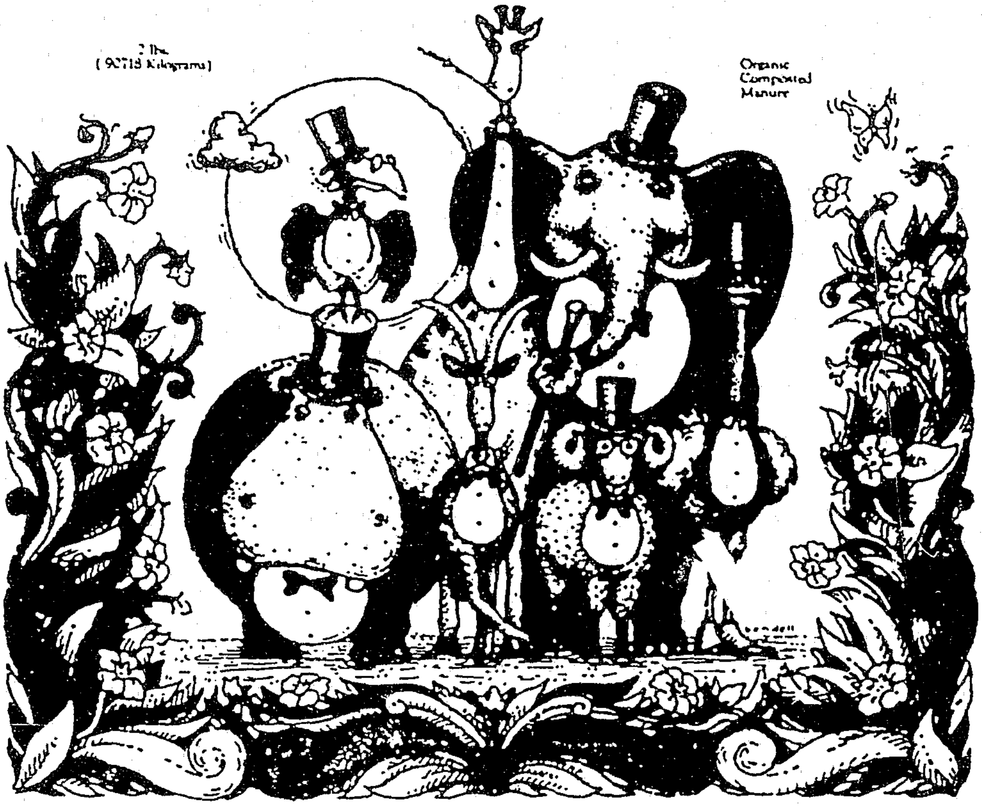
Earned and venture income projects are activities and enterprises that a nonprofit organization undertakes on a regular basis to generate revenues to support its work. These efforts are businesslike in the classic sense, since they involve the exchange of goods or services between two parties.

Animal Kingdom Reports

NO ODOR! NO MESS!

ZooDoo™

Donated by refined Bronx Zoo Animals for healthier plants and prettier flowers.



Corn As High As an Elephant's Eye?

The composers of "Oklahoma" didn't know about ZooDoo when they wrote those words. But New York area gardeners may be boasting such crops with the latest organic fertilizer, which hit the market this spring.

ZooDoo is manufactured by Bronx Frontier, a community development corporation in the South Bronx. The major ingredient is manure "donated by refined Bronx Zoo animals." It also contains garbage from Hunts Point Terminal Market, Westchester County municipal leaf collections, and nearby stable manures. Bronx Frontier composts the mixture into an odorless soil additive.

Two-pound bags of ZooDoo are on sale in the zoo Safari Shop and at the New York Botanical Garden. ZooDoo is also available at several local garden centers. Project funds came from the Ford Foundation, the Stewart Mott Foundation, and several corporations.

Earned income ventures such as this unlikely offering from Bronx Frontier often make use of the most unexpected assets.

Source: Animal Kingdom Magazine. © 1984 The New York Zoological Society.

Earned income is the term used to describe the revenues a nonprofit organization generates through direct program-related activities. Examples include: fees for tuition and classes, ticket sales, book sales, consulting fees, clinic visit fees, and any other fees for services rendered. In the strictest sense, these efforts are usually consonant with the purposes and objectives of the sponsoring organization. These programs, in fact, are launched for mission-related rather than income-generating reasons. That is not to suggest, however, that they do not generate revenues. The YMCA, YWCA and YM/YWHA are classic examples of nonprofit organizations whose traditional program activities--educational, social, cultural, and athletic programs for adults and children--involve fees and admissions. Nonprofit theater groups are another example, since they usually charge fees for tickets to their performances.

Venture income describes income from projects that are undertaken solely to generate new revenues for an organization. These projects may or may not be consonant with the mission of the sponsoring nonprofit. A museum might operate a gift shop to bring new revenues to its coffers. A school would run a bookstore to do the same. If the museum or school were motivated for other reasons, such as providing an educational service to their constituents, these efforts would more likely be classified as earned income activities rather than venture income activities.

What distinguishes venture income from earned income is the primary intention behind the project. An example of venture income projects are monasteries in the United States and Europe that produce wine and other alcoholic beverages for sale. The monastery of La Grande Chartreuse in the French Alps has been producing and distributing Chartreuse, an aromatic yellow liqueur, since the eighteenth century. The income generated helps support the Carthusian religious order founded by Saint Bruno in the eleventh century.

Less illustrious examples are the greeting cards and calendars that numerous small and large nonprofits produce each year to raise new funds to support their work. Even parent-teacher associations have joined in: P.S. 41, an elementary school serving Greenwich Village in New York City, designs, produces, markets, and sells a calendar each year featuring the art work of some of its students, contributing to the school's art and music budgets. On a national level, the National Black Development Institute, based in Washington, D.C., produces the *Calendar of Black Children* each year. In 1983, they sold more than 5,000 copies to support their work on behalf of black children in the United States.

Occasionally, economic development projects are categorized as venture or earned income efforts. Such programs are not included in this chapter. Economic development projects are organized to better the community and may aim at creating new jobs, building low-income housing, or revitalizing neighborhood businesses. These programs should also generate revenues, but income is secondary to the primary social objective.

HOW THE IRS VIEWS EARNED AND VENTURE INCOME

Federal and state laws permit nonprofits to engage in business enterprises within certain guidelines. Usually, the Internal Revenue Service expects income-generating activities to be related to the organization's charitable purposes. A nonprofit can engage in an activity that is not related to its charitable purposes as long as it is not the group's primary purpose and does not account for more than approximately 25 percent of the nonprofit's total expenditures and effort. Additionally, state laws allow nonprofits to operate businesses as long as no distribution of income is made to members, directors, or officers.

Some nonprofits that undertake totally unrelated business ventures choose to create new subsidiary for-profit corporations whereby revenues revert to the nonprofit corporation, since the latter is the parent of the offshoot.

Tax law in regard to this form of income is still evolving. Because of complaints by small businesses that nonprofit organizations were using their tax exempt status to unfairly gain a competitive edge over merchants selling the same products, the Treasury Department has recently endorsed significant revisions in the tax law that governs the business operations of nonprofits. While no changes have yet been made, it is very likely that a new law will be enacted soon with a stricter definition of what kinds of enterprises are related to an organization's charitable purpose, and that enforcement in general will be more rigorous.

Thus, nonprofit would be wise to consult an experienced tax lawyer before starting any enterprise. An experienced accountant will also be needed to advise you on how best to set up your books and the necessary accounting procedures.

SOME FACTS ABOUT NONPROFITS AND EARNED AND VENTURE INCOME

How much income can nonprofit organizations generate each year through earned and venture income projects? Hard and fast statistics are not available to answer this question, but according to an article that appeared in the *Wall Street Journal* on August 7, 1985, over 23,000 nonprofits reported income "not substantially related" to their charitable purposes. Individually, nonprofits have been known to generate from hundreds to millions of dollars in business enterprises.

More nonprofits enter the field as they investigate new ways to raise funds in response to government cutbacks.

What kinds of nonprofit organizations successfully engage in earned and venture income projects? As the examples indicate, both small and large groups have successfully entered the field. What has distinguished these efforts that have succeeded from their less fortunate counterparts?

In most cases, the successful nonprofit has identified a product or service with a ready-made market. That product is related to a tangible asset of the organization, such as its skills, expertise, constituents, or knowledge, or even to an intangible asset as long as it can be converted into a product for sale. That product or service has most likely evolved from the group's purpose, since most of its existing resources and assets have resulted from programs related to that purpose. It makes sense then for an organization's first foray into earned income to be related to its purposes.

What motivates individuals and businesses to purchase goods and services from nonprofit organizations? Consumers buy goods and services because they have a need for them. In other words, the product has an inherent value to the purchaser. This holds true even if the product appears to be totally decorative or frivolous in nature.

Of course, some individuals purchase an item or services from a favored nonprofit for more altruistic reasons, or because of a sense of obligation. But these motivations are not as predictable as the former, and they don't automatically translate into a steady source of new revenues.

Many consumers look strictly for the best buy, and this attitude may explain the thrift shops that are operated in many communities by the Salvation Army, Goodwill Industries, and other charitable groups.

Some people are motivated by a desire to express their personal values by purchasing gifts from organizations that reflect their concerns. This explains, in part, why many nonprofit items enjoy brisk sales around holidays such as Christmas, Hanukkah, Kwanza, etc. The bottom line, however, is that people buy products and services because they need them; thus, the nonprofit needs to identify goods or services it can provide that really respond to people's needs.

WHAT ARE THE ADVANTAGES OF UNDERTAKING EARNED AND VENTURE INCOME PROJECTS?

1. Success in earned income efforts increases an organization's independence and self-reliance. Your income is no longer subject to priorities set by outside bodies--government, foundations, corporations. While there are inherent risks in undertaking earned income ventures, there is also the freedom to dispense with the profits in any way you see fit, as long as it is consistent with your legal purposes. You can decide whether your newly found revenues will be used to support your general operational costs or a particular program, new or current, that your board chooses.

2. Your prestige and public image can be enhanced dramatically by your new presence in the marketplace. More people, including

potential contributors, will become aware of your organization, its purposes, and its work. At the same time, you will be reaching new constituencies and spreading educational messages about your work.

3. Your staff will learn, or further develop, skills that will apply to other agency activities, such as public relations, marketing, planning, and budgeting.

4. Morale of staff and board will be enhanced as a new steady source of income evolves.

WHAT ARE THE DISADVANTAGES?

1. Risk. Risk. Risk. As in any small business venture, success is not assured. In fact, the failure rate for small businesses in the United States within the first two years of operation is staggering. There are no statistics available on the failure rate of nonprofit business ventures. The risk is usually higher for venture income than for earned income activities. Of course, the risk can be reduced with careful advance planning.

2. If your project fails, you will inevitably end up with egg on your face, since an earned income enterprise is such a public activity. You should assess in advance how much damage to your reputation might occur if your venture were to fail. This is part of calculating your risk.

3. Ambitious new income-generating ventures can take as long as three to five years to realize a profit and be fully self-supporting. They are therefore not a likely source of immediate funds. Such enterprises should be geared towards future needs.

4. New income-generating activities can require hiring new staff and/or retraining existing staff. New employees need supervision as well as support. Sufficient supervision is needed to deal with the new demands on your time.

5. As an income-generating enterprise prospers, an organization can lose sight of its primary charitable purposes in the course of day-to-day operations. Keep in mind that earned income is solely a means to an end, rather than an end in itself. Your objective is strictly to raise funds to support your charitable work. Your attention shouldn't be diverted from building successful programs that reflect your mission. In addition, you want to guard against the temptation to pour all your creative juices into ways of financing your work rather than into the work itself.

6. If your enterprise generates unrelated business income (that is, revenues from projects not consonant with your charitable purposes), your revenues are taxable by local, state, and federal authorities. In fact, your taxes will then be no different from the corporate taxes any small business is liable for. Bear in mind that you can lose your nonprofit tax status as well if the business

becomes your primary activity and accounts for more than 25 percent of your total expenditures and effort.

7. In addition, as we have already noted, forthcoming changes in the tax law may take a much narrower view of what constitutes a business activity "substantially related" to your charitable purpose. You will want to get good advice from a tax lawyer as to whether your proposed venture meets the appropriate guidelines.

8. Time. Time. Time. Earned income efforts inevitably take more time than you project to become self-supporting and generate a profit. Regardless of how methodically you may have been in developing your business plan, you will probably find that more time will be needed as the venture proceeds. This may result from factors unseen, or totally beyond your control.

LESSONS AND PITFALLS

Entering the marketplace does pose certain ethical questions for a nonprofit group. For example, should an environmental group prints its greeting cards, posters, and calendars on recycled paper? The proposition sounds simple but, unfortunately, it is not: support recallable paper proves to be more expensive, and the additional cost will cut into the product's profit margin? The group may choose to abandon the idea, since it may reduce the resulting sales revenues which are needed to carry on the group's conservation work. Don't be afraid to abandon an idea that conflicts with the organization's values and/or is uneconomical.

Consider, for example, the community-based social service agency that has to staff its new thrift shop in the low-income community it serves. Should that agency rely on volunteers from local service organizations, or should it try to provide some job at minimum wage to unemployed members of the community?

These two hypothetical situations amply demonstrate how the pursuit of profit can raise basic questions for organizations that are also concerned with factors that don't appear on a profit/loss statement.

It is unrealistic to expect to leave your values outside the door when you undertake income-generating projects. At the same time, you must remember that the purpose of earned and venture income efforts is to produce revenues to support the activities of your group that directly promote the public good.

If you find that your business plan squarely confronts some of your organization's values, address these conflicts head on. You may choose to abandon the project in favor of another potentially less objectionable one.

Similarly, you may want to undertake certain fee-for-service programs that stem from your mission but that will never generate sufficient revenues to pay for any other programs. They may not even cover their own costs. These programs are probably very important to you, and you should continue them without expecting them to be income-generating. They are not, in fact, business ventures; they are merely programs that happen to have certain fees attached to them.

Success in raising funds from business ventures is a heady experience, giving an organization a new sense of accomplishment, confidence, and pride. Alas, failure has the opposite effect. The moral? Explore your prospective projects carefully and wisely before entering into the world of business.

WHAT ARE THE DIFFERENT TYPES OF EARNED AND VENTURE INCOME PROJECTS?

There are as many kinds of earned and venture income activities as there are nonprofit organizations. In their important work, *Enterprise in the Nonprofit Sector*, James C. Crimmins and Mary Keil provide the following helpful table and explanation of the spectrum of nonprofit enterprises. This chart will give you a better sense of the full array of possible income-generating efforts. (See insert A.)

The following case study (see insert B) will give a better idea of the wide variety of options available to nonprofit organizations who wish to use their assets and skills in the business world to finance their primary activities.

DECIDING WHETHER YOUR ORGANIZATION SHOULD UNDERTAKE AN INCOME-GENERATING VENTURE

There are many different ways for nonprofits to enter the business world. The question you must address is whether such ventures are appropriate for your organization. If you need to raise $5,000 in additional funds, organize a special event! Don't start a business. The purpose of income-generating projects is to provide a long-term source of revenues. Review the following list to see whether your organization would be a good candidate to undertake an income-generating venture.

1. Are you already involved with potential earned income projects without even realizing it? Are you already providing services for which you could be charging a fee, modest or otherwise?

2. Does your staff possess skills that would be marketable and in demand by the public or by business or other nonprofits, and can you make these skills available? Fortunately, more and more individuals who have worked in the voluntary sector for a number of years have come to realize that is in demand on the open market. Correspondingly, businesses are appreciating anew some of the abilities that people develop in nonprofit work. Many concepts that originated in the nonprofit sector have become evident and useful in the corporate sector, particularly in such areas as human resource development and employee counseling.

1981

The Spectrum of Nonprofit Enterprise

NEAR/*related to program* ⟵⟶ FAR/*from program*

		Convenience		Selling the Name			Extensions that are	
Program	**Program Revenues**	**Near**	**Far**	**Giving**	**Royalties**	**Downtime**	**Related**	**Unrelated**
Services specified in the organization's charter	Revenues earned from the program delivery (earned income)	Enterprise activity related to the type of organization: closely related	more distantly related	Marketing the name or prestige of the organization to patrons or supporters (quid pro quo giving); contributions oriented	a wider public (licensing the name)	Income derived from the downtime use of an organization's assets	Offshoot of regular program or necessities of the organization	Business venture totally unrelated to any aspect of the program
				EXAMPLES				
Museum: *Contemporary art exhibit*	Admission charge	Sells postcards/prints in shop	Cafeteria open to public after hours	Sells tote bag with name/logo of museum	Sells reproductions of pottery in collection	Rents out exhibit halls for parties	Sponsors tour of European museums	Sells air rights to condominium developer
University: *Undergraduate and graduate degrees*	Tuition	Bookstore; room and board (dorms and cafeterias)	Record department in bookstore	Sells football jerseys, bookcovers with name of school	Takes patent on drug developed in laboratory—royalties earned; software developed, sold	Sells computer downtime; corporations use dorms and classrooms for conferences	Athletic department runs summer clinics	Leases extra land to farmers; real estate development
Rehabilitation program: *Job training and counseling to handicapped*	Fee for services (client pays and/or government reimburses)	Sells special supplies; provides family counseling	Provides taxi service for handicapped—rides for a fee	Sells T-shirts with name of organization	Sells manual explaining how to replicate its program; consulting	Sells counselor downtime to corporations	Sells product produced by handicapped workers	Invests money in solar energy company
Orchestra: *Symphonic performances*	Ticket sales	Sells programs at performances	Sells drinks during intermission	Sells mugs, paperweights with orchestra name/logo	Produces records of performances; television performances	Rents out hall during downtime	Offers classes or workshops on music; offers music lessons	Runs record store

Source. Reprinted from *Enterprise in the Nonprofit Sector,* by James C. Crimmins and Mary Keil (Washington, DC: Partners for Livable Places, 1983), by permission of the publisher

The Spectrum of Nonprofit Enterprise

Our survey found that nonprofit enterprise has developed across a wide spectrum, ranging, at the near end, from enterprises *closely related* to the organization's program (ticket sales, tuitions, admissions) to, at the far end business endeavors basically *unrelated* to the organization's program (real estate development, investments in industry).

Based on the data we gathered, we have "filled in" this spectrum with eight different enterprise categories under which, we believe, almost every possible nonprofit enterprise can be placed. The table outlines the categories and illustrates them with examples. It should be noted that none of the four examples represents a real institution—it is rare if not impossible to find any nonprofit that engages in all eight types of enterprise; rather, they are composites of organizations contacted during our study.

The table starts at the far left with those enterprises most closely related to the organization's program or purpose and ends on the far right with those most distantly related to the organization's program or purpose. The categories follow:

- ☐ *Program* describes what the organization actually does; that is, the services specified in the organization's charter. Examples run the gamut of nonprofits, from ballet companies to zoological societies to halfway houses for runaway teenagers.
- ☐ *Program revenues* are income earned directly from program activities themselves, such as admissions for performances, tuition for classes, fees for services.
- ☐ *Convenience* is any enterprise activity related to the purpose or character of the organization that runs it.

  Near signifies those convenience-oriented enterprises that are more *closely related* to the character of the organization: a university selling books or renting dorm rooms; a museum renting tape recorders and cassettes for exhibit tours.

  Far signifies those enterprises that are more *distantly related* to the purpose of the organization: a college bookstore selling toothpaste; a rehabilitation center providing a taxi service for handicapped clients.
- ☐ *Selling (e.g., licensing) the name* is marketing the name or prestige of the organization in order to realize a profit.

  Giving is contributions oriented and concentrates on the patrons or supporters of the organization. Opera lovers buy the company calendar and tote bag; supporters of an ecological nonprofit buy stationery and T-shirts showing the logo of the organization.

  Royalties reach a wider public and involve selling the good name or valuable assets of the nonprofit. A museum can sell reproductions of pieces in its collection; a botanical garden can license the use of its name on packets of flower seeds.
- ☐ *Downtime* represents income derived from the use of a nonprofit's assets when the organization is not using them. These can be physical assets, such

as space that can be rented to other groups (concert halls, offices, conference rooms), or they can be human resources, such as skilled personnel that are "hired out" to other organizations or corporations (computer programmers, counselors).

- ☐ *Extensions that are related* to the organization take the convenience category one step further. This involves expanding an enterprise activity related to the organization beyond its immediate needs and clientele. Examples include a university opening the student laundry to the public or starting a computer software firm and a nature center expanding its hiking tours of the Alps into a travel service.
- ☐ *Extensions that are unrelated* to the function of the organization conclude the spectrum. These may evolve out of physical assets that the group can leverage into income or may be strictly business investments that have nothing to do with the organization's purpose. Examples include real estate development of unused land, investments in any type of business, ranging from oil wells to pizza parlors.

Source: Reprinted from *Enterprise in the Nonprofit Sector,* by James C. Crimmins and Mary Keil (Washington, DC: Partners for Livable Places, 1983) by permission of the publisher.

Case Study
BOSTON WOMEN'S HEALTH BOOK COLLECTIVE

In fifteen years, the Boston Women's Health Book Collective (BWHBC) has raised over $1 million in earned income from the sales of its pioneering work, *Our Bodies, Ourselves* (*OBOS*). And its members did it "their way."

The Collective, which is active in women's health issues both in the United States and internationally, began its successful venture into publishing in 1969. In that year, a group of 13 women friends got together to compile a list of "good" ob-gyns; that is, doctors who treated women as partners in health care and who shared information about available treatment options with their women patients. They soon realized how little they know about their own bodies' functioning. Each member of the group then researched a particular health topic, such as menstruation, pregnancy, abortion, and birth control. The results of their labor first appeared as a pamphlet published by the New England Free Press in 1970. By 1974, the book that evolved from this initial effort had sold three million copies worldwide, had been translated into 12 languages, and was providing a continuing funding base for the BWHBC.

Today, the BWHBC operates a center with the most extensive collection of women's health information in the country. It responds to countless inquiries and requests each year. In addition, it undertakes targeted projects to bring health care information to underserved women, such as women in Massachusetts prisons, and advocates changes to improve women's health, such as a tampon project that aims to establish new safety and labeling standards. Its annual operating budget ranges between $150,000 and $250,000.

The Collective's road to success was long and lined with critical management and organizational decisions at each juncture. How did the Collective achieve its financial success? What lessons did its members learn along the way?

Making Decisions. The challenge before the women of the BWHBC was always to maintain a collective decision-making process in which decisions were reached by group discussion and usually consensus. While this process was often time-consuming, the group felt, in the words of BWHBC member Wendy Sanford, "we operated with the most energy, effectiveness, and authenticity when our decisions were based on the shared ideas of every member." It was important for the Collective to pay attention to the personal experiences of members. Individuals' own personal histories were valued as much as any factual information. This was the key principle in *Our Bodies, Ourselves*. Textbook views of "female troubles" were supplanted by women's experiential knowledge, which had previously been considered illegitimate and nonprofessional. The weaving together of information and personal anecdotes played a large role in making the book accessible to a wide spectrum of readers.

Today, the board of directors of BWHBC still makes its decisions by consensus

Their effective collective process has evolved over many years of practice, and requires a high degree of trust. In turn, the group has been remarkable for its longevity and stability. Of the current 13-member board, eleven have been involved since 1971.

Learning New Skills, "Credentializing" Old Ones.

When *OBOS* first appeared as a pamphlet in 1971, it quickly became a runaway word-of-mouth success. The members of the Collective had pooled $1,300 from their own pockets to make the first printing possible. The pamphlet struck a responsive chord in its readers, who were demanding control over their lives. A huge generation of sexually active young women were looking for ways to deal with a medical establishment that had not yet accepted "what nice unmarried girls do."

As a result of the overwhelming response to its first fledgling effort, BWHBC was approached by Athenaeum, and then by Random House and Simon and Schuster. They were all interested in publishing an expanded edition of its work. As a result, the Collective's members had to quickly learn how to negotiate a contract with a major publishing house. They sought out a feminist lawyer, who was able to secure the terms most desired by the Collective. They included: veto power over cover design and advertising copy; a ceiling on the price of the book; $3,000 towards a Spanish translation of the book; and a special 70 percent discount on book purchases for clinics and health counseling organizations. Simultaneously, the Collective decided to earmark all income from royalties for women's health education projects.

Since everyone in BWHBC wears so many hats, they had to develop many skills. They started out with in-house writers, editors, and a graphic designer, but soon had to learn to be medical researchers, administrators, managers, public speakers, and marketing experts. While Simon and Schuster, the chosen publisher, handled the marketing of *OBOS*, the Collective itself marketed the Spanish edition, mostly by mailing flyers to individuals on mailing lists obtained from other organizations. "We became experts through self-education," Judy Norsigian, a BWHBC co-director, stated. Also, several Collective members strengthened their backgrounds in public health, and thus brought a more sophisticated epidemiological perspective to their work. Norsigian feels that the Collective still needs stronger fiscal management skills in areas such as budgeting, and more systematized office procedures.

Diversifying Income. Royalties from the sales of *Our Bodies, Ourselves* are still the preeminent source of income for BWHBC, although the percentage of annual revenues derived from book sales varies widely from year to year.

In order to insulate its annual budget from fluctuations in royalties and to secure its financial future, the Collective has taken steps to diversify its funding. Foundations, such as Arco and Helena Rubinstein, have been successfully solicited for particular programs, such as the Spanish-language edition of *OBOS*. The State of Massachusetts provided $60,000 to establish a women's health and learning center in the state prison system.

In addition, BWHBC mails out a fundraising letter to its prime contacts each year. It usually nets a 10 percent return. The last appeal brought in over $22,000. Also, a regular pool of supporters sends in roughly $4,000 each year unsolicited. Finally, BWHBC has been able for two years to invest $50,000 in a stock portfolio, thus producing additional revenues. Today, BWHBC continues to seek out additional ways to broaden its financial base.

The history of the Boston Women's Health Book Collective is a testimony to the ability of a nonprofit organization to generate significant earned income.

and a tribute to the women who made *Our Bodies, Ourselves* a classic. In addressing their own personal health concerns, the 13 original Collective members spoke directly to millions of women around the world, and in so doing transformed the relationship of women to the medical profession.

by Ellin Stein and Michael Seltzer

Some organizations' special knowledge can be translated into books with strong consumer potential.

Source: Boston Women's Health Book Collective, Boston, MA

3. Does your statement of purpose suggest any goods or services that may be feasible projects to develop? Are these "products" already sufficiently available in the open marketplace? Or would you be meeting an existing need?

4. Does your organization have ready and potential access to the types of business skills, such as marketing and advertising, that are inherent in your venture? Do you also have access to the up-front capital needed to mount your earned income venture? In all likelihood, you will need start-up funds to defray your initial expenditures, until such time when revenues will exceed costs.

5. Do you have available staff or skilled, reliable volunteers to devote to all the planning, designing, and implementing stages of the effort?

6. Do your board of directors and your staff support your potential foray into the earned income arena? Undoubtedly, many of their preconceptions about how your organization conducts its affairs will be challenged: they will need, for example, to become accustomed to thinking in terms of profit and loss.

7. Do you and the others most closely associated with your organization have a pioneer spirit and temperament? Are you willing to live with the risks that accompany business ventures?

8. Can you name two or more individuals who might be able to advise you on how to effectively launch an earned or venture income project?

On the basis of your answers to these questions, you should be able to rate your chances of generating revenues through the sales of programs, services and/or goods. Remember, you are trailblazing as entrepreneurs in the nonprofit sector, an environment unaccustomed to such activity. Failure may result in substantial loss of valuable time, money, and people power for your group--commodities that no nonprofit can afford to part with lightly.

DECIDING WHICH GOODS OR SERVICES YOUR ORGANIZATION COULD SELL TO THE PUBLIC

If, after reviewing the questions above, you believe that your organization could successfully engage in an earned income project, the next step is to draw up a list of all your tangible and intangible assets. An inventory of these assets and resources will provide you with an array of products and services to choose from.

This is an exercise that lends itself to group brainstorming. Use the following checklist, adapted in part from _Enterprise in the Nonprofit Sector_, to develop your inventory.

CHECKLIST:

MAKING AN INVENTORY OF YOUR ASSETS AND RESOURCES

1. **Tangible Assets.** What do you own or have the right to use? Real estate? Office, video, or other program-related equipment? Do you have any valuable items (collections, stock, materials)?

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

2. **People.** Make a complete list of the people who work for your organization and of all their skills and talents. What kind of skilled and unskilled labor is available on staff and in the community? Do you have, or can you attract, community volunteers? What skills and expertise do members of the board have, and what about the group's active membership?

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

3. **Traffic.** Who comes to your office and who passes by your office? What types of individual are most likely to be near your office? This exercise help you to think through the needs of your immediate constituencies.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

4. **Facilities.** What space do you own or lease? What are its particular advantages--does it have a kitchen, conference facilities, parking lot, warehouse space? What other facilities are available in your community for use?

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

5. **Patents, Licenses, and Copyrights.** Do you have a product or program that could be licensed, patented, or published profitably for reproduction and sale?

a. ____________________

b. ____________________

c. ____________________

d. ____________________

e. ____________________

6. **Time.** Think about when your organization's equipment, facilities, and human talent are used and when they aren't used. Is any of your work or usage of equipment or facilities seasonal? Are there times when equipment or people's talents are free to be used for an income-generating project?

a. ____________________

b. ____________________

c. ____________________

d. ____________________

e. ____________________

7. **Reputation.** What does your name mean in the community and to whom? What is your area of expertise, and what kinds of products and/or services does this suggest you could offer?

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

8. **Programs, Services, and Goods.**

a. What are the programs, services, and goods that your organization is currently offering?

____

____

____

____

____

b. Which of these do you want to continue to provide free of charge or at reduced costs due to the purpose of your organization, the constituencies serviced, or for some other reason?

____

____

c. Which items listed in response to question 8a can be potentially converted into income-generating projects? Definite Ongoing Prospects:

____

____

____

____

____

Untested (Need Further Information):

____

____

____

____

____

d. Enumerate which current and potential constituencies would value the programs, services, and goods listed in response to question 8c.

Programs, Services and Goods	Constituencies
____________________	____________________
____________________	____________________
____________________	____________________
____________________	____________________

e. What characteristics do these constituencies share?

____

____

____

____

____

f. What is **your** sense of why these individuals value the aforementioned programs, goods, and/or services?

____

____

____

____

____

g. **Identifying New Programs, Goods, and Services That Your Organization Can Use to Generate Income.** List the five most promising ideas that you found in completing the checklist.

a.____

b.____

c.____

d.____

e.____

Completing this checklist provides an organization with a sense of the range of options it can draw on in choosing an income-generating project. Remember--the process only **begins** with a good idea. What follows is more important. Look at the list of five most promising products and services that you have come up with. Determine which of the income-generating activities from this list are feasible. Feasibility can best be assessed by measuring your possible projects by the following factors:

1. Start-up capital required, as well as sufficient funds to cover monthly operating costs and cash flow needs.

2. Special facilities, if any are needed.

3. Professional skills needed, such as pricing, packaging, marketing, etc. Are these skills available among staff, board members, or volunteers, or will they need to be contracted to consultants or others outside the organization?

4. Demand: Is there a related market or group of consumers that would be interested in purchasing your service or product? How substantial is that market?

5. Competition: Are there other comparable products being offered by other nonprofits or by businesses that would substantially affect your share of the marketplace?

6. "Fit" with the perception of your board, staff, and constituents: Does the contemplated service or product receive support from the individuals who are most closely identified with the organization?

7. Potential profit: How much in gross and net proceeds can your income-generating enterprise accrue?

8. Public image: How does the particular product or service you have chosen affect your public image?

9. Financial risk: To what financial risk does your organization expose itself if you decide to undertake this venture?

Aside from these factors, does your choice of an income-generating project have to be consistent with your purpose or mission as an organization? Some experts feel that it does, and potential changes in the tax law may make the consequences of engaging in unrelated businesses more severe. Other consultants have argued that income-generating businesses do not have to be strictly in tune with a nonprofit's purpose. Clearly, the question has stirred up a fair amount of controversy. It's up to you to make the most appropriate decision for your own group.

You may feel ill-equipped to arrive at some of these estimations. Don't panic--there are resources to turn to for advice. You can seek out an experienced small business person in your community or contact a local bank or corporation, requesting a volunteer or loaned executive who has expertise in starting up small businesses. Or you might hire a consultant with the particular expertise you need. Also, some graduate business schools have programs that provide counsel to nonprofits through their graduates or faculty.

As part of your feasibility study, you can also engage in "window shopping" other comparable businesses to have a better sense of your potential market. This is called secondary research.

After completing this initial assessment thoroughly, you will be able to make an educated decision about whether your project is feasible. Don't be embarrassed if you conclude that it isn't. You are better off drawing that conclusion before you commit extensive human and financial resources.

If you decide to give the project a green light, what's next? Generally, the more program-related your "product" is the more you will be able to draw from your own expertise. For example, from your past work you should already have some sense of the market for such goods and services.

You may not even have to engage in much additional effort if you decide to market existing programs or services for fees. In some of these cases, you may already be charging fees, in which case you merely need to gauge whether your constituency would be willing to pay higher fees, and whether such a charge is consonant with your mission. Are there other constituencies who would be willing to pay for these services or program?

In most cases, however, you will benefit from outside advice in areas such as marketing and promotion, unless someone on your staff or board has those skills.

CONCLUSION

There are an enormous number of earned and venture income projects that a nonprofit organization can undertake to generate a long term source of funds. The variety is as great as the diversity of nonprofits themselves. What kind of projects seem most feasible according to your checklist? Which of these interests you the most? Which inspires the most interest within your organization? Which particularly lends itself to your use, given your mission and constituency? You now have a range of possibilities to choose from to capture the interest and imagination of the consumer. Think them over, consider them well, select the ones that best meet your needs--then go out there and start them up! (See insert C for Bibliography.)

INSERT C

FURTHER READINGS

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Advice on all aspects of business start-up. Particularly useful chapters on formation and marketing.

Buck Starts Here, The: Enterprise and the Arts. New York: Volunteer Lawyers for the Arts. 1984. 165 pp. $11.95. (Order from: Volunteer Lawyers for the Arts, 1560 Broadway, Suite 711, New York, NY 10036)

Transcript of a December 1983 conference on business enterprises for arts organizations. Covers such topics as analyzing profit-making potential, legal restrictions on earned income, setting up subsidiary organizations, real estate transactions, financing income-producing projects, merchandising and commercial publishing for nonprofits. Includes a bibliography and resources guide.

Cagnon, Charles. *Business Ventures of Citizen Groups*. Helena, MT: Northern Rockies Action Group. 1982. 50 pp. $7.50 prepaid. (Order from: Northern Rockies Action Group, 9 Placer St., Helena, MT 59601)

Analysis of business ventures designed for grassroots citizen groups.

Cagnon, Charles. *Successful Business Ventures for Non-Profit Organizations*. Hartsdale, NY: Public Service Materials Center. 1984. 112 pp. $16.75. (Order from: Public Service Materials Center, 111 N. Central Ave., Hartsdale, NY 10530)

Looks at a variety of business possibilities for a nonprofit agency along with all the considerations which must be taken into account before getting involved in any of them. Includes eleven case histories of successful business ventures undertaken by nonprofit groups.

Community Economic Development Strategies: Creating Successful Businesses. Berkeley, CA: National Economic Development and Law Center. 1983. 375 pp. in 3 volumes. $25.00. (Order from: National Economic Development and Law Center, 1950 Addison St., Berkeley, CA 94704)

Resource for community-based groups interested in developing for-profit ventures. Explains how to build an organizational base for a business venture, how to choose an appropriate opportunity, and how to prepare and assess a business plan. Includes many case study examples.

Crimmins, James C., and Mary Keil. *Enterprise in the Nonprofit Sector*. New York: Publishing Center for Cultural Resources. 1983. 144 pp. $7.00. (Order from: Publishing Center for Cultural Resources, 625 Broadway, New York, NY 10012)
Based on a study, conducted under the auspices of the Center for Policy Research, of eleven nonprofit organizations that have tried business activities. Looks at such topics as competition with private business, possible changes in government laws and regulations, and danger of losing support from other funders. Includes a planning structure for organizations considering such a venture.

Curtin, Richard T. *Running Your Own Show: Mastering the Basics of Small Business*. New York: Mentor Books. 1983. 255 pp. $4.50. (Order from: Mentor Books, 1633 Broadway, New York, NY 10019)
Provides a step-by-step planning process for finding, buying, developing and managing a business. Includes many examples.

Daniells, Lorna M. *Business Information Sources*. Revised Edition. Berkeley, CA: University of California Press. 1985. 673 pp. $19.95. (Order from: University of California Press, 2223 Fulton St., Berkeley, CA 94720)
Reference tool listing numerous sources of information about business-related subjects. Based on the author's experience as the librarian at the Harvard University Graduate School of Business Administration.

Dewan, Bradford N. "Operation of a Business by Non-Profit, Tax-Exempt Organizations." National Economic Development and Law Center Report vol. 18, no. 5 (November/February 1984): 41–44. Single issue $4.00 plus $1.00 postage and handling per order. (Order from: National Economic Development and Law Center, 2150 Shattuck Ave., Suite 300, Berkeley, CA 94704)
Discusses the legal implications of a community-based organization engaging in a trade or business. Such ventures must either be related to the organization's charitable purpose or must constitute only a small portion of the organization's total activities.

Dibble, Donald M. *Up Your Own Organization*. Revised Edition. Englewood Cliffs, NJ: Reston Publishing Co., Inc. 1986. 423 pp. $24.95; $17.95 paper. (Order from: Prentice-Hall, Inc., Englewood Cliffs, NJ 07632)
Handbook on how to start a business. Sections on the business plan and "forty money sources" are particularly informative. An implementation checklist is included.

Duncan, William. *Looking at Income-Generating Businesses for Small Nonprofit Organizations*. Berea, KY: Mountain Association for Community Economic Development. 1982. 25 pp. $4.00 prepaid. (Order from: Mountain Association for Community Economic Development, 210 Center St., Berea, KY 40403)

Introduction to the risk and responsibilities of starting a business. Includes a list of questions to use in planning. Also provides a useful list of resource publications and organizations.

Fishman, Leo. "Community-Based Development and the Small Business Administration." *Resources for Community-Based Economic Development* vol. 1, no. 9 (October 1983): 1–4. Copy of single article free. (Order from: National Congress for Community Economic Development, 1015 Eye St., N.W., Suite 901, Washington, DC 20006)

Discusses how a community development corporation can take advantage of programs and services of the Small Business Administration.

Fox, Harold W. "Quasi-boards: Useful Small Business Confidants." *Harvard Business Review* vol. 60. no. 1 (January-February 1982): 158–61. Reprints $1.00. (Order from: Harvard Business Review, Graduate School of Business Administration, Harvard University, Boston, MA 02163)

Small businesses can form quasi-boards of directors to assist in decision making. Precisely because they lack official power and are detached from the day-to-day operations of the business, they can have an important influence.

Gould, Sara K. *Struggling Through Tight Times: A Handbook for Women's and Other Nonprofits*. New York: Economic Development Project, Women's Action Alliance, Inc. June 1984. 28 pp. $4.75. (Order from: Women's Action Alliance, Inc., 370 Lexington Ave., New York, NY 10017)

Handbook on increasing a nonprofit organization's self-sufficiency by generating income. Covers diversifying the funding base, improving management, and assessing the potential for undertaking income-generating activities. Presents a method for deciding whether any particular income-generating idea is feasible.

Gumpert, David E. "Entrepreneurship: A New Literature Begins." *Harvard Business Review* vol. 60, no. 2 (March-April 1982): 50–55. Reprints $1.00. (Order from: Harvard Business Review, Graduate School of Business Administration, Harvard University, Boston, MA 02163)

Indentifies and critiques some of the information sources devoted to starting and operating small businesses.

I.N.E. Reports. Quarterly. New York: Institute for Not-for-Profit Entrepreneurship. Free. (Order from: I.N.E. Reports, 100 Trinity Pl., Rm. 421, New York, NY 10006)

News and information about business ventures of nonprofit organizations with emphasis on the activities of its sponsoring organization.

Kamoroff, Bernard. *Small-Time Operator: How to Start Your Own Small Business, Keep Your Books, Pay Your Taxes, and Stay out of Trouble*. Revised Edition. Laytonville, CA: Bell Springs Publishing. 1985. 200 pp. $9.95. (Order from: Bell Springs Publishing, P.O. Box 640, Laytonville, CA 94545)

Kight, Leila K. *The Business Researcher's Handbook.* Washington, DC: Washington Researchers Publishing. 1980. 153 pp. $65.00. (Order from: Washington Researchers Publishing, 2612 P St., N.W., Washington, DC 20007)

Leaver, Robert. *A Toolkit: The Enterpreneur as Artist, Leader and Agent of Change.* Providence, RI: Organizational Futures. 175 pp. $25.00. (Order from: Organizational Futures, One Richmond Square, Providence, RI 02906)

Ideas, exercises, outlines for action, lists of resources and practical information to help those considering starting a business as well as established entrepreneurs wanting to grow or risk a new venture. Includes information on nonprofit enterprise.

Lord, James Gregory. "Marketing Nonprofits." Reprints from *The Grantsmanship Center NEWS.* 8 pp. $3.00 plus $2.00 handling per order. (Order from: The Grantsmanship Center, P.O. Box 6210, 650 S. Spring St., Suite 507, Los Angeles, CA 90014)

Discusses how an agency can use proven techniques to promote its programs.

McClelland, David. *The Achieving Society.* New York: Free Press. 1976. 520 pp. $9.95. (Order from: Free Press, 866 Third Ave., New York, NY 10022)

Presents the conceptual basis for the author's training approach to enhancing entrepreneurial traits in people.

Marshall, Sue, and Neil Mayer. *Neighborhood Organizations and Community Development.* Washington, DC: Urban Institute. 1985. 230 pp. $10.00. (Order from: Urban Institute, 2100 M St., N.W., Washington, DC 20037)

Focuses on examples of successful projects used by groups that participated in HUD's Neighborhood Self-Help Development Program. Offers an inventory of ideas for community groups and funders.

Neighborhood Development Collaborative. *Entrepreneurship in the Non-Profit Sector: 1982.* Crofton, MD: Neighborhood Development Collaborative. 1982. 5 pp. Free. (Order from: Neighborhood Development Collaborative, First Maryland Savings and Loan Building, Suite 200, Crofton, MD 21114)

Examination of how well-prepared nonprofit organizations are to enter the business arena. Found that many groups were interested in profit-making ventures, but most felt that these weren't their first priority.

Newton, Greg, and Camille Buda. *Profit Making for Nonprofit Agencies.* Berkeley, CA: Center for Community Futures. 1986. 170 pp. $75.00. (Order from: Center for Community Futures, P.O. Box 5309, Elmwood Station, Berkeley, CA 94705)

Manual for nonprofit organizations on creating profit-making businesses with chapters on such topics as product ideas, looking at the market, costing and pricing, choosing a structure, financing, legalities and taxes, and creating a business plan. Includes many charts and tables plus examples of profit-making ventures by nonprofit organizations.

Phillips, Michael, and Salli Rasberry. *Honest Business: A Superior Strategy for Starting and Managing Your Own Business.* New York: Random House, Inc. 1981. 209 pp. $10.00; $6.00 paper. (Order from: Random House, Inc., 210 E. 50th St., New York, NY 10022)

Sets out the management approaches which small businesses have used to achieve an honest business environment. Stresses that an open business requires honesty in the marketplace, doesn't require a high degree of capitalization, and can serve society as well as make money.

Robert Morris Associates. *Annual Statement Studies*. Philadelphia, PA: Robert Morris Associates. Annual. Approx. 410 pp. $32.50 (1986). (Order from: Robert Morris Associates, P.O. Box 8500 S-1140, Philadelphia, PA 19178)

Financial and operating ratios for approximately 300 categories of business. Provides a basis for comparing financial projections against the actual experience in a particular industry.

Skloot, Edward. "Enterprise and Commerce in Nonprofit Organizations." In *Handbook of Nonprofit Organizations*, edited by Walter W. Powell. New Haven: Yale University Press. 1986. Price to be determined. (Order from: Yale University Press, 302 Temple St., New Haven, CT 06520)

Background information on business ventures by nonprofit organizations including four case studies. Looks at the varieties of such activities including program-related products and services, staff and client resources, "hard property" (sale, lease, or rental of land and buildings), and "soft property" (copyrights, patents, trademarks, art and artifacts, mailing and membership lists).

Skloot, Edward. "Should Not-for-Profits Go Into Business?" *Harvard Business Review* vol. 61 (January-February 1983): 20-25. Reprints $1.00. (Order from: Harvard Business Review, Graduate School of Business Administration, Harvard University, Boston, MA 02163)

Discusses business ventures as a way for nonprofit organizations to become more financially solvent. Includes a number of examples of successful profit-making ventures. Provides nine steps to help structure the organization's thinking about an earned-income venture.

Stancill, James McNeill. "Realistic Criteria for Judging New Ventures." *Harvard Business Review* vol. 59, no. 6 (November-December 1981): 60–66. Reprints $1.00. (order from: Harvard Business Review, Graduate School of Business Administration, Harvard University, Boston, MA 02163)

Provides a set of objective criteria which can be used in evaluating and assessing the advantages and disadvantages of proposed businesses. Includes criteria in the areas of marketing, new product viability, and projected profitability.

Timmons, Jeffry A., and David E. Gumpert. "Discard Many Old Rules About Getting Venture Capital." *Harvard Business Review* vol. 60, no. 1 (January-February 1982): 152–55. Reprints $1.00 (Order from: Harvard Business Review, Graduate School of Business Administration, Harvard University, Boston, MA 02163)

Based on a survey of 51 venture capital firms, the authors conclude that the chances of getting venture capital to start businesses is better than ever.

Timmons, Jeffry A., Leonard E. Smollen, and Alexander L. M. Dingee, Jr. *New Venture*

Creation, A Guide to Small Business Development. Homewood, IL: Richard D. Irwin, Inc. 1977. 606 pp. $26.95. (Order from: Richard D. Irwin, Inc., 1818 Ridge Rd., Homewood, IL 60430)

Textbook approach to experiences entrepreneurs encounter in conceiving and launching a business. Includes analysis of management skills, business plan development, and financing. Many exercises and a sample venture analysis.

U.S. Internal Revenue Service. *Tax on Unrelated Business Income of Exempt Organizations* (IRS Publication No. 593). Washington, DC: U.S. Internal Revenue Service. May 1985. 18 pp. Free. (Order from: Superintendent of Documents, Washington, DC 20402)

Explains unrelated income tax provisions that apply to most tax-exempt organizations. Generally, tax-exempt organizations with gross income of $1000 or more for the year from unrelated trade or business must file and pay taxes.

U.S. Small Business Administration. *Guides for Profit Planning* (Small Business Management Series No. 25). Washington, DC: Government Printing Office. 1975. 59 pp. $4.50. (Order from: Superintendent of Documents, Washington, DC 20402)

Guides for computing and using the breakeven point, the level of gross profit, and the rate of return on investment. Although intended primarily for small businesses, may provide useful information for nonprofit organizations considering venture income activities.

U.S. Small Business Administration. *Handbook of Small Business Finance* (Small Business Management Series No. 15). Washington, DC: Government Printing Office. 1975. 63 pp. $4.50 (Order from: Superintendent of Documents, Washington, DC 20402)

Indicates the major areas of financial management and describes a few techniques that can help the small business owner. Although intended primarily for small businesses, may provide useful information for nonprofit organizations considering venture income activities.

U.S. Small Business Administration. *Management Aids*. Washington, DC: U.S. Small Business Administration. $0.50 each. (Order from: Small Business Administration, P.O. Box 30, Denver, CO 80201-0030)

Series of small publications intended primarily for small businesses. However, they may provide useful information for nonprofit organizations considering venture income activities.

Accounting Services for Small Service Firms (MA 1.010)
Basic Budgets for Profit Planning (MA 1.004)
Budgeting in a Small Business Firm (MA 1.015)
Business Plan for Small Service Firms (MA 2.022)
Checklist for Going into Business (MA 2.016)
Checklist for Profit Watching (MA 1.018)
Finding a New Product for Your Company (MA 2.006)
Incorporating a Small Business (MA 6.003)
Insurance Checklist for Small Businesses (MA 2.018)

Keeping Records in Small Business (MA 1.017)
Planning and Goal Setting for Small Business (MA 2.010)
Profit Pricing and Costing for Services (MA 1.020)
Selecting the Legal Structure for Your Business (MA 6.004)
Thinking About Going into Business (MA 2.025)
What is the Best Selling Price (MA 1.002)

U.S. Small Business Administration. *Starting and Managing a Small Business of Your Own* (Starting and Managing Series No. 1). Washington, DC: Government Printing Office. 1982. 95 pp. $4.75. (Order from: Superintendent of Documents, Washington, DC 20402)

Designed to help the small entrepreneur "look before leaping" into a business. Although intended primarily for small businesses, may provide useful information for nonprofit organizations considering venture income activities.

Welsh, John A., and Jerry F. White. "A Small Business is Not a Little Business." *Harvard Business Review* vol. 59, no. 4 (July-August 1981): 18–26. Reprints $1.00. (Order from: Harvard Business Review, Graduate School of Business Administration, Harvard University, Boston, MA 02163)

Examines the different principles which must be applied to the financial management of small businesses as opposed to large corporations. These include such financial concepts as cash flow, break-even analysis, return on investment, and debt-equity ratio.

Wiewel, Wim, and Jim Ridker. *Business Spin-Offs: A Manual for Not-for-Profit Organizations*. Chicago: Center for Urban Economic Development. 1982. 105 pp. $12.00. (Order from: Center for Urban Economic Development, University of Illinois at Chicago Circle, Box 4348, Chicago, IL 60680)

Step-by-step guide to setting up a for-profit corporation without endangering nonprofit status. Answers basic legal, tax and management questions. Discusses whether to spin the business off or maintain it in-house.

Williams, Roger M. "Why Don't We Set Up a Profit-Making Subsidiary?" *The Grantsmanship Center NEWS* no. 45 (January/February 1982): 14–23. Single issue $4.75 plus $2.00 handling per order. (Order from: The Grantsmanship Center, P.O. Box 6210, 650 S. Spring St., Suite 507, Los Angeles, CA 90014)

Examination of profit-making efforts by nonprofit organizations with a variety of examples. Includes a list of do's and don'ts from consultants familiar with the problems and processes of profit-making by nonprofits.

CHAPTER 8

Financial Management for Nonprofit Organization

Gary N. Scrivner

FINANCIAL MANAGEMENT FOR NONPROFIT ORGANIZATIONS

Gary N. Scrivner,

INTRODUCTION

The dynamic environment in which we operate our organizations necessitates effective financial management. For instance, one outstanding characteristics of the 1980s have been the continued emphasis by funders on the self sufficiency of the organizations they fund. (Scrivner and Callaghan, 1980) Because of the loss of funding from traditional sources, our funders have recognized our need to diversify our financial base and manage what we do more effectively. Support from government for example, declined to 1977 levels as a percentage of total funding between 1980 and 1984. Income from dues, fees and charges for services grew approximately 121 percent from 1977 to 1984, a much faster growth rate than private contributions. In addition, income from investments continues to grow as a percentage of total income to the nonprofit sector. (Hodgkinson and Weitzman, 1986).

Heightened competition has developed both within the nonprofit sector of the economy and between the sector and profit seeking concerns. Nonprofit organizations have increasingly begun to expand their activities to encompass profitable ones previously conducted only by for profit companies in an attempt to diversify their revenue base. Similarly, forprofit businesses have seized opportunities to enter traditional nonprofit markets such as health care or childcare, thereby creating further competition and regulation. (Tax Notes, June 15, 1987)

A changing regulatory atmosphere is another dynamic of the 1980s that has been effecting our organizations and that seems to be directed at us from all sides. For instance, one of the most comprehensive attempts to regulate nonprofit organizations is administered by the Office of Management and Budget (OMB) in order to specify how federally funded organizations meet the objectives of the funding. Recently issued OMB Circular A-110 established a full set of financial management standards for nonprofit organizations receiving federal grants, including:

- Complete disclosure of the financial results of each federally funded project in accordance with the reporting standards outlined in the Circular;

- Detailed records that contain information about federal awards, authorizations, obligations, unobligated balances, assets outlays, income, etc;

- Procedures for control over all funds, property and other assets, and assurance that they are used solely for authorized purposes;

- Comparisons of actual outlays with budget amounts for each grant and financial information related to performance and unit costs should be maintained

- Procedures for determining the reasonableness, allowability and allocability of costs in accordance with federal cost principles;

- Requirements for independent audits.

As you can see, these are very comprehensive standards. Similarly far reaching are the many administrative and regulatory rulings of the Internal Revenue Service (IRS). the IRS is constantly issuing procedural statements, rulings, and regulations which directly effect an organization's ability to effectively manage its resources and generate revenue. For instance, recently issued Revenue Ruling 86-63 details methods for determining the deductability of gifts to an organization when the donor receives goods or services in return (e.g. preferential seating, meals, or entertainment). The recent issuance of proposed regulations on lobbying may significantly effect budgeting, accounting and other financial management of our organizations. (Tax Notes, June 8, 1987: 1022) In addition, the recent tax reform effected several areas which impact financial management including pensions, noncash contributions, and others (*A Complete Guide to the TAX REFORM ACT OF 1986*, 1986)

The Financial Accounting Standards Board (FASB), the rule making body for the accounting profession, and the American Institute of Certified Public Accountants (AICPA), the leading professional society for accountants, continue to direct a substantial amount of attention to the accounting practices of nonprofit organizations and to issue statements of position regarding those practices. The AICPA has issued new standards regarding the allocation of joint costs between fund-raising and program services (*Journal of Accountancy*, June, 1986) and the FASB has proposed changes in accounting for depreciation by nonprofit organizations. (Swieringa, 1987)

There are some positive changes occurring as well. The management of the sector has improves, is improving and is becoming more and more professional. In addition, a number of colleges and universities have recognized the need for specialized training of managers in nonprofit management. The use and availability of outside "experts" has become common. There are increasingly sophisticated financial management tools for nonprofits and a better understanding of the risks and benefits of financial management.

CURRENT ISSUES OF RISK

Nonprofit organizations operate in a risk-filled environment that makes them unique from other types of organizations. It is these risks that make management of our organizations not only different but also more complex than for-profit organizations. Proper financial management, effective internal control, and an adequate accounting system can eliminate, or at lease mitigate, many of these risks.

Lack of Capitol Risk

In addition to all the general business risks of the for-profit sector, nonprofit organizations must more carefully plan for the capital needed to maintain or increase service levels. A nonprofit organization does not have the option of using a public stock offering to generate capital for expansion. One basic tenet of financial management, thus, is "know your sources of capital." The first and perhaps the most important source is the same as for the for-profit sector, namely, net "profits." It is of course, a misconception that a nonprofit organization is an important and controllable source of capital which can and must be planned for. Some of the suggestions under the budgeting discussion may help that planning.

Other sources of capital should be equally familiar to the nonprofit manager. For instance, loans either from conventional sources or from nonprofit loan funds can be an important source of capitol and, if properly structured and planned for, will not adversely effect the financial stability of the organization. "Nonprofit Loan Funds" exist in many parts of the country. Generally these loan funds are organized and funded by private foundations to provide short term no-interest or low-interest operating loans to other nonprofit organizations. (Calhoun, 1987)

Private foundations might also be tapped for a "program related investment". (Scrivner and Panetta, 1987) This might be most analogous to a private stock offering by a for-profit corporation.

Basically, the private foundation would make an investment in your organization capital or as a loan. Of course, the foundation has some expectations of financial return, but their expectations are generally much lower that a for-profit investor's might be. Similar to program related investments but, with no expectation of financial return, are the "venture grants" offered by some private foundations and grantmaking public charities such as community, foundation or some local United Ways. These are excellent sources of operating capital, especially for new activities and programs.

The use of joint ventures with other organizations and/or for-profit investors can also present the opportunity for substantial capital inflows. However, these arrangements must be carefully constructed to avoid any jeopardy to your organization's tax-exempt status. This is addressed further below.

Marketing and Promotion Risk

Most nonprofit organizations have little, if any, feel for the importance of marketing and promotion to the success of their activities. This topic is covered more fully in another chapter. Nonetheless, from a financial standpoint, be certain that sufficient funds are budgeted for a comprehensive program of marketing and promotion. If planned for and spent wisely, it will "come back in spades."

Tax Risks

Every nonprofit organization must have a complete grasp of the tax risks involved in its activities. We have unfortunately, allowed the tax laws to define our entire sector; therefore we must learn to avoid the problems those rules present. It is a very unusual situation when a nonprofit manager does not want to protect her/her organizations tax-exempt status at all costs. Existing and planned activities should be reviews periodically for consistency with exempt purposes. Management and your board should at all times be able to answer the following questions:

1. Does **each and every** activity of the organization contribute importantly to the accomplishment of the organization's exempt purpose as originally communicated to the IRS (other than through the mere production of income and regardless of whether or not the income is used for exempt purposes)?

2. An "unrelated business" (defined below) conducted directly by a nonprofit organization jeopardizes its exempt status if it becomes the charity's primary activity.

3. Conducting unrelated activities in separate subsidiary corporations can be used to protect an organization's tax status.

4. The "destination of income theory" is invalid. That is, it is irrelevant that funds derived from a given activity are used for a

charitable purpose, it is the activity itself that determines relatedness.

5. If using a partnership or joint venture structure with for-profit investors involved, it is important to provide some additional safeguards to protect your organization's tax status. Among these safeguards are:

a. Avoid being the sole general partner in order to limit your organization's liability and prevent conflicts between your fiduciary duty to the other partners and your exempt function;

b. Don't transfer to the venture property originally received as a contribution, if possible, to avoid information reporting to the IRS and valuation problems;

c. Don't agree to fund any part of any initial operating deficit;

d. Try to limit your liability to make additional capitol contributions;

e. Outside investors should have an upper limit on how much they can earn to avoid a windfall;

f. Obtain a first right to acquire the property of the partnership; and,

g. If possible, finance the project with nonrecourse or federally insured debt. (McGovern, 1985; Yanowitz and Purcell, 1984; Schill, 1984; *Philanthropy Monthly*, 1984)

The IRS has broad authority for imposition of the tax on unrelated business income. Basically, unrelated business taxable income is defined as **any** trade or business, regularly carried on, which is not substantially related to your organization's exempt purpose. [1] A trade or business is generally any activity carried on for the production of income from the sales of goods or performance of services and which presents sufficient likelihood of unfair competition with taxable entities to be within the policy of the tax. A business is regularly carried on if it has a frequency and continuity as distinguished from being sporadic or infrequent. This would generally exclude annual events, unless carried on over a significant part of a seasonal activity or the activity itself necessary to stage the event covers a substantial part of year. [2]

The most difficult definition to deal with is that of "substantially related." An activity is not substantially related to your exempt purpose unless it contributes importantly to the accomplishment of the exempt purpose other than through the mere production of income. The activity must have a substantial causal relationship to the achievement of the exempt purpose. The use of the funds for charitable purposes is totally irrelevant if the activity itself is unrelated. whether an activity is determined to be unrelated is a factual determination made on a case by case basis. [3]

There are of course, numerous exceptions and modifications to the general rules. For instance, any activity substantially carried out by volunteers is not considered to generate taxable unrelated income regardless of the amount of income derived therefrom. Income derived from activities conducted solely for the convenience of members, patients, employees and certain others, such as on-site cafeteria, or soda machine, is not unrelated income. Also, income received from the sale of personal items received as donations is not unrelated income (thrift shop exception). Finally, most items of passive investment income are not subject to taxation. [4] And, there are exceptions to the exceptions which are too involved for this analysis and for which tax counsel should be consulted.

The consequences of having unrelated business activity are severe it it becomes the organization's primary activity. Unfortunately, there is not set percentage of activity that automatically puts an organization in jeopardy. If the activity is unrelated, it is, of course, subject to tax, generally at corporate rates as follows: [5]

15 percent on taxable income up to $50,000
25 percent on taxable income on the next $25,000
34 percent on taxable income over $75,000

A tax is like any other cost of doing business; it can be budgeted and planned for and is not bad in-and-of-itself unless there is excessive activity. There is some planning that can be done to avoid the tax as well. Full utilization of the exceptions mentioned above might allow an organization to produce a substantial amount of nontaxable income. If the activity can't be categorized into one of the exceptions, an attempt might be made to make the activity substantially related by somehow linking it directly with the organization's exempt purpose. For example, the sale of gift items would generally be unrelated activity unless the gift items were reproductions material with them.

Revenue Opportunities

An effective financial manager should also be aware of opportunities for producing supplemental income for their organization. The opportunities available to most charities fall within one of seven general categories:

1. **Sales of goods or services:** Under this heading, there are a number of opportunities including the sale of educational or public awareness items, convenience items consistent with the exceptions, publications either with or without paid advertisers, and royalty or licensing arrangements. One example is when an organization licenses its logo to a for-profit company who then sells coffee mugs, umbrellas, scarves, and other items imprinted with the logo and pays the organization a royalty for the use of its logo. This can be part of a larger marketing and promotion campaign of organization.

2. **Sales of expertise:** Your organization may possess some unique knowledge or expertise which others may be interested in buying. You may possess some some scientific or invention that is patentable and thus, can be licensed for commercial production. Or, you might provide educational tours or seminars to other organizations or directly consult with them regarding your expertise.

3. **Sales of excess capacity:** Let's say your organization has an available workforce that is only working at partial capacity. The excess capacity may be sold to others. Or if your organization has a computer, other smaller organizations may be interested in time-sharing.

4. **Integration:** Many health and human service organizations have captive audiences that they can put to work for them producing results for the organization and the participants. I once worked with an organization involved in community rehabilitation of convicted felons. By putting these individuals to work in various businesses run by the organization, the individuals received job skills essential to the rehabilitation process and the organization reaped the profits. You can probably think of this kind of opportunity for your organization.

5. **Real estate development:** This opportunity is for the large and small organization alike. If you lease space, perhaps you can find another organization that would like to share theat space or

use a portion of the space at different times that you are using it. It also means selling unproductive real estate you may own, or selling and leasing back productive real estate. The possibilities are practically endless.

6. **Use of other assets:** Maybe you can "lease" your employees to other organizations at a markup. Or allow another organization to use your organization's vehicles at night when you are not using them.

7. **Investment income:** Every dollar your organization owns should be working for all the time. Noninterest bearing checking accounts should be a thing of the past for your organization. If you have any amount of substantial reserve, it should be professionally managed to produce maximum total return. This doesn't mean, just buying certificates of deposit at the local bank or Treasury notes and holding them to maturity. It means active portfolio management including bonds, cd's, Treasuries, stocks and other investments.

Basis of Sound Financial Management

Financial management is a process without which an organization is highly unlikely to meet its programmatic goals. We must remember the role of financial management in an organization; it is merely a means to an end, not an end to itself. Managing finances is a continuous process which must be conducted at the highest levels or organization management. It cannot be delegated to the technicians and clerks because they do not understand the organizational goals, environmental factors, markets, or constituencies. The process of financial management can best be illustrated by the following diagram:

DIAGRAM 1: THE PROCESS OF FINANCIAL MANAGEMENT

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 --------------PLANNING-------------->
 ^                                   |
 |                                   |
 |                                   |
EVALUATION                RESOURCE ALLOCATION
 |                                   |
 |                                   |
 |                                   v
 <---------------CONTROL<-------------
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Of these four phases, the first, planning, is perhaps the hardest to grasp, formalize, and define. In general, it the the process of scanning the environment, evaluating the needs of the organization's constituencies, assessing the organization's strengths and weaknesses regarding the meeting of those needs as well as other areas, developing plans to meet those needs, minimizing organizational weaknesses and emphasizing the strengths, and translating those plans into concrete financial terms that enable the organization to meet it objectives. While many organizations are adept at planning from a program standpoint, most lack the follow through necessary to evaluate the financial resources needed to execute the plans. The use of finance committees, sound budgeting practices, and formal written long range plans as well as realistic revenue and development projections, all contribute to an effective current process. (Herzlinger, 1979)

Resources allocations is simply the process of assessing alternatives, setting priorities, and selecting those alternatives which best meet the objectives of the organization. It is important that resource allocations be approached in a systematic manner and that technical allocation models be considered for the evaluation process. These models include such things as cost/benefit analysis or capital budgeting procedures. Also, don't overemphasize or underestimate the political issues involved in resource allocation. The technical models can assist in this regard by presenting more objective decision making information to all parties. It is also important to avoid the trap of categorical funding. That is, don't ask, "What projects are funds available for?", but rather, "What activities will best meet the needs of our constituent groups consistent with our exempt purpose?" This trap will be mentioned again below under the budgeting discussion.

The control phase of the process is perhaps the most technically difficult. It includes a myriad of devices designed to keep the organization on the track set at the resource allocation and planning phases, not the lease of which is an accrual based accounting system. Such a system provides for effective matching of revenue and expenses, information necessary to intelligently measure performance. Control also includes cash budgets, procedures for safeguarding assets, and an effective system of internal control which is a prerequisite for complete and accurate financial management. While an important aspect of control, budgeting is but one aspect. Budgeting, in fact, overlaps into all phases of the process, but this is discussed further below.

Finally, the evaluation phase complete the financial management cycle. The evaluation phase is important to providing the feedback necessary to begin the next phase of planning. It reviews results of prior plans, determines the effectiveness of resource allocation and control procedures, and provides value judgements as to whether the process just completed contributed to the organizational objectives. There are many different types of evaluation, one which should be effective for your organization. These include effect studies wherein it is determined whether or not the initial desired results were achieved or whether undesired results were avoided. Operations analysis is another type of evaluation. This type studies the specific operations of a program simply for reporting on the process itself or for the purpose of determining whether institutional standards have been met. An evaluation can also be used as an investigative device, and commonly is used in this manner to identify programmatic weaknesses, lay blame for failures to meet program goals, or seek out other organizational malfunctions. (Rivchun, 1979)

Let's now examine in more detail some of the more important and technical aspects of this process of financial management, such as budgeting, cash management, internal control, and accounting and financial reporting.

Budgeting

Budgeting is intimately linked with strategic planning. As mentioned above, it touches all four phases of the financial management process. It can assist in the planning process by providing a framework for projections; it can provide important resource allocation information especially for continuing programs; it provides an effective control device for monitoring progress toward the organization's financial goals; and it provides feedback necessary to effective evaluations of program results. It is perhaps the most important managerial function, the most tangible and the easiest to change. Yet, very few nonprofit organization managers understand either the managerial or technical aspects of budgeting.

Managerial

It is important to remember that budgeting requires compromise. It is highly unlikely your organization has all the financial resources it needs to accomplish all its programmatic goals this year. Therefore, tradeoffs and prioritization of goals is necessary in order to come up with a viable budget. These tradeoffs many times involve difficult decisions -- decisions that cannot be made in a democratic, consultative, or participatory manner. Someone in your organization must take ultimate responsibility for the budget, whether it is the Chief Executive Officer, the Controller or other Chief Financial Officer, or the Treasurer of your Board. Without this aspect, the budgeting process is likely to be a very frustrating exercise.

Budgeting should not be once a year activity. In order to achieve the full benefit of the budget process it should be monitored, reviewed and yes, even updated or changed on a monthly basis if necessary. A budget can provide timely reliable managerial information which can make your organization that had a $1,000,000 annual budget but, that is just what it was: an **annual** budget. By initiating a system of monitoring the budget on a monthly basis, the organization was able to double its service units and increase its investment income by one half!

Current monitoring can also act as a warning signal when things aren't going so well. It can let you know if receipts are lagging, if short-term borrowing might be necessary, if staffing levels are appropriate, or if your marketing and promotion program is achieving the desired effect. It might be important to know your payroll taxes are current before the IRS shows up to padlock the doors, as happened to one organization I knew.

Technical

There are a number of technical, yet simple, characteristics of an effective budget preparation process including (but not necessarily limited to) the following:

1. **Budget revenues first:** This is extremely important if your organization is to avoid the trap of building programs first and then trying to figure out where the money will come from to fund them. That approach can result in over-reliance on the "God will provide" style of budgeting which may not be the most reliable approach for your organization to make the difficult choices about program priorities **before** the survival of your organization is threatened. Very simply, if you don't have it, don't plan on spending it.

2. **Be realistic:** Particularly in the area of revenues, try not to be overly optimistic, especially for new ventures. If you received one-half of your operating support from public contributions last year, don't count on seventy-five percent this year. Such an increase isn't realistic unless you have some **very** specific plans and/or some firm commitments that will make that a reality.

3. **Plan for a surplus:** There are a number of vital reasons a surplus should be a part of every budget. Contingencies, unanticipated expenses, increased service demand, and planned growth are just a few of these reasons. It also allows an organization

to begin to build some permanent operating capital which can produce investment income for the organization and make it more financially stable. Your organizations may not always be able to count on private contributions or governmental support and thus, must begin to diversify its revenue base.

4. **Carefully analyze any and all significant variances:** It is imperative the budget be continually monitored in order to spot trouble well in advance. When a variance between what was budgeted and what was received or incurred is identified, find out in detail why it arose and begin to formulate plans to exorcise the cancer before it becomes life threatening. Exhibit I illustrates a monthly budget variance report. This is an excellent format for evaluating your progress toward the original budget goals and assessing the accuracy of those original projections in a timely manner.

5. **Match the life of the revenue with the life of the expense:** This principle refers to the trap of continuing program expenses after the funding for the program ends. Don't count on new sources of funding to appear and take the place of the lost; many times it does not materialize. When the funding ends, so must the program. I know this means difficult steps must be taken including laying off staff but, again if you don't have it, don't spend it. Many private colleges and universities have gotten themselves in severe financial trouble by hiring tenured faculty back in the '60's and '70's when demand was high. Now with decreased enrollments and the

corresponding tuition revenue lagging, they must make some hard choices. An organization should count on planning program terminations as carefully as it plans new programs.

6. **Avoid "incremental" budgeting:** While this technique is probable the most widely used budgeting technique, I submit it is inadequate for the task. The tendency of most organizations is to simply take last year's budget and add a flat percentage to each line to account for inflation and other changes. That type of process gives little if any information, however, about the quality of existing programs. It simply compounds poor decisions or prior periods and perpetuates mediocrity. Either find or develop your own model th at takes a more comprehensive approach. One such model might be"zero based budgeting". This is a technique of evaluating each program and expenditure from the ground up. This may, however, be too involved and time consuming for most organizations. Therefore, the following model (DIAGRAM 2) is presented. If an organization carefully evaluates its prior year's budget in these terms, a more effective analysis should result. (Herzingler, 1979

DIAGRAM 2: MODEL BUDGET

Last Year's	Corrections Due to Changes in			This Year's
Budget	Quantity	Quality	Inflation	Budget
XXXXXX	XXX	XX	XX	XXX

Cash Management

Cash management is one of the basics of sound financial management because cash is so basic to the operation and survival of our organizations. It is the key resource of an organization. It controls to a very large extent, an organization's ability to meet its program objectives. We can greatly increase the probability of meeting those program goals if we can get cash under control rather than allowing it to control us as so many nonprofit organizations do. This requires us to focus on two major areas, and "working capital management".

Accountability

Most organizations only know their cash position once a month when they reconcile their checkbooks. Even the most carefully kept checkbooks and sophisticated cash receipts and disbursements journals will only provide a portion of the accountability needed to properly handle an organization's cash. It is recommended that, in order to facilitate better accountability, an organization use a cash budget. This cash budget is separate and distinct from an organizational or program budget. It should cut across program lines and evaluate what cash flow will be from whatever source and for whatever purpose. Exhibit II is a simple example of a cash budget. You will note that it provides information in two key areas:

(1) Borrowing needs; and, (2) Investment opportunities.

1. **Borrowing needs:** Well before an organization needs the funds, it should evaluate its ability to borrow short-term operating capital. It may even wish to arrange a line of credit well in advance of the anticipated need, even it the need is small and the likelihood of the event triggering the need is remote. In addition, borrowing should not be planned for pie-in-the-sky schemes but generally only as a short-term bridge to other firm **funding** sources. If properly planned and budgeted for, the cost of the financing should not adversely effect the organization's financial position.

2. **Investment opportunities:** A cash budget can also help an organization identify the times at which cash surpluses will exist and for how long those surpluses will be available for investment. The more dollars you can keep invested and the longer you can do so, the more discretionary income that can be produced for the organization. As previously mentioned, keep every dollar working through the use of money market checking, zero balance checking, or "sweep"a accounts. And, evaluate longer term investments for your excess cash such as bank acceptances, CD's, Treasury notes and the like.

Working Capital Management

Another aspect of cash management has to do with managing the working capital of the organization. This seems so basic and obvious that I hesitated to even mention it here until I began to poll a number of nonprofit executives as to their knowledge and use of these procedures and found that less than one in ten had even heard of them. Quite simply it has to do with management of the organization's payables and receivables.

1. **Payables:** These are amounts due vendors for the products or services your organization consumes in its day to day activity. The management of these accounts comes in through scheduling the payment of these amounts at the most advantageous time. Generally that means delaying payment until the last possible date payment will be accepted without the imposition of a penalty or interest charge. By delaying in this manner, an organization can keep more of its funds invested longer and can better track cash flow needs for obligations than by paying invoices when presented. It may alternatively profit the organization to take advantage of discounts provided by your vendors for early payment. The ultimate determination of which is most advantageous depends upon the size of the discount proffered, the period of time between the discount payment date and the last date for payment, and the organization's current yields on invested funds.

2. **Receivables:** This is the flip side of the coin. Your wish from this standpoint is that those parties to who you provide goods or services pay you as quickly as possible. To induce them to do so, you may wish to offer discounts for early payment, or for cash payment at the time the service is provided. Or, you may wish to accept payment by credit card. This will permit the funds to be credited to your account faster than when your constituents are invoiced and pay by check. Thus, you will have the funds invested sooner and longer. Delinquent accounts should be "aged". That is, they should be reviewed at least monthly to determine when the last payment was made, when the next is likely to be received, and what accounts to turn over to an agency for collection. That last point is important. A for-profit business doesn't hesitate to go after deadbeats, and you shouldn't either.

Internal Control

An effective system of internal accounting control is the next basic principle of sound financial management. Few nonprofit organizations understand just what this means and even fewer still actually have such a system in place. It is, however, a very important element to the availability of accurate and useful financial accounting data necessary for effective decision making. The primary purpose of internal control is to provide a system of procedures and cross check which, in the absence of collusion, minimized the likelihood of misappropriation or misstatement and maximizes the likelihood of the detection if it occurs. (Callaghan, 1980) This can be restated as a two part purpose:

1. **Safeguarding of assets:** An effective system of internal accounting control will insure that transactions conform with management and Board intent, are probably authorized, and that access to the organization's assets is limited to a select group of preapproved individuals.

2. **Ensuring reliable financial reports:** The lack of an effective system of internal accounting control will render any financial reports of the organization practically useless. In order to produce effective financial data and information useful for decision making and to do do in an efficient manner, internal control is essential.

There are a number of elementary ingredients requisite to an effective system of internal control. You must first of all provide for control over the receipts of the organization. This can be accomplished through the use of prenumbered receipts issued for all monies at the time first received. A duplicate copy is provided to whomever would account for the transaction and, at the end of a given period, a comparison is made between the aggregate of the receipts issued and amount deposited in the bank. If it is not practical to issue receipts for funds of the organization should be under the control of the two persons. Two persons should open all mail and make a list of all receipts for each day. This list should subsequently be compared to the bank deposits by someone handling the checks. Receipts in the form of checks should be restrictively endorsed promptly upon receipt.

Some control over the disbursements of the organization is also important. All disbursements should be made by check and supporting documentation kept for each disbursement indicating who authorized the expenditure, its appropriate classification within the budget, and the business purpose thereof. If the treasurer or check signer is also in control of books and records, two signatures should be required on all checks. A person other than the primary bookkeeper should receive the bank statements directly from the bank and should reconcile them. These procedures should greatly minimize the possibility of making unauthorized or illegal expenditures.

Some other basic controls should also be present. For instance, someone other that the bookkeeper should authorize all write offs of accounts receivable and/or dispositions of other assets. Qualified vendor lists should be maintained, reviewed, and update periodically to verify the legitimacy of payments thereto. Marketable securities should be held in a bank safe deposit box, held by a bank or other agent as custodian, or held by a broker in "street name". This limits access and removes the temptation for theft. And, another word about documentation is appropriate. It is better to maintain too much information about the nature of any given transaction rather than too little.

Accounting System Elements

Obviously, the goal herein in not to teach you how best to design an accounting and financial reporting system. Only a professional accountant is qualified to undertake that task. We have already examined some of the important elements of an effective accounting and financial reporting system. Now we need to examine some additional elements important to the proper functioning of that system so that you gain at least a basic understanding of the key elements. Perhaps we should begin with a definition of "accountability". In general, this is the obligation of your organization to provide satisfactory reports, often on a periodic basis, to your board or other interested parties (e.g. creditors) concerning the actions, accomplishments, failures, and potential failures of your organization. In addition, donors and grantors may be interested in information about the level of other gifts and grants to the organization, its fund-raising expenses as a percent of funds raised, and service efforts and accomplishments.

The accounting system selected should be "accrual" based. The accrual method of accounting matches revenue and expenses with a specific period of time, requiring them to be recorded when incurred (i.e. the liability is fixed) without regard to the actual date of receipt or payment. This type of system is believed to provide more accurate data regarding the results of operations for any given period of time (Callaghan, 1979)

While increasingly a question subject to some debate, the most widely accepted type of accounting system for nonprofit organizations is a "fund" accounting system. Because of the additional stewardship responsibilities of restricted gifts and grants, a fund accounting system is necessary for internal purposes to confirm those restrictions are complied with. Thus, a fund accounting system simply classifies assets, liabilities, and "fund" balance based upon the nature of the restrictions placed thereon. The most commonly used categories of funds are current unrestricted, current restricted, endowment, and fixed assets accounts. A well-drafted chart of accounts (a systematically arranged list of accounts for a specific concern or activity), then enables the proper recording and classification of revenue, expense, assets, liabilities, and fund balance (the nonprofit organization's equivalent to stockholder's equity) for each category of funds. It is in this manner that nonprofit organizations distinguish between funds freely available for current programs and those funds that are restricted to a specific use whether current or future, as in the case of endowment funds.

Financial Reporting

Despite the fact that there are many diverse types of nonprofit organizations, most must conform to the same reporting standards. This situation is not unlike that in the for-profit sector. In general, all nonprofit organizations must make available the same three types of statements when issuing external financial reports. The specific form of these three statements varies widely in practice. The ruling bodies felt that as long as the requisite informing was disclosed, however, the form really wasn't that important. (Callaghan, 1980) The three types of reports are:

1. **Balance Sheets:** A balance sheets shows the assets, liabilities and fund balances of the organization and, along with the notes thereto, discloses the nature of significant restrictions on its resources. In addition, if an organization doesn't classify its funds in the manner previously described above, it may be necessary to separate the balance sheet into "current" and "long term" or "noncurrent" categories. A balance sheet is a financial snapshot of an organization at a particular point in time. It provides information concerning the financial stability, longevity, working capital position, borrowing capacity, and financial flexibility of the organization.

2. **Statement of Revenue, Support Expenditures and Changes in Fund Balance:** This is just one name of the many accepted for the statement that summarizes all the current financial activity of an organization for a given period. This statement provides performance information to the organization's constituencies regarding how close the organization came to its financial plans and goals set at the beginning of the year.

3. **Statement of Changes in Financial Position:** This final statement provides information as to the sources and uses of an organization's funds by reflecting all changes in assets, liabilities, and

any deferred accounts for the period. It covers the same period as the income statement and, thus, in that manner differs greatly from the snapshot of the balance sheet. (Exhibits III, IV, and V).

There are other supplemental statements which are useful to the reader as well as the three above. For instance, a Statement of Functional Expenses is essential in assessing the expenditure level of any particular program and providing information on the performance of the program. At a minimum, this statement should seperate expenditures between management and general, fund-raising, and direct program costs. This type of reporting is also required for information reporting to the IRS. Although not required for eternal financial reporting, a list of major donors (generally those in excess of $5,000) is also a required part of the annual information for the IRS. Another report that may someday be mandatory for financial reporting is a schedule of service efforts and accomplishments. For nonprofit organizations this makes a lot of sense, since the yardstick of success for a nonprofit is different than for a profit-making corporation. Merely reporting the dollars and cents doesn't give the reader the complete picture.

Another few words about the annual information return (IRS Form 990) are needed. First, be sure to include a completed Schedule A, Form 990 if you are a "Section 501(c)(3)" organization. [6] Second, be sure to be as complete and accurate as possible. The IRS has become very aggressive about imposing penalties for incomplete return (up to $5,000 a year). Third, if you don't understand one of the many questions or are just not sure how to complete any particular section of the return, **get some professional help!** Some commentators have intimated that the return contains trick questions. I'm not sure I agree with that assessment but, don't take chances with your organization's exempt status; ask someone. Finally, remember this document is open to public inspection under the Freedom of Information Act. If there is something in the return you don't want the general public to have access to, such as donor's names, you must indicate on that schedule to the return that it is not open to public inspection.

Audits

This is perhaps the most misunderstood area of financial management for nonprofit organization managers. However, all but the smallest organizations should be audited from time to time and most should be audited once a year. The most commonly asked about audits include: 1) What is an audit?; 2) What are its costs and benefits?; 3) Who should conduct the audit?; and, 4) What type of audit is best of my organization? Simply put, and audit is:

"... a series of procedures followed by an experienced professional accountant used to test, on a selective basis, transactions and internal controls in effect, all with a view to forming an opinion on the fairness of the presentation of the financial statements for the period. An audit is not an examination of every transaction that has been recorded; it is a series of tests designed to give the accountant a basis for judging how effectively the records were kept and the degree of reliance he can place on the internal controls." (Callaghan, 1980).

It is important to note that an audit is not necessarily designed to identify any defalcations or fraud in the accounting records. However, it is probable such acts would be discovered in the course of most professional audits unless collusion between two or more employees exists to cover it up. If the intent of an audit is to uncover a suspected fraud, the procedures are substantially more complex, and such an audit is extremely costly. This leads us to the discussion of costs and benefits. It is difficult to generalize about the dollar cost of an audit since each one is different depending upon the size of the organization, the quality of its records, the availability of staff assistance to the auditor, the auditor's rates, and various other factors. Most independent professional auditors (Certified Public Accountants) will many times donate all or part of their fee back to a charitable organization or possibly even contribute their services as a community relations project. Ask for a break in fees. But, don't hire an auditor just on the basis of fees. You know the old adage, "...you get what you pay for." Your organization is more likely to realize the benefits if you can afford to hire a professional auditor.

The most obvious benefit an audit provides is improved credibility of the financial statements to which the CPA has affixed their opinion (assuming its a favorable opinion). While this seems somewhat intangible, it can pay off in various ways by possibly influencing donors, creditors, vendors, government agencies and other funders.

A good auditor can also assist your organization in improving its chart of accounts, streamlining its financial records, improving its system of internal control, obtaining credit, instituting new accounting or reporting systems including computerized systems, and in many other management and business related matters. They may also be able to provide some expert assistance in dealing with the IRS.

The answer to the question as to who should conduct your audit is "... it depends." In most cases, an audit should be conducted by an independent Certified Public Accountant. However, there may be exceptions. If your organizations is very small in size and just can't afford a CPA, try to find a qualified public accountant or independent bookeeping service. Obviously, their opinion will not carry as much weight, but it is better than no audit at all. Or, you may wish to form an audit committee from your Board Members who are not generally involved in the financial affairs of the organization but who have sufficient business backgrounds to be able to conduct some level of investigation and review of the organization's activities. Again, this is better than nothing.

Your organization may need more than one type of audit. A financial audit is the type referred to above. In addition to this type, there are what we call "program audits." This is simply a financial audit conducted on a much smaller scale, that is, on one or more particular programs or activities of the organization. This type of audit can provide important information about the performance of that particular activity in achieving its original program goals, within the original budget allotted. This type of audit is more likely to be conducted either by an internal committee or financial officer, or by an auditor for the outside funding agency who provided the funds for the project. For instance, the Federal Department of Health, Education and Welfare has its own auditors who confirm the efficacy of their programs.

Finally, your organization may not need an audit at all. A Certified Public Accountant can provide what is called "compilation or review" services. Essentially, this involves taking your financial information and putting it in the form of a standard financial report without performing any substantial audit procedures to confirm the accuracy of the numbers provided and without expressing an opinion thereon. In many cases, this type of statement is accepted by vendors, creditors, donors and the like, particularly when the organization is well run, well managed, well funded, and has an efficient and effective system of internal accounting control and effective financial management. Compilation or review statements are also substantially less expensive than an audit (perhaps as much as 60 percent less) because of the absence of audit procedures. It might be prudent in any case to have an audit performed say, in every third year, however, so you get a complete look and confirm you haven't gotten off track somewhere along the way.

CONCLUSION

The Independent Sector estimates there are some 838,000 nonprofit organizations in the United States. In 1984 these organizations expended approximately $209.8 billion. That is $886 for every man, woman and child in the U.S. or approximately 18 percent of total personal expenditures in the U.S. (Hodgkinson and Weitzman, 1986) The point is, this is big business which should be conducted as a viable player in a very big game. Hopefully, we have explored some of the issues and techniques which will keep us in the game. But, there are plenty of places to go for additional assistance with financial management matters. Exhibit VI is a bibliography of other publications on this subject which should be helpful to further skill development.

NOTES

[1] The definition of "unrelated trade or business" comes from Income Tax Regulation Section 1.513-1(b). References to Section numbers refer to sections of the 1986 Internal Revenue Code and/or the corresponding Treasury Department Income Tax Regulation section.

[2] Income Tax Regulation Section 1.513-1(c).

[3] Income Tax Regulation Section 1.513-1(d) (2).

[4] Internal Revenue Code Sections 513(a) and 512(b).

[5] Internal Revenue Code Sections 11 and 511; Income Tax Regulation 1.511-3.

[6] Internal Revenue Code Section 501(c)(3) organizations are exempt charitable, religious, scientific, literary, educational and similar organizations. Please note, however, most religious organizations are not required to file an annual information return (Form 990) or Schedule A referred to.

Exhibit I

BUDGET VARIANCE ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 19x1

Revenues/Expenditures	Approved Annual Budget	Actual to Date	% Budget	Projected to Year End	Expected Favorable or (Unfavorable) Variance	Note
Corporations	$ 60,000	$ 42,000	70	$ 22,000	$ 4,000	1
Private Foundations	40,000	30,000	75	10,000	----	
Government Grants	60,000	35,000	58	20,000	(5,000)	2
Fees	50,000	44,000	88	4,000	(2,000)	3
Investment Income	6,000	2,000	33	2,000	(2,000)	
Donated Materials and Services	40,000	30,000	75	12,000	2,000	
Total Income	256,000	183,000	75	70,000	(3,000)	
Personnel	125,000	94,000	75	26,000	5,000	2
Fringes	22,000	8,800	40	7,200	6,000	3
Donated Materials and Services	40,000	30,000	75	12,000	(2,000)	
Occupancy	14,000	10,500	75	3,500	-----	
Utilities	1,000	700	70	500	(200)	
Printing/Postage	6,000	4,800	80	2,400	(1,200)	
Travel	8,000	4,800	60	2,000	1,200	
Equipment	10,000	5,000	50	2,000	3,000	4
Office Supplies	6,000	5,100	85	1,200	(300)	
Miscellaneous	2,000	1,400	70	600	-----	
Contingency	6,000	1,200	20	2,000	2,800	
Total Expenses	240,000	166,300	69	59,400	14,300	
Net	$ 16,000	$ 16,700		$10,600	$11,300	

Notes

1 Grant expected in subsequent year received in current year.

2 Amount held back until auditor's complete routine audit; expected completion date first quarter next year

3 Resignation of program manager expected around Nov. 1. Fee income and fringe benefits affected accordin

XYZ NONPROFIT

CASH BUDGET
SIX MONTHS ENDED JUNE 30

	JAN	FEB	MAR	APR	MAY	JUNE
Beginning Cash	$10,000	$17,100	$10,250	$ 4,400	$ 2,600	$15,300
Receipts						
Accts Receivable	6,000	4,000	3,000	----	----	----
Donations	12,000	----	----	4,000	4,000	6,000
Fees	1,000	2,000	2,000	3,000	3,000	6,000
Grants	----	----	4,000	----	10,000	11,000
Contracts	----	----	----	----	10,000	20,000
Other	----	----	----	1,500	2,000	2,000
Total Available	29,000	23,100	19,250	12,900	31,600	60,300
Disbursements						
Accts Payable	3,000	2,000	----	----	----	----
Personnel	6,000	6,000	8,000	8,000	8,000	8,000
Fringes	750	750	750	750	750	750
Rent	1,000	1,000	1,000	1,000	1,000	1,000
Utilities	250	250	250	300	300	300
Printing	400	400	400	600	600	600
Local Transpo.	150	150	150	150	150	150
Supplies	200	200	200	400	400	400
Equipment	----	2,000	4,000	4,000	----	----
Other	150	100	100	100	100	100
Total	11,900	12,850	14,850	15,300	11,300	11,300
Net	17,100	10,250	4,400	(2,400)	20,300	49,000
Financing	-----	----	----	5,000	-----	-----
Repayment	-----	----	----	-----	5,000	-----
Net	17,100	10,250	4,400	2,600	15,300	49,000
Investments	----	----	----	----	----	25,000
Ending Cash	$17,100	$10,250	$4,400	$2,600	$15,300	$24,000

BALANCE SHEET

XYZ Nonprofit

JUNE 30, 1985

	Total	Eliminations	Unrestricted	Restricted	Endowment	Annuity and Life Income	Custodian
ASSETS							
Cash and equivalents	$13,546,925		$3,180,193	$ 7,530,036	$1,055,949		$1,780,747
Accounts receivable	520,335		6,116	514,219			
Contracts receivable	1,164,974			1,164,974			
Accrued interest receivable	866,984		74,128	672,034		$ 120,822	
Due from other funds		$7,329,530	422,776	4,404,228	1,347,724	1,154,802	
Notes receivable	2,244,110			1,418,018	9,819	816,273	
Investments in marketable debt and equity securities—Note C	14,211,993		266,535	5,233,057	1,266,096	5,266,549	2,179,756
Land, buildings, and equipment—Notes D and E	8,755,025		196,102	8,558,923			
Investment in financing lease—Note F	2,375,219			2,375,219			
Other assets	1,007,017		3,668	553,033	158,169	292,147	
	$44,692,582	$7,329,530	$4,149,518	$32,423,741	$3,837,757	$7,650,593	$3,960,503
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued expenses	$ 652,856		$ 19,542	$ 633,314			
Deposits held in custody for others	3,960,503						$3,960,503
Due to other funds		$7,329,530	86,224	2,957,341	$ 130,299	$4,155,666	
Annuities payable and other trust liabilities	2,104,368					2,104,368	
Notes payable—Note D	2,860,566			2,700,566		160,000	
Deferred income	27,363,079			26,132,520		1,230,559	
TOTAL LIABILITIES	36,941,372	7,329,530	105,766	32,423,741	130,299	7,650,593	3,960,503
FUND BALANCES							
Unrestricted	4,043,752		4,043,752				
Endowment	3,707,458				3,707,458		
	7,751,210		4,043,752		3,707,458		
	$44,692,582	$7,329,530	$4,149,518	$32,423,741	$3,837,757	$7,650,593	$3,960,503

See notes to financial statements.

Exhibit III

STATEMENT OF REVENUE, EXPENSES, CAPITAL ADDITIONS, AND CHANGES IN FUND BALANCES

XYZ Corporation

YEAR ENDED JUNE 30, 1985

	Total	Unrestricted	Restricted	Endowment
Revenue and support:				
Contributions	$11,298,913	$1,121,215	$10,177,698	
Grants and contracts	2,864,327		2,864,327	
Dividends and interest	2,127,800	684,573	1,443,227	
Financing lease interest income	218,109		218,109	
Net realized gains (losses) on investments	57,797	10	57,787	
Net unrealized gains on investments	358,208	14,243	343,965	
Other	334,948	248,786	86,162	
TOTAL REVENUE AND SUPPORT	17,260,102	2,068,827	15,191,275	
Expenses:				
Program services	9,806,289	215,244	9,591,045	
Supporting services	4,100,582	1,427,878	2,672,704	
TOTAL EXPENSES	13,906,871	1,643,122	12,263,749	
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES BEFORE CAPITAL ADDITIONS	3,353,231	425,705	2,927,526	
Capital additions:				
Contributions	284,566			$ 284,566
Net realized and unrealized gains and losses	191,697			191,697
TOTAL CAPITAL ADDITIONS	476,263			476,263
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES AFTER CAPITAL ADDITIONS	3,829,494	425,705	2,927,526	476,263
Fund balance at beginning of year	3,921,716	690,521	0	3,231,195
Transfers—Note G		2,927,526	(2,927,526)	
FUND BALANCE AT END OF YEAR	$ 7,751,210	$4,043,752	$ 0	$3,707,458

See notes to financial statements.

Exhibit IV

Exhibit 5

STATEMENT OF CHANGES IN FINANCIAL POSITION

XYZ Corporation

YEAR ENDED JUNE 30, 1986

	Total	Unrestricted	Restricted	Endowment	Annuity and Life Income
Resources provided:					
Excess (deficiency) of revenue and support over expenses before capital additions	$ 422,423	$ (136,408)	$ 558,831		
Capital additions:					
Contributions	1,446,738			$1,446,738	
Investment income	312,465			312,465	
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES AFTER CAPITAL ADDITIONS	2,181,626	(136,408)	558,831	1,759,203	
Items that do not use (provide) resources:					
Provision for depreciation	916,005	3,557	912,448		
(Increase) decrease in market value of investments	(1,850,876)	70,191	(655,239)	(302,502)	$ (963,326)
Decrease in:					
Contracts receivable					
Accrued interest receivable	54,747	21,895			32,852
Notes receivable	166,322			1,227	165,095
Investment in financing lease	60,632		60,632		
Other assets	90,147				90,147
Sale of fixed assets	1,262,877	177	1,262,700		
Sale of investments	15,676,166	1,053,457	13,014,263	343,859	1,264,587
Increase in:					
Accounts payable and accrued expenses	334,226	125,566	191,090		17,570
Due to other funds	5,091,397	618,078	2,838,400	367,114	1,267,805
Annuities payable and other trust liabilities	276,116				276,116
Notes payable	509,190	509,190			
Deferred income	3,496,606		3,433,937		62,669
TOTAL RESOURCES PROVIDED	28,265,181	2,265,703	21,617,062	2,168,901	2,213,515
Resources used:					
Purchase of fixed assets	195,293	27,719	167,574		
Purchase of investments	20,531,266	999,900	16,823,906	592,068	2,115,392
Increase in:					
Accounts receivable	62,625	36,281	26,344		
Contracts receivable	399,800		399,800		
Accrued interest receivable	71,792		20,495	51,297	
Due from other funds	5,091,397	676,016	2,877,119	1,440,139	98,123
Note receivable	1,512,876	802,687	710,189		
Other assets	440,090	140,099	96,140	203,851	
Reduction of long-term debt	385,979		385,979		
TOTAL RESOURCES USED	28,691,118	2,682,702	21,507,546	2,287,355	2,213,515
Transfers--Note G		247,147	(558,831)	311,684	
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	$ (425,937)	$ (169,852)	$ (449,315)	$ 193,230	$ 0

See notes to financial statements.

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Part III: Networking for a Stronger Tomorrow

Power Programs: A Guide to Stronger Nonprofit Organizations
Jeff Pryor

INTRODUCTION TO PART III

NETWORKING FOR A STRONGER TOMORROW

The final chapter in this handbook deals with the interorganizational field in which every nonprofit works. The skills involved in effective networking, in positioning an organization in the context of other related organizations, are considerable in the third sector.

In this chapter, you will learn the skills of collaboration and competition, of partnership and assertion, that are required of every successful nonprofit organization.

CHAPTER 9

Power Programs: A Guide to Stronger Nonprofit Organizations

Jeff Pryor

POWER PROGRAMS: A GUIDE TO STRONGER NONPROFIT ORGANIZATIONS

Jeffrey W. Pryor

INTRODUCTION

Purpose of the Chapter: In the first century AD, the Hindu historical sect of Shiva was founded. Shiva had dominion over the forest, the outcasts of societies, medicine, cattle, and the weather. He had a terrible side to his divinity, and worshipers sought to appease him, for left untended, he was horrible. But when tended to, he was quite benevolent. Nonprofits must be attentive to outside influences and attempt to engage key publics or constituencies in order to better serve clients while enhancing the ability of the organization to flourish. Not unlike the lesson of Shiva--key publics not tended to can be damaging to a nonprofit, but well tended to, they can be a great resource. This chapter will present some ideas and suggestions on "networking" for stronger organizations.

It was 5:30 in the morning--chilly, the sun was just breaking over the rim of the red-streaked sandstone cliffs of a Utah canyon--the kids, rambunctious the night before, were still curled up inside of their sleeping bags. The smell of griddle cakes would lure some of them to the campfire as another day began on a special river rafting program designed for in-trouble youth and handicapped youth. Not unlike scores of other nonprofit organizations around the country, the staff of this organization would be more concerned about successfully serving its clients (in this case, concentrating more on navigating rapids) than worrying about what may be happening in some bureaucrat's office back in Washington. By all accounts, this trip was a success as it pulled into the take out point after four days on the river. The kids had learned how to handle boats in the rapids, many enjoyed camping and cooking out for the first time. From outrageous water fights to star-filled nights they had learned much about themselves and their surroundings. However, this trip would be unique, for at the take out point was a fully uniformed Coast Guard officer who would issue an edict that would change the character of the operation and offer one of life's profound experiences for the staff. An obscure 1919 law forbade the use of certain types of boats, and suddenly the staff of the organization recognized that they were powerless to defend their operation in the face of an unexpected challenge. For although they had performed their jobs well, they had not recognized that the job of operating a successful program encompassed more than just serving the clients well. Although they had prepared well for nature, they were vulnerable to outside influences. They had not strengthened their program through networking.

This scenario has repeated itself on many occasions where, suddenly, a nonprofit organization, intent on serving its clients well, is hit broadside with the realization that its life may be in jeopardy, typically by some outside influence. Nonprofit killers come in four, or possibly five, forms: 1) public policy, 2) bureaucratic response, 3) private response, and 4) state of the practice. The fifth and often the most difficult challenge to a nonprofit comes from within the organization, to deal with the unexpected from staff, board of directors, or volunteers. We do not need to define these influences in sinister terms--each of these areas can be recruited to greatly aid the nonprofit and its clients, and specific strategies will be presented further on in this chapter. But, first, a definition of each area of significant influence:

GROUP ONE

Public Policy Makers

Public policy makers (elected officials for the most part) generate rules or laws and funding bills. Among the categories of elected officials having influence over nonprofit organizations are: city councils, county commissioners, state legislators, and the U.S. Congress. Combined, they enact literally thousands of new laws and funding measures annually, some of which have direct impact upon nonprofit organizations, individually or collectively.

For example, the 1986 Congress enacted tax legislation that had an influence on all nonprofits regarding how charitable deductions could be made.

INDEPENDENT SECTOR, a Washington-based nonprofit advocacy program, continuously monitors many public policy initiatives that may have a direct impact upon nonprofit organizations. They, however, are only able to concentrate on ones that have broad implications, for Congress enacts legislation in all concerns of nonprofit program activity as they work on issues in education, social welfare, the arts, environment, public health, etc. Many nonprofits are more influenced by public policies enacted closer to home, those promulgated by local or state elected officials' bills.

Nonprofit organizations may suffer consequences if they are not attentive to how public policy is made and what is in the mind of elected officials. Nonprofit organization leaders and managers should ask themselves: a) Do elected officials exercise any authority over our organization or its services? b) Are elected officials well-informed about our organization, its services, or the issue it addresses? c) Does our nonprofit organization have allies amongst elected officials who are politically balanced and not politically tarnished?

GROUP TWO

Bureaucrats

Although public policy is enacted by elected officials, most policies are carried out by government employees, affectionately known as bureaucrats--some possessing significant authority and the ability to make or break nonprofit organizations. Bureaucracy is not a pejorative term. It is simply a definition that defines people who work within the public sector, responsible for carrying out a mandate issued to them by elected officials. For organizations that work with youth, examples of bureaucrats having influence are: school personnel (from boards and administrators to teachers), law enforcement, departments of social service, etc. In this case, nonprofit organizations may suffer consequences if they are not attentive to how public policy is carried out. Nonprofit organization leaders and managers should ask themselves: a) Do bureaucrats exercise any authority over our organization or its services? b) Do bureaucrats have any innerplay with the organization's clients? c) Are bureaucrats well-informed about the organization, its services, or the issue it addresses? d) Does our nonprofit organization have allies among bureaucrats who well-represent the community?

GROUP THREE

The Private Arena

The private arena is both large and diverse. So it is helpful to break this area down into more manageable components. Nonprofits should scan their area of interest and service to determine what interaction they have with the private sector and what elements of the private sector show promise. Nonprofit organization leaders and managers should ask themselves: a) Can I identify ten key groups that show potential to enhance our nonprofit organization (i.e. media, churches, minority community, service clubs, private funders, voters, etc.)? b) What is the attitude within the community about our nonprofit organization, its services, and its clients? c) Does our nonprofit organization have allies amongst these various key groups who actively represent the organization's interest to key community constituencies?

GROUP FOUR

Fellow Practitioners

Fellow practitioners from other organizations may come at a problem or service need expressed within the community from different vantage points. One study, conducted in Denver, Colorado by INPOM (Institute for Nonprofit Organization Management) in the early '80s, identified over 100 organizations that were intent on providing emergency food services and food relief efforts. The plurality of the nonprofit world, celebrated by some as allowing creativity and response to a problem, as well as providing innovative and efficient services, will be seen by others as duplicative and competing for the same scarce resources. Nonprofit organization leaders and managers should ask themselves:

a) Are the goals of the organization similar to other organizations serving the same client or community?

b) Is the relationship of our organization cooperative, competitive, or combative, and is there a good justification for this style of relationship (competitive or combative relationships are warranted in certain circumstances as defined by the beautiful term "indispensable opposition" coined by Walter Lippman)?

GROUP FIVE

Inside the Organization

The internal workings of an organization are constantly changing, not unlike the growth of a child. From close up, the daily changes in growth are subtle, but from afar, the changes come quickly. Nonprofit organizations are challenged from within by the dichotomy that change is inevitable and resistance to change is predictable. Nonprofit organization leaders and managers should ask themselves: 1) Is the character of the organization changing over time? 2) How responsive is the organization to the changing needs of the clients that it serves? 3) How well does the organization tend to its responsibility for communication to its staff, volunteers, and clients? 4) Does the organization have the ability to measure change?

It is a tall order for a nonprofit organization staff and board of directors to keep track of all these areas of influence.Nonprofit organizations should dedicate 25% of their energies to monitoring their relationship to these key entities while pursuing the goals of the organization so that they can better serve the interest of the clients.

WHAT WE KNOW

The Body of Research

It is difficult to search the records for the body of knowledge on the term "network," because the verb "to network" has only recently become popular (to the dismay of many English composition teachers). Although little research has been done on the term "network" itself, considerable research has been done in closely related areas. In fact, a whole emphasis within the social work field has been in large part dedicated to networking, that of "community organization." And "community development" is a well-established subfield of urban studies and cooperative extension education.

Our premise is that to network is to survive. Further, we who are interested in the well-being of nonprofits recognize that what happens within the organization is as important as what happens outside. An easy comparison comes to mind--that between the individual and society. Considerable research has been done to attempt to predict the behavior of both individuals and society. But not unlike Shiva and his dominion over the weather, some things are difficult to predict.

However, it is quite worthwhile to study the history of organizations to gain insight into the concepts of influence, change, authority and power. Interesting readings are to be found in the fields of political and religious history, as well as organizational psychology. The study of the revolution, itself, has demonstrated that those in power were not able to accurately ascertain the power and the influence of those in a subordinate position. Many nonprofits have been taken by surprise when a particular constituency has risen up to challenge their program. Achilles had his heel, Caesar had his Brutus. Plato, himself, summarized it, "Justice is not sheer strength, but harmonious strength."

It is important to recognize that nonprofits themselves are a fairly recent phenomenon. Born of social consciousness, they were reared on the ability of the founders to engage other people and to gather strength for a particular cause or service. As a western social phenomenon, they challenged and continue to challenge the status quo. Consider a quote from the Human Abstract, 1794, sarcastically challenging the poorhouses of England:

The Human Abstract

Pity would be no more if we did not make somebody poor,
And mercy no more could be if all were as happy as we.

1794

WHAT WE KNOW ABOUT THE STATE OF THE PRACTICE

Nonprofit organizations must recognize their innerdependency upon both the community they serve and the society as a whole. Kenneth Heller and John Monahan, in their book *Psychology and Community Change*, claim that the only way to secure the survivability and the sustenance of an organization is for it to be thoroughly knowledgeable about the locations of power and influence within a community. Philip Koutler, in his classic text, *Marketing for Nonprofit Organizations*, agrees and further notes that "It calls for a whole new attitude towards the organization's various publics and missions." INPOM's activities over the years have allowed its staff the opportunity to visit and work with many nonprofit organizations. Evaluations on the management performance of these nonprofits have pointed out a common shortcoming: the ability of the staff or board to know who its key constituencies or publics are. When nonprofit managers participating in INPOM training programs have been asked to list ten key groups within their community having influence over their organizations, 75% of them cannot complete the list!

The Need to Understand and Manage Change

Arnold Toynbee predicted it, and we all live with it, and that's **change.** Our nonprofits are continuously changing. They may have started off with an entrepreneurial zeal, i.e. presented by a small band of individuals with a dedication to a cause and few rules. But over time, and with the experiences of both success and failure, the organizations mature. Sometimes they move to the other end of the continuum where they become dogmatic and resistant to change. Toynbee, himself, predicted that at this stage, an organization will collapse, not unlike the American Revolution in which the middle class rebelled against a historical obligation to the Crown. Nonprofit founders fail to realize the importance of some of its key publics or their particular characteristics. Later on in the organization's life cycle, these key public are more apt to be taken for granted and new ones overlooked.

Summary of What We Know

History's lessons are simple. Ignore a key group or underestimate its strength and you pay a high price. Further, to network is more of an art that a science. The effort to engage key publics must be vigorous. We're most vulnerable when we're most apt to be taken by surprise.

USUAL PITFALLS

Presented here are scenarios. The lesson lies in their experience.

For the Sake of the Client

Eleven-year-old Cindy was having a struggle with her life--poor performance in school and trouble with the law had brought her into a nonprofit organization. Counseling and recreation programs weren't working, and after a period of time, a frustrated staff, grasping at straws, reached out to the medical community for help. Cindy had a number of previously undetected medical problems that served as an anchor, preventing her from moving on toward success in her life. Medical treatment, along with counseling and recreation, had good results. The staff recognized that what happened in Cindy's individual case may not be unique. They sought to develop an ongoing program for medical and dental screening. One key public for their nonprofit, and especially their clients, was the medical community. They were successful in creating an important link. Had they not, Cindy would not have flourished under a combination of counseling and medical treatment, and many other children as well would not have received the attention they needed.

For the Sake of Funding

A nonprofit organization had survived for years with 80% of its budget coming from a department of social services grant. The board of directors was small and lackluster, and no real attempts were made effectively to communicate with the department. As long as the checks kept coming, everything was dandy, the nonprofit board thought. Further, the board saw the administration of the department of social services as more of a nuisance than a resource. Unbeknown to the nonprofit, the department of social services made a recommendation to the county commissioners to curtail all funding to the nonprofit, and to redirect those funds to the department, itself. And the county commissioners agreed (of course, the nonprofit had not done its homework with the county commissioners!) Unfortunately, this particular scenario has played itself out on numerous occasions across the country when nonprofits that failed to aggressively seek out active allegiance from their benefactors.

Many nonprofits fail to do more than to reach out their hands for funds. It is imperative that nonprofits continue to inform and involve those providing resources, even though it is an additional obligation, for understanding yields participation, and participation yields money.

<u>For the Sake of the Competitor</u>

Two rival nonprofits approached many of the same foundations and corporations within a community for funding. As the funders questioned them about each other, their responses were uniformly negative. These negative representations (bad blood) resulted in less funding for both organizations. One funder was heard to .say, "Nonprofits are like starving rats in a cage--they'd rather eat each other than to find a way out."

Virtually every community has some duplication of effort, and there always is an advantage to coming at a similar problem from different vantage points. However, if the duplication becomes excessive or the competition combative, it is easy for the organizations or the cause to do what the Japanese call "lose face." Perhaps the sorriest comment is when nonprofit organizations do not realize what they can benefit from each other. Having similar orientations, they are apt to have similar experiences. They may be able to compare notes and to look for creative ways in order to solve problems more effectively or efficiently.

For the Sake of Public Awareness

One nonprofit organization was engaged in providing group home services and concentrated on doing a good job. Never did its leaders have any notion that the media would play a key role in determining the course of events for their organization. However, a similar group home within the same geographic area had been brought to the public's attention through the media, as a result of a series of sexual assaults by program staff upon the group home residents. The media, in their haste to cover the story, failed to differentiate between the two group homes. As a consequence, the public, which included the funding community, received a substantial dose of negative information about group homes in general, resulting in a loss of funds and decline in respectability for the good group home.

Nonprofits should make overt steps to acquaint themselves with key representatives from the media and public relations environment, for, as stories break, these people often seek out experts or representatives. Knowing none, they'll proceed on their own course. Had this nonprofit had a friend in the media, the story reported could have been substantially changed.

For the Sake of the Budget

The nonprofit director was opening his mail when he received a new premium announcement for the nonprofit's liability insurance coverages. There was a 130% increase in the premium! In the previous year, the nonprofit had filed two accident reports--one for a minor automobile accident, and the other for a slight injury to a client. The nonprofit had not budgeted for this increase and was hard-pressed to determine where it would raise the additional funds. Had this nonprofit actively sought out professional help from the community, the situation would have been quite different. A risk management profile could have been done, pro bono legal services could have been requested, and larger insurance purchasers (i.e. major local business) could have been requested to assist the nonprofit in the negotiation of the annual premium. Many nonprofit managers and boards fail to recognize their ability to leverage professional assistance from .the broader communities of accountants, CPAs, insurance brokers, bankers, public relations specialists, advertisers, writers, academicians, and the list goes on.

For the Sake of Change

One nonprofit had historically served Hispanic youth. It had a predominantly Hispanic board of directors and staff. The organization was well-suited to serve its clientele. However, the nonprofit had failed to do an environmental scan to determine the changes evident within the community. Within a five year period, the composition of the community had changed remarkably because of the immigration of families from Southeast Asia. The same organization was not able to provide services to the influx of new families and another nonprofit was initiated to provide similar services. Perhaps this scenario would have played itself out irregardless, but the creation of a new nonprofit, if it were to occur, could have occurred in a friendly, supportive fashion. As it was, the nonprofit organizations were somewhat adversarial.

Nonprofits should occasionally scan their horizons for indications of change.

For the Sake of the Law

In the introduction of this chapter, a river rafting program was faced with an obscure law that would dramatically affect its ability to provide service. Many nonprofits fall prey to other laws and regulations because they have failed to do two things: 1) to keep track of the promulgation of laws having influence over their organizations or their clients, and 2) knowing that they can influence the process of lawmaking and funding without jeopardizing their nonprofit status.

For the Sake of Accuracy

One nonprofit, in an effort to heighten its ability to raise funds, offered only pieces of research information in its appeal that inaccurately related the activity of the organization. Culled out of its research were examples of meritorious and startling improvements by clients for which the nonprofit took full credit. Further, the nonprofit presented hand-selected extremely positive cases chosen for their impact. To cap it off, a misrepresentation of the statistics was also inserted. To be certain, for a while, funders and the public responded favorably. But, when the truth started to emerge, the organization lost considerable credibility and funding. It had set its own standard for success for its clients and itself at an unattainable level, and it had also failed to present a truthful image of its efforts to achieve that standard.

Every organization has its own experiences of not recognizing or not managing its key publics. However, the potential to prevent mishaps or miscalculations is attainable. Read on.

SOME GOOD SOLUTIONS

Building on the previous discussion of pitfalls, suggestions are offered in this section to help prevent and alleviate some key public problems from occurring.

For the Sake of the Client

Once a year, the nonprofit should review its mission statement to determine how well the statement represents the activity of the organization. The statement should remain both accurate and understandable. Further, for the sake of the client, the nonprofit should be able to walk around its mission to determine all avenues that it has available to itself to garner additional services and support from the community. Nonprofits should actively recruit representatives of key publics or constituencies.

Recommendations:

1) Annually review the mission statement to insure that it accurately and effectively represents the nonprofit organization.

2)List all the nonprofit's key publics. Some specific suggestions will be offered in the next section of this chapter.

<u>For the Sake of Funding</u>

Nonprofits should avoid the pickle of unforeseen funding cuts, either public or private. Annually, the organization should study all current and available funding sources. Have there been changes in their personnel, in their attitude, interests or available funds? What is your organization's relationship with them? Is it improving? Is it deteriorating? What can be done to interest them? To appease them? To engage them? Recommendations:

1)Nonprofits should not depend upon any single source of funding that exceeds 20% of the organization's entire budget. Curtailment of a grant or contribution that is less than 20% will certainly sting, but it will not kill.

2) Nonprofit staff, board or volunteers should make interim contact with each funder outside of the funding cycle. This will serve to endear the funder more to the organization. Plus, you may be able to garner greater information about the will and the interest of the contributor in these sessions, whether they be public or private.

For the Sake of the Competitor

Annually, nonprofits should scan the horizon to determine who provides similar services within their geographic service area. (The funders are likely to know). You should meet with them to discuss similarities, differences, and possible commonalities. Nonprofits who wish to insure their dominion over a particular area or service should stake out the territory and continually refresh its borders, much akin to a wolf pack in its territory. Many nonprofits have felt encroached upon because they have failed to accurately identify themselves and their area of service.

Recommendations:

1) Meet annually with representatives of organizations that have a similar or competitive interest. Map out a strategy of what can be accomplished together and what sovereign rights each organization has.

2)Clearly identify the boundaries of the nonprofit organization and its services, and continually refresh that definition in the minds of the key publics.

For the Sake of Public Awareness

Nonprofits should build a schedule of key media contacts. A complete inventory of media should be compiled, including radio stations, television, daily newspapers, weekly newspapers, monthlies, and other periodicals (published through the workplace, churches, and clubs). You should then make every effort to schedule contacts with each appropriate journalistic outlet. Of course, there are some publications that should be avoided for their political, social, or editorial stance, or because they have no connection to the nonprofit activity.

Just use good judgment.

Recommendations:

1) Establish your nonprofit as a credible source of information, so that when any news story breaks evolving around your organization or its service interest, the media will be more likely to contact you directly. You are also free to call them, which you should do at any "news" opportunity.

2)You should request some editorial or feature work be done by each of the appropriate media on a scheduled basis throughout the year.

For the Sake of the Budget

Nonprofits are a business--just not-for-profit. Being small businesses, they are beset with the challenges that all businesses have--financial, insurance, legal, tax, personnel, etc. Nonprofits should aggressively seek pro bono (for the good) contributions from professionals in their areas of specialty. Recruiting professionals or knowledgeable people will do two things: It will enhance the organization's capabilities to more successfully manage itself; and it will educate the professional about the value and services of the nonprofit organization.

One remote community college continuously complained that it had no local talent qualified to teach college level and advanced vocational courses. Because it had to recruit instructors from afar and had to compensate those instructors for their time and expense, it did not have enough money its budget. The creative solution was to approach a retired Postmistress who had worked in the community for over 20 years. Within an instant, she had identified people with Ph.D.s galore or vocational talents that had put them at the top of their field. The college had never before scratched the surface to determine the tremendous wealth of information that had existed within the community. Virtually every community in the country has a huge pool of untapped resources ready to participate for the asking.

Recommendations:

1) Nonprofits should make a list of all the specialized management areas and should target to recruit one individual per management discipline on an annual basis.

2)Any planning document of the organization should be circulated to a board of mentors or advisors for comment and recommendation.

For the sake of the Competitor

Our society changes quickly. People are mobile, attitudes change, and the demographics of the community are characteristically quite different every five years. Nonprofit organizations should approach their bankers, real estate brokers, and others who collect demographic information to provide counsel for the completion of an annual, semi-annual, or bi-annual environmental scan. Many colleges and universities will have professors in the social sciences or in urban geography who could lend assistance to this effort. And, of course, politicians are a constant source of information, and often a source of support. They must keep tabs on the changing character of their constituency if they are to be successful.

Recommendations:

1) Nonprofits should subscribe to journals and periodicals that will give them good information on the character of the communities that they serve, politically, socially, and economically.

2) Nonprofit organizations should conduct an environmental scan on a periodic basis, and involve pro bono professionals to assist in conducting the scan.

For the Sake of Accuracy

Nonprofit organizations need to create an image that accurately reflects the organization in both heart and mind. The mind side of the organization represents the statistics, the numbers, the costs, the cost-efficiency, etc. The heart side represents, more anecdotally, the impact that the organization has upon the client or community. Both should be accurate, and the organization should be proud to represent that it has successes, but that it also faces challenges.

PRINCIPLES

Moses came down from the mountain with, perhaps, one of the grandest commandments for strengthening organizations. It is who you know as much as it is what you know. Beyond that, offered here, are ten more suggestions to aid in strengthening nonprofits.
Practiced well, they will reward an organization with resiliency and success:

1) **List Ten Key Publics or Constituencies.** (Examples might be clients, types of funders, special interest groups, the media, governmental agencies, etc.)

a) Rate each of your key publics on their current level of involvement and awareness in supporting your nonprofit organization. Draw two lines and a scale from 0 to 10, one line representing awareness where 0 would be no awareness, 10 representing tremendous awareness.

The other line for involvement where zero would represent no involvement and 10 would represent absolute involvement. Awareness is a knowledge of your organization, name recognition, and an ability to describe the mission. Involvement is defined by active participation through either physical or financial means. Rate your organization by its position on each line.

b) Determine what level of involvement and awareness by each public is desirable. Again, using the lines, mark where your organization would desire a key public to be in its awareness and involvement. Increased awareness and involvement is usually desirable, but not always so. Too high a level of involvement on awareness may cause you consternation. Some organizations have key publics in which they actually wish to decrease involvement and awareness.

EXAMPLES OF KEY PUBLIC MEASURE

County Commissioners

Current	Desired
Low|___o_______________|High	Low|______________o_____|High
| Involvement |	| Involvement |
Low|_o________________|High	Low|__________o________|High
| Awareness |	| Awareness |

Potential Clients

Low|_o________________|High   Low|______________o___|High
| Involvement | | Involvement |

Low|__o_______________|High   Low|_________________o_|High
| Awareness | | Awareness |

STEPS TO INCREASE AWARENESS (County Commissioners)

	ASSIGNED TO	DATE
1. Board members call	Board	February
2. Presentation to commissioners	Directors	March
3. Place names on newsletter list	Staff	Immediately
4. Invite to open house	Board	June
5. Invite to community breakfast	Board	September

STEPS TO INCREASE INVOLVEMENT

1. Write grant application	Staff	August
2. Invite to participate in planning	Directors	December
3. Ask to write article for newspaper	Staff	May

c) Determine specific strategies for each key public to reach the desired goal. A strategy might include recruiting representatives, a public relations campaign, or direct presentations.

d) Prioritize key publics and plan a schedule to implement your strategies and make proper assignments within your organization to your board, your staff, and volunteers. This is called timing and targeting, and is much like what major advertisers do on television, they segment their markets. Watch Coca-Cola, McDonald's, or any other major advertiser, and see how they go about increasing awareness and involvement. (Involvement = purchase the product.) While you do not have the money to buy solutions in marketing, advertising, and public relations, you can use finesse and creativity, some of the very same principles that they use.

2)**Identify Your Organization's Image.** Left to chance, your image can be created for you, but that's generally a bad idea. Akin to building a house, a positive image campaign takes time, planning, and is a deliberately staged chain of events that results in a completed building. But light a match and an inferno ensues. What takes a year to build takes less than an hour to build down. The nonprofit organization should add .incrementally to the development of its image, while continuously monitoring the prospects for tragedy.

At least once a year, the board and key staff should have a nightmarish session, best scheduled on a dark and dreary night and after several courses of indigestible food. They should then reflect upon the worst case scenarios to predict a series of "what if" questions. What if you were sued? What if the IRS rescinded your 501(c)(3)? What if one of your staff or volunteers was caught in an improprietous act with one of your clients? What if...? These ugly situations provide fire for the press, and a savvy nonprofit thinks about what it can do on the positive side of image development while simultaneously conjecturing annually what can be done to, first, prevent major problems from occurring and, second, how to best quickly respond to a problem once it's been identified.

3)**Study the Environment.**

a) Make a list of who else is providing similar services, and determine your relationship with them.

b) Recognize change, both within the demographics of a community and work to incorporate that change into the planning function of your organization. Also recognize change in attitudes and interests. The American public, although benevolent, has demonstrated that it has a limited attention span and can concentrate on an issue for less than a year. If your organization has ridden on the crest of a wave of American interests, you can predict that the wave will not go on forever, and alternative strategies need to be identified.

c)Develop a map or a matrix of all those within the community that have contact or importance to your organization. See example.

NAME	BUSINESS	CHURCH	SKILLS	CLUBS	OTHER CONTACTS
JOAN	CPA	Episcop.	Financial Tennis Writing	Sports	Financial
JOE	Builder		Planning Building Fishing	Lions	Sporting Co-ops
JILL	Driver	Jewish	Photographer Driver's Ed.	Automobile	Union

4) **Build a case.** Build a case for your organization that appeals to both the heart and the mind. On the mind side, build a justification for your program that includes evaluation, information, numbers, costs, recommendations from experts, and projections on .measurable objectives. On the heart side, search your record of experience for several cases that accurately, yet vividly, portray anecdotes that are representative of your program's impact. It is possible to appeal to the heart without being soppy. Jargon should be avoided, for as a conjured language, it is often de-humanizing. The term "troubled teen" is infinitely more understandable than "dysfunctional adolescent."

You may see an example of the heart and mind appeal in your newspapers. The news will generally report on an accident or tragedy from the mind side. First, they will give time, numbers, and costs. But also highlighted on the page will be a journalistic addition called the sidebar. It will treat the same information anecdotally and personally. The news account informs us. It's the sidebar that causes us to react. Such anecdotal information has been the cause for America's response to the starving in Ethiopia, and to other major social and relief enterprises.

5) **Study the Winners and the Losers.** Benefit from your compatriots' experience, look to your competitors for valuable information, and the next time you go to a conference within your field, continually work the conferees for information and ideas. Find out how other organizations have successfully "networked" and what they .have done in creating low-cost, high-performance public relations and marketing activities. Also check the best within your own and community. You may be able to find out good information from other nonprofits who are pursuing a different mission. While you're at it, pick up a few horror stories on failures, for the people who are willing to admit to having some sorrowful experiences will, undoubtedly, give you some invaluable lessons that you won't have to repeat.

6)**Create an Idea Pool.** Appropriate ideas from other organizations. As you travel, read the paper, ask questions, and find out what has worked, not only within the nonprofit arena, but also other areas.

Again, remember you are looking for low-cost, clever, and repeatable ideas. One idea stolen (or better, appropriated) from the Martin Marietta Corporation was the community breakfast. Each month in Denver, Martin-Marietta hosts a fancy breakfast at their plant at which they tell politicians and community leaders about the economic impact and the value of their corporation. Scaling that idea down to the affordable level (from eggs benedict to Dunkin' Donuts), a number of nonprofits have been quite successful at having each one of their board members host one breakfast meeting spread out over the course of the year. Each breakfast is targeted and timed for a particular key public. One month, one board member will host a breakfast meeting for the schools, and representatives of the school board, administration, and faculty will attend. The next month may be directed to special interest groups, funders, or politicians.

7)**Get Help.** There are some people who eat, sleep and breathe marketing, public relations, advertising, and networking. They're to be found in academia, in business, corporations, and in other nonprofits. They can be approached for counsel and support on a pro bono basis. I've always enjoyed approaching these people from the vantage point, "I've heard you're good at what you do, and I've seen your work and I'm sure impressed. I'd like to ask you to contribute your talent for the benefit of this nonprofit organization. The challenge to you will be: can you be good without spending money?" Why should people want to do this for you? Ask yourself--is your program important? Are your clients in need of support? Are you a persuasive individual who is asking them to support your organization for the benefit of the community? Everyone should participate in some manner in their community. Why shouldn't they use their talents to assist your efforts?

The 80-20 rule applies here. If you send out a broad circular or request for help, you stand much less than a 2% chance that people will respond. But if you know the skills of an individual and approach them directly, look them in the eye and ask them to use their skills for the benefit of their community, you stand an 80% chance that they'll say yes. Ivan Sheier, a guru on American volunteerism, calls this the "people approach," and where it's practiced well, nonprofits swear by it.

8)**Build a Pyramid**. There should three parts to your pyramid for a stronger organization. The basis is the foundation--concentrate on making sure that the basics are done; the mission statement is clear; the staff, board, and volunteers are well-oriented and trained; your receptionist, volunteers and others who have a high degree of contact with the public can represent your program's interest well; your materials are well-written; and you practice "heart and mind." The middle part of your pyramid is directed to reaching out to your key publics or constituencies, trying to build stronger relationships, inviting other nonprofits to join with you to solve a problem, and working the media and the politicians. The pinnacle of the pyramid is dedicated to some dreaming and scheming. Here's where you spend a small percentage of your time chasing after the celebrities or conjuring up an idea that will rocket your nonprofit and your issue to the forefront. You may sell a script to a famous Hollywood screenwriter or may be able to get a celebrity to carry your banner. After all, the Doobie Brothers regrouped to go on tour on behalf of American Veterans of Vietnam.

"Network"

Key Publics

Media Contacts

Foundation

Training

Mission Statement

9) Now that you have read this whole chapter you may be worried: "I don't have time," you say, "to be a successful nonprofit manager!" Where will you ever get the time? You have an expansive job that requires attention to a variety of areas which includes this whole notion of networking. If you're the normal nonprofit executive, you should dedicate one-third of your time to selling and influencing. To make it even more manageable, try practicing the concept of one-a-day. Each day, every day, schedule one contact that you make on behalf of your organization that will sell or influence, and improve

your situation with one of the key publics or constituencies. That translates into 280 contacts a year. If you ask your staff, board of directors, and volunteers for one-a-month, you're likely to influence over 500 people a year. If you stage it correctly, you will be able to influence your community.

Ask your board members to do their influencing through the community breakfast as an option. When you practice one-a-day, set in motion the notion of timing and targeting, and that you ALWAYS ASK. Never just inform, always ask. Always go in to one of these meetings or into your one-a-days with a request--something that will benefit your nonprofit, your clients, or the cause. It may be money, it may be coverage, it may be a vote, supplies, information, support, time, skills, or whatever. Many people cringe at the notion of asking, but if you don't ask you won't get.

10) **Carry Your Mission Proudly.** I did my dissertation on American philanthropy and charity. Distilled out of 178 pages of text are two conclusions on why people give their time, money, influence, or skills. One is because they are asked. The other is because they believe in who's doing the asking. Certainly, there are a myriad of other justifications, but these two stand dominant. You don't have to be polished, have slick materials, and a fancy copywriter to be successful in strengthening your organization. You do need clarity of purpose, an understanding of who your key publics are, and a strategy to approach them and engage them. After all, what you're doing is

important. It should be done. It needs to be done. You're carrying an opportunity for them to participate in a worthwhile endeavor. Ask!