Strategic Leadership and Management in Nonprofit Organizations

Theory and Practice

Martha Golensky *and* Mark A. Hager

Second Edition

OXFORD

STRATEGIC LEADERSHIP AND MANAGEMENT IN NONPROFIT ORGANIZATIONS

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SECOND EDITION

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Preface

WELCOME TO THE second edition of *Strategic Leadership and Management in Nonprofit Organizations!* The first edition was written wholly by Martha Golensky, a culmination of knowledge and experience she gained through fifteen years as a nonprofit executive and twelve years as a full-time university professor, teaching nonprofit management courses, conducting research on leadership and decision-making, and providing consultation to local organizations on management issues. In the second edition, Golensky is joined by Mark Hager, who directs the master's degree in nonprofit leadership and management at Arizona State University. Fans of the first edition will be glad to know that this revised edition maintains the bones and content of the original edition.

So what's new? Many of the classic references that have had so much influence on the field are still here, but we have updated each chapter with new thinking and research from the past decade. When statistics are used to provide context for a particular topic, we have updated those. In some chapters, Hager has added more flavor that reflects his expertise—for example, you will find expansions in the chapter on volunteer administration, a topic on which Hager has written extensively. Perhaps the biggest change is in our references to technology, which has influenced the nonprofit workplace in every way over the past decade. When the first edition of this book was written, social media and smartphones had not been invented yet. Now, they are fundamental parts of our lives, and nonprofits make use of them every day to interact with their stakeholders. So, the second edition of *Strategic Leadership and Management in Nonprofit Organizations* melds classic research with new thinking on how best to run nonprofits.

Although the book incorporates the work of many scholars in the field of nonprofit and philanthropic studies, it is fundamentally practical in its orientation. It takes as its departure point the smorgasbord of challenges facing real-life decision makers in today's world—challenges around service delivery, staff performance, financial stability, interaction with a board of directors, strategic planning, program effectiveness, volunteer engagement, and uses of technology.

The principal audience for the book is students of the nonprofit sector. This includes professionals who are about to or have recently entered the workplace as interns, employees, or volunteers, in direct practice or a supervisory role. Our goal is to help you understand how nonprofit organizations function and to increase your appreciation of the conflicting demands on the board and top management team. More experienced staff, especially those engaged in the daunting task of effecting organizational change, may also find the book a useful resource. Workers at all levels must have both technical competency and the ability to navigate skillfully through the intricacies of the work culture.

A distinctive feature of the book is the use of an extended case study to illustrate different leadership and management issues. The case, which Golensky wrote to use in the classroom, is based on the experience of a real human service organization. Unlike most case studies, this one tells the organizational story from two viewpoints: the executive director and the board president. These two important leaders disagree on the best strategy for the agency's future. Thus, the case mimics real life, where critical decisions are seldom simple. By addressing a range of significant organizational issues as seen through the eyes of the key decision makers, the case featured in this book should stimulate both personal reflection and lively discussion about basic concepts, processes, and their consequences.

In addition to the case study, the book includes many examples of the issues nonprofit leaders and senior managers face. Some are relatively new concerns, such as how to incorporate individuals who wish to volunteer only now and then, or episodic volunteers. Some have a long tradition, like promoting the effectiveness of the board of directors. Although many of the examples in the book are drawn from the human services, they depict situations common to a variety of nonprofit organizations.

ORGANIZATION

The book is organized into four sections. The introduction to each section summarizes the contents and lists key themes. Portions of the case study, addressing many of these same themes, appear in the introductions for sections 2, 3, and 4. The last part of the case, containing the resolution of the conflict between the two main characters, appears only in the accompanying teacher's manual, so readers can reach their own conclusions about the issues in the case. Each chapter ends with discussion questions and recommended reading.

Section 1 provides the context for the rest of the book. Here the focus is on the characteristics of a nonprofit organization, with an explanation of the specific attributes of both charitable and member-serving nonprofits. We also consider the historical development of the nonprofit sector as a whole and of the human services subsector in particular. This section also features a review of the political and economic climate in which nonprofits must operate.

In section 2, the concept of leadership is examined from several perspectives, starting with general theories of leadership and the particular structure of leadership in a nonprofit. Next, the multiple roles of the nonprofit professional leader are delineated, to recognize that the same person may serve as manager and administrator, motivated by different priorities when functioning in each capacity. Ethical issues are also considered. The last two chapters in this section are concerned with the theoretical and practical aspects of decision-making and the relationship between organizational culture and organizational change, a critical element of present-day leadership and management in nonprofits.

Sections 3 and 4 address the specific skills of the nonprofit leader involved in securing material resources and managing human resources, respectively. In section 3, strategic planning, program planning and evaluation, resource generation, organizational performance indicators, and technology and communication are the areas of emphasis.

Section 4 includes chapters dealing with leadership to create and protect a culture of integrity, human resource management, and the practical aspects of board governance. We end with a focus on the role of volunteers and the need for organizations to provide good experiences if they want volunteers to keep coming back.

A teacher's manual has been prepared to accompany the text. It contains suggestions on ways to present the information covered in each of the book's chapters as well as exercises and assignments suitable for applying what has been learned to everyday practice. With a few exceptions, this is original material that Golensky developed over the years and tested thoroughly in the classroom, with a few additions from Hager. Also included is Golensky's version of a management audit, which might be an effective final course project.

Acknowledgments

THANK YOU TO Martha Golensky for inviting me to contribute to the second edition of this great textbook. This work is hers, and I am humbled to be part of it. Thank you to Kathy Renfro for her research assistance as we worked through the updates and revisions. Martha Golensky wishes to thank again all of the people who contributed to the first edition of this book.

Mark Hager

Instructor Resources

THE OXFORD UNIVERSITY Press Ancillary Resource Center (ARC) houses an Instructor's Manual with teaching tips, exercises, and worksheets. To access these materials, please visit www.oup.com/he/golensky2e.

SECTION 1

Understanding the Nonprofit Sector

The first part of this book aims to introduce readers to the nonprofit sector in the United States, although some of the material may be applicable to nonprofits in other countries as well. The intent is to establish the context for the rest of the book by providing useful definitions and background information about the sector, and especially health and human services.

Chapter 1 identifies the different types of nonprofit organizations, including those classified as public charities under section 501(c)(3) of the Internal Revenue Code since those are the ones we give the most attention to in this book. The chapter also notes the part of the nonprofit sector that serves members rather than clients, including mutual benefit organizations.

Chapter 2 offers an overview of the historical development of nonprofits in the United States. It also provides specific background information on human service organizations (HSOs) for several reasons: They represent the largest and most diverse subgroup of charitable nonprofits, they are arguably the nonprofits most recognized by the general public, and the case study that is used throughout the book deals with situations occurring in an HSO.

Chapter 3 explores the external political and economic climate in which nonprofits must operate and the ramifications of this environment on internal decision-making by top leaders. It also explores the interrelationships among the three sectors of society.

KEY THEMES

Chapters 1 to 3 address these topics and concerns:

- The distinguishing characteristics of a nonprofit organization: What makes a nonprofit a nonprofit, and why does it matter?
- The role of nonprofits in American society from colonial days to the present: What historical circumstances must be considered to understand the contemporary nonprofit sector?
- The evolution of the human services subsector: What sets an HSO apart from other types of nonprofits?
- The impact of the external political-economic climate on internal operations and strategic decision-making: Why is political economy theory so applicable to nonprofit organizations today?
- The dynamic relationship between nonprofits and government: What are the driving forces that have shaped their interactions over time?
- The multifaceted dimensions of the relationship between nonprofits and the business sector: Is commercialization of the nonprofit sector a positive or negative development?

1

Definition of a Nonprofit Organization

HARVARD COLLEGE, FOUNDED in 1636, holds the distinction of being the first charitable corporation founded in the American colonies, although it lacked many of the characteristics now associated with such organizations. By the middle of the eighteenth century, a variety of voluntary entities had been formed, but only since the latter part of the twentieth century have nonprofits begun to occupy a place of major importance in American society. Today, nearly 1.6 million nonprofits contribute their richness to our culture. Most of those are very small, but a few are large, well-known, and influential. This chapter establishes the parameters of the nonprofit world, with attention to organizations qualifying as public charities as well as those primarily serving their own members.

WHAT'S IN A NAME?

Generally speaking, we can identify three major sectors of society: government, also known as the *public sector*; business, often called the *corporate sector*; and voluntary organizations, usually referred to as the *nonprofit sector*. If the average person were asked to describe the purpose of the first two of these, he or she would most likely respond that governments exist to protect and promote the interests of the general public, and businesses exist to turn a profit (O'Neill, 2002).

However, this little exercise is not so simple when we turn to nonprofits, which come in many shapes and sizes. If that same average citizen were asked for examples of nonprofits, the expected response might be the American Red Cross, the YMCA, or the Girl Scouts—large organizations with high visibility. A savvier individual might be able to identify the homeless shelter, a health clinic, a soup kitchen, and so on—locally familiar names recognized for their good works and service to the community. Yet this ignores the many nonprofits that have a narrower purpose of benefiting only their members. We can divide the nonprofit sector into two very broad categories: *public-serving* and *member-serving* organizations. The National Taxonomy of Exempt Entities, a project of the Urban Institute's National Center for Charitable Statistics, is a well-recognized classification system that provides detailed information on the scope of the nonprofit sector. Table 1.1 presents an overview of the organizational categories.

Because of the difficulty in pinpointing the mission of a nonprofit, over the years, observers have used a variety of terms to capture this sector, such as *not-for-profit, voluntary, philanthropic,* and even *third* (Grobman, 2015; O'Neill, 2002; Wolf, 2012). Outside of the United States, the term *nongovernmental organization* (NGO) is frequently used. In 1980, a national organization based in Washington, D.C., called Independent Sector, was launched to act as a kind of common space for the diverse institutions making up the nonprofit world to share their concerns and plan joint action.

According to Hall (2006), the distinguishing feature of American NGOs—what makes them so important in the grand scheme of things—is their institutional culture developed over time, which incorporates values, resources, organizational technologies, legal infrastructure, and styles of leadership. Nonprofits, by their very nature, perform certain basic roles in society that other institutions cannot. For example, they are often the first to react to a growing societal problem. Without the constraints imposed on both the public and corporate sectors, voluntary organizations are freer to experiment with innovative ideas and processes. Once these innovative approaches have been developed and proven effective in addressing the problem, government and even business may then step in to support and expand on this work. The AIDS crisis is a case in point. At the same time, nonprofits, such as museums and historical societies, preserve our traditions. Nonprofits also reflect the diversity

TABLE 1.1. OVERVIEW OF THE NONPROFIT SECTOR, 2018

Types of Organizations	Number of Organizations	Percentage of All Organizations
501(c)(3) public charities	1,212,318	71.9
501(c)(3) private foundations	113,634	6.7
Other nonprofits	359,537	21.3
All nonprofits	1,685,489	100.0

Source: IRS Exempt Organizations Business Master File retrieved from https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf; data current for December 10, 2018.

Note: The figures exclude 3,574 foreign organizations with U.S. tax-exempt status.

of American society by supporting minority and local interests as well as a broad range of political views. Some nonprofits function as watchdogs, monitoring and overseeing both government and the marketplace. Others fulfill less weighty but no less important social and recreational needs (O'Neill, 2002). And these are but a few examples of the richness of the nonprofit sector.

TURNING A NEGATIVE INTO A POSITIVE

The most accurate way to describe a nonprofit may be to note what it isn't, that it is not a part of government and is not primarily driven by profit, but this seems to beg the question of a full definition. One way to address the matter is from a legal perspective. A nonprofit is created essentially as a matter of state law, although a few have been chartered as a result of federal legislation. The first decision in the process is to determine the type of organization, with most contemporary nonprofits choosing to become a corporation (Hopkins, 2013). The next step is to develop the articles of incorporation, a document that establishes the organization's purpose as well as its goals and objectives and is signed by those responsible for forming the nonprofit, known as the *incorporators*. Once this document has been filed and approved by the designated state agency, technically the incorporators have fulfilled their duty. However, many elect to take on different roles on behalf of the organization, including fundraising, recruiting staff, and even purchasing property.

Part of the necessary legal structure for a nonprofit is a voluntary board of directors who accept responsibility that the organization will carry out its defined mission and will use its funds solely to achieve that end. The board is selected at the first formal organizational meeting, which the incorporators are expected to attend. Commonly, some or all incorporators are elected as members of the initial board. Moreover, an organization may decide to have members, who are granted legal power to vote on the affairs of the corporation, as a mechanism to ensure that the board does not have sole authority to govern.

A second key document, the bylaws, sets forth rules for how the organization will be operated, including details on the composition and responsibilities of the board and its officers, the committee structure, the fiscal year, when and how meetings will be conducted, protections against losses or damages, a provision for amending the bylaws, and other procedural matters as warranted. These bylaws should be formally adopted at an organizational meeting and this action noted in the minutes, the official record of all that transpired. In addition, the minutes should reflect the election of directors and officers, a decision on the use of one or more financial institutions, and authorization given to someone to seek federal tax exemption and take any other actions required by law (Hopkins, 2013; Grobman, 2015).

As just noted, once incorporated, an important action for most nonprofits is to acquire tax-exempt status under §501(c) of the Internal Revenue Code by completing Form 1023 for public charities and Form 1024 for other types of nonprofits, both of which can be downloaded from the Internal Revenue Service (IRS) website or completed online. Many nonprofits that receive this special qualification will also be exempt from certain state taxes, such as income, sales, use, and real property.

Public Charities

Of the total number of nonprofits, public charities constitute the lion's share, representing over 70 percent of the nonprofits currently operating in the United States. The National Center for Charitable Statistics (McKeever, 2018) values the 2015 total revenue for public charities at $1.98 trillion and total assets at $3.67 trillion. Within this group, some organizations are classified as sectarian or faith-based, meaning they operate under the auspices of or with the financial backing of a specific religious denomination. The largest subsectors by number of organizations are those set up for religious or spiritual purposes, educational institutions, arts and culture groups, and those providing human services.

To be considered a public charity, an organization must meet the requirements set forth in §501(c)(3) of the IRS code. Before applying for exempt status, the organization needs to obtain an employer identification number (EIN), even if the organization has no employees. As part of the submission process, the organization must attach copies of its articles of incorporation, showing certification of filing by the appropriate state office, and its bylaws, if they have already been adopted. Obtaining IRS recognition of 501(c)(3) exempt status conveys a certain level of legitimacy. It also brings many concrete benefits. Besides the most obvious one, exemption from virtually all federal and many state taxes, public charities are eligible to receive tax-deductible contributions from both individuals and institutional funders such as foundations and United Way, thus providing a great incentive to prospective donors.

The burden of proof is on the organization to demonstrate it meets the code's requirements for recognition of exemption. Except for churches and most public charities with annual gross receipts under $5,000, organizations that wish to be considered under §501(c)(3) must apply for recognition of this status, generally within twenty-seven months from the date of formation. Exempt purposes include charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children and animals. The term *charitable* is used in its generally accepted legal sense and includes relief for poor, distressed, or underprivileged people; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice or discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency (IRS, nd).

Strangely enough, although this language is quite inclusive, as O'Neill (2002) notes, it fails to specify healthcare, which accounts for a substantial amount of the expenditures and staff of the whole nonprofit sector. This does not mean that health care organizations cannot be nonprofit; rather, it means the IRS has adjusted its definitions for inclusion over time. Now, beyond establishing its charitable purpose, the organization must satisfy two conditions. First, it must affirm that "none of its earnings . . . inure to any private shareholder or individual" (IRS, 2016). In other words, any monies that a charitable nonprofit realizes must be used to support its mission. This does not mean a public charity cannot suitably compensate its employees, commensurate with salaries in other organizations within its field and in accordance with community standards. Another misconception is that these organizations cannot turn a profit. In truth, a well-run organization should aspire to end the fiscal year with revenues in excess of expenses, which can then be applied to enhance programs and services.

The second defining condition is that public charities may not participate in partisan political activities, which usually means the support or opposition to specific candidates for public office. Religious leaders who voice support or opposition to candidates from their pulpits are the ones who most regularly run afoul of this restriction. However, within broad limits, nonprofits may lobby on behalf of particular issues. Indeed, championing policy change is a vital part of the nonprofit sector and is central to the missions of many nonprofit organizations. This is perhaps one of the most misunderstood dimensions of the nonprofit sector. Even people who have worked their whole careers in the nonprofit sector may say that nonprofits *cannot* lobby for specific legislation or policies, but that is not true. Lobbying includes communication with the general public that expresses a view about specific legislation (grassroots lobbying) as well as communication with legislators that expresses a perspective on specific legislation (direct lobbying). The IRS offers broad guidelines for the involvement of nonprofits in lobbying activities. So long as lobbying is not substantial in relation to the other activities of the organization, nonprofits can and do work to introduce and change laws. The operative word here is *substantial*, which is determined by the level of human and material resources dedicated to such endeavors. Public charities may attempt to educate the public on issues of public policy by holding meetings and by preparing and distributing materials that lay out the facts of the matter. They may also engage in voter-education programs, including the publication of voter guides and the holding of public forums, as long as this is done in a nonpartisan way; encourage voter registration; and conduct get-out-the-vote drives, again without favoring one candidate or party over another. Yet many nonprofits continue to refrain from any lobbying, either due to the erroneous belief that it is illegal or out of a concern for potentially negative public and constituent perceptions of their actions. When in doubt about the appropriateness of such activities, it may be advisable to seek legal counsel.

Once the IRS determines an organization qualifies for exemption under §501(c)(3), one final hurdle must be jumped. Under the federal tax law, charitable organizations must demonstrate that they are not private foundations (and thereby subject to less regulation and excise taxation) by meeting one or more of these requirements:

- [they] are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges, and universities;
- have an active program of fundraising and receive contributions from a variety of sources, including the general public, governmental agencies, corporations, private foundations, or other public charities;
- receive income from the conduct of activities in furtherance of the organization's exempt purposes; or
- actively function in a supporting relationship to one or more existing public charities. (IRS, 2016)

If the application process is successful, the organization will receive a determination letter from the IRS, classifying the entity as a public charity. This is the "gold ring" that most nonprofits try to grab, since it affords important benefits in both exemption from paying income taxes and in offering donors the opportunity to deduct their contributions from their personal income taxes. Annually, the organization must file an information return with the IRS, called Form 990. Nonprofits with gross receipts under $200,000 and with assets less than $500,000 may use the much shorter Form 990-EZ, and those with gross receipts under $50,000 may use the very, very short electronic Form 990-N (e-Postcard). For the Form 990 and 990-EZ, all of the financial support received during the year is listed as well as all disbursements, categorized by function as program services, management and general, or fundraising (IRS, 2019). See www.guidestar.org (now part of www.candid.org) for further information.

Member-Serving Organizations

Although some observers may question whether public charities really deserve the "public" label because, unlike government agencies, they do not necessarily serve everyone who might be eligible for their services (Moulton & Eckerd, 2016). Those nonprofits set up as member-serving make no such claims about equity, proudly identifying their respective constituencies, who frequently pay dues to receive programs and services. Another way to categorize these organizations is to say they are "of mutual benefit," a legal term used in many states. As shown in Table 1.1, the IRS has recognized around 360,000 mutual benefit organizations, which take many forms and directions; some of the more prominent types are discussed in the following text. McKeever (2018) estimates 2015 revenue for mutual benefit organizations at $460 billion and total assets around $2.12 trillion.

These member-serving organizations have been divided into more than thirty sections by the IRS. These are sometimes called the "c-others," to differentiate them from the public charities exempt under §501(c)(3). Some categories have just a handful of eligible organizations, such as the three nonprofits classified as trusts for prepaid group legal services under §501(c)(20), while the largest group is the "social welfare organizations," exempt under §501(c)(4), which had around 80,000 member groups at the end of 2018. Other sizable sections include fraternal societies, with around 58,000, some of which are categorized under §501(c)(8) and others under §501(c)(10); business leagues, chambers of commerce, and boards of trade, with over 62,000 under §501(c)(6); social and recreational clubs, with nearly 49,000 under §501(c)(7); labor and agricultural organizations, with almost 46,000 under §501(c)(5); and veterans' organizations, with over 28,000 under §501(c)(19). Collectively, these sections account for around 93 percent of all mutual benefit organizations. Financial support for these organizations may come from member dues, contributions by individuals and groups, fees for service, and fundraising activities, such as benefits, walk-a-thons, direct mail campaigns, and so on.

Although many of the same requirements for exemption apply to both public charities and member-serving nonprofits, many categories of the c-others have special provisions, cobbled together through decades of revisions to the tax code. One of the main distinguishing features between the two broad types of nonprofits is that, with a few exceptions, individual and corporate contributions to mutual benefit organizations are not tax deductible. The rationale is that mutual benefit organizations do not serve the needs of the general society, at least not by direct intent, but with some of these categories, this distinction can seem a bit contrived (O'Neill, 2002). However, when it comes to organizations that clearly cater to member groups, such as fraternal groups or political parties, the difference in purpose is very clear.

According to the IRS (2019), to receive tax exemption under §501(c)(4) as a social welfare organization, the stated intent must be "to further the common good and general welfare of the people of the community, such as by bringing about civic betterment and social improvements." These groups may seek legislation directly pertinent to their programs, and so engaging in lobbying as the primary activity will not affect their exempt status. Indeed, many nonprofits seek their exemption under §501(c)(4) purely to avoid the limitations on lobbying that can restrict the activities of organizations exempt under §501(c)(3). Like public charities, social welfare organizations cannot directly or indirectly participate in a political campaign for or in opposition to a specific candidate for public office. Depending on the extent of the lobbying, social welfare organizations may need to notify members of the percentage of dues applied to these activities or to pay a special proxy tax to the government.

To qualify for exemption as a fraternal society, the organization must have a purpose derived from a common tie or the pursuit of a common goal and engage in a wide range of fraternal activities. Many operate under the lodge system, which requires a parent organization and a subordinate, often called a lodge or branch, which is chartered by the parent and mainly self-governing. An organization falling under §501(c)(8) is designated as a beneficiary society, order, or association; one of the requirements is to provide for the payment of life, sick, accident, and other benefits for its members or their dependents. These organizations are sometimes therefore called "fraternal beneficiary societies." In contrast, an organization considered a domestic fraternal society, order, or association, under §501(c)(10), does not provide for the payment of such benefits to its members, although it can arrange coverage with insurance companies without affecting its exempt status.

Organizations exempt under §501(c)(6) include business leagues, chambers of commerce, real estate boards, and boards of trade. The National Football League operated for many years under §501(c)(6), but abandoned its tax-exempt status in 2015 amid public pressure. According to the IRS, the definition of this kind of nonprofit is "an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business . . . for profit." Trade and professional associations qualify as business leagues under this definition. Activities must be carried on furthering the interests of an entire industry or all elements of an industry within a given geographic area, but not to benefit any individual. Even though chambers of commerce and boards of trade fall into this category, they differ in that their purpose is to promote the common economic interests of all commercial enterprises in a particular community or trade.

A social club, to be exempt under §501(c)(7), must be organized for pleasure, recreation, and other similar purposes and direct its activities to these ends. This category carries strict prohibitions against discrimination toward any person based on race, color, or religion, with the exception of a club that "in good faith" is set up to promote the teachings of a specific religion and, accordingly, restricts its membership to those within that faith. The IRS states that "an essential earmark of an exempt club is personal contact, commingling, and face-to-face fellowship" among members. Membership must also be limited and facilities generally used only for members, their dependents, and guests. A club will usually be supported by dues, membership fees, and assessments, but it may receive up to 35 percent of its gross receipts from sources outside of its membership, with certain limitations.

For labor and agricultural organizations, §501(c)(5) of the Internal Revenue Code reiterates the basic inurement principle prohibiting the use of net earnings to benefit members. More important, its objectives "must be the betterment of conditions of those engaged in the pursuit of labor, agriculture, and horticulture" as well as to improve the quality of their products and develop greater efficiency in these three identified areas. Like social welfare organizations, these groups commonly engage in lobbying to promote legislation germane to their basic programs, but members may need to be informed about the percentage of dues used for lobbying purposes. Alternatively, the organization might be required to pay a proxy tax to the government. In addition, engaging in certain political activities is permitted as long as this does not extend to overt support for or opposition to an individual running for public office.

For exemption under §501(c)(19), the organization must serve the interests of veterans directly or through a trust or foundation. At least 75 percent of its members must be past or present members of the U.S. Armed Forces (USAF), and at least 97.5 percent must be present or former members of the USAF, cadets in one of the armed services academies or an ROTC program, or "spouses, widows, widowers, ancestors, or lineal descendants" of those referred to in the previous two provisions. Many of the allowable purposes for these organizations are obvious, such as sponsoring patriotic activities or assisting disabled war veterans and their dependents in need, but others seem more in keeping with the requirements noted for other subsections, and indeed some posts are recognized instead as social welfare organizations, social clubs, or fraternal organizations.

FINAL THOUGHTS

When the Frenchman Alexis de Tocqueville visited the United States in 1831 and subsequently wrote his seminal work *Democracy in America* in 1835, he immortalized the principle of collectivity he observed in the numerous voluntary associations encountered during his travels. To Tocqueville (1983), these organizations, in their very diversity, represented the essence of democracy and reflected the true spirit of this new country. Today, with new charitable and member-serving organizations emerging each day, we continue to celebrate the importance and vitality of the nonprofit sector.

QUESTIONS TO CONSIDER

1.1. All public charities are nonprofits, but not all nonprofits are public charities. How do you explain that?

1.2. Nonprofit organizations are defined as private organizations that must use any profits for future operations. Is "nonprofit organization" a good name for this group of organizations? Can you think of better ones?

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Historical Moments in the U.S. Nonprofit Sector

AMERICANS CONSIDER THEMSELVES to be generous with both money and time in support of worthy causes, and the facts back up this claim. According to estimates provided by Giving USA (2018) in its annual survey, charitable donations hit a record high of $410 billion in 2017, an increase of 5.2 percent over 2016 giving. These figures represent the highest total donations in Giving USA's more than 60-year history of record-keeping. With respect to volunteering, the U.S. Bureau of Labor Statistics (2016) reports that approximately 77.3 million people volunteered at least once through or for an organization between September 2016 and September 2017. Moreover, volunteering has a clear link to charitable giving: volunteers are roughly twice as likely to make a charitable contribution than nonvolunteers (Volunteering in America, 2019).

Certainly, the can-do spirit of private action is very much a part of the American culture. We are especially taken with individuals who have succeeded in rising above life's obstacles through their own efforts, and thus we become disheartened when someone whom we have lauded for such accomplishments proves ultimately not to have deserved our accolades. Case in point: In 2008, a highly publicized memoir written by a woman who claimed to have grown up in the most difficult of circumstances as part of California's gang culture but had managed to find a new life in Oregon and earn a college degree and had now started a foundation to help those with backgrounds similar to hers turned out to be a fraud. The author was revealed to have been raised in an intact family in an affluent neighborhood; any knowledge of gangs was tangential at best. The book was withdrawn by the publisher amid a flood of negative and condemnatory news stories. As Dan Pallotta describes in his book *Uncharitable* (2008), the high public expectations for the integrity of our charitable organizations is deeply influenced by our national history.

This chapter explores the influences dating back to ancient times that have shaped the modern face of American philanthropy, tracing the development of the nonprofit sector from colonial days to the present. The growth of the human services subsector is also discussed in an attempt to clarify why this particular group of nonprofits has drawn so much attention within the national debate over the best ways to care for the less fortunate members of society.

TRACING THE EVOLUTION OF THE U.S. NONPROFIT SECTOR

The nonprofit sector as we know it today began to take shape in the years following the Civil War, when the role of voluntary organizations in American society became more clearly realized. However, only fairly recently can we say that an actual "sector" exists as a somewhat cohesive, unified body of organizations; a substantial majority of nonprofits now operating in the United States have been founded since the Second World War. Perhaps one sign of the increased importance of these organizations in modern times is the growing use of the term *civil society* to represent the sector, to highlight its size and diversity not only in the United States but worldwide, and to acknowledge it as differentiated from but deeply connected to both the public and private for-profit sectors. The nonprofit sector is interconnected with these other sectors in vital ways.

The Origins of Philanthropy in the New World

Philanthropy's roots include origins of two somewhat contradictory approaches: the impulse toward individual service to help those in need in a selfless manner and the push toward social reform through collective action, which Benjamin Franklin demonstrated was just a different way of manifesting self-help principles. The first thread can be traced back to the Judeo-Christian belief system of love, justice, and mercy. The second is derived from the Greek and Roman experience, albeit somewhat limited and often motivated by the efforts of a few of the more enlightened thinkers of the day, of enacting legislation to alleviate some of the suffering by poor people. Indeed, the idea of social reform, such as it was, all but disappeared with the decline of the Roman Empire. During the Middle Ages and up to the time of the Protestant Reformation, charity was administered by religious groups. The increasing involvement of government in addressing social problems really dates from the Reformation (in the 1500s) to the present (Cass & Manser, 1983).

Life in the Colonies

Within the American colonies, the English influence was strongest in shaping policies and practices. Accordingly, many of the same patterns for dealing with poor and elderly people were imported by the settlers, with modifications to fit local sensibilities. However, philanthropy as we understand it now did not exist in the colonies in the seventeenth and eighteenth centuries. In general, church and state were the dominant institutions. The family was viewed as a public institution and was legally required, unless lacking the necessary resources, to assume responsibility for economic production, education, and social welfare (Hall, 2016). Harvard College, founded in 1636 and considered the oldest charitable corporation in the colonies, was actually a public entity under the laws of the time; it was not until 1865 that its status changed to that of a private institution in the modern sense.

Benjamin Franklin was something of an anomaly for his time: even though he believed in the idea of self-regulation, he became a champion of collective action within the community. Franklin initially spread the concept of self-reform through mutual benefit societies but then expanded his efforts to help found a number of public-serving associations in Philadelphia by the middle of the eighteenth century. In terms of anything resembling a nonprofit sector, however, the American Revolution represents a real turning point. The voluntary associations that came into existence in the latter part of the century were still not private entities, but rather took their authority through restricted forms of public delegation. In addition, these quasi-private corporations, while widespread throughout the new nation, varied greatly in purpose and powers from state to state, establishing a pattern of nonuniform regulation that continues to this day. Differing views over public and private power even contributed to the rise of the first political parties (Hall, 2006; Hammack, 2001).

Growing Pains in the Nineteenth Century

The nineteenth century was a time of enormous social and political change in America, with the end of slavery, the wrenching effects of the Civil War, the movement toward a more industrialized society, and the creation of labor unions. This was also a time of great change for voluntary associations as they shifted from being public to private corporations, with a concomitant growth and diversification in types of services and programs “as a reaction to the admittedly inadequate governmental care of the poor, desire to aid special groups in the population, the effective propagandizing of the social reformers, and the desire of many religious groups to provide for the needs of their own” (Cass & Manser, 1983, p. 19).

Two landmark Supreme Court cases set the precedent for the privatization of nonprofits. The first case reached the Court in 1818. It involved the efforts of the State of New Hampshire to take over Dartmouth College, with Daniel Webster acting on behalf of the college. The Court upheld Webster’s argument that even though the institution had been chartered by the state, individuals had made gifts and bequests to

Dartmouth's trustees and, in so doing, established a private contract with obligations protected under the Constitution. The net effect of this decision was to alter the nature of the corporation from public to private by expanding the protection of private action provided through the Bill of Rights to collective action. The second case, *Vidal v. Girard's Executors*, which was heard in 1844, reversed an earlier, unfavorable decision by the Court. In this instance, the Justices supported the position taken by the attorneys for the Girard estate, affirming the right under federal law of individuals to create corporate charitable trusts, thus giving charities a much-needed level of legal security, despite the fact that individual states could choose to limit this activity (Hall, 2016; Hammack, 2001).

The French statesman and philosopher Alexis de Tocqueville visitedthe United States in 1831. In his subsequent book detailing his observations, Tocqueville (1983) marveled at the diversity of the nonprofits he encountered in his travels: "I met with several kinds of associations in America of which I confess I had no previous notion; and I have often admired the extreme skill with which the inhabitants of the United States succeed in proposing a common object for the exertions of a great many men and in inducing them voluntarily to pursue it" (p. 54). Tocqueville brought a much broader recognition of the role of nonprofit organizations in the early days of this new country, but, as Hall (2016) points out, we should temper this enthusiasm with the reality that only in the Northeast did voluntary associations play a vital role during the first half of the nineteenth century. Public institutions remained the preferred organizational form in both the West and the South.

As in the aftermath of the American Revolution, the years following the Civil War ushered in another period of growth for the nonprofit sector. In 1865 Harvard College, with a shift in the composition of its board of overseers from clergymen to lawyers and businessmen and with the influx of individual gifts and bequests assuming more significance than government funding, became a private institution for all intents and purposes. A key event occurred in 1874 when Harvard's president persuasively defended the institution's tax exemption to the Massachusetts General Court by presenting a clear case for the economic benefits to the public from private charities. The state legislature subsequently increased the ceiling on tax exemption for charitable property and the range of charitable organizations qualifying for tax exemption. This law became the model for other states seeking to broaden the role of private institutions, but with more success in the Northeast than in other sections of the country (Hall, 2016).

An alliance of sorts between the corporate world and wealthy individuals resulted in an increasing reliance on private nonprofit organizations, including universities, libraries, hospitals, museums, social agencies, professional groups, and private clubs in the latter 1800s. With the support of the middle class and blue-collar workers, the variety and number of mutual benefit organizations, such as labor unions and fraternal groups, increased substantially. The United States at this time also displayed a growing awareness of the effects of poverty in America's cities, leading to the creation of many different kinds of nonprofits to serve sick, poor, and disabled people (Hall, 2016). One example of an innovative approach to meeting social problems was the settlement house, which became the focal point for local residents in many urban areas to obtain information and concrete services, especially newly arrived immigrants, who needed help in adjusting to the American way of life (Kemp & Brandwein, 2010).

The principle of tax exemption for public charities as part of the U.S. tax code was established with the Wilson–Gorman Tariff Act of 1894. The act called for a flat 2 percent tax on corporate income, but stated that the tax should not apply to organizations established solely for charitable, religious, or educational purposes, including fraternal groups. Even though this law was declared unconstitutional by the Supreme Court the following year, the basic concept of tax exemption was initiated. The privileged tax treatment for nonprofits was further reflected in the Revenue Act of 1909, which also introduced the prohibition against private inurement for charities; deductibility for individual charitable donations and bequests was added in the Revenue Acts of 1917 and 1918 (Johnson, 2013).

New Directions for a New Century

In the last years of the nineteenth century and continuing into the next, some observers began to be concerned about the effects of industrialization on society. Business leaders like Andrew Carnegie and John D. Rockefeller signaled a somewhat new direction for philanthropy by wealthy individuals, a more personal approach that was derived from the Progressive movement that took hold in America. These concerns were perhaps best articulated by Carnegie in his essay "The Gospel of Wealth," which put forth the idea of equality of opportunity to replace the equality of condition now that the latter had become more difficult, if not impossible, due to the concentration of wealth in the hands of just a few.

Carnegie (1983) advocated that the wealthy, after ensuring that the legitimate needs of heirs have been satisfied, should "consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer . . . in the manner . . . best calculated to produce the most beneficial results for the community" (p. 104). Ultimately, the United States implemented these ideas through a new charitable form—the foundation—that would have the staff and resources to investigate the most advantageous uses of wealth. The first modern foundation was set up by the widow of businessman Russell Sage in New York City in 1907, for the purpose of "the improvement of social and living conditions in the United States." The Carnegie Corporation of New York followed in 1911, and the Rockefeller Foundation, created "to promote the well-being of mankind throughout the world," in 1913. In addition, the first Community Chest, today better known in most communities as United Way, was formed in Cleveland in 1913. The next year Cleveland also became the site of America's first community foundation, a philanthropic entity that centralizes the management of many charitable trusts for the purpose of meeting local needs (Hall, 2016).

Through the first half of the twentieth century, voluntary organizations proliferated locally, regionally, and nationally. Starting with World War I, the concept of partnerships between government and private community organizations began to take hold. However, in the years immediately following the war, under the leadership of Herbert Hoover, government's role was more that of cheerleader, encouraging and coordinating the efforts of the various charities and the businesses supporting them, than an active participant. This perspective continued to dominate during the early years of Roosevelt's New Deal. The Great Depression of the early 1930s forced a major shift in policy, when it became evident that private agencies, even with the assistance of local and state governments, were unable to cope with the full range of issues affecting poor, unemployed, elderly, and chronically ill people. To make a consistent impact, the federal government had to become directly involved in addressing these issues. Initially, the response was in the form of emergency measures; the first permanent Social Security legislation was enacted in 1935 (Katz, 2001; Hall, 2016). However, the private sector still had an important role to play. The legislation that increased the tax burden on corporations and wealthy individuals also provided incentives for major giving, with the introduction of the corporate tax deduction for charitable contributions in the Revenue Act of 1936 (Arnsberger, Ludlum, Riley, & Stanton, 2008).

Yet, prior to 1960, it would be a mistake to overstate the general importance of nonprofits outside of the Northeast and the Great Lakes states, other than to meet the needs of wealthy and well-established men. For poor people, people of color, and women, especially when attempting to organize outside the framework of major religious traditions, charities had not yet made a major impact. Statepolicies often thwarted their efforts. After 1960, the influence of the nonprofit sector expanded both socially and economically, thanks in large measure to the growing affluence of the American people, the Great Society programs of the Johnson administration, and the civil rights movement. Greater affluence meant more demand for services, including those offered by voluntary organizations. At the same time government spending for health, education, and social services increased, becoming a substantial income source for many nonprofits that continues to the present. Finally, in recognition of the ongoing resistance toward people of color by local governments, Great Society programs covered the costs of services provided by both public and private agencies (Katz, 2001; Hammack, 2001).

Even though Presidents Nixon, Ford, and Carter were relatively conservative in their views on social reform, spending for social programs increased dramatically through the 1970s. Indeed, the modern welfare state really began to take shape during this period, with the passage of legislation making the Food Stamp Program mandatory and establishing the Supplementary Security Income (SSI) program, to name just two important initiatives that extended the policies of the Great Society. Other notable achievements included the Family Planning and Population Research Act and the Occupational Safety and Health Act (OSHA), which gave the federal government authority to oversee industrial safety standards (Jansson, 2005).

Changes in the Political and Economic Landscape

Despite these positive steps, beginning in the early 1950s the nonprofit world was coming under increased scrutiny by some members of Congress, who had become concerned about perceived tax loopholes for charitable deductions as well as the liberal-leaning policies of certain large foundations, such as Ford, Carnegie, and Rockefeller. A House committee, formed in April 1952, was charged with determining whether these exempt organizations were using their resources in ways that were counter to the best interests of the United States; its report, issued in January 1953, exonerated foundations and reaffirmed their loyalty. However, this did not satisfy all the critics, and a second committee was authorized in April 1954 to take a broader look at the role of foundations, concluding that they were not supporters of Communism but raising questions about their sheer numbers and the lack of government oversight and regulation of their essentially private activities (Hall, 2016).

In the succeeding years, the challenges to the growth and power of foundations continued. Ongoing questions about the current tax system added to the controversy, which led to congressional hearings on tax-exempt organizations and subsequent passage of the 1969 Tax Reform Act. Although this regulation was less severe than some had feared, one of the clear messages was the absence of adequate information about the nonprofit sector, reflecting the many misconceptions about its function in society. Recognizing that this hostility toward foundations and other exempt organizations was not going away, John D. Rockefeller III took the initiative to underwrite special commissions to begin gathering the necessary data that might satisfy the critics. An important contribution of the Peterson Commission, which published its findings in 1970, was to make a case for philanthropy going beyond foundations, potentially including a broad range of voluntary groups supported by both public and private funds. A second blue-ribbon panel was formed in 1973 to develop an empirical database on private philanthropy and its relationship to government. Formally known as the Commission on Private Philanthropy and Public Needs (but more commonly called the Filer Commission, after its chairman), this group drew on the expertise of economists, sociologists, tax attorneys, and others knowledgeable about nonprofits to produce a comprehensive report establishing the existence of and need for a separate, voluntary sector, to complement and counterbalance public sector activities (Hall, 2016).

Yet, even with data that delineated the size and importance of the nonprofit sector in the United States, some myths persisted. Perhaps the most damaging misconception was that voluntary organizations relied primarily on individual and corporate giving. In reality, government support had become the major source of revenue for many of these organizations, at least the "charitable" ones operating in social and health services. The Reagan administration re-established conservatism as the dominant political paradigm, and this meant significant changes for nonprofits. For example, contrary to all evidence showing certain social problems as national in scope, a principle that had become well established after the Great Depression, conservatives reinvigorated the idea that voluntary organizations, with the support of state and local governments, could reassume much of the responsibility for addressing these very same problems (Cass & Manser, 1983). "In the conservative equivalent of Roosevelt's first 100 days in office, Reagan during his first eight months secured major budget cuts, tax cuts, the elimination of many regulations, reductions in the federal government's policy roles, and massive increases in military spending" (Jansson, 2005, p. 312).

Although Reagan was not as successful in pushing through his policies during the latter part of his first term, and his second term can best be described as a stalemate, his belief in a smaller federal government and greater expectations of the private sector has persisted in later Republican administrations. However, the impact on nonprofit organizations has not been uniform. The expansion of corporate giving in response to governmental pressures has benefited arts and culture groups as well as education. Federal policies have led to massive changes in the healthcare arena, with some hospitals becoming for-profit companies and those remaining as nonprofits having to operate in a more businesslike manner, leading to cuts in services. For human service agencies, we have seen a variety of strategies adopted to help these groups survive and thrive, such as greater diversification of funding streams and even mergers, which will be discussed in some detail in the next section of this chapter. Although many who worked in the nonprofit sector in those years do not look back fondly on that turmoil, Hall (2006) observes that the government cuts under Reagan "stimulated the continuing proliferation of nonprofits . . . and enhanced the sophistication with which they are managed" (p. 55).

This reorientation by the Reagan administration is important because it led to a fundamental shift in how social and health services are delivered in the United States. Government funding slowly returned to these services, but as contracts to private organizations rather than as direct government services (Smith & Lipsky, 1993). Of all developments in the past century, perhaps this policy reorientation in the 1980s affects us most keenly today.

The jury is still out regarding the opportunities and threats that lie ahead for the nonprofit sector and charities, as well as member-serving organizations, in today's global economy. One trend that does seem clear is that public confidence in the purity of organizational motives has been somewhat eroded in the wake of public scandals involving top executives using funds meant for programs and services for their personal gain, in United Way of America, the Smithsonian Institution, the American Parkinson Disease Association, and others. Immediately following the terrorist attacks in 2001, the American Red Cross experienced a high degree of leadership turnover as questions were raised about the allocation of contributions earmarked for disaster relief. In 2010, the Red Cross faced familiar questions regarding its handling of donations in the wake of an earthquake in Haiti. New examples emerge every year, with spending by the Susan G. Komen Foundation, the Wounded Warrior Project, the Fiesta Bowl, and the Central Asia Institute facing scrutiny in recent years. Bad press for any one organization threatens to color the public's attitude toward the entire nonprofit sector (O'Neill, 2009). As a result, even local nonprofits find themselves under greater scrutiny.

TABLE 2.1. HISTORICAL MILESTONES IN THE DEVELOPMENT OF THE U.S. NONPROFIT SECTOR

Time Period	Milestone
1636	Harvard College established as first “charitable” entity.
Mid-18th century	Benjamin Franklin and friends introduce mutual-benefit and public-serving voluntary associations in Philadelphia.
Post–American Revolution	Wide variety of nonprofit corporations are chartered throughout the new nation.
First half of 19th century	Two landmark Supreme Court cases set legal precedents for private nonprofits.
	Tocqueville (and others) brings broader recognition to the sector.
Second half of 19th century	Congress includes exemption for charities in first federal income tax code.
	Numbers and types of nonprofits increase substantially.
First half of 20th century	New charitable entities (e.g., foundations, community chests) are created.
	Federal government steps in to address effects of Great Depression.
Second half of 20th century	Modern welfare state takes shape in 1960s and 1970s.
	Filer Commission provides hard data to support value of the sector to society.
	Reagan administration policies change government-nonprofit relationship.
The present	Nonprofits face constant competition for resources as they vie for support from both government and the general public.

Table 2.1 provides an overview of historical milestones in the development of the American nonprofit sector. Even though history is a rather imperfect guide to the future, it does show that the challenges voluntary organizations are facing at present are nothing new. Perhaps the individuals now responsible for guiding these organizations can take some comfort in that knowledge.

THE HUMAN SERVICES SUBSECTOR

For many Americans, the organizations falling within the human services subsector are what come to mind when they think about the nonprofit world, whether they have availed themselves of these services or not. Just consider the sheer diversity of the work: food pantries, homeless shelters, child care programs, adoption and foster care programs, mental health clinics, residential care, senior centers, substance abuse programs, educational and training facilities, employment counseling and placement services, family and youth services, and so on—something for every age and income group. In addition, when we contemplate the values upon which this nation was built, meeting the needs of the less fortunate would certainly rank close to the top of the list. Yet through the decades, eligibility for benefits, the types of services provided, the manner in which they are implemented, and the resources dedicated to these kinds of efforts have often caused controversy in response to shifting perspectives and priorities.

Social Welfare in the Eighteenth Century

During the period from 1750 to 1800, a new society began to evolve in America that discarded many of the ideas about class distinctions brought with the settlers from Europe. As the colonists obtained land, they came to see themselves as stakeholders in a new culture, with their future tied to their own initiative. In keeping with this emphasis on individualism, after the American Revolution the framers of the Constitution established an elaborate system of checks and balances to ensure a limited federal government. A consequence of these checks is that social policy became the responsibility of state and local government, with the exception of enacting laws to further the "general welfare," a vague term at best. The net result of these decisions was that the federal government did not play a strong role in social welfare until almost 150 years after the founding of the republic (Jansson, 2005).

As noted earlier, local government in the colonies provided assistance to sick, disabled, and older poor people. However, those considered able-bodied were expected to fend for themselves; a prevailing view was that poverty represented a moral failing or at least a failure of will and that poor families negatively affected the economy (Katz, 2013). At the same time, private charitable agencies were developed, generally under religious auspices, with many sponsoring educational self-help programs that reflected the value placed on economic opportunity for all (O'Neill, 2002).

Social Welfare in the Nineteenth Century

The founding fathers believed they had created a utopian society in which major social problems would not arise. Unfortunately, this belief served to blind the colonists and even later generations to the reality of the needs springing up right before their eyes: "Even in the 19th century, when the nation began to develop an urban society and other social needs became relatively widespread, the persistent notion of the American utopia perpetuated a kind of collective denial" (Jansson, 2005, p. 59).

Many of the urban ills we see today, such as large numbers of unskilled and semiskilled workers who fall into poverty, existed as well in the early small cities of America. The situation was exacerbated in the first half of the nineteenth century when waves of poor immigrants began arriving in the cities, and at the same time, many Americans migrated west and from the countryside to the city, contributing to a number of social problems, including alcoholism, criminal acts, and youth unrest. One reaction to the latter issue was to build orphanages for youth under age sixteen who had left home or whose parents voluntarily committed them due to insufficient resources. The broader response was to launch a moral crusade implemented through local governments and private (usually sectarian) agencies (Jansson, 2005; Katz, 2001).

Gradually, in the middle and late nineteenth century, attitudes toward those suffering social ills began to change as theorists advanced the idea that society was the cause of these problems, rather than personal weakness. Local and state governments expanded their efforts to serve poor people and even developed new programs. Wealthy individuals with a reformist mentality contributed resources and leadership to found nonprofit social service agencies, including the American Red Cross, the YMCA and YWCA, settlement houses, charity organization societies, and asylums for blind and deaf residents. Nevertheless, the role of the federal government in social welfare remained largely unchanged even in the period following the Civil War and in the beginning stages of the Industrial Revolution in America.

Social Welfare in the Twentieth Century and Beyond

An earlier section of this chapter described the major shift in public policy in the 1930s due to the Great Depression, resulting in the federal government's assumption of responsibility for addressing social problems across the nation. The way the nonprofit sector has evolved in the United States—that is, not only its prominent place in the provision of social services but also the peculiar blending of public and private actions—can be seen as one effect of these policy changes having come much later than in most other industrialized countries.

The three principal social welfare programs under the New Deal consisted of old age pensions (the Social Security program), unemployment insurance, and cash assistance through categorical programs such as Aid to Families with Dependent Children (AFDC). In the face of political opposition to these programs, the new social welfare system was a step in the right direction but retained many of the flaws of the past: Uneven coverage for different segments of the population, fairly limited funding of services, and the continuation of state and local governments' dominance since education, traditionally overseen at the state and local level, absorbed a substantial portion of social welfare spending. Starting with the Great Society programs of the 1960s and through the 1970s, many of the New Deal reforms were completed and even expanded to include a national health insurance plan for elderly people (Medicare), a federal/state program of healthcare for poor people (Medicaid), the creation of a network of community action agencies and preschool programs in low-income neighborhoods (e.g., Head Start), and more aid to those disadvantaged in employment and training, social services, and housing. One of the notable developments in the period from the mid-1960s to 1980 was the increase in federal government spending on social welfare; from 1965 to 1975, most of this growth came in the form of actual program expansion.

However, although a number of the Great Society programs have endured, these efforts were not an unqualified success. Critics suggest President Johnson focused too much on enacting new legislation and not enough on the implementation of the resulting programs. The substantial dollars now flowing to these programs brought a resurgence of opposition to the federal government's role in effecting social reforms as well as renewed antipathy toward poor people and people of color. The Vietnam War only exacerbated the situation, since those for and against the conflict tended to have the same polarized views of the welfare state (Jansson, 2005). Thus, the stage was set for the cutbacks in social welfare spending by the federal government during the Reagan years.

As suggested in the previous discussion, perhaps the more lasting legacy of the manner in which the American welfare state has evolved is the partnership between government and the nonprofit sector that endures to this day. Even at the height of the Great Depression, private organizations continued to provide social services. Yet, this relationship has changed over time, and some would say the character of the sector has changed as well. For one thing, since the 1980s federal government support has been uneven, sometimes benefiting education and health organizations at the expense of the human services. In response, nonprofits have attempted to diversify their funding sources, especially through earned-income strategies such as increasing their reliance on fees for service and engaging in other kinds of commercial ventures (Gronbjerg, 2001). For-profits now vie with voluntary organizations for the performance-based contracts that have become a favored funding mechanism of government agencies as they have moved from direct providers to procurers of social services. Tapping into Medicaid dollars has become a primary source of financial support for many types of social service programs (such as child welfare and substance abuse treatment) as older forms of support like block grants have been curtailed. Moreover, government has adopted managed care principles, which sometimes emphasize efficiency at the expense of quality of service, to guide financial decision-making, further increasing uncertainty about the constancy of revenues for provider agencies.

Another major policy shift occurred at the end of the first term of the Bill Clinton administration, when AFDC, an entitlement, was replaced by a new welfare program, the Temporary Assistance for Needy Families block grant (TANF), which gave each state the latitude to set eligibility requirements and determine how benefits would be provided, without imposing any uniform standards for measuring the results (Jansson, 2005). Another aspect of the new welfare reform legislation began a period of experimentation in federal support of faith-based organizations in providing social services. Initially referred to as the "charitable choice" provision, this legislation allowed faith-based organizations to continue receiving federal funds for offering social services (as they had long been able to do), while openly displaying religious artifacts. This was a significant departure from past practices, which enforced a strict separation of government and religion. Subsequent legislation in the period from 1996 to 2000 gave further legitimacy to these ideas. President George W. Bush then acted to make charitable choice a key feature of his domestic program by signing three executive orders in an attempt to implement this initiative. In the end, Congress did not approve some of the major components of the program because of concerns that, despite restrictions prohibiting a faith-based organization from proselytizing or withholding services from individuals not of that particular faith, monitoring of standards would be very difficult (Jansson, 2005). While this experiment was a centerpiece of George W. Bush's social policy, public attention was diverted to the new War on Terror. When Barack Obama became president, the faith-based initiative was not totally dismantled, but it faded from public discourse. Federal attention to social welfare has been scarce in the Trump era.

The early part of the 21st century has featured two recessions that have challenged the ability of both nonprofits and government to secure the resources necessary to deliver their services. The number of nonprofit organizations continues to grow, as formal incorporation as a nonprofit and establishment as a "public charity" has become the normal route for organizations of all sizes that seek to engage their communities. The new century has brought philosophical challenges to the traditional philanthropy initially established by Carnegie and Rockefeller. Modern philanthropists have championed a more hands-on approach to investing in the outputs of nonprofits (Frumkin, 2006), including more focus on measurement and accountability. This wave comes at the same time of greater support for innovative actors who create new social enterprises to combat issues in their communities, or develop new social programs in their existing organizations (Bornstein & Davis, 2010). Although "social entrepreneurship" is not new, it has become a watchword of the 2000s where making impacts with limited resources is as important as ever.

FINAL THOUGHTS

What does the future hold for human service organizations and the people they serve? Predictably, the impact of TANF has varied dramatically from state to state, with some localities much more generous with both time and resources than others. Accordingly, "success" in this arena is open to a variety of different interpretations, but certainly poverty and inequality are still very much a part of American life. In this environment, the need for a healthy, viable nonprofit sector is not likely to diminish. The future will be a dance in the evolving relationship between nonprofit organizations and government in a constantly evolving resource environment.

QUESTIONS TO CONSIDER

2.1. If you could interview any historical figure who contributed to the development of the U.S. nonprofit sector, who would you choose, and why? What three questions would you most like to ask this person?

2.2. How do you account for the varying perceptions of the human service subsector from colonial days to the present?

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3

Political and Economic Considerations

TODAY, AS PERHAPS never before, nonprofit organizations must operate in a complex and ever-changing environment full of a wide range of political and economic concerns that in turn affect internal decision-making. "Innovation" and "entrepreneurship" are in vogue since they stress the need to make changes to our organizations as the world constantly changes around us. Two recessions during the 2000s created an environment of government cutbacks and increased competition for the private dollar, privatization and managed care policies and practices, and greater (and sometimes conflicting) demands from a variety of stakeholders for both fiscal and programmatic accountability. In light of these challenges, organizational leaders must determine the most effective and appropriate ways to ensure a continuing flow of the resources necessary to provide the programs and services consistent with the organizational mission without compromising its integrity.

In the typical nonprofit, the heaviest responsibility for addressing these challenges falls on the chief executive officer. Also commonly called the "executive director," this leader must be skilled in the art of boundary spanning, securing financial and in-kind resources, establishing and maintaining the organization's legitimacy, negotiating formal and informal agreements with other organizations, participating in advocacy coalitions, and positioning the organization to take advantage of new opportunities (Herman, 2016; Edwards & Yankey, 2006).

This chapter focuses on the boundary-spanning role of the nonprofit professional leader by examining the theoretical and practical dimensions of navigating through the murky waters of present-day organizational life, shaped in large measure by a highly politicized and multifaceted marketplace. It draws on various theoretical perspectives that economists, sociologists, political scientists, public administration scholars, historians, and others have engaged to help us understand nonprofit organizations and the nonprofit sector better.

THEORIES OF CHANGE

Change is not something that comes easily to most individuals; most of us would prefer to stay within the comfort zone of the known rather than leaping into unfamiliar territory even when all objective signs point to the latter as the better course of action. Groups and organizations share the same propensity. However, change management is vital to the health of the nonprofit sector (Chahine, 2016). In a subsequent chapter of this book, we will look at strategies to effect change, but here our interest is in understanding the nature of change from a more philosophical vantage point. We should also stress that the kind of change under discussion is not simply cosmetic but is at a much more fundamental level of transformation, resulting in a different way to conceptualize and manage the operations of the organization.

Wernet (1994) suggests that from the theoretical perspective of economic determinism, change occurs in reaction to the constraints imposed on the organization, causing it to adapt to its environment within its particular service niche; in contrast, from the perspective of strategic choice, the organization acts in a more proactive, anticipatory manner to secure essential resources and ensure survival. The theory of *political economy* encompasses both of these viewpoints, taking into account both organizational goals and structure and emphasizing the interrelationships between political and economic forces within and external to the organization. Furthermore, this theory acknowledges the effects of organizational culture on leaders' decision-making, meaning that choices may be dictated by ingrained patterns of behavior as well as by more objective considerations (Wernet, 1994; Zald, 1970). Put another way, political economy theory is concerned with the internal actors who have the formal authority over how decisions are made by the organization as well as those who influence the decision process and with the external political and economic factors that shape critical decisions on resources the organization needs.

The main implication of this theory is that as levels of supply and demand in the marketplace for an organization's "products"—its programs and services, which may include both tangible and intangible goods—fluctuate, so does the organizational response. When competition for resources is low, the organization does not feel threatened, but when competition is high, the impetus for change, to restore that sense of stability, is much stronger. At the same time, the linkages the organization has forged with various constituencies in the external political environment can play a mediating role in regard to the external economic environment (Wernet, 1994). For nonprofits, relevant constituencies include supporters, such as funders and direct beneficiaries of services, and those with control over the organization, such as regulatory agencies. However, even actual or potential competitors must be taken into consideration; a full understanding of market conditions may dictate forging agreements that turn competitors into collaborators. In short, "this approach postulates that economic and political forces, structures, pressures, and constraints (1) are among the most significant motivators of change, and (2) are the key factors shaping directions of change" (Zald, 1970, p. 256).

THE EXAMPLE OF MANAGED CARE

For nonprofits operating in the physical and behavioral health arenas, managed care policies and practices offer a pertinent application of political economy theory. As noted in chapter 2, during the Johnson administration two major healthcare programs were instituted: Medicare, to address the health needs of elderly people, and Medicaid, for disabled and poor people. As a result, by the 1970s the federal government had become a major funder of the U.S. healthcare system, and its response to rising costs was to tighten standards and monitoring procedures through diagnosis-related groups in hospitals and other provider settings. Despite these efforts, medical expenses continued to increase through the 1980s and into the 1990s. Increasingly sophisticated technology has brought more widespread monitoring, using what we now know as managed care procedures, with the goal of integrating healthcare services and expenditures. Managed care organizations, such as health maintenance organizations (HMOs) and employee assistance programs (EAPs), evolved out of the desire to not only control costs but also increase effectiveness as reflected in the quality of services (Fox & Kongstvedt, 2013).

Mental health and substance use disorders first received recognition as medically based illnesses requiring professional interventions in the late 1950s, but passage of the Health Maintenance Organization Act of 1973 (PL 93-222) spurred HMOs to begin to offer at least minimal coverage for these disorders. Deinstitutionalization of patients from state mental hospitals (along with the community health movement of the 1960s and 1970s) was a prime factor in establishing insurance coverage for mental health treatment (Fox & Kongstvedt, 2013). In 1982, the Tax Equity and Fiscal Responsibility Act (PL 97-248) was enacted, providing additional financial incentives for prepaid programs, which were seen as a way to counter the high costs and utilization of health services under Medicare and Medicaid. To prevent group health plans from limiting benefits to mental health services, the Paul Wellstone and David Dominici Mental Health Parity and Addiction Equity Act (MHPAEA) was enacted in 2008 requiring health plans to provide mental health benefits equivalent to medical/surgical benefits (Center for Consumer Information & Insurance Oversight, 2016). The Affordable Care Act of 2010 builds on the protections in the MHPAEA and provides "one of the largest expansions of mental health and substance use disorder coverage in a generation" (MentalHealth.gov, 2016).

In principle, the intentions of managed care policy to improve efficiency and effectiveness are clear. Unfortunately, in practice, such improvements have proven difficult to implement. For example, to contain costs, managed care organizations, which act as an intermediary between the funding source and those seeking assistance, have imposed strict requirements on eligibility for service, limited the choice of providers, and mandated the allowable treatment options. In addition, these programs tend to use a medical model focusing on the elimination or treatment of symptoms rather than a social health model, whose emphasis is much broader. As a result, consumers may be prevented from receiving the full range of services necessary to address either the immediate or the underlying problems that motivated the individual to request help in the first place (Kelly & Clark, 2009–2012).

The primary responsibility for community mental health services has devolved to the states, with federal assistance as established under the State Comprehensive Mental Health Services Plan Act of 1986 (PL 99-660). Although block grants continue to be a part of the financial support package, Medicaid is now the dominant source of funding for treatment and support services for children and adults coping with severe mental illness. In July 2014, Sylvia M. Burwell, secretary of Health and Human Services, announced $54.6 million in funding from the Affordable Care Act issued to 221 health centers in 47 U.S. states and to Puerto Rico. These additional funds were to establish or expand behavioral health services for over 450,000 people nationwide. The money was allocated to 9,200 community mental health center (CMHC) sites that provided mental healthcare to more than 21.7 million Americans at that time. A typical arrangement is for a local CMHC to obtain funding from a state government agency and then contract with private community-based providers to deliver the services. In many cases, referrals are channeled through a CMHC-operated agency, acting as a gatekeeper, once consumers have demonstrated that they meet the stringent eligibility requirements involving residency, income, and the presenting problem(s).

This system is imperfect on many levels. While individual and family needs for assistance keep increasing, the CMHC often does not receive a commensurate increase in its level of support, which in turn restricts the number of providers under contract and the dollars allocated to them. As a result, eligible people can be denied help because the provider agencies are already at capacity and cannot accommodate them; a person's only recourse may be to pay higher fees for services through non-CMHC providers. Other market forces also come into play. Most managed care contracts reimburse on a per-person basis to a predetermined group of consumers, thus shifting the burden for cost containment to the provider. Whereas the original intent of these contracts was to motivate providers to be more efficient in using resources, one effect has been to increase uncertainty about revenues. In an attempt to cope with this uncertainty, some providers have resorted to unethical practices such as misrepresenting benefits, screening out consumers with more serious problems, and limiting or even withholding appropriate treatment, because of its cost. Others have responded by reducing staff levels through layoffs or attrition, thus placing a greater burden on the remaining practitioners and middle managers to continue services and handle the excessive paperwork associated with heightened accountability demands under managed care (Gibelman, 2001–2002).

THE TIES THAT BIND

This discussion on managed care highlights an important dimension of nonprofit life: the multiple stakeholders with which these community organizations interact on a regular basis. We will explore this issue in more detail with reference to just one type of nonprofit, the human service organization (HSO). As shown in Figure 3.1, the primary internal stakeholders include clients, staff, and the board of directors. External stakeholders include funders, regulatory agencies, and other nonprofits in the community, which may be allies or competitors.

Of the various perspectives advanced to shed light on interorganizational behavior, stakeholder theory can serve as a unifying framework. Grounded in feminist theory, this conceptualization emphasizes empowerment of and engagement with a broad range of constituencies. The principal value orientation involves satisfaction of individual preferences among all these groups, something that in practice can be difficult to achieve because the interests of different stakeholders may conflict. The sum total of the interactions with different stakeholder groups represents multiple bilateral relationships (Wellens & Jegers, 2014.)

From an economic standpoint, we might think of these interactions as exchanges with incomplete contracts—that is, agreements in which certain aspects cannot be enforced retroactively because not all conditions can be anticipated and thus stipulated in the contract. For instance, in hiring a new staff member, the agreement may be clear about work hours and the tasks associated with the position, but that agreement is unlikely to specify how much energy the new employee must exercise in doing the job. Arguably, clients are the most important stakeholders for a social agency, as the

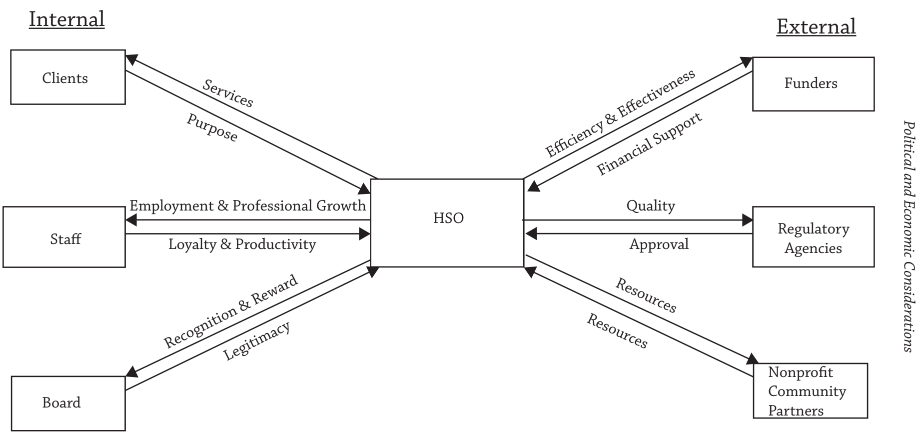

FIGURE 3.1. Relationships between a human service organization and key stakeholders.

reason for its existence, but many HSOs seem to ignore client needs in service delivery, resulting in a system that is overly bureaucratic and inflexible rather than holistic and accessible (Cohen, 2002). Due to a recent trend in the nonprofit world toward viewing clients as customers or consumers, such a cavalier attitude may no longer be tenable. From this standpoint, quality becomes a higher priority, necessitating a basic change in the way staff members relate to those who use the organization's products and services to create a better fit between customer expectations and perceptions about services (DuBois & Miley, 2013).

A key to improving service quality is enhancing staff commitment to the organizational mission and goals. To achieve this, the CEO must develop and nurture a sense of shared values within an organizational culture that is supportive of them (Herman, 2016). Taken a step further, acceptance by staff of proposed changes, such as in-service delivery, is tied to employees' identification with the leader's vision for the organization and his or her actions in furthering that vision (Jaskyte, 2004). In addition, recognition of the impact of the turmoil in today's human service environment on staff members is vital, as is finding a way to meet the diverse needs of the contemporary workforce while encouraging the desired levels of productivity, efficiency, and effectiveness.

The third critical internal stakeholder group for HSOs is the board of directors. Since the board will be dealt with in much greater depth in subsequent chapters, we only note here that the motivations for board service are complex, ranging from altruistic to more self-serving reasons. Board members, as representatives of the community, legitimize the organizational mission; in return, they receive recognition and praise for their service, which are nonmonetary rewards but nonetheless have their own value. Even though the leadership responsibilities in nonprofits are shared in some kind of partnership between the board and the CEO, both research and practical experience suggest that executives bear the main burden for ensuring that the trustees fulfill their governance function (Herman, 2016).

Government is perhaps the most important external stakeholder for HSOs. However, foundation and corporate support are important as well, and these three sources represent as much as 75 percent of total income for many organizations (Roeger, Blackwood, & Pettijohn, 2012). Because nonprofits tend to rely on multiple funders, organizational leaders must learn how to manage the sometimes-conflicting expectations of these diverse supporters for effective, efficient performance. For several decades now, government contracting has been central to human services funding; this relationship brings challenges that influence decision-making and sometimes negatively affects internal relationships (Smith & Lipsky, 1993). In recent years, another complication has been the growing competition for these same dollars from for-profit companies, which will be addressed in the next section of this chapter.

Another external stakeholder is regulatory groups, including those that give legal approval to programs and services and those that provide validation of the fulfillment of designated standards. For the most part, issues pertaining to health, safety, and social welfare are state responsibilities, administered through a variety of government agencies either locally or statewide. States also license professions such as social work. Accreditation, on the other hand, is generally a voluntary action taken by the board and staff to ensure internal quality as measured against independently determined best practices for like organizations (Stoesz & Karger, 2009).

The last external stakeholder group is other nonprofits. These interorganizational relationships can be complex, as these organizations may be allies and even collaborators or, as just noted, competitors. In Figure 3.1 the focus is on the partnership potential of these relationships, ideally with an expectation of a complementary exchange of resources. Management attitudes toward collaboration—the degree to which collaboration is viewed as beneficial or disadvantageous to the organization can affect the desire to strategically engage such partnerships and the extent of the resources committed to making these efforts successful (Foster & Meinhard, 2002). While funders and regulatory bodies may encourage collaboration as a means toward greater efficiency and effectiveness, these agreements tend to arise under specific environmental conditions; thus, difficulty in adapting successfully to changing conditions may affect their long-term viability (Bunger, 2013).

Within the context of political economy theory, all of these stakeholder groups have some degree of influence over organizational decision-making. We can view the board of directors as having positional power, regulatory agencies as having oversight authority, and funders, of course, as having the power of the checkbook. Staff can also exercise power by reflecting positively or negatively on the organization through their delivery of services; if unionized, staff can affect the economics of the organization by bargaining for higher salaries and more benefits. As for clients, those who have the wherewithal to pay for services certainly make a statement in their choice of a provider, but even those whose fees are covered through contracts or under insurance plans play an important role in how the organization is viewed within the community. Finally, the nature of the resources controlled by potential collaborators as well as the strength of their connections in the external political environment may determine whether they function as a full partner or in a lesser capacity in any joint ventures.

In this section, the emphasis has been on HSOs, but every nonprofit must deal with the same basic constellation of stakeholders, although subsectors may vary in terms of their economic and political environments. For example, vendors are apt to be more of a factor in settings like hospitals in which technology is so critical to high-quality care. In many HSOs, volunteers can be responsible for significant personnel cost savings, especially in times of financial uncertainty. In museums and other arts and culture organizations, members of auxiliaries have a long history of performing vital services, such as staffing the gift shop and reception desk, leading tours of the facility, and organizing fundraisers. Additionally, they support the sponsoring organization via dues and direct monetary gifts. In return, these insiders may get advance notice of new exhibits and free tickets to events along with public recognition of their contributions.

Bottom line: Keeping in mind the bilateral nature of stakeholder relationships, a careful assessment of the different groups with which an organization interfaces is the first step toward the development of a set of strategies that maximize the benefits and minimize any negative aspects of these interactions.

THE PERMEABILITY OF SECTOR BOUNDARIES

As discussed in chapter 1, we can identify three major sectors of society: government, for-profit, and nonprofit. Whereas the basic functions of government and businesses are fairly clear, to protect and promote the interests of the general public and to return a profit to owners, respectively, the role of nonprofits seems to be more difficult to categorize. Part of the reason nonprofits do not fit easily into a specific niche is the diversity of types of organizations and the activities they undertake. However, another explanation lies in their complicated relationship with the other two sectors. Sometimes nonprofits act as partners with government to realize social goals, but they can also become adversaries when their goals do not mesh. Similarly, nonprofits and for-profits function as both collaborators and competitors. One example of collaboration is the contributions nonprofit educational and research institutions have made to business through scientific breakthroughs that lead to new commercial products. Yet businesses now engage in head-to-head competition with voluntary organizations in service areas that, in the past, might have been seen as the purview of nonprofits, and vice versa—with hospitals and day-care provision examples of the former and state-of-the art fitness centers in YMCAs an example of the latter.

Karen Froelich (2012) describes the experience of Hospice of the Red River Valley (a nonprofit) in fighting off competition from Odyssey Hospice, a program of the for-profit Gentiva corporation. Benefiting from its parent's deep pockets and national reach, Odyssey was able to open an office and deliver hospice services to Fargo and the surrounding area. Hospice of the Red River Valley suddenly had to compete for both service providers (and Odyssey could pay its nurses more) and clients. Both the nonprofit organization and the for-profit derived most of their revenues from third-party payers (often Medicare and Medicaid) that reimbursed for specific services, so the care did not differ substantially between the two. The competition forced Hospice of the Red River Valley to take a hard look at itself to find efficiencies, to provide better services, and to determine its relative strengths. Ultimately, by emphasizing its nonprofit status, it was able to garner more public trust and market share. When Odyssey's Fargo office did not produce the expected financial returns, it closed. Hospice of the Red River Valley was left to provide its improved services, stronger from the experience.

Interactions Between Nonprofits and Government

Young's (2000) approach to categorizing the relationship between nonprofits and government in the United States is grounded in economic theory. His conception reflects three different lenses for viewing this relationship: supplementary, complementary, and adversarial. Each has been dominant in different historical periods, but all three continue to be relevant. Table 3.1 presents the essence of his thesis.

The Supplementary Lens

From the supplementary perspective, nonprofits step in voluntarily as service providers when government has not been able to fulfill demand because citizens vary so widely regarding the levels, qualities, and types of goods and services they want and how much they are prepared to pay for them. That is, they "supplement" the primary services of government. This is the basic premise of the theory of government failure (Salamon, 1987); government does what it can, but fails to cover all contingencies, so nonprofits step in. In consideration of political norms, governments tend to be most responsive to a dominant group or to use the preferences of the average voter as a guide to a uniform provision of goods and services, which means that citizens whose preferences differ from those of the average voter or who are not part of the dominant group will remain unsatisfied. Even though other potential solutions to this problem exist—for example, purchasing private-market goods—none is a perfect answer, leaving room for nonprofits to help fill the need.

Young (2000) also points out that the involvement of private nonprofits likely will differ from one subsector to another. Where people's tastes vary widely, such as in the arts, nonprofit provision will tend to be high; in an area like public safety, citizen preferences may be more homogeneous, and thus nonprofits will be less active; and in the social services, provision of goods and services by nonprofits is apt to vary over time with the changes in what people want. Table 3.1 illustrates that in different periods in the history of the United States, one or another of the three lenses has been a stronger factor. In the late nineteenth century, when government care of poor people was widely considered inadequate, the number and types of voluntary organizations grew substantially. The supplementary view was again dominant in the early twentieth century (a time of relative passivity on the part of government) and once more

TABLE 3.1. MODELS OF NONPROFIT–GOVERNMENT RELATIONS IN A POLITICAL ECONOMY CONTEXT

Model	Economic Theory	Dominant Eras
Supplementary	Government failure	Late 19th century/early 20th century 1980s and 1990s
Complementary	Public goods and transactions costs	1960s and 1970s 1980s and 1990s
Adversarial	Government failure and contract failure	Early 19th century 1950s–1970s 1990s–2020?

Source: Adapted from Young (2000).

during the 1980s and 1990s (in response to the policies initiated in the Reagan administration that favored a smaller federal government and placed greater responsibility on the private sector). As for the present, the belief that the private nonprofit sector can function effectively even with limited government support is common, despite huge investments in private sector providers.

The Complementary Lens

From the complementary perspective, nonprofits and government interact cooperatively in the provision of public services. According to Salamon (1995), who sees this arrangement as a logical, viable response to powerful political forces, "the . . . pattern of government–nonprofit partnership has much to recommend it, combining as it does the capacity to generate resources and set priorities through a democratic political process and the ability to deliver services through smaller, locally oriented, private nonprofit groups" (p. 198). Young (2000) offers both public goods and transactions-costs theory, the latter part of the larger economic theory of organizations, to explain the rationale behind the complementary lens. Under the first rubric, an understanding of the phenomenon of "free riding" is important. When organizations or governments attempt to provide collective goods voluntarily, if the amount of the particular good is not finite and is available to all, people have no incentive to contribute to its provision or to pay for its consumption. Why should I pay for public Wi-Fi? One possible solution to this problem is to use peer pressure to make people feel guilty for their behavior, but another lies in the power of the state to tax its citizens. From this second option comes the idea of government financing public goods, but not necessarily being directly involved in service delivery.

Transactions-costs theory helps explain why contracting out services to private organizations may be more cost-effective for government, especially considering the general perception that large bureaucracies are inefficient. The reality is that internal growth carries costs, and increasing service provision through an external source in the private sector may actually lower government's labor and production costs. This same theory suggests two reasons why government might prefer to deal with a private nonprofit rather than a business. First, to meet the preferences of its citizens, government may find nonprofits more advantageous because they are generally knowledgeable about the communities in which they are based and thus in a better position to offer services to fit local needs. Second, given that voluntary organizations do not operate from a profit motive as do businesses, they are less likely to cut corners inappropriately. As a result, government may have less expense in monitoring their performance and ensuring that the agreed-upon services are being provided at the specified level and quality.

The complementary relationship between government and nonprofits seems to be more prevalent in service industries, where the problem of free riding is significant, and where a large bureaucracy would be required to oversee direct public production. Community-based nonprofits can also provide a superior alternative to government where "differences in local preferences favor some differentiation of services to alternative locales and consumer groups" (Young, 2000, p. 155). Young's observation seems on the mark when we note the historical periods identified in Table 3.1 as strongly affected by this lens, the 1960s and 1970s and the 1980s and 1990s. As the American welfare state began to take shape in the mid-twentieth century, the number of charitable nonprofits proliferated. We saw increases not only in the human services, but also cultural, educational, and health services, due to government support through grants and contracts. In the 1980s and 1990s, privatization of public services was the dominant paradigm, even with the efforts of the federal government to control spending through cutbacks and managed care practices. Today, contracting continues to be a major income stream for many nonprofits (Pettijohn, Boris, De Vita, & Fuffe, 2013).

The Adversarial Lens

In this situation, nonprofits and government function to influence the other's behavior. For example, nonprofits may advocate for changes in public policy or for more funding to provide services in response to an emerging need, and government can use its authority to place restrictions on advocacy efforts or increase its regulatory control over service delivery.

Young (2000) again presents two theories to clarify the adversarial relationship lens. Government failure theory is useful to understand how diverse racial and ethnic groups are able to make their voices heard and gain attention for their demands through collective action and savvy politicking despite the apparent lack of incentive on the part of government to entertain their concerns. Similarly, actions by nonprofits can spur government involvement in service areas that previously generated little or no interest. Demonstration projects funded through foundation grants can establish the viability of a particular approach to a problem and, when coupled with a well-designed campaign to increase public awareness and support, can put pressure on government to step in. The HIV/AIDS epidemic is a case in point. In the early 1980s, when this disease first emerged in a significant way, it was perceived as a problem primarily affecting the socially marginal (i.e., gays and minorities, especially those with limited resources). The direct response to the issue came from the nonprofit sector through the formation of new organizations, underwritten for the most part by individual contributions and foundation grants. However, by the early to mid-1990s, the longer-term, broader impact of the epidemic, affecting the middle class, including women and children, as well as the original groups, was clearly recognized, leading to greater involvement by the federal government in funding and shaping services (De Cock, Jaffe, & Curran, 2011).

The theory of contract failure helps account for the other side of the adversarial equation: government efforts to oversee and regulate the behavior of nonprofits and even press for change. According to this theory (Hansmann, 1980), nonprofits become the provider of choice when consumers are unable to adequately evaluate the quality of a service or product, a condition known as *information asymmetry*. If I make a contribution to send food to a child in a Third World country, whom can I trust to actually deliver the service? Consumers are likely to be less well informed than providers in three situations: (a) when a good or service is especially complex or technical, such as with healthcare, where one must rely on the expertise and judgment of the medical provider; (b) when a donor supports a worthy cause and must depend on the integrity of the recipient group to deliver the promised service; and (c) when someone purchases services on behalf of another, such as a mother seeking daycare for a young child or an adult choosing a nursing home for an elderly, frail parent. In this last situation, the person who pays may not be able to determine whether the client, the child, or the aged parent is receiving the level of care negotiated with the provider.

In such situations, for-profits might be tempted to exploit consumers to their own advantage. However, Hansmann (1980) famously suggested that the removal of the profit motive helps voluntary organizations overcome consumers' fears of exploitation and, therefore, overcome market failure. In addition, the nature of their internal governance structure, built on a model of shared leadership and an explicit commitment to a higher purpose, makes them more trustworthy. However, government must still act to protect the interests of the general public, and this necessitates policing the behavior of providers, even nonprofits, to ensure they comply with all the conditions required of tax-exempt entities and do not violate the trust placed in them (Young, 2000).

Table 3.1 identifies three historical periods when the adversarial lens has seemed to dominate. In the early nineteenth century, although voluntary associations played a key role in the Northeast, public institutions were preferred in the West and South. Beginning in the 1950s and into the early 1970s, certain legislators took exception to the tax-exempt status of nonprofits, especially foundations. These efforts were effectively countered by the nonprofit sector through privately funded commissions. The 1960s and 1970s, and again in the 2010s, were times of protesting against government policies by African Americans, women, and other groups experiencing discrimination. During the 1990s, antagonism toward nonprofits by some members of Congress was manifested through attempts to restrict advocacy. Now and into the future, we can expect nonprofits and government to engage in some form of adversarial behavior "for the simple reason that these parties independently pursue objects whose impacts are felt differently by the two parties" (Young, 2000, p. 157). The 2020s may well be characterized by advances in disadvantaged populations due to the adversarial stance between democracy-building nonprofits and government.

The Political Significance of Contracting

Contracting between government and nonprofits has been discussed in economic terms, but we should also consider the political ramifications of this so-called partnership, especially for HSOs, which rely so heavily on public funding. From the perspective of some observers, this is not a relationship between equals. Because government controls the purse strings, the power differential places nonprofit providers at a considerable disadvantage in terms of maintaining their autonomy. However, this perceived imbalance is often tempered in practice by market forces of supply and demand. In urban areas that have a critical mass of, say, organizations that provide treatment for mental disorders, government is in a stronger position to dictate the conditions of the partnership than in more rural communities, where a community may have only a single provider of the desired services.

In their seminal work on this topic, *Nonprofits for Hire*, Smith and Lipsky (1993) address the downside to contracting. For example, one prerogative of a private agency has been the freedom to determine who will be served and what services will be offered within the parameters of the organizational mission. Under the terms of a contract, since government operates from the principle of equity, the provider may be forced to accept all clients falling within a targeted group rather than those most compatible with its mission. Similarly, the nonprofit may be pressured to offer services of a certain kind and at a prescribed level rather than having the leeway to make a determination based on individual need. Funder expectations may also include demands for upgraded facilities and a larger, more professionalized staff, without offering the concomitant dollars to effect these changes. Moreover, contracting may alter the board–executive relationship by shifting authority to the staff as the primary link to the government agency, thereby diminishing the board's traditional oversight role. For clients, perhaps the biggest change is perceptual. Smith and Lipsky (1993) use the term *street-level bureaucrats* for the workers in the private agency, who become, from the consumer's viewpoint, a representative of the state (i.e., government). As a result, in the event of any dissatisfaction with the services received, accountability is shifted away from government to the provider–and usually to front-line workers who have little understanding of or experience with government policy.

On the positive side, contracting can be the mechanism for a nonprofit to expand its services and client base. Although the continuity of government support can never be taken for granted, once having secured a contract (assuming no major problems with performance and an ongoing need for the organization's expertise), the provider can be reasonably assured of renewal from year to year. Brown and Troutt (2004) suggest that mutual trust can help establish a long-term cooperative relationship between a nonprofit and a government funder. This requires "a choice of attitude in which each contracting party acts according to the assumption that the parties share common goals, which makes supporting each other mutually beneficial" (p. 8).

Maintaining professional standards, reducing or eliminating transaction costs associated with both contract management and service delivery, establishing clear lines of communication and accountability, and focusing on a mission shared by all players are essential ingredients to achieving a successful partnership.

Interactions Between Nonprofits and Business

As with government, the relationship between nonprofit organizations and for-profits can be adversarial, in the sense that they may face direct competition to provide various kinds of goods and services. However, the relationship can also be complementary, as when a corporation underwrites the costs for research conducted by an educational institution that leads to new product development. Likewise, the relationship can be supplementary, as when voluntary associations step in to provide certain goods or services, such as daycare or transfused blood, to make up for inefficiencies in the private marketplace in the allocation of resources. This last point is an illustration of market failure theory, the counterpart to government failure theory discussed in the previous section.

Abzug and Webb (1999) offer a helpful array of nonprofit/for-profit interactions by identifying seven stakeholder roles that nonprofits might fill. These include the *community watchdog group* that mobilizes around a particular interest, such as polluting the environment, in opposition to corporate policies perceived to be counterproductive; the *competitor*, whose tax-exempt status may allow for lower fees for the same product or service offered through a for-profit; the *customer*, acting as an educated consumer, individually or as part of a consortium, to secure the best price for desired commodities; *employees or managers*, organized through unions or professional associations to gain bargaining advantages; the *government contractor* that acts as an intermediary between a corporation and government, such as when a medical supply company deals with a nonprofit hospital or HMO regarding Medicare; *stockholders,* exercising their ownership rights on behalf of pension funds or endowment trusts; and *suppliers*, providing medical or educational services, for example, through contracting and other arrangements.

The Commercialization of Nonprofits

A persistent myth about nonprofit organizations is that private donations, from individuals, foundations, and corporations, represent the largest source of revenue. In fact, fees for service has long been the dominant source of revenues for the nonprofit sector, partly because of the size and scope of the healthcare industry in the United States. For many nonprofits, product sales, property rentals, and other money-making activities form a significant part of their financial planning. Some observers have decried these practices, often referred to as the commercialization of the sector, especially within human service agencies, as detracting from the intended purpose of voluntary organizations (Eikenberry & Kluver, 2004). The burgeoning attention to social enterprise over the past decade has reinforced these concerns, even as earned income strategies have paved avenues for innovative services. The challenge for nonprofits is in maintaining their charitable character—and the public trust that comes with it—while pursuing commerciality.

Today's nonprofit leader must be prepared to address current realities in regard to obtaining needed resources. Martha Golensky learned this lesson many years ago when she worked as executive director of a large Girl Scout council. The organization netted $1 million annually from its cookie sales, which was its primary revenue source and paid for both the majority of troop activities and management expenses at headquarters. The evidence that this was big business came from the formal cookie tastings, organized by each bakery approved by the parent body, which determined who would receive the highly coveted contract to provide the product. Imagine a group of women sitting around a conference table solemnly munching on six different varieties of cookie and then cleansing their palates to repeat the process for the other two contenders. Whatever initial amusement value the ritual had was quickly replaced by an appreciation of the importance of this income stream to the organization's financial security. Pressure on nonprofits to be more businesslike in their operations now comes from both internal and external stakeholders.

Several decades ago, most nonprofits had only a vague sense of what it meant to behave in a businesslike way. Indeed, many nonprofits resisted, and continue to resist, looking too businesslike. However, the norm has shifted toward nonprofits adopting bureaucratic processes that are sometimes indistinguishable from businesses. Dart (2004) lists four elements that can be associated with nonprofit businesslike behavior: (a) program goals congruent with prosocial values but framed in the context of revenue generation, profit, or financial surplus; (b) service delivery structured in ways consistent with commonly recognized ideas of businesses and business planning, such as focusing the provision of services on core competencies to increase volume; (c) a strong entrepreneurial approach to running the organization, as evidenced by decentralizing overall responsibility for programs to the individual managers; and (d) the generalized use of business terminology even in contexts not directly connected to business-related matters. This research suggests that behaving in a businesslike manner need not be incompatible with broadly recognized nonprofit mandates to serve the public, as long as the strategies adopted remain consistent with the organizational mission. The growth of undergraduate and graduate programs in nonprofit management is also evidence that business strategy has come of age in the nonprofit sector.

The issue of nonprofits competing with for-profits has been controversial, perhaps due to a lack of understanding of the nature of the competition. A key distinction is whether they compete in providing the same kinds of services to the same kinds of clients, or whether they occupy a different niche within a given industry (Young & Steinberg, 1995). For the most part, the commercial activities of nonprofits are closely related to their missions and involve activities that would be of little interest to businesses because they are unprofitable; legal services for poor people is a good example. In mixed industries, meaning that both sectors are active, sometimes nonprofits and for-profits occupy different niches. Regarding day-care centers, for instance, information asymmetry may lead consumers experiencing difficulty in assessing the quality of the services to prefer a nonprofit, while the better informed might choose a for-profit provider. This arrangement is efficient from an economist's perspective. In other industries, like hospitals, the two appear to compete head-to-head for the same customers. Despite evidence suggesting nonprofits offer slightly different services than for-profits in such cases, competition may complicate the ability of a nonprofit to offer the level of public benefit (care for the uninsured and so on) it might otherwise provide (Young & Steinberg, 1995).

However, nonprofits often engage in activities that an outsider might view as somewhat peripheral to their missions. This can raise concerns in the community, especially from the smaller businesses with which they compete, who must pay taxes on their income (Hopkins, 2015). Some readers may be surprised that something as well established as Girl Scout cookie sales has been legally challenged by certain state attorneys general on the basis that it is commerciality unrelated to the mission of the organization. When the Internal Revenue Service determines that commercial income is unrelated to the approved exempt purpose of a given nonprofit organization, it must pay the federal Unrelated Business Income Tax (UBIT). UBIT is similar to the corporate income tax and strives to level the playing field between businesses and nonprofits that provide competing services. Thus far, the Girl Scouts have prevailed by demonstrating that the cookies program teaches participants responsibility and leadership skills and is therefore directly related to the organizational purpose. On the other hand, certain nonprofits, especially larger organizations, consciously decide to engage in commercial endeavors unrelated to their missions, knowing the profits from these ventures will be subject to UBIT. An example is an HSO that owns a piece of land and turns it into a parking lot with spaces rented at the going market rate. Nonprofits may also create for-profit subsidiaries (such as a coffee shop) to finance their charitable work. A few even elect to give up their tax-exempt status to become for-profits, due to economic incentives or because they feel they will be more able to accomplish their missions.

Collaboration Between Nonprofits and For-Profits

To balance the ledger, we should celebrate the many instances of productive collaboration between nonprofits and businesses. Two illustrations mentioned earlier in this chapter are research undertaken by educational institutions funded by corporations that leads to the development of new products and services supplied by nonprofits to for-profits on a contractual basis, such as operating the employee assistance program. By the same token, nonprofits buy goods and services from for-profits, which may be of particular benefit to smaller, local businesses. Moreover, a nonprofit with a government contract may choose to subcontract part of the work to a for-profit.

Operating from the perspective of social responsibility and sometimes enlightened self-interest, corporations provide financial support to nonprofit organizations through grants, in-kind contributions, and matching-gifts programs, a topic that will be explored in greater detail in Chapter 10. On a more personal level, for-profits may loan staff to nonprofits on a temporary basis to provide assistance in technical areas such as upgrading the computer system or improving financial management procedures. For example, in many communities loaned executives assist the local United Way during its annual workplace campaign. Additionally, mid- and upper-level managers and executives often agree to serve as board members of nonprofit organizations, bringing expertise in many vital areas as well as useful connections to human and material resources. Finally, representatives of both for-profits and nonprofits may be invited to participate in a joint effort convened by a government agency or an elected official to address a pressing social problem at the local, regional, state, or even national level.

FINAL THOUGHTS

The relationship between the nonprofit sector and the public and for-profit sectors is in constant flux. Over the next decade, one possible outcome may be that the blurring of the boundaries between the sectors will become even greater, with more businesses exploring the opportunities to be realized from moving into service areas generally associated with charitable organizations. Perhaps the tables will be turned, and for-profits will seek to learn from the most successful nonprofits how to implement what Mason (1996) called expressive-assisted instrumentality, which refers to the process of enabling organizational members to live their values to achieve a desired end. Or it may be the right moment for some modern-day equivalent to John D. Rockefeller III to underwrite a special commission to explore ways to better society as a whole, this time involving representatives from all three sectors working together toward this common goal by making the most of their respective talents and strengths.

One trend seems certain, however: contract relationships with government will deepen the need for social, human, and health services to measure and evaluate their outcomes. Contracts are and will continue to be based on performance. Even many grants with major foundations are now predicated on an expectation that nonprofits will be able to demonstrate a return on "investment." Performance-based contracting and grantmaking are an important part of the future.

QUESTIONS TO CONSIDER

3.1. Stephen Wernet has claimed that resources are the crucial link between operation and survival and that organizations change only when they experience a significant shift in resources. Do you agree or disagree with his statement as it pertains to nonprofit organizations? Support your position.

3.2. The Filer Commission's recommendation to establish a permanent agency on charitable nonprofits within the Treasury Department was not implemented. If you could create such an agency now, what would be its most important responsibilities and constituencies? On what basis did you formulate these conclusions?

3.3. A social agency based in a midwestern city that provides mental health services has an annual budget of $80 million, funded almost exclusively by government contracts. Is an organization of this magnitude an aberration or a sign of progress for the nonprofit sector? Justify your opinion.

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SECTION 2

Leading in Turbulent Times

Building on the background material presented in section 1, this section explores the concepts associated with leadership and how they apply in the typical nonprofit organization. The case study featured throughout this book begins here. The first part of the case will serve as a reference point for the theoretical and practical matters addressed in chapters 4 through 7.

Chapter 4 identifies the different theories developed over the years to explain leadership and discusses their practical implications. It also introduces the model of shared leadership between a paid chief professional officer and a voluntary board of directors. This model is common in a great many nonprofits, with minor variations. Within this framework, the relationship between the top professional and the board is delineated.

Chapter 5 puts professional leadership in context by presenting in some detail the concept of *organizational culture*, which both shapes and is shaped by the organizational leader. This discussion leads logically to an examination of the multidimensional nature of the CEO position and its diverse responsibilities.

Chapter 6 focuses on what many view as the quintessential responsibility of a leader: decision-making. The chapter also offers a detailed account of the different considerations and approaches to the decision process. We introduce a versatile tool for both group and individual decision-making and illustrate its use.

Chapter 7 acknowledges the reality that change is now a constant force in nonprofit organizational life and that the process of change is influenced by the organizational culture, the quality of leadership, and the demands of the external environment. We identify and evaluate strategies for effecting change.

KEY THEMES

Chapters 4 through 7 address these topics and concerns:

- The construct and reality of leadership: What are the chief attributes and indicators of an effective leader?
- The joint responsibility for nonprofit governance: What factors contribute to a successful board–executive relationship?
- The link between organizational culture and organizational actions: How is overt organizational behavior shaped by deep-seated assumptions and practices, especially those espoused by top leaders?
- The complexity of the CEO position in nonprofit organizations: Can we identify explicit circumstances under which a CEO would choose to function as a leader, a manager, or an administrator?
- The challenges in making the "right" decisions: How can the often-competing expectations of organizational stakeholders best be addressed?
- The mechanisms of organizational change: How do effective nonprofit leaders cope with environmental uncertainty?

CONFLICTING AGENDAS FOR THE FUTURE OF A YOUTH AGENCY, PART 1

Having avoided self-scrutiny for most of its sixty-year history, a youth agency is forced to take a hard look at its future when finances begin to decline. The executive director and the board president hold differing views on the appropriate course of action. The reader is asked to decide which position is in the best interests of the organization.

It was the night before the September meeting of the board of directors of the Youth Services Network (YSN), a midsized social agency providing educational and recreational programs to youth in a major metropolitan area. Margaret Stover, YSN's executive director, was trying to fall asleep with little success. Thoughts of the next day's meeting kept intruding. How would the board react to the strategic planning committee's report? How would the latest financial report, which projected a substantial deficit for the fiscal year unless the reserves were tapped, affect the discussion? While she was already on record as being in favor of the committee's recommendations, should she adopt an active or a passive role in the debate?

The situation had become more complicated after the phone call she received earlier in the day from Sal de Marco, the board president. Stover had been disappointed when de Marco had declined to serve on the strategic planning committee due to his business obligations, but she had accepted his explanation at face value and had made every effort to keep him informed about the deliberations. During the last several months as the committee was meeting, de Marco had been noncommittal about YSN's future, which was surprising in view of his long association with the organization. Whenever Stover had pressed him for some kind of reaction to the minutes of the committee meetings or to the preliminary findings that had been distributed prior to the June board meeting, his only response was "Let's let the process proceed." Today, however, de Marco had informed her that he did not feel he could support the committee's recommendations and was preparing a statement to present to the board. Judging by the cool tone of his voice, Stover deduced that de Marco's statement would not only find fault with the report but also be less than complimentary of her.

How had their relationship, which had seemed so strong when she was hired, deteriorated to the point that they were this far apart on such a critical issue?

History of YSN

YSN is a nonsectarian, nonprofit organization providing camping, educational, social, recreational, and cultural programs and services to young people ages six to twenty-four in a major northeastern metropolitan area. As articulated in its mission statement, "the purpose of the organization is to improve and further the well-being and happiness of boys and girls who participate in its activities by helping them develop needed skills, a system of personal values, and a sense of self-worth to meet the challenges of the present and future, and to become productive, constructive members of society."

YSN was founded in 1946 by Trevor Clinton, who envisioned an organization that would use recreation as an incentive for engaging boys in positive activities to help prevent juvenile delinquency. At first, programs were provided at several storefront recreation centers scattered around the city. A few years later, an overnight camping program was started at a nearby state park. In the mid-1970s YSN entered into an agreement with the local housing authority to operate community centers in housing projects. Early on, the organization began to organize citywide tournaments for various sports, notably track and field and boxing, which generated considerable publicity and attracted the attention and support of major sports figures. Although girls participated in certain activities almost from the beginning, they were not fully incorporated into YSN's programs until the late 1980s.

YSN's founder was something of a visionary in securing financial support for the organization. Drawing on his connections in the sports world, Clinton put together one of the first direct mail campaigns on behalf of a nonprofit and, interestingly enough, sent solicitations playing on the theme of preventing juvenile delinquency to a national mailing list rather than confining the effort to the immediate area. This approach proved to be very successful; it generated virtually all of the organization's operating money for most of its history and also yielded numerous bequests over the years, allowing YSN to develop a modest portfolio of investments.

For close to fifty years—first as executive director and then as a member of the board—Clinton dominated the organization. For the initial board of directors he selected friends and acquaintances, who were expected to rubber-stamp his decisions, and maintained further control by not having rotational terms. The rare vacancies were filled by personal friends or business acquaintances of the current members, with all selections subject to Clinton's final approval. In recent years the board has included second-generation family members of the original trustees and a few former program participants. Election of the first woman board member occurred in the mid-1980s. Table C.1 profiles the board members.

When Clinton retired as executive, he named his associate director as the second CEO. No other candidates were considered. The new executive's main attributes were his loyalty to the founder and the personal relationships he had developed with certain board members. Clinton also installed his son as YSN's director of development and director of camping and arranged that his son would report directly to the board, of which the founder was now a member. This unusual supervisory arrangement continued even after Clinton's death in 1994.

In 2010 the second executive director was forced to resign due to illness. As the third executive director the board selected an individual whose athleticism

TABLE C.1. BOARD PROFILE (N = 18)

Trait	*n*	Trait	*n*
Sex		Occupation	
Male	14	Accountant	2
Female	4	Banker	2
Ethnicity		Corporate executive	2
Caucasian	15	Financial consultant	4
African-American	3	Government employee	2
Age		Insurance executive	2
41–50	4	Nonprofit manager	1
51–60	9	Small business owner	2
Over 60	5	Travel writer	1
Years of service			
1–5	4		
6–10	3		
11–19	5		
Over 20	6		

seemed to embody the very essence of the organization's mission. Although the new executive had limited senior management experience, the search committee believed his knowledge of fiscal monitoring, gained during his previous work at United Way, would be a major advantage.

The new CEO soon noticed serious irregularities in the way the direct mail campaign was being managed. In fact, the evidence showed that the founder's son had been defrauding YSN for several years for his personal gain. Faced with this information, the board had no choice but to ask the founder's son to resign, and, on the advice of legal counsel, initiated a lawsuit against him. As a group, board members felt a certain amount of discomfort in having to assume a more traditional governing role. But for a number of longtime members whose fondness for the late founder still ran deep, the legal action was very painful indeed. Even though these members understood the necessity for the lawsuit, both to restore YSN's good name and to demonstrate their own fiduciary responsibility as trustees, they were unable to separate the "message" from the "messenger" and consequently never forgave the executive director for forcing them into such a difficult position.

In the second year of his tenure, the executive director inadvertently offended a powerful trustee, a former board president who had had a particularly close relationship with the previous CEO and was now serving as chair of the finance committee. When this individual returned to active service following major surgery, he accused the executive of withholding important negative financial information from other members of the finance committee during his absence. After two more years, the third executive resigned, worn down by the finance chair's constant sniping, continuing fallout from the direct mail scandal, and YSN's deteriorating fiscal position.

Toward the end of 2014, a search committee was formed, chaired by Sal de Marco. A relatively new board member, he was the nephew of a former YSN senior staff member and had himself been a program participant. Initially, a male candidate proposed by the second CEO through his remaining friends on the board appeared to be the front runner. However, the final choice was Margaret Stover, who had extensive prior experience as a nonprofit executive. In announcing the board's decision, de Marco said, "We selected the best person for the job, one whose proven skills in organizational development, long-range planning, and fiscal management, along with a background in community center work and camping, offer the right combination to provide the kind of leadership YSN needs to move steadily forward."

Leadership was exactly what YSN needed, especially since the third executive director, drawn into crisis management, had had little opportunity to address long-term issues. The new competitive environment for nonprofits demanded careful planning and informed decisions by both the CEO and the board. Stover faced the challenge of dealing with an organization that had been rudderless for some time.

4

The Nature of Leadership

LEADERSHIP IS ONE of those terms many people have attempted to define, each putting a slightly different spin on the matter. Most of us believe we know a good leader when we see one and can often provide concrete examples of behavior to support our judgment. Yet, one person's admirable boss may be another's tyrant. This subjectivity in determining who is worthy of being followed is an important component of any discussion on leadership: leaders, in practice, cannot exist without followers. The prevailing sentiment about leadership qualifications and style can shift dependent on the country's political and economic conditions, as well as internal and external organizational factors.

Leadership in a nonprofit is typically a responsibility shared by a paid professional, variously titled executive director, president, or CEO, and a board of directors drawn from a group of community volunteers with a size, composition, and expertise as specified in the organizational bylaws. Some observers of the relationship between the two halves of the *leadership core* (our term) have characterized it as a partnership, although not necessarily between equals. Others believe that either the executive or the board does or should dominate, although expert observers disagree on the particulars. Carver (2006) maintains that a board of more than seven people is counterproductive, and standing committees, which help create policy, should be used sparingly. However, in a study of four boards (Golensky, 1994), the most effective, efficient case had forty-four members and twelve working committees meeting on a regular basis and assuming a broad range of responsibilities. Some of these responsibilities, such as reviewing case files, would be strictly staff functions in other settings. But nonprofits often organize and divide their work in individually preferred ways rather than according to rules laid out in textbooks.

O'Regan and Oster (2005) describe the push–pull between nonprofit executives and the board of directors as one in which the executive prefers working autonomously with a board of directors that is not involved with the daily operations of the organization. Yet, since one of the board's typical functions is fundraising, a reduction in board participation, activity, and monitoring yields reduced fundraising capabilities. To maintain funding streams, nonprofit executives must "put up with board members who engage in more monitoring" (O'Regan & Oster, p. 208).

This chapter, in addressing questions of leadership both in a general sense and specifically in the way a nonprofit is led, will help the reader begin to understand why leaders make certain decisions and take particular actions and the impact of the setting on these deliberations.

THE MEANING OF LEADERSHIP

To define the term *leadership*, one starting point would be a standard dictionary. *Merriam-Webster's* (2019) online dictionary, for example, tells us leadership is the power or ability to lead other people and that a *leader* can be a guide or conductor, someone who "has commanding authority or influence." In turn, the verb *to lead* offers several useful descriptors: (a) "to direct the operations, activity, or performance" of an entity; (b) "to have charge of" something; (c) "to go at the head" of an assembly; (d) "to be first in or among" such an assembly; and (e) "to guide on a way especially by going in advance."

The definition of leadership also seems to vary, at least in emphasis, by the type of organization. In a business setting, a leader may be seen as someone who is able to bring higher levels of performance out of others, beyond what these individuals would normally achieve on their own (Wibbeke & McArthur, 2014). For a social service agency, a higher purpose may be articulated. In his text on social work practice, Brueggemann (2014) defines a leader as someone who helps communities of people take risks and envision a better future for themselves, encourages commitment, and helps people move ahead along a path to accomplish their goals. Here, instead of focusing primarily on productivity, the leader assumes more of an enabling role that assists those reporting to the leader and provides the opportunity to attain goals that are mutually desirable. However, as Gummer reminds us in his classic 1980 piece on organizational theory, self-interest is a strong motivating force in every work setting. The central thesis of what he calls the power-politics model is that concerns over resources, especially their availability and distribution, and about securing one's place in the organizational hierarchy dictate individual actions and interactions. The implications of these observations for how one leads will be explored more fully in the next chapter.

Power, Authority, and Influence

The various definitions of leadership all seem to include some common elements. One of these is *power*, which in and of itself offers little by way of a clear or precise explanation of social interactions, but does point us toward a focus on interpersonal authority and influence. *Authority* is virtually synonymous with legitimacy and flows downward. *Influence*, on the other hand, is more dynamic, can vary in degree, and is multidirectional (Gass & Seiter, 2016). In other words, when we talk about power as a social phenomenon, it has a latent quality. Thus, we tend to recognize power when it is applied through persuasion, to convince others to accept certain ideas, beliefs, or decisions, or through the formal use of one's position or title to make decisions that are conveyed to others as expected actions.

This perspective is reflected in French and Raven's (1959) typology of the bases of social power: "We define power in terms of influence, and influence in terms of psychological change" (p. 150). Noting that it is not so much a question of how much influence one party (the executive director perhaps) may exercise to obtain a desired result from another, but of how much could be exerted (the maximum potential). The authors identify five specific bases of power:

1. *Reward power*. The ability to give valued rewards (money, praise, promotion) to subordinates.
2. *Coercive power*. The ability to give punishments (demotions, reprimands, pay cuts) to subordinates.
3. *Legitimate power*. The "right" to demand compliance because of position or title.
4. *Expert power*. The use of superior knowledge, expertise, or skills to achieve compliance.
5. *Referent power*. Personal identification with the "agent of influence" and the desire to gain this person's approval.

Raven (1965) later added a sixth basis of power that is particularly important today: *informational power*, or the control of knowledge that others need or want. Some additional sources of power that seem especially pertinent for a leader in a modern organization include the ability to cope successfully with uncertainty, expertise in the use of technology, effective management of workforce diversity, and control of scarce resources (Morgan, 1986).

Theories of Leadership

Over the years, many theories of leadership have been advanced, which can be classified into three approaches. *Trait* theories emphasize the physical and psychological characteristics of individual actors. *Behavioral* theories focus on the actions that set a leader apart from others. Finally, *situational* or *contingency* theories attempt

TABLE 4.1. THEORIES OF LEADERSHIP

Approach	Research Directions
Trait	Hereditary factors
	Personal factors
	Personality and performance
Behavioral	Performance and attitudes
	Task vs. person-centered
	Theories X, Y, and Z
Situational or contingency	Continuum of leadership behavior
	Contingency theory
	Life-cycle theory
	Path-goal theory
	Leadership-participation theory

Sources: Adapted from Anderson (1988), Brueggemann (2014), Hollander (1978), Van Fleet and Yukl (1989).

Note: The areas of research listed in this table reflect the major schools of thought regarding leadership, rather than specific studies. However, some of the items are identifiable as the work of individual theorists, as noted in the text.

to capture the specific characteristics of a scenario, including those pertaining to the followers or subordinates and the context in which the situation occurs, that enable one person to be effective when another would not be (Anderson, 1988; Brueggemann, 2014). Table 4.1 identifies some of the major research efforts in each of the three categories.

The Trait Approach

The first studies, beginning just before and continuing into the early years of the twentieth century, saw leadership as relatively constant, something that could be traced to innate traits such as height, weight, intelligence, and appearance. We might call this the "leaders are born, not made" school of thought. As Anderson (1988) notes, the simplicity of this approach has had considerable appeal, for if we could isolate the traits of a leader, say, and if we could prove that these individuals are consistently brighter than others or are more likely to have blue eyes, then leadership selection would be very straightforward. So, what are the innate characteristics of such leaders? Most of the earliest research supported the belief that leadership could be traced to hereditary factors (Hollander, 1978), which made sense at a time when the majority of people in such positions were white males from wealthy families and social norms shaped our vision for what a leader looked like (tall, square-jawed, and so on). Although this viewpoint has been largely discredited, having a surname such as Rockefeller, Kennedy, or Bush still seems to confer certain advantages.

As efforts continued to relate physical and personal factors to leadership, the only measure that gained ground in the research was *intelligence*. For instance, a 1959 review by Mann of 125 studies of the relationship between personality and leadership showed that in 46 percent of the cases, intelligence was positively associated with leader status. That is, leaders tended to be smarter than the average worker. More important, this meta-analysis (study of studies) supported the conclusion that other variables, especially the situation and group members' expectations, had to be considered to gain a full understanding of successful leadership performance.

Today we continue to use traits historically associated with leadership as a way to gauge the personal strengths and weaknesses of prospective executives and other senior managers, albeit with a focus on somewhat more sophisticated behaviors, like the capacity to organize data in meaningful ways or the ability to interact effectively with peers (Northouse, 2016). Yet even with better techniques, the trait approach can have mixed results, as shown in one study of a social agency's process to select a new executive director (Golensky, 2008). As a first step, the board developed a profile of the desired attributes, knowledge, and skills for the position, resulting in a list of sixty qualities used to formulate questions for applicants. Although some of the interview team suggested that candidates also be asked to articulate how they would resolve typical situations they might encounter on the job, this approach was not taken. Rather, the agency stressed the trait approach. On paper, the person hired seemed to be a wonderful fit for the organization, but subsequently revealed herself to be highly controlling. In her early years as executive director, she systematically altered the composition of the board to tilt the balance of power to her favor. While the agency may not have become *less effective* in the delivery of services, the culture of the organization was substantially changed. For example, independent-minded trustees were replaced by individuals all too willing to follow the executive's lead. When reflecting on such changes, the original hiring team lamented that they wished they had focused less on traits and more on the character of their leader.

The Behavioral Approach

Both research and practice gravitated to the sense that traits alone were insufficient indicators of leadership ability. Subsequently, researchers began to study the actual behaviors exhibited in work settings. As shown in Table 4.1, these studies tended to classify the leader's actions according to an emphasis either on the task or on individual needs, based on the recognition that every effective group requires someone to fulfill both instrumental and expressive roles (Anderson, 1988; Northouse, 2016). The first major research program, conducted in the late 1930s at the University of Iowa, investigated leadership styles. The conclusions were that group performance was lower and attitudes more negative under the laissez-faire or permissive style, attitudes were best with the democratic or participatory leader, and performance was highest with the autocratic or directive leader. However, the researchers also found that when the leader left the room, performance and attitudes did not change appreciably under the laissez-faire and democratic leadership style. Under the autocratic leader, performance deteriorated significantly, suggesting that using majority-rule decision-making and similar methods produced a more desirable outcome over time (Van Fleet & Yukl, 1989).

The second important effort, called the Ohio State studies, divided behavior affecting motivation and performance into two categories: *initiating structure* and *consideration*. Planning, coordinating, and directing were some of the managerial behaviors in the first category; friendliness, recognizing others' contributions, being thoughtful, and so on demonstrated consideration. The general findings supported the hypothesis on the need for the two types of behavior but also showed considerable style variations from leader to leader, with most exhibiting mixed task/relationship behaviors (Brueggemann, 2014). About the same time, another group of researchers was studying similar phenomena at the University of Michigan, under the direction of Rensis Likert.[1] They found that sensitivity to employees' personal concerns and high group performance standards were the keys to effective leadership (Van Fleet & Yukl, 1989). Building on these research outcomes, Robert Blake and Jane Mouton (1985) created the Managerial Grid (now often known as the Leadership Grid) to chart behaviors, labeling the horizontal axis "Concern for Production" and the vertical axis "Concern for People." In their framework, good leadership required attention to both concerns. Someone falling at the midpoint of each axis dimensions would probably achieve satisfactory results. Higher scores on one or both axes signaled stronger leadership potential, while lower scores on one or both axes suggested areas of weakness or need for improvement. Many training instruments used today were developed from this model. Although fit with a given situation dictates leadership needs, the high-production, high-people orientation is viewed as the best combination (Anderson, 1988; Brueggemann, 2014). That is, good leaders typically must be attuned to both the task environment and the expressive needs of workers.

Before concluding the discussion on the behavioral approach to leadership, we need to consider the work of Douglas McGregor, who in *The Human Side of Enterprise*, written in 1960, framed leadership as a contrast of styles, which he termed Theory X and Theory Y. Theory X focuses on the task environment and assumes workers must be coerced, controlled, or threatened to be productive in carrying out tasks. On the other hand, Theory Y proceeds from the assumption that workers are eager to work, accept responsibility, and complete tasks. Theory Y proposed that workers are capable of self-direction, and rewarding them for their achievements brings greater commitment. While McGregor (1960) felt that the two perspectives were not polar opposites, this is often how they have been represented, and many observers have drawn the conclusion that adopting Theory Y is equated with good leadership. In recent decades, Japanese management practices, which emphasize group decision-making and a holistic concern

[1] Likert is particularly famous for his measurement scaling techniques. If you have heard someone say Professor Likert's name before, you very possibly have heard it mispronounced. Many people say "Lie-kert," but his family pronounces it "Lick-ert."

for workers, have received considerable attention in the United States and elsewhere because they appear to lead to high productivity and dedication to the organization. This approach has been labeled Theory Z and is viewed as a middle ground of sorts between Theories X and Y (Anderson, 1988; Brueggemann, 2014). All of these management styles can be found in all kinds of organizations today, depending on the dispositions and training of individual bosses or the culture and needs of particular organizations.

Situational or Contingency Theories

A problem associated with both trait and behavioral research has been the difficulty in applying the findings satisfactorily to different leadership situations. Fred Fiedler, for one, struggled from 1951 to 1966 to verify the relationship between the people and task orientations before concluding the two are not constants applying to all groups. The *situation* was seen as the missing variable accounting for why one style might work well with certain groups but be dysfunctional with others. His contingency theory posits that leadership should vary depending on nonleadership variables, such as needs of the group and its culture. However, because Fiedler believed both leadership style and the group situation were static, he maintained that leaders should find situations that fit their style rather than try to adapt to situations that presented a poor fit (Brueggemann, 2014).

Other researchers picked up on the question of the fit of leaders to particular work situations. Robert Tannenbaum and Warren Schmidt (1958) developed a model defining a continuum of leadership behavior according to the degree of control and freedom of decisions by group members. The continuum ranges from managers making autocratic decisions and simply announcing them to the group to managers providing a considerable amount of latitude to subordinates to participate in the decision process. The choice of which leadership style to select depends on the manager's personality and values, the workers' psychological needs and abilities, and the organization's values, traditions, and culture. Most important, what the leader wants to accomplish will inform this decision. For example, if the goal is to improve teamwork, a participative style might be warranted. However, in a crisis, when a quick decision must be made, a more directive approach would be appropriate (Anderson, 1988). The point is that *situation* matters in determining what leadership style is optimal.

In 1969, Paul Hersey and Kenneth Blanchard suggested what they called a *life cycle* leadership model. The model agreed with Fiedler that the leader's behavior is based on the situation, but it differed by arguing that leadership is not fixed. That is, this model suggested that optimal leaders make adjustments according to the followers' readiness or maturity level in performing specific tasks. As maturity increases, the leader should decrease task-oriented behaviors and increase relationship-oriented behaviors until a moderate work level is achieved, at which point both types of behavior taper off to allow for more self-direction (Anderson, 1988; Brueggemann, 2014). Around the same time, Robert House proposed the path-goal model. According to this approach, and reminiscent of Theory Y, the leader motivates subordinates by increasing the rewards for good performance and providing the means for staff to fulfill their work goals. However, this approach to leadership theory emphasizes the calculations and exchanges that transpire between the leader and followers: If subordinates see a link between high productivity and their personal goals (financial payoffs, job satisfaction, etc.) and the leader is making the "path" to these goals clearer and easier to attain, subordinates are more likely to be higher producers. The two key variables are the characteristics, needs, and demands of group members, and the resources available in the work environment (Anderson, 1988; Van Fleet & Yukl, 1989).

The final research perspective to be discussed here builds on the work of Tannenbaum and Schmidt (1958) and others on *democratic or participative leadership style*. It integrates much of the leadership theory that comes before it. Frank Heller, first with Gary Yukl (1969) and then independently (2003), developed a descriptive approach to this topic, concluding that (a) leaders perceive that subordinates require more time to learn how to make decisions than leaders do; (b) when leaders perceive a large difference between their skills and those of subordinates, they are more likely to be autocratic; and (c) the amount of participation used is influenced by the manager's organizational level. Going one step farther, Victor Vroom and Phillip Yetton (1973) introduced a normative perspective on the "most appropriate" degree of participation. Their model starts with a decision tree that poses a series of questions about different situations the leader might face in a given setting. The responses to these questions yield an analysis of the situational elements, so that the wisdom of fostering less or more participation can be determined. For the final step, the choice is between short-term pressures (such as the need to meet a deadline) and longer-term considerations (such as staff development). In the first instance, the leader is more apt to adopt an autocratic style, but the second case would favor participative decision-making. An important factor throughout this process is decision effectiveness, which is based on both the quality of the decision and its acceptance by the followers (Van Fleet & Yukl, 1989).

A SHARED LEADERSHIP MODEL

As noted at the beginning of the chapter, in most nonprofit organizations, leadership is a responsibility shared by an executive director and a board of directors made up of community volunteers, with *community* defined by the organizational scope as a local, regional, state, national, or international entity. In the business world, one finds what may seem to be a similar model, but with a critical difference: a corporate business director is also a board member, very often serves as board chair, and generally has a great deal of overt influence on the selection of the remaining board members. In recent times, with the greater focus on accountability, some corporations have elected to appoint a nonexecutive board chair, but this is the exception rather than the rule. In nonprofits, executive directors rarely vote on policy matters, and most are not members of their boards, although some larger organizations do list the executive as a board officer.

In any case, boards of directors are expected to provide some degree of vision and leadership for our nonprofit organizations. We now take a closer look at the roles and responsibilities of the nonprofit board as stated in the prescriptive literature, while addressing how actual performance seems to diverge from these norms. The next section delineates the structural and interpersonal relationship between the two halves of the leadership core. In chapter 15, the nuts and bolts of forming and maintaining a high-functioning board will be the focus, but here the intent is to establish a basic level of understanding about governance as it is exercised in the nonprofit world.

Defining Governance

Cyril Houle is one of the early scholar-theorists who focused on boards of directors. His work on nonprofit "governance" dates from the early 1960s is still relevant today. Houle (1989) viewed the term *governing* as multifaceted, encompassing authority, control, responsibility, and, in many settings, prestige. The definition of the verb *to govern* in *Merriam-Webster's Dictionary* (2019) has a similar emphasis but adds that this authority is especially for the purpose of directing the making and administration of policy, which is a particularly important distinction in clarifying the role of a nonprofit board. To encompass all of the aspects of what a nonprofit board is authorized to do, Miriam Wood (1996) has put forth one of the most comprehensive definitions: "Gove rnance . . . consists of decisions and actions linked to defining an organization's mission, to establishing its policies, and to determining the control mechanisms it will use to allocate power, establish decision-making processes, and set up procedures for performing specific tasks" (p. 3). Jaskyte (2012) argues that boards have a special responsibility to bring innovation to the nonprofits they serve.

Preferring to describe traditional nonprofits as a tripartite system, in which the staff represents the third party that complements the work of the board and executive, Houle (1989) traces the existence of groups similar to boards back to ancient times. He identifies the earliest recorded use of the tripartite system in the United States as occurring in 1636 at Harvard, when the board fired the first full-time president. According to Wood (1996), more recent conceptualizations of governance find their antecedents in higher education in the 1960s, when the idea of accountability to multiple stakeholders took root. This suggests a political model of decision-making in which the organizational leader(s) must find a way to articulate a common purpose forcefully enough to bring together competing interests vying for increasingly scarce resources. In the twenty years since Wood wrote her assessments of the field, accountability to stakeholders has become a prominent way of understanding how nonprofits behave.

The Role and Responsibilities of a Nonprofit Board

For the most part, the nonprofit literature has been stingy in proffering a pure definition of governance (Stone & Ostrower, 2007). Instead, observers have a tendency to move directly into a discussion of the expectations for the board, often from a normative perspective, assuming perhaps that everyone already knows what a board is and what it is responsible for. Professional experience and research both suggest that these assumptions may be misguided. The failure to provide board members with a clear sense of responsibilities *before* asking these individuals to perform as a board is one of the main reasons for ineffective governance.

Legal and Fiduciary Duties

First, the board must fulfill certain legal and fiduciary responsibilities: (a) the *duty of obedience* requires the board to act solely within the scope of its corporate powers as determined by state and federal laws and by the organization's charter and/or articles of incorporation and its bylaws; (b) the *duty of loyalty* specifies that board officers and members act in good faith and not allow self-interest to take precedence over organizational interests; and (c) the *duty of care* asks that the board act diligently and prudently in managing the organization's affairs (Hopkins, 2013). These principles reflect the landmark 1974 ruling in the so-called Sibley Hospital case by Judge Gerhard Gesell, in which Gesell found the hospital trustees not guilty of the charges of self-interested decision-making. In issuing his ruling, the judge noted the lack of legislation on trustee liability at that time and then addressed the circumstances under which board members might be at risk, with some advice on how to avoid future problematic situations (Houle, 1989).

Almost every state has now enacted some kind of legislation to provide minimal protection to volunteers for personal liability when carrying out their assignments on behalf of a nonprofit, but none of these laws protect against willful acts or alleged breaches of federal and state laws such as those prohibiting discrimination. So long as board members carry out their "three duties" (as previously described) in good faith, they will not be subject to individual prosecution. However, in most states, board members have no legal protection unless the organization has a directors-and-officers (D&O) liability insurance policy that applies to the claim. Regrettably, no legislation prevents lawsuits, even the most frivolous. Most claims against nonprofit boards are employment-related, typically for sexual harassment, discrimination, or wrongful termination, with the remainder associated with an alleged breach of fiduciary duty such as self-dealing, mismanagement, and acting outside of the scope of the organization's charter, bylaws, and policies (Nonprofits Insurance Alliance, 2019).

To minimize the likelihood of legal action in any of these areas, a board can take simple precautions to demonstrate good faith. To guard against employment claims, a lawyer should review the organization's personnel policies regularly to ensure that the language complies with current law and does not contain any language that could provide the basis for a suit. The organization should then follow the policies to the letter and document all related actions. To protect themselves against possible fiscal liability, trustees should be familiar with what is specified in the organizational charter and bylaws, attend board and committee meetings regularly, read informational material sent prior to meetings about impending actions, make sure that minutes are kept of all meetings and stored in a secure place, hold top management accountable for complying with all legal and technical requirements, and pay especially close attention to the monies flowing into and out of the organization. Adding a conflict-of-interest policy statement to the bylaws (see Exhibit 4.1 for sample language) and requiring that each trustee annually sign a declaration affirming the policy are proactive steps that all nonprofits should consider.

Functional Responsibilities

In an attempt to clarify the difference between *governance* and *management*, various authors have compiled a list of responsibilities the board is expected to fulfill. Howe (1995), for example, believes that boards have seven responsibilities, regardless of setting: attendance at board meetings and participation on committees; determination of the mission and participation in periodic strategic planning; financial management; selection, support, and evaluation of the executive; program oversight and support; participation in fundraising; and assurance of board effectiveness. As part of program oversight and support, he includes being an advocate in the community to advance the organization's image.

Yet, the hard evidence shows a divide between what boards are expected to do and what they actually do. In their review of research on board performance, Renz and Andersson (2014) cite a "psychological contract" between the board member and the organization as a key determinant of how well individual board members and board teams perform. They point to role clarity, confidence in ability to perform, sense of community, and other issues as important, but conclude that research has been unable to explain most variation in board member performance. Golensky studied human service organizations in California, Michigan, and North Carolina in the early 2000s. Interviews with CEOs revealed their concern that their boards lacked understanding of core responsibilities. Somewhat surprisingly, the board members interviewed did not disagree. When asked whether his colleagues adhered to what he had just described as their principal duties, one board president summed up the general sentiment: "I think they all believe it. I think they all understand it. I don't think they all practice it" (Golensky, 2005).

THE BOARD–EXECUTIVE RELATIONSHIP

Arguably, the most important relationship within a nonprofit is that between the board of directors and the executive director. Despite the typical characterization of the association as a partnership, which may be fairly accurate from a legal perspective, this label fails to fully capture the emotional and personal connection that often

EXHIBIT 4.1.
CONFLICT-OF-INTEREST POLICY

A. No part of the Childcare League's funds, other property, and/or income thereof shall personally benefit any board member.
B. Each board member shall exercise utmost good faith in all transactions while performing his/her duties to the organization. Board members shall be held to a strict standard of honest and fair dealing between themselves and the League. They shall not use their positions, or any knowledge gained as a result, in such a way that a conflict might arise between the interests of the League and those of the individual.
C. Board members shall not accept any gift, favor, or hospitality that may influence, or appear to influence, decisions or actions affecting the League.
D. Any possible conflict of interest on the part of a board member must be disclosed promptly to the board as a whole and made a matter of record through an annual review procedure and in situations in which the conflict could affect board actions or decisions.
E. Any board member who has a possible conflict of interest shall not vote or exercise his/her personal influence in the disposition of the matter. The minutes of the meeting must reflect the disclosure and his/her abstention from participation.
F. The chairperson shall distribute annually to all board members, and to new trustees joining the board, a Conflict-of-Interest Statement that must be completed and signed by each person. These shall be kept on file for the duration of each board member's term(s).

Conflict-of-Interest Statement

1. Please disclose any business or nonprofit interest in which you or any member of your immediate family (spouse, parents, children) may have the potential for conflict with the interests of the League.
2. Please disclose any relationship that you deem to be within the spirit, if not the letter, of the conflict-of-interest policy, keeping in mind that protection from real or apparent conflict of interest is intended to help avoid even the appearance of impropriety.

____
Signature

____
Date

The organizational name listed in this exhibit is a pseudonym, but the language of the document is an accurate reflection of the organization's existing policy. The policy extends to the organization's staff and volunteers, each of whom is required to sign a similar statement annually.

develops from participating together in an enterprise whose aim is to make a positive contribution to the betterment of society (Cornforth & Macmillan, 2016). In the best of circumstances, the initial goodwill the board feels toward the newly hired executive deepens over time; in addition, individual trustees may form a bond with the executive director more akin to friendship than business.

When the two halves of the leadership core share a clear understanding of respective responsibilities as well as a mutuality of interests and intents, appreciation, and respect, an organization tends to operate smoothly and cope effectively with issues as they arise. However, for a variety of reasons, the board–executive link is often difficult and complex. The very structure of a typical organization is a primary cause for tension. As previously discussed, the board carries the legal responsibility for the programmatic and financial integrity of the organization, but the executive director is usually perceived as its public face, the embodiment of its mission, goals, and values. When used creatively, this inherent tension can bring about a healthy give-and-take in policy discussions and decision-making. However, if resentments build up due to inadvertent miscues, perceived slights, or unmet expectations that may never have been clearly verbalized, the departure of the executive may be the unfortunate outcome.

Whatever the length of the executive director's tenure, staff turnover at the highest level has serious implications for the organization. Staff may express their sense of loss through behavior ranging from increased absenteeism to the reduction of services to clients. Programs initiated by the executive may deteriorate without the support from the top. Funding bodies may view the executive's leaving as a sign of internal instability, and the board itself may be thrown into confusion when deprived of the professional guidance on which it has depended. The causes for the break play a role in determining the severity of the impact. If the executive dies or retires, invested stakeholders may have strong emotional reactions, but this need not impede the organization's ability to function. Although the voluntary departure of the executive director, even under the most amicable of circumstances, may produce some of the difficulties just described, generally the organization will return rather quickly to its normal state. The most serious and lasting consequences are apt to follow when the departure is forced, except in cases of clear malfeasance.

Power Dynamics

Ralph Kramer has been one of the leading voices disputing the idea of the board–executive relationship as a standard partnership. Instead, he suggests that interactions within the leadership core are politically motivated and constantly shifting in response to internal and external conditions, bringing a range of possible behaviors from collaboration to profound disagreement. To fully comprehend the dynamic nature of the board–executive relationship, one must take into account at any given time the structure, size, age, type, and fiscal system of the organization; the personal attributes and resources each side of the leadership core can draw upon; and the specifics of the situation the organization is confronting (Kramer, 1985). This perspective is renewed in Cornforth and Macmillan (2016), whose in-depth case study of a relatively small nonprofit in England supports their contention that the relationship between the executive director and the board chair is best thought of as constantly negotiated in light of changing circumstances.

Murray, Bradshaw, and Wolpin (1992) found that executive directors tend to dominate in board–staff dynamics, and Iecovich (2005) and then Iecovich and Bar-Mor (2007) reported a similar conclusion in their study of Israeli nonprofits. However, boards and executive directors do not always react alike to the same concerns. Golensky, one of the authors of this book, studied this question by asking boards and executive directors to separately list the most important governance challenges facing nonprofits. The board members and executives identified the same six categories but not in the same priority order. What was ranked number one by the trustees (funding) was only fourth on the executive directors' list; conversely, the executives' first priority was clarification of the board role and responsibilities, which stood at number three for the board members (Golensky, 2000).

When considering the respective sources of power for the board and the executive director, obviously both enjoy the legitimacy conferred by position in the organization, the board's derived from its corporate, legal authority and the executive's from professional status and title. Kramer (1985) prefers the term "resources for influence" to identify what each person contributes to the mix. Individual board members may offer access to funds, connections within the community, knowledge and skill, time and energy, and strong commitment to the organizational mission. The executive director may draw on some of the same resources, such as knowledge and skill, but also has the advantage of controlling the flow of information going out to the board and of being a full-time employee rather than a volunteer. With longevity, executives often increase their influence on internal decision-making through informal relationships developed with the trustees as well as with key community stakeholders.

The size and nature of the organization and the issues it is facing can also affect the way the board and executive director interact. For instance, in larger settings, communication and accountability become more complicated, tipping the balance of power in favor of the executive, whereas in smaller organizations the executive director may face difficulties in keeping the board from becoming involved in operations, thus overstepping its policymaking role. The more technical or clinical the services provided by the organization, the greater the likelihood the board will defer to the executive on programmatic concerns, but discussion of finances or personnel practices may present a very different story, especially if the matter is viewed as precedent setting or where the reputation of the organization is at stake. A final factor is whether the organization is dealing with routine business, which will generally be left to the executive, or is in crisis mode, when the board is probably more involved.

Houle (1989) identified four particularly problematic scenarios with regard to the board–executive relationship: (a) the executive who dominates to the point the board feels almost superfluous; (b) the dominant board that reduces the executive to the equivalent of a clerk; (c) a board sharply divided over a policy or procedural matter, a situation exacerbated when the executive or the board chair joins one of the factions, or worse, when they take opposing positions; and (d) a relationship marred either by cronyism or antagonism between the executive and one or more board members. He also describes a fifth situation that has the potential to create problems: the rare case of dual executives reporting to the board. Some cultural organizations, for instance, have both an artistic director and a general manager. Similarly, a hospital may have a medical director as well as an administrator. If the respective roles, sphere of influence, and accountabilities are not clearly articulated, then some accommodation must be reached to allow the organization to function effectively. Imaginative, flexible leadership from the executive and the board chair, preferably acting together, assuming they are not part of the problem, may be the best way to resolve these situations. Houle suggests that preventing them from arising in the first place is the best strategy. As they arise, however, Cornforth and Macmillan (2016) note that the relationships are negotiated in context, like all social situations.

The Organizational Life Cycle

Organizations are not static, but tend to evolve and change over time. Since the board and executive are interdependent, their relationship may also change with the stage of organizational development. Some nonprofits come into existence through the vision of one individual, who sees a societal problem and takes the initiative to mobilize family, friends, and associates to fill the board role, to address the perceived need. This was the pattern followed by Youth Services Network (YSN), the organization in our featured case study. In other cases, an organization results from the collective action of a group of concerned citizens. Initially, the group assumes the management responsibilities of raising funds and implementing programs as volunteers. However, at the point this arrangement no longer is practical, they may name one of the group members or hire a new professional staff person to take the lead in handling day-to-day administrative duties.

During the formative stage, everyone tends to be so busy getting the organization up and running that interpersonal conflict is not much of an issue. However, problems can develop at a time of transition (Allison, 2002). It then becomes clearer whether we are dealing with a following or a leading board (see Houle's, 1989, scenarios 1 and 2, as previously described). In the first instance, by choice or necessity, the board is dominated by a strong executive director (perhaps the founder), who consciously (or unconsciously) reserves most of the power and authority for himself or herself. Such a board may never learn to function properly and therefore may be unable to assume the role and responsibilities expected of it by society at large and, more particularly, within the laws that govern nonprofit corporations. When the individual responsible for establishing an organization becomes so controlling and overbearing that the differing but legitimate views of others, especially those of the board, are discounted, we have the phenomenon known as *founder's syndrome*. An individual operating in this manner has essentially lost sight of what it means to be a leader. Carried to an extreme, these behaviors can destroy organizational stability and initiative (Block, 2004; Carman & Nesbit, 2013). Block and Rosenberg's (2003) research finds that within founder-led nonprofits, fewer board of director's meetings are held because the founder has already envisioned specific plans and ideas about the future direction of the organization, and the founder is less interested in the opinions of others. They also report that founders tend to resist board term limits for fear of being removed from the board.

At the opposite end of the spectrum is the leading board, which is proactive (sometimes in the extreme) and tends to control the operations of the organization. This may occur because the board founded the organization, the organization is experiencing a gap between executive directors, or is in the midst of a crisis. Whatever the reason, a leading board may limit the amount of power and authority it shares with the executive director. Often, a smaller group of trustees, perhaps the executive committee, steps into the leadership vacuum created by the overt or covert dissension between the full board and the executive director to become the primary decision maker. As you might imagine, this can breed resentment among those not part of the "in-group," creating the third scenario of factionalism discussed earlier. Such divisions can negatively affect staff morale, thus potentially compromising organizational performance, as well as causing board turnover.

Often the board appears to go through the same kind of life cycle as the organization. Mathiasen (1983, 1990) identifies three distinct stages in this process: the organizing board, the governing board, and the institutional board. The first stage is characterized by the "following" and "leading" board types as previously described. In the second stage, committees are formed, the board relies more on professional staff, and new trustees with different skills are recruited to augment or replace older members. These changes may bring about a leadership style of shared power between the board and executive director. As the organization progresses to the third stage, the board may increase in size, rely even more on committees to do its work, and identify fundraising as its primary activity.

Similarly, Wood (1989, 1992) describes a cyclical model in which the board moves from a strong commitment to the agency's mission in its early stages to a goal-achievement focus as the organization becomes more bureaucratic (such as substantive committees, a managerially oriented executive, and more diversity in funding). Wood suggests that the board will adopt a participatory (independent and hands-on), corporate (active partnership) or ratifying (rubber-stamp) operating style, depending on whether it feels compelled to demonstrate ownership of the organization or, conversely, has confidence in the leadership of the executive director. In a crisis, Wood predicts a rapid shift from the ratifying style back to the participatory style and then a gradual move into the corporate style as the crisis subsides. This leads us back again to Cornforth and Macmillan's (2016) observation that board actions and relationships with staff are constantly negotiated according to the situation that the organization finds itself in.

Governance Models

Despite some evidence of congruence between the organizational and the board life cycles, progressing along the evolutionary continuum is not inevitable for all nonprofits, and the trajectories of the two cycles may not remain in sync. Some boards, and some organizations, reach a particular point and see no need, choose not, or are unable to make further changes (Mathiasen, 1990). This was certainly the case with the Coalition (a pseudonym), an organization featured in a research study of governance discussed more fully later in the chapter. Even after nearly twenty years of serving the community, the organization had retained its original grassroots quality, with a small staff, plain offices, and minimal use of technology. It evidenced the characteristics noted by Wood (1989, 1992) for groups in the early stages of development; the board seemed content to leave most of the decision-making to the executive director, a situation that for the most part suited the executive as well. Although a few board members felt that the organization should not rely so disproportionately on their executive director, the Coalition had little impetus to alter the status quo.

The good news is that research has identified several well-defined models of governance from which an organization may choose if and when the leadership core wishes to make a change. Ideally, the organization will re-evaluate its current model periodically as a regular part of strategic planning, rather than waiting for a crisis to trigger a review. Table 4.2 provides a comparison of the major features of some of the most common models.

The Classic or Traditional Model

The classic model is probably the most common board type in nonprofit organizations. It is generally adopted in the formative stage and most closely reflects the roles and responsibilities for a board described in the prescriptive literature: "The organization is expected to serve the public benefit and its board is expected to function as . . . steward to safeguard the public interest" (Axelrod, 1994, p. 120). Board size varies, but since most of its work is accomplished through committees supplemented as needed by ad hoc task groups, especially as the organization matures, the organization must recruit a sufficient number of trustees with a mix of skills to fulfill this duty. The basic job of the classic board is oversight and monitoring, with the primary goal of *maintaining standards*. Board meetings tend to adhere closely to a preset agenda covering both current and possible future issues.

Officially, a classic board subscribes to the idea that it sets the policies and the executive director implements them. The executive provides the necessary information on matters under consideration and then reports back on organizational performance. However, in practice, the executive may exercise considerable influence over decisions,

TABLE 4.2. COMPARISON OF BOARD TYPES BY KEY FEATURES

Type of Board	Governance	Work Mode	Configuration	Expectations of Staff
Classic or traditional: Follows prescriptive literature re role, responsibilities	Oversight and monitoring	Multiple committees and task forces	Size varies; skill-based	Provide information, implement policies, report back to board
Corporate: Subscribes to strict separation between policymaking (board) and operations (management)	Professionalism and efficiency	Three standing committees	18–24 members, ideally	Executive director part of board, given leeway to be creative and productive
Policy governance: Driven by values and guiding principles	External focus on "moral ownership"	Act as whole to set policies (ends, means, board-staff relations, board process)	Small; few or no standing committees	Executive director accountable for organizational performance, adhering to means policies
Executive leadership: Variation on classic model but repudiates "heroic" board	Executive Director central to governance	See classic model	See classic model	Executive director as doer, decision-maker, board nurturer, entrepreneur
Contingency: Variation on classic model	Power differentials recognized	See classic model	See classic model	Responsibilities may vary and be negotiated over life cycle

especially as the executive's experience with the organization grows. For example, from the point of hire, the executive director has both legitimate and expert power and increases referent power as his or her tenure grows. The executive also has access to reward and coercive power through knowledge of opportunities for personal and professional growth that can be passed along to or withheld from individual board members. Long-term executive directors with classic boards also gain influence over time by making recommendations to the nominating committee on board officers and committee chairs.

The Corporate Model

As the name implies, the corporate model is somewhat akin to the governance structure of a for-profit organization, at least philosophically. Cost-effectiveness and professionalism are highly valued as guiding principles, which brings with it an emphasis on the separation of policy-making and operations. A corporate board of eighteen to twenty-four members is considered manageable and therefore ideal. Only three standing committees are recommended, meeting as necessary to maximize board efficiency. The *executive committee* (comprising the executive director, board officers, and one member at large) sets board agendas, reviews all materials, and presents its findings and recommendations to the full board. The *planning* or *resources committee* assists the executive director with planning and monitors the activities of any ad hoc committees. The *assessment committee*, with the executive, develops the organizational goals, which are subject to the executive committee's review and ratification by the entire board, and is responsible for monitoring goal attainment and the executive director's performance.

The executive, charged with directing long-range planning and developing the organization's future vision, is considered part of the board and may have voting power, if permitted under state law. The board is expected to provide the executive director with sufficient leeway to be creative and productive and to respect the executive's authority over staff.

The Policy Governance Model

The policy governance model is known familiarly as the Carver model, after the individual who developed it. The board is viewed as the key vehicle for governing the organization, guided by values and core principles and responsible to those stakeholders considered to have "moral ownership" of the organization (Carver, 2006). The policy governance model board should be small and have few (if any) standing committees, to encourage the idea of acting with one voice. Governance is achieved through generating written policies in four areas: (a) ends, to determine what needs to meet, for which beneficiaries, and at what cost; (b) means, to determine how to achieve goals prudently and ethically by setting limits on the executive director's authority; (c) board–executive relationship, to clarify the board's approach to delegation and assessing the executive director's performance; and (d) board process, to address how governance and leadership will be exercised.

Under the policy governance model, the board's one employee, the executive director, deals with other staff only to gather specific information for developing or monitoring policies. In setting executive limitations, policies are written that delineate unacceptable behavior (e.g., staff may not be treated with disrespect), which implies that anything not specifically limited is open to the executive director's discretion. Because of this provision, adopting the Carver model necessitates establishing policies that require executives to believe in a democratic ideology and to exercise the values of open sharing, truthfulness, loyalty, and fairness regarding the board (Kramer, 1985). A less ethical individual can easily subvert the policies to gain control over the organization, keeping the board engaged in meaningless busywork.

The Executive Leadership Model

In outward appearance, the executive leadership model is very close to the classic model in its approach, but it explicitly repudiates the "heroic" ideal of board leadership embodied in the prescriptive literature on governance as being impractical and essentially unachievable by a group of volunteers whose primary interests lie elsewhere (Herman & Heimovics, 1991). Here the board's legal role is maintained, but the model acknowledges the reality that the executive director functions at the center of organizational leadership. A key element of this kind of leadership is helping the board members carry out their duties and gain satisfaction from their service to the agency.

For this model to work effectively, decision-making should be viewed as a responsibility shared by the two halves of the leadership core, and the focus must be on doing the work rather than spending time uselessly on attempts to separate policy from administration when in fact such distinctions vary as circumstances change. Among the executive director's main responsibilities is securing the resources necessary to achieve the organizational mission; thus, the executive is the principal boundary spanner, bringing the board into the mix as warranted (Herman & Heimovics, 1991). However, because most of the burden for success or failure rests on the executive, a potential drawback of the executive leadership model is whether the executive director will have sufficient time to nurture the board while also addressing all of the other internal and external tasks that go with the position.

The Contingency Model

Like the executive leadership model, the contingency model is a variation on the classic model. The main distinction is the clear recognition of power differentials in the board–staff relationship and the impact of change over time on how business is conducted. Accordingly, the model recognizes the continual need to negotiate the ways in which the board and executive director interact, as opposed to the assumption that this relationship remains static as environmental conditions ebb and flow. Harris (1993) suggested that even the division of labor between the board and senior staff ought to be subjected to periodic review: responsibilities are "contingent" on the current needs of and talents in the organization. Using a process called total activities analysis (TAA), the board's standard responsibilities are considered within the context of all the essential organizational tasks, allowing for a frank discussion about perceptions of who is or should be doing the various functions—staff, board, or the two acting together—to determine whether to reposition assignments to maximize relative strengths at that time.

Golensky (1994, 2005) conducted research related to this contingency model. The research focused on four human service organizations, where the intent was to identify the factors contributing to a positive board–staff relationship—one that endured, promoted mission accomplishment, and was beneficial for all parties. Three key elements emerged as materially influencing this type of relationship: (a) *executive assets*, or the sum total of the executive director's personal attributes and professional qualifications; (b) *board–executive congruence*, or the level of agreement between the two on management philosophy and leadership style; and (c) *agency context*, or the composition of the organization's internal and external environment. The conclusion was that stability within the leadership core most likely occurs when the organization displays a high congruence between the board and executive director, coupled with the board's perception of the executive as having the requisite assets to take advantage of positive environmental forces and to overcome any negative forces that might threaten the organization's resources.

FINAL THOUGHTS

To bring this discussion to a close, consider these wise words: "Both the governing board and the executive . . . are critical components of the . . . leadership system of the [nonprofit] organization in these turbulent times. Failure to accept and institutionalize this premise is a major contributing factor to, if not the cause of, the 'distressed situation' in which many organizations find themselves" (Kirk, 1986, p. 17).

QUESTIONS TO CONSIDER

4.1. Of the different theoretical approaches to leadership, which one did the YSN board tend to rely on most in selecting an executive director for the agency? What are the likely consequences of depending so heavily on a single approach?

4.2. What impact has *founder's syndrome* had on YSN? When change is necessary, what is the board's role in overcoming a founder's strong influence?

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5

The Practice of Leadership

IN THE PREVIOUS chapter we reviewed the meaning of leadership in terms of its component parts and the different conceptualizations that have been advanced between the late 1900s and the present. We then discussed the leadership structure typically used in nonprofits, in which power and authority are shared, in some fashion, between the board of directors and the executive director. As you have no doubt noticed, we have been referring to the top staff member in nonprofit organizations as the *executive director*. This is a common term, although some nonprofits have borrowed the label chief executive officer (CEO) from corporate America. In practice, the terms are interchangeable. The spotlight in this chapter will be squarely on this professional side of the equation as we explore leadership in practice.

Organizational leadership is different is every setting. Its dynamics shape and are shaped by the actions of the executive director. The term used most often to capture this phenomenon is *organizational culture*, defined by Hofstede and Hofstede (2005) as "the collective programming of the mind that distinguishes the members of one organization from another" (pp. 282–283). The first section of this chapter will address this concept in some detail to provide a context for the practical aspects of leadership.

Being a nonprofit executive director can be very rewarding. Knowing that they are in a position to help alleviate a social problem such as homelessness or to enable inner-city children to become more successful in school can be enormously satisfying, both professionally and personally. At the same time, no one disputes that running a nonprofit can be frustrating, for stakeholder expectations are high and sometimes even unrealistic. Furthermore, managing and leading a nonprofit is a demanding job that encompasses many diverse and often competing tasks, some of which can and should be delegated to others. Knowing what and when to delegate is something of an art. Yet, no matter how skillful the delegation, the ultimate responsibility for organizational performance rests with the executive director. As Harry Truman famously said, the buck stops here!

You might wonder at this point why anyone would aspire to such a difficult-sounding career. By the end of the chapter, a more complete picture should emerge of what the job of leadership in a nonprofit setting entails, with all of its possibilities and challenges. After examining the concept of organizational culture, the next sections address the reality of effective performance at the highest organizational level.

ORGANIZATIONAL CULTURE

Let's assume you have just moved to the community. To get to know your new home, you have decided to spend part of the day at the local public museum and the rest at the botanical and sculpture gardens. Walking into the *museum* for the first time, you find the building very modern in design, with a rather sterile glass exterior and a rounded entry. The information desk is along the wall farthest from the doors, and once you make your way to it, the volunteers continue their personal conversation for several moments before turning their attention to you. You spend several hours at the museum. Later that afternoon, as you approach the doors into the main building of the botanical gardens, you enjoy the spectacular plants that line both sides of the path as well as the colorful small sculptures dotted here and there. The minute you walk in, someone notices you, greets you with a smile, and directs you to the information desk, where several volunteers stand at the ready.

What you have just experienced are the *observable artifacts* (Schein, 1990) of these two organizations. Such artifacts are things you can see, feel, and even smell that provide some insights into a given setting, albeit on a fairly superficial level. From your first impressions, you might have concluded that customer service is not one of the museum's highest priorities but you might have a totally opposite view of the botanical gardens. In this example, nothing much was at stake personally and might not have had much impact on your further experience with these venues. But would you take the matter lightly if you were coming to each arts organization for your first job interview? Other kinds of artifacts include the dress code, the manner in which people interact with colleagues and outsiders, the emotional intensity of the place, annual reports, statements of philosophy, and similar tangible "products." Prospective staff, volunteers, donors, patrons, and clients take in all the subtleties of an organization's physical and social presentation as they work to make sense of it.

Many meanings have been offered for the word *culture* within organizations, such as norms, philosophy, climate, rules, and regular forms of behavior. Schein (2017), frames culture as a dynamic and coercive phenomenon that constantly influences and shapes our behavior as we interact with others. More broadly, Schein defines culture as a pattern of basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration. These patterns are taught to new members as the way to perceive, think, and feel in relation to those problems.

To understand an organization's culture, we must burrow beyond the observable artifacts. While informative, these artifacts do not always help us understand why they have evolved as they have, or what they mean to organizational members. Beyond the artifacts are *values*, the espoused ideologies or principles often articulated initially by someone in a leadership position regarding expected behavior in some aspect of the organizational work. For instance, the executive director of a behavioral health organization may say, "Talk therapy is the cornerstone of our services" because of a conviction that this is the most effective approach for the agency's consumers. If this methodology proves to be effective in practice, not just once but over a period of time, it comes to be accepted as a given, no longer to be questioned, and to be followed without conscious thought. You know you have reached the third and deepest level of *basic assumptions* when you ask a colleague why she handled a situation in a particular manner, and the response is "That's how we always do it." The action is part of the culture. Even assumptions that are not testable can become part of the fabric of organizational life through social validation, by group members embracing the beliefs that seem consistently to reduce uncertainty and anxiety (Schein, 1990). Table 5.1 summarizes the three levels of organizational culture.

In sum, organizational culture is historically derived, socially constructed, and often resistant to change. Organizational culture is maintained not only by its group members but also by the other stakeholders interacting with the organization, such as consumers, funders, and regulatory agencies (Hofstede & Hofstede, 2005). For

TABLE 5.1. LEVELS OF ORGANIZATIONAL CULTURE

Level	Description
1. Observable artifacts	Created physical and social "products" characteristic of the setting (e.g., physical layout, dress code, annual report, overt member behavior)
2. Espoused values	Expressions of personal convictions to explain or justify expected behavior (e.g., executive director states, "We believe in promoting the self-worth of every staff member.")
3. Deep-seated assumptions	Guides to actual behavior that have become so ingrained as not to require conscious thought (e.g., executive director really subscribes to the belief that staff are untrustworthy; employees therefore must fill out detailed time sheets on a daily basis.)

Source: Adapted from Schein (2017).

nonprofits with strong and highly identifiable cultures, this can be a big advantage. The March of Dimes, for instance, was able to rely on its loyal donor base and long-standing reputation to shift its mission from defeating polio to preventing premature births, birth defects, and infant mortality after its original purpose was accomplished with the development of the Salk and Sabin vaccines, and so remain in operation rather than disbanding when it achieved its original mission.

Acculturation

For organizational members below the top management level, learning the culture begins with the hiring process, if not through prior volunteering. Socialization commences on the first day of work with any orientation provided by more experienced staff, which may include introduction to a personnel manual that lists rules and procedures. Acculturation continues throughout the probationary period and beyond with regular supervision. Most work settings also have an identifiable *informal organization*, which does not appear on the organizational chart but can be a powerful force in enforcing behavioral norms. The informal organization consists of individuals who generally hold no formal position of authority but are viewed by others as significant figures due to their expertise, control over vital information, relationships with powerful group members, and so on. In many organizations, administrative assistants perform important gatekeeper functions and therefore can wield great informal power. Other examples will easily come to mind from personal experiences in different settings.

Furthermore, culture exists at multiple levels within an organization. Each unit or professional group is likely to have its own artifacts, values, and assumptions. As a result, new staff may actually go through two or more layers of socialization as they try to get a handle on the norms and expectations of their workplace. For example, in a nonprofit whose mission is to move homeless individuals toward becoming more economically self-sufficient, the counseling department might see its basic function as helping clients overcome their emotional and psychological issues to achieve a more positive self-image, while the training and placement department is likely to focus on assisting the clients in developing concrete work-related skills that will enable them to obtain and keep a job. The staff make-up for the first unit may be social workers; the second may include individuals with an education or business background. If these two departments view themselves as having conflicting instead of complementary interests, their views could cause difficulties for the entire organization, depending on where group members place their primary loyalty. Conflicts in norms and workstyles is a common source of problems in all kinds of work environments.

For a newly hired executive director, the orientation process will differ from that for other, less visible new employees. The executive director's tenure might begin with a welcoming reception, and everyone will be watching and listening during the first moments, days, and months for cues about leadership style and expectations.

According to Schein (2017), nonprofit organizational culture often resonates from the founder or current leader. Learning the culture requires reading social situations for insights into how the organization has addressed the demands of "external adaptation and internal integration," to use Schein's words. Cultural learning requires close listening to glean the historical nuances in the stories told by longtime group members, in particular, as well as in the most casual remarks exchanged by staff. In truth, "many organizational events and processes are important more for what they express than for what they produce: they are secular myths, rituals, ceremonies, and sagas that help people find meaning and order" (Bolman & Deal, 1991, p. 244). A retirement party for an employee leaving after twenty years of service illustrates this point. In a time of uncertainty and ambiguity, which characterizes much of the landscape for nonprofits at present and in the foreseeable future, viewing an organization through a symbolic frame meshes with the reality of experience.

The Individual in the Group

Although the emphasis in most discussions of organizational culture is on the group, we should keep in mind that every group is a collection of individuals who each have their own personal values, needs, and goals. Yet, a cross-organizational study found that employees' values differed more by sex, age, education, and nationality than by organizational membership (Hofstede & Hofstede, 2005), which underlines the strength of the socialization process. Once people acclimate to a workgroup, the sense of team can strongly shape the culture of that group. On the other hand, in a nation such as the United States, where individualism has been a strong value since its founding, top management should not ignore self-interest as a powerful motivating factor for group members in organizational life. Leaders therefore must engage in a kind of balancing act between collectivist and individualist tendencies.

New executive directors are generally accorded a "honeymoon period" to gain their footing. Once having become established in the leadership position, these individuals must face the fact that they now embody their followers' aspirations and represent the collective voice of the entire organization to the external world. In time, as noted earlier, many of the values of the executive director become group members' values and practices. The organizational leader usually has the most influence in creating and managing the organizational culture, and as we will see in chapter 7, recreating it if circumstances dictate. In fact, one way to judge the quality of someone's leadership is by how that individual deals with culture. Just think about the founder of YSN (Trevor Clinton) in our featured case study and the influence he had on the way that YSN has conducted itself both internally and externally. Its successes and failures can be traced directly to Trevor Clinton's espoused values that became the closely held beliefs for the entire organization, for better or for worse. Schein (2017) describes culture and leadership as two sides of the same coin, where neither can really be understood by itself.

LEADERSHIP VERSUS MANAGEMENT

Conceptions of leadership and management developed along separate paths over much of the past century. While you may commonly hear the terms *leadership* and *management* used interchangeably, some observers of organizational behavior see a rather sharp demarcation between their functions. Bennis (1999) differentiates managers (and administrators) as people who do things in the *right way* from leaders who do the *right thing*. This points to a simple and common distinction of managers focusing on tasks (getting things done) and leaders focusing on expression (motivating action). Both are important, depending on the context, but they are also typically interrelated: "Management functions such as planning, organizing, and controlling cannot be separated from the influence process necessary in leadership. The real issue is whether a group of people can achieve [their] common goal" (Rosenbach & Taylor, 1989, p. 2).

Accordingly, the emphasis should be placed on getting the job done, effectively, efficiently, and ethically, with attention to both process and the end results. The position taken in this book is "that one cannot be a successful nonprofit manager without being a good leader" (Edwards & Austin, 2006, p. 16). However, when we talk about setting vision and overall direction for an organization, the person filling that role will generally be referred to as the *leader*; when the issue at hand is more a nuts-and-bolts matter, then *manager* will be the term of choice; and when the issue encompasses both dimensions, the terms *leader* and *top manager or executive director* will be used interchangeably.

TRANSFORMATIONAL AND TRANSACTIONAL LEADERS

Before more closely examining the different functions that must be performed in the typical nonprofit as it strives to carry out its designated purpose, we will consider one further way of looking at the role and responsibilities of the executive director, the concepts of transformational and transactional leadership (see Table 5.2). These are not the only two ways to define leadership, but they are prominent in the literature on leadership.

Transformational Leadership

The word *transformation* describes the act of causing a major change in the form, nature, or function of something or someone. A transformational leader can be particularly useful during times of instability and crisis within an organization, when the climate is more receptive to a push for bold action or a radical departure from the norm (Burns, 2003). An individual using this leadership style is often depicted as having *charisma* or *personal magnetism* or an innate interestingness or attractiveness that enables

TABLE 5.2. CHARACTERISTICS OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP

Dimension	Transformational Leadership	Transactional Leadership
Organizational climate	Unstable, crisis-mode	Stable, routine
Sense of identity	Self-determined	Purposive
Bases of power	Positional, referent	Positional, reward
Sources of influence	Moral purpose, intellectual stimulation	Tangible and intangible exchanges
Strengths	Visionary, motivational	Manages uncertainty, effective in goal attainment
Values	Empowerment, justice, integrity	Trust, fairness, respect

such leaders to influence others. Charismatic leaders typically show the hallmarks of transformational leadership.

The transformational leadership style can be defined in three distinct ways: (a) by its effects on followers, (b) by the behavior of the leader that encourages transformative actions, and (c) by attributions of charisma that followers and observers accord to the leader (Howell, 1997). From the first perspective, a transformational leader's strong self-confidence and belief in pursuing a certain course of action motivates and inspires followers to embrace the proposed change. In the second case, the leader not only articulates a compelling vision for the future but also sets a personal example for followers to emulate and demonstrates confidence in the proposed new direction through frequent communications and interactions with other group members. From the third viewpoint (attributions of charisma), observers believe the leader has special talents to command loyalty from followers and inspire them to align their collective needs, values, and goals. Faced with such leadership, followers are typically willing to make personal sacrifices to realize the new organizational vision. Transformational leaders are said to draw on both *referent* and *positional* power; they are perceived by their followers as inspirational, supportive, and intellectually stimulating, moving them to reach their fullest potential and to work effectively for the greater good of the organization (Howell, 1997; Mary, 2005).

More recent research by Rowold and Rohmann (2009) found that an enthusiastic and emotionally positive transformational leader elicits "positive emotional reactions in followers" (p. 46). McColl-Kennedy and Anderson's (2002) research supports the premise that job performance is directly related to emotions, both positive and negative. The transformational leadership style, characterized by developing a positive emotional relationship, enhances job performance (Rowold & Rohmann, 2009), which underlines the relationship between leadership and the task orientation of a good manager.

Nonetheless, charismatic or transformational leadership may have a dark side. Although some transformational leaders clearly act through legitimate channels of authority to reach collective goals and are genuinely concerned about the well-being of followers, others can be intolerant of stability and may exaggerate organizational deficiencies or even manufacture crises to generate the excitement on which they thrive. Such individuals exhibit a high degree of narcissism (i.e., an inflated since of one's own importance), emphasize goals that originate from self-interest, and foster unquestioning obedience and dependence in followers (Howell, 1997). Resick, Whitman, Weingarden, and Hiller (2009) simply differentiate true transformational leadership from such narcissism, observing that transformational leaders "are more likely to [charismatically] engage in transformational or contingent reward leadership" while leadership characterized by narcissism is not, in fact, consistent with transformational leadership (p. 1365).

Transactional Leadership

The transactional leader operates through a system of exchanges, as the word *transaction* implies. It is more consistent with our conception of the task orientation associated with management and is more apt to appear (and thrive) under stable and routine conditions (Bass, 1990). The relationship between leader and followers is one of reciprocal influence and mutual benefit. That is, the leader provides followers with something they value and receives value in return (Kuhnert & Lewis, 1989). Judge and Piccolo (2004) identified three dimensions of transactional leadership: (a) contingent reward, (b) active management by exception, and (c) passive management by exception. Contingent reward refers to clearly defined expectations and rewards associated with constructive transactions or exchanges with followers. Leaders who monitor and anticipate problems "before the behavior creates serious difficulties" display active management, while passive leaders intervene after problems arise (Judge & Piccolo, 2004, p. 756).

Hollander (1978) emphasizes the dynamic nature of the relationship between leader and followers, as influenced by the situation in which they function. The *situation* encompasses organizational tasks, resources, history, social structure and rules, size, and so on. The leader and followers are joined in a "psychological contract" (p. 73); they and the situation, taken together, represent a kind of closed system of interaction, although the external environment can and frequently does affect aspects of the system (such as the acquisition and use of resources). The followers expect the leader to set group standards and values, treat them fairly, and reduce situational uncertainty to the extent possible. As long as these expectations are met, the followers carry out their part of the exchange by providing loyalty and productivity, with self-motivation an equally important determining factor. Day-to-day organizational life is mostly about pursuing defined goals, which meshes with the profile of the quiet, dependable transactional leader who knows how to get the work done (Howell, 1997; McCleskey, 2014).

Comparing the Two Leadership Styles

Similar to the debate over the separation between leadership and management, observers have differences of opinion as to whether transformational leadership is more desirable than transactional leadership or just represents a refinement of it. Those holding that transformational leadership is superior maintain that the bond between followers and the transactional leader is more tenuous than that between followers and the transformational leader, especially when lower-order exchanges are in effect. For instance, if pay raises are set by the board rather than by the executive director, the latter's bargaining power is lessened (Kuhnert & Lewis, 1989). Moreover, because the transactional leader relies on reward and positional power, discontent and competition may arise among followers if the distribution of rewards, both tangible and intangible, is not perceived to be equitable (Manning, 2003).

As illustrated in Table 5.2, these two leadership styles can be compared along several dimensions, some of which have been noted in the previous sections, such as the type of leadership most likely to emerge in unstable versus stable organizations, their different bases of power, and the sources of influence used most often in each case. The remaining three dimensions—sense of identity, strengths, and values—are perhaps the most critical ones to consider since they speak to the personal side of leadership. When these characteristics are viewed side by side, the ideal leader would be one who possesses all of them. Thus, the most tenable position seems to be that both styles are necessary—that transformational leadership augments the effectiveness of, but does not replace, transactional leadership (Bass & Steidlmeier, 1998). Gardiner (2006) contends that any one leader can be both transformational and transactional since different situations and circumstances warrant different responses.

PERFORMING MULTIPLE ROLES

To carry out organizational business, the executive director, along with top management staff and the board, must be prepared to take on three separate but overlapping roles: leader, manager, and administrator. This conception adds another wrinkle to the management/leadership distinction articulated above. As Werther, Berman, and Echols (2005) note, "each of the three roles offers a mindset that suggests a different priority. Success comes from knowing which perspective to apply when" (p. 22). For these authors, the main responsibility of the leader, which they view as a shared role between the executive director and the board president (or chair), is to set a vision for what the organization is seeking to become and capturing the main elements of the mission. A vision statement provides more clarity about the desired direction and is often inspirational in identifying specific goals and objectives, even if they are not fully attainable. Thus, a medical research facility might have "Eradicate cancer in our lifetime" as its mission, and then its vision statement would expand on the importance of this cause, including the gains made to date and what remains to be done. Working within the mission and vision statements, the manager must direct how organizational resources are to be allocated to reach the designated goals and objectives. The administrator then must strike a balance between the frequently conflicting needs of the various internal and external stakeholders.

Role Uncertainty

Although the responsibilities of each of the three roles seem relatively clear and distinct conceptually, practice introduces ambiguity as to which role one should play at any given time. Unfortunately, we can offer no magic formula to simplify the process other than to suggest flexibility as situations call for shifts in roles. However, organizations face consequences when uncertainty prevents the manager from donning the leader's hat (or vice versa) when the situation dictates need for a different approach. On one hand, the individual who avoids the leader role can cause a loss of orientation to mission. On the other hand, focusing too much on leadership when a manager is needed can result in declines in program outcomes. Ignoring the administrator role may mire an organization in conflict. The main error to avoid is falling back on more comfortable role patterns that worked in the past but are inappropriate or ineffective in meeting the demands of the present (Werther et al., 2005).

The board of directors of a human service organization providing rehabilitative services learned this lesson the hard way when the founder and long-time executive director notified the board chair of a serious financial problem, a deficit of approximately $1.25 million. Two years prior to this crisis, the organization had adopted a new management and service delivery system, involving a complicated fee-for-service structure with its affiliates. The executive director had been so caught up in his leadership role that he had failed to provide the necessary managerial oversight for those responsible for generating regular financial reports. As a result, he did not recognize staff were struggling to fulfill their duties within the new system and was taken by surprise when told of the shortfall. The board stepped in and took control, establishing procedures to restore fiscal stability and improve affiliate relationships. The executive director, who had earlier announced plans to retire at the end of the year, was allowed to finish out his days at the organization but with severely restricted, nonoperational responsibilities.

Expectations and Performance

In view of the complexity of the contemporary world, we can put nonprofit leadership and management in perspective by considering roles and responsibilities through an analytical lens. One such framework is Quinn's competing values model, which

TABLE 5.3. ORGANIZATIONAL GOALS AND LEADERSHIP TASKS

Quadrant	Goals	Tasks
External flexibility	• Protect legitimacy • Enhance resource acquisition	• Raise funds • Advance reputation • Negotiate agreements • Lobby legislators • Interact with regulators • Market programs
Internal flexibility	• Build cohesive workforce • Motivate staff to achieve high productivity	• Mentor staff • Facilitate group interaction • Maintain good communication Administer fair personnel policies
Internal control	• Maintain organizational structure • Facilitate steady work flow	• Establish fiscal controls • Coordinate budget planning • Monitor execution of policies and procedures • Collect and process information • Administer quality standards
External control	• Establish clear organizational direction • Determine desired output levels	• Oversee short and long-term planning • Set organizational goals and objectives • Monitor productivity • Direct staff activities • Stay abreast of environmental trends

Source: Adapted from Quinn's competing values model (as cited in Edwards & Austin, 2006).

Note: Model dimensions are internal-external on the horizontal axis and flexibility-control on the vertical axis.

looks at effectiveness and leadership on two dimensions: (a) *flexibility* versus *control* and (b) *internal* versus *external* (as described in Edwards & Austin, 2006). As shown in Table 5.3, the result is four separate quadrants, each with its specific goals and the task requirements for achieving the desired ends.

External Flexibility

In the external–flexibility quadrant, the desired outcomes for the organization are to protect its legitimacy and enhance resource acquisition, necessitating the use of boundary-spanning skills on the part of the executive director. Most of the activities undertaken will involve individuals and entities external to the focal organization and therefore not under its direct control. Accordingly, to be successful in this role, the executive director must be open to new ideas and adaptable enough to take advantage of opportunities as they are presented, whether that be raising funds, protecting the organization's reputation, negotiating formal and informal agreements, lobbying legislators, interacting with regulators, or modifying programs and services to fit current demands.

As a manifestation of the situational approach to leadership, this quadrant tests the professional's political acumen and personal relationships both outside and within the organization. As the executive director evaluates new circumstances and commits resources already earmarked for a different purpose (to less clearly defined long-term planning with the potential for a bigger payoff), power dynamics are likely to come into play. Even if available information and existing conditions appear to justify quick action, the executive director's ability to change direction may be constrained depending on the board's perception of its role in boundary-spanning.

Internal Flexibility

In the second quadrant, internal flexibility, the emphasis is on building a cohesive workforce and motivating staff to achieve a high level of productivity. The kinds of programs and services delivered by nonprofits are generally considered labor-intensive because they involve a high degree of interpersonal activity. Hence, the human relations side of the equation is very important. Some executive directors clearly relish having close contact with staff and maintain an open-door policy so that employees can bring concerns directly to their attention; others may want to delegate much of the day-to-day responsibility to others on the management team. This decision may be influenced by organizational size, time constraints, or an honest appraisal of whose skills best match the tasks of mentoring and group facilitation. However, delegation does not absolve the executive director from creating a positive work environment through regular communication with staff and establishing personnel policies that are fairly and consistently implemented.

The duality between achieving the work and recognizing individual needs—knowing how to strike a good balance between the two—reflects the behavioral approach to leadership discussed in the last chapter. As you will recall, the most effective leader is the one who is judged by followers as strong in both management and leadership.

Internal Control

The primary goal in the internal control quadrant is to maintain the organizational structure and a steady work flow, which requires technical competence to oversee "budgeting and fiscal controls, scheduling procedures, information and communication systems, personnel administration systems, technical training programs, reporting systems, evaluation and quality control measures, and management of technical equipment and physical facilities" (Edwards & Austin, 2006, p. 12). In larger organizations, this work is likely to be carried out under the direction of a senior manager with a title such as chief operating officer (COO) but delegated to other members of the management team. For example, the budgeting aspects may be allocated to a chief financial officer or controller, personnel matters to a human resources officer, evaluation to a quality-control officer, and so on. Smaller nonprofits that have a flatter staff structure (fewer levels of hierarchy) will have to consolidate the monitoring and coordinating responsibilities in some fashion, with even the executive director assuming some of the tasks. Outside contractors may also be used for the more specialized work.

Technology use is particularly important in this quadrant to ensure that resources are allocated in the most efficient and effective manner. Being able to generate consistent, accurate data on service usage for both internal and external audiences are absolutely essential in this age of accountability. In fact, because technology impacts virtually every area of organizational life, it merits its own chapter in the next section of this book.

External Control

In the external control quadrant, establishing a clear organizational direction (accomplished through short-term and strategic planning) and ensuring that the level of organizational output is consistent with this direction are the principal goals. Maintenance of mission integrity is always at the forefront of all decision-making activities (Edwards & Austin, 2006). Whereas the attributes associated with the transformational leader are necessary to achieve the desired outcomes in the human relations or internal flexibility quadrant, here the qualities of the transactional leader are more apt to be called upon (see Table 5.2). In other words, motivation must now be translated into productivity. One of the responsibilities of the executive director is to stay abreast of trends in the external environment that might affect the kinds of programs the organization offers as well as its consumer base and then use this knowledge to inform planning and decision-making. Therefore, some of the boundary-spanning skills discussed earlier appear to be equally valid in carrying out the tasks in this quadrant, although with a different organizational purpose in mind.

Factoring in Trait Theories of Leadership

As suggested in chapter 4, trait theories come into play when making hiring decisions. In considering the various tasks in the four quadrants of the competing values model, we can formulate a picture of the ideal nonprofit executive director: creative, politically astute, inspiring, empathetic, technically adept, dependable, systematic, generative, and task-oriented. Rarely do we find all of these traits embodied equally in a single person, which reinforces the importance of surrounding the executive director with a team of competent individuals (i.e., the top management team) to complement strengths and offset any weaknesses.

Some traits are innate; other qualities can be learned. Falling into the latter category is the ability to manage time effectively, which crosses all of the quadrants. Given the overwhelming number of issues that confront a nonprofit executive director on a daily basis, having some kind of organizing principle to draw on is helpful in making the best use of the hours in the day. Modern workers draw on a variety of electronic tools geared to help foster their productivity. Busy executive directors use such tools to prioritize activities according to their importance and their urgency. Important and urgent matters such as crises, serious problems, and projects with tight deadlines rate top consideration. Next are important matters that are not urgent, which would include long-term planning, staff development, relationship building, and professional development. Taking care of one's health and mental well-being also falls into this group. Responding to emails, attending meetings, and dealing with drop-in visitors are examples of activities that are urgent but not important, while busywork and sorting through junk mail belong in the category of neither important nor urgent and are simply time-wasters. Discipline is required to reorient priorities to spend time where it is most needed.

Patterns of Leadership

Drawing on different aspects of some of the most well-known leadership theories, Schmid (2006) developed an analytical model to link the choice of a leader exhibiting particular characteristics with certain kinds of human and community service organizations. From the behavioral approach, he labeled the vertical axis as *task-oriented* versus *people-oriented*. Reminiscent of the competing values model, he used *internal orientation* versus *external orientation* for the horizontal axis to create four separate quadrants (see Table 5.4). Many of the tasks discussed within the competing-values model are also found here but in a less codified way. For instance, human relations activities are addressed in all four quadrants since one expressed purpose of this model is to demonstrate how a specific leadership style meshes with group members' levels of professionalism as well as with the requirements dictated by organizational structure.

Internal Task Orientation

The internal task orientation quadrant features organizations like residential facilities for disadvantaged children and institutions serving people with developmental delays, which tend to be very rule-bound, hierarchical settings where the professional staff determine most of the details of daily life for those in care. The authority vested in the executive director is highly centralized, with virtually no input by lower-level organizational members into the decision-making process and little tolerance for ambiguity. Since the emphasis is on goal attainment and maintenance of the organizational structure, planning, budgeting, top–down communication, and coordination are the

TABLE 5.4. PATTERNS OF LEADERSHIP

Quadrant	Leadership Behaviors	Leadership Style
Internal task orientation	• Planning, budgeting, coordinating services • Enforcing rules and regulations	Transactional
External task orientation	• Achieving goals and legitimation • Obtaining resources and establishing organizational domain	Authoritarian
Internal people orientation	• Selecting, developing, motivating staff • Establishing procedures for problem solving and conflict resolution	Transactional and transformational mix
External people orientation	• Developing staff capabilities/ team building • Securing resources, building alliances, and engaging in political activities	Transformational

Source: Adapted from Schmid (2006).

Note: Model dimensions are internal–external on the horizontal axis and task orientation–people orientation on the vertical axis.

important tasks. Effective *management* is valued here. For such nonprofits, Schmid (2006) believes a transactional leader, defined as the one "who sets goals, clarifies desired outcomes, provides feedback, and exchanges rewards for accomplishment" (p. 182), would represent the best fit. Settings like this would be characterized as controlling and directive toward organizational members.

External Task Orientation

The management pattern described for external task orientation is very similar to that of organizations with a strong internal task orientation. Thus, we are again looking at essentially closed systems, with home care organizations serving elderly people being a good example. The reason for placing these nonprofits toward the external end of the axis is that, with the entrance of for-profits into fields previously dominated by voluntary agencies, competition for financial support and market share has intensified, necessitating more boundary-spanning activities on the part of the executive director to secure vital resources. The leadership pattern one might expect to find in these organizations is authoritarian, with a strong focus on the task, perhaps to the exclusion of any concern for the human factor other than as a means to an end and a strong reliance on positional authority to control decision-making and problem-solving processes (Schmid, 2006). That is, leadership characteristics are often valued less than management characteristics under this orientation.

Internal People Orientation

Community service organizations and agencies providing services to at-risk children and youth in the early stages of life-cycle development fit the management pattern for the internal people orientation. In both cases, staff tend to be granted substantial autonomy in delivering services. Like Youth Service Network (YSN) in our case study, nonprofits under this orientation might be dominated by the individual whose vision led to the establishment of the agency. However, in Schmid's (2006) model, the leader's main focus is on selecting, developing, and motivating the staff as an important first step in attempting to more clearly differentiate program activities and the division of labor. Interestingly, the leadership type described for this quadrant represents a mixture of the transformational and transactional styles: The executive director must be concerned with helping employees achieve self-fulfillment in their work. At the same time, the leader must establish processes and mechanisms for problem-solving and conflict resolution, as well as keep control over decision-making.

External People Orientation

As the same two types of organizations associated with the previous quadrant begin to move into the later stages of development, Schmid suggests they would then more closely fit the pattern of an external and people-focused orientation. Although the leader would continue to emphasize staff development and training, the intent here is to prepare the followers to cope more effectively with external uncertainties and constraints. Boundary-spanning skills such as creating alliances and taking advantage of opportunities that might reduce the organization's heavy reliance on stakeholders outside of the organization come into play, as in the external task orientation. Ideally, the leader would have the ability to adjust to changing circumstances and adopt a democratic or participative style to use staff talents and knowledge to their fullest potential. If the leader cannot make these adjustments, the organization may suffer the effects of founder's syndrome (see chapter 4).

FINAL THOUGHTS

Both of the analytical models just described offer a picture of nonprofit organizations along an external-internal continuum. This view of organizations reflects the concept of open versus closed systems: *Open-system* perspectives are concerned with how organizations are influenced by interactions with their environments, whereas *closed-system* approaches are more concerned with internal structures and processes (Scott & Davis, 2007). Of particular interest in turbulent times, open systems tend to adapt quickly to external changes and so increase their chances for survival, which reinforces the need for leaders to possess excellent boundary-spanning skills. They must be able to acquire the resources necessary for producing and then marketing the organization's products or services. What we are talking about is really a series of exchanges of inputs for outputs, suggesting that the transactional leader may be more in tune with today's world.

Yet without the willing and even enthusiastic support of other group members, the executive director will have difficulty positioning the organization for maximum effectiveness. Indeed, one of the biggest challenges facing nonprofit executive directors is gaining and retaining the trust of followers so that the whole is greater than the sum of its parts. In this regard, the transformational leader offers obvious advantages. In the end, the most effective executive director is the individual most capable of moving fluidly from the role of leader to that of manager or administrator and back and seeing no inconsistency between inspiring group members to reach their fullest potential and being more directive with respect to daily operations to meet stakeholder expectations, as the situation demands.

QUESTIONS TO CONSIDER

5.1. From the information in the first section of the case study, how would you characterize YSN's organizational culture? Do you have enough information to have a sense of the deepest level of its culture? Support your position.

5.2. Is organizational culture shaped by the external environment or vice versa? On what do you base your views?

5.3. Would you consider YSN's founder a transformative or a transactional leader? What kind of leader is called for in YSN's situation? Given a choice, with which type of leader would you prefer to work? Why?

5.4. Since executive directors very rarely possess all the skills associated with Quinn's competing values model, which attributes are most essential for a nonprofit executive director to be successful in today's turbulent world?

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6

Decision-Making

AN OLD ADAGE: NECESSITY is the mother of invention. This is to say that the need to solve a problem is frequently the impetus that initiates a decision-making process. Problem-solving is just one of the possible outcomes of this kind of process. Picking a restaurant for Sunday dinner involves a decision but not a problem. Problem-solving is thus more limited than decision-making even though the terms are often treated as synonymous. Solving a problem is a cerebral activity, whereas decision-making is much more personal, requiring a conceptualization of the situation, drawing on one's emotions and values. Furthermore, decision-making implies taking action to implement the resulting ideas, solutions, and plans (Kaner, 2014).

Arguably, making decisions on critical matters is a defining responsibility of a leader. The success or failure of any nonprofit may literally hinge on the quality of the decisions the executive team makes, independently or in concert with the board, on issues believed to be of long-term consequence. Not all decisions need to be or should be reached at the highest organizational level. In fact, a rule of thumb is, whenever possible, to delegate decision-making responsibility to the people closest to the situation. One nonprofit studied by Golensky and DeRuiter (1999) implemented this principle to show its zones of decision-making:

- individual, day-to-day decisions fell to the operational staff;
- small-group, time-limited decisions, such as developing the annual budget, fell to interdependent staff teams;

- agency-wide operational decisions, such as creating a management information system, fell to multidisciplinary staff teams;
- broad management decisions affecting the entire organization fell to the leadership team;
- policy decisions fell to the board of directors.

The *seriousness* of the matter and the degree to which a decision departs from the norm might affect operations across the board and could have long-lasting effects. Other factors that distinguish strategic decisions from run-of-the-mill decisions include their rarity, whether the conclusions reached might set a precedent, and the complexity of the issue. When something arises that is new to the organization, decision makers might not have previous examples to show the way, and so handling the matter becomes more problematic. Similarly, a decision (e.g., whether to pursue a new strategic relationship) that is likely to place constraints on the subsequent allocation of resources would by necessity fall to the executive director to address. In short, the extent to which these factors are present or absent will determine in large measure how the decision process unfolds.

This chapter examines decision-making from a range of perspectives. We consider both the conceptual point of view, but also the practical considerations of who should be included, what information is needed, and how the process should be carried out. The chapter also features a specific model of decision-making that has proven useful for both groups and individuals.

DECISION-MAKING STRATEGIES

Just like the theories on leadership discussed in chapter 4, a variety of perspectives have emerged over the years that hope to explain and guide us in the process of making decisions. This section will set forth some of the more well-known approaches as well as some useful ideas about the process that have received less attention, especially as they might apply to the nonprofit sector.

Optimizing

The *optimizing* strategy has received a great deal of attention among economists over the past half-century. This perspective argues that rational actors always select the course of action with the greatest payoff. This requires them to consider the relative value of viable alternatives through an assessment of costs and benefits. In its strictest form, this theory assumes an ideal situation in which the decision maker is fully informed of the details of all these alternatives and able to weigh them with mathematical precision. However, common sense tells us that people do not always (or often) have the information, analytical skill, or time to make decisions that allow them to behave in optimal ways. Collecting and processing the huge amounts of information required to undertake pure optimization would be very expensive in time, effort, and money. Moreover, social forces influence our rational considerations, including personal values and relationships with other group members. As a result, the end product is often a *suboptimized solution* in which some of the hoped-for benefits are realized but others are lost (Janis & Mann, 1977). For example, a caseworker may accept a promotion to a management position with higher pay and prestige only to realize that she misses the satisfaction of helping individual clients improve the quality of their lives.

For many behavioral scientists, the optimizing strategy is more of a prescriptive model with a set of standards that organizations should strive to reach when making decisions "to avoid miscalculations, wishful thinking, and vulnerability to subsequent disillusionment" (Janis & Mann, 1977, p. 25). However, the principle of taking as much information into account to make the best decision possible is a good one.

Satisficing

The work of Herbert Simon elaborates on the difficulties of finding optimal solutions to problems. March and Simon (1958) describe the uncertainty resulting from having neither perfect knowledge of all the variables that might influence the decision process, nor all the likely consequences of the decision. Simon calls that set of things we *can* see our *bounded rationality*. Since all decision-making carries some degree of risk, actors tend to aim for reducing uncertainty in the outcome, such as by following practices preset by the organization to handle routine matters. The argument here is that bounded rationality causes us to play it safe rather than optimize our solutions. Arriving at an acceptable outcome that would meet a minimal set of standards is called *satisficing*: "Sometimes more than one criterion is used, but always it is a question of whether the given choice will yield a 'good enough' outcome" (Janis & Mann, 1977, pp. 25–26).

Although this view of human limitations may seem a bit cynical, it does fit with the play-it-safe mentality that is predominant in many organizations in both the for-profit and nonprofit sectors. Theorists describe decision makers as setting an aspiration level for an outcome and then searching for decisions that meet that outcome. Once they find a course of action that meets that aspiration, they choose it rather than spend time and effort looking for more optimal solutions.

Incrementalism

Despite some of its shortcomings, satisficing can ultimately result in something like an optimal course of action, but this happens through a series of incremental steps. This may be successful in moving an organization forward without causing undue resistance from other group members, since the change comes about so gradually.

Charles Lindblom (1959, 1979) is perhaps the person most closely associated with this approach, based on his discussion of "the science of muddling through" in the context of formulating government policy. However, because his work contrasts how decisions *should* be made with how they are *actually* made, it has universal applicability to all types of organizations.

As noted earlier, an ideal method for making decisions might be to consider the possible alternatives and then use a process of rational deduction to arrive at the best one (*optimizing*). Lindblom (1979) argues that decision makers tend to use what he calls a strategy of "disjointed incrementalism," where they consider only a restricted number of choices geared toward marginal change. Remote possibilities, even if important, are discarded so as not to complicate the process and prevent the other key players from accepting the proposed course of action, which is rarely seen as a solution to a problem but, rather, as a way to alleviate it. Thus, one might come back to a situation time and time again, in the hope of making small improvements with each attempt. Here, ends are adjusted to means instead of the other way around, with practicality as the highest value.

As early as 1967, Etzioni pointed out the shortcomings of incrementalism. One issue is the tendency to focus on the short-term solutions while neglecting innovation. In 1980, Lustick argued that the relative effectiveness of decision-making was context specific, and the principles of incrementalism did not take context into consideration. In his response to this criticism, Lindblom (1979) concurred that incrementalism was not appropriate for every context, but worked well in situations involving low-level understanding versus large, fundamental decisions.

Mixed Scanning

As a synthesis of rational optimizing and extreme incrementalism, *mixed scanning*, as developed by Etzioni (1967), accommodates the stringent requirements of the one and the sometimes overly casual but practical considerations of the other to describe another method of decision-making. With the mixed scanning approach, an organization would employ some of the features of optimizing, such as the systematic collection of pertinent information, along with a sequential review of relevant alternatives to narrow down the possibilities to make fundamental policy decisions, but an incremental process based on simple forms of satisficing would be used to deal with any subsequent issues arising from the strategic decision, which may lead to gradual revisions of the action plan and perhaps pave the way for a new major decision (Janis & Mann, 1977).

Organizational leaders must therefore first take into account the seriousness of each situation so that they can determine the level of resources—time, energy, personnel, and money—to commit to the decision-making process and solution. Intended by Etzioni as a normative or prescriptive model, mixed scanning "has the virtue of adaptive flexibility at different stages of decision making" (Janis & Mann, 1977, p. 38); as such, it lends itself to work-related decisions at all levels of an organization, such as for time management, and could even be used by individuals on personal matters.

The Garbage Can Model

While the theory of optimizing makes very strong assumptions about the ability of people to make careful choices with full information, the garbage can model goes completely the other way. The *garbage can strategy* is about choice, or perhaps the lack of it in the conventional sense, for it takes as its premise that organizations are guided by a variety of inconsistent and ill-defined preferences. In the absence of a cohesive structure, group members use the procedures available to them to interpret what was done in the past and what they are currently doing as they are taking action. From this perspective we might view an organization as "a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, [and] solutions looking for issues to which they might be the answer" (Cohen, March, & Olsen, 1980, p. 145). Actors then grab pieces from this "garbage can" to throw together (sometimes irrational) courses of action.

Unlike the purely rational organization imagined in the optimizing approach, here the organization is seen as endlessly adapting and responding to diverse internal and external constraints (Cyert & March, 1963). A situation calling for a decision is described as that garbage can into which group members, whose participation may vary over time, drop their interpretations of the problem and possible solutions as they are generated. Each of these elements, although independent, becomes a factor in decision-making as they become mixed together. Making a decision, then, is not an orderly process progressing from point A to point B; action becomes possible when the right combination of problems, solutions, and participants comes together in a timely manner. While not ideal, this approach does allow the organization to move forward (Cohen et al., 1980). However, to the extent that the garbage can model describes the processes of real organizations, it also helps explain why organizations sometimes cannot move forward.

The Four-Force Model

Perhaps less well-known than the other approaches just discussed, the four-force model may be more in tune with today's turbulent environment. It equates organizational effectiveness with "potential capacity," which "refers to the optimal match of individual decision styles, task demands and organizational climate" (Driver & Rowe, 1979, p. 141). According to this perspective, making a decision is not simply a reaction to a given stimulus that leads to a particular conclusion; it also involves a politically influenced exchange process that is much more complex than simply choosing among alternatives.

The decision process here begins with an external stimulus and then proceeds through a series of steps until the parties identify a new direction, one consistent with organizational objectives but also addressing individual interests. In any given situation, environmental demands, internal climate, peer-group pressure, the task at hand, and individual needs and styles influence the way decisions are made. Each of these four factors may differentially affect the final disposition of the matter. By knowing the leader's thinking habits, perceptions, needs, motives, aspirations, and fears, we can better understand why certain decisions are made and how they are implemented. Adopting a more person-centered focus may result in more effective decision-making, thereby ensuring beneficial outcomes for the organization (Driver & Rowe, 1979).

Consensus

Consensus decision-making is a process that is used by many grassroots associations, feminist collectives, and other small, essentially volunteer-run groups because of its egalitarian, inclusive, and participatory philosophy that is consistent with their democratic ideals. A consensus mentality is common among workers in the nonprofit sector. Consensus is similar to satisficing in that the goal is to come to a reasonable (not necessarily optimal) outcome that all members of the group can accept. However, the way in which that end is achieved is quite different. Although consensus-finding is generally led by a facilitator whose role is to help move the process along, everyone's input is actively solicited and considered of equal value.

Depending on the ground rules the group has established, even a single person can block acceptance of a decision. Thus, strategies such as compromise and trade-offs are used in an effort to bring a dissenter to the point of being comfortable with the proposed resolution of the issue at hand. The proposal may then be rephrased to reach an agreement. One of the potential drawbacks to this approach is that it can be very time-consuming, but on the positive side, individual group members may have a greater commitment to a decision achieved through consensus (Kaner, 2014).

Table 6.1 summarizes these decision-making models, allowing you to compare their key features. In the end, as with so many of the dimensions of organizational life, taking a contingency approach, with the ability to draw on whichever model best suits the situation of the moment, may present the optimum course of action for the leader.

PRACTICAL CONSIDERATIONS

As previously noted, the decision process can be complex, especially when critical issues are at stake. Depending on the issue, the outcome of the deliberations may have a profound impact on the organization and its key stakeholders, extending well into the future. Accordingly, the pressure on the top management team to make the "right" choice can be overwhelming—"right" being a subjective judgment depending on one's personal interest in the matter under review. Moreover, organizations typically face

TABLE 6.1. APPROACHES TO DECISION-MAKING

Strategy	Assumption	Comment
Optimizing	Assumes a rational process based on full information and careful weighing of alternatives to achieve the greatest payoff.	This prescriptive model is often difficult to attain.
Satisficing	Assumes a bounded rationality: limited or constrained personal qualities, information, and group identification.	The goal is to reach an acceptable if not optimal solution based on a minimal set of standards.
Incrementalism ("muddling through")	Assumes a slow, gradual approach to a desired end by considering a restricted number of choices to achieve a minimal change acceptable to others.	Practicality is the highest value, with ends adjusted to means.
Mixed scanning	Assumes a process using features of both optimizing and incrementalism, the former for major decisions and the latter for subsequent issues that arise.	This normative model is flexible, lending itself to wide use.
Garbage-can model	Assumes the organization lacks a cohesive structure and so is endlessly adapting and responding to internal and external constraints.	The process is not orderly, but it does allow for choice and possible problem resolution.
Four-force model	Assumes a politically influenced exchange process initiated by an external stimulus.	Decisions are differentially affected by environmental factors, peers, the task, and individual needs and styles.
Consensus	Assumes an egalitarian, inclusive, and participatory process to reach a reasonable decision with which group members are comfortable.	Compromise and trade-offs may be used to enable dissenters to accept the proposal.

more than one important concern at any given point in time, so multiple problems have to be addressed in relation to each other, each one with its own claim on organizational resources.

With major stakeholders placing so much emphasis on accountability, decision makers in both the public and nonprofit sectors often seek to protect themselves from criticism by using as much objective, relevant information as they can possibly obtain to lay claim to some degree of rationality, even when the actual decision process does not follow the optimizing model (Ben-Arieh, 2008). Wiek and Walter's (2009) *transdisciplinary integrated planning and synthesis system* informs the disparate decision-making relationship between stakeholders and nonprofit executives. This system applies methods of science to complex large-system decisions, yet integrates a communicative and collaborative style of interaction to create a dynamic decision-making process that benefits both the nonprofit and the stakeholder.

Stages in the Decision Process

The garbage can model aside, most decision makers prefer order and some level of rationality in decision-making. When circumstances permit, a typical decision process includes these steps:

1. Defining the situation or problem;
2. Collecting and studying the facts pertaining to the issue;
3. Formulating the possible choices;
4. Anticipating the likely outcomes of these choices;
5. Selecting the best available solution;
6. Implementing the decision; and
7. Evaluating the results immediately after action has been taken and again at a later date to judge the full impact.

As the sequence unfolds, the leader should consider the feelings of all affected parties to the extent possible and maintain a flexible posture to allow for any alteration in the plans that seems warranted (Skidmore, 1995).

Rather than discussing this process in the abstract, let us consider the different steps within the context of an issue that a small charitable nonprofit might encounter: how to accommodate a different population within its traditional service mix. For this illustration, we will assume the organization's primary constituency has been black youth living in a low-income neighborhood. Social conditions are defined as a *problem* only when someone judges it to be negative or harmful (Kettner, Moroney, & Martin, 2017). The triggering event in this scenario is a visit to the executive director by the councilman serving the district in which the organization is located, to make a case for including Hispanic youth, whose families have become an increasingly visible part of the community over the past decade, into the agency's programs.

Since the politician has been a good friend to the agency, the executive director agrees to look into the matter. The first step is to gather relevant information, including demographics on the current makeup of the community and projections for the next five years. In addition to collecting technical data, the executive seeks out individuals with expert knowledge of the issue. He consults a board member who, as the pastor of a local African American church, would be attuned to the feelings of the more established African American residents toward the newcomers. From this initial step, the scope of the problem can be formulated. Next, possible alternatives can be generated and reviewed; an important consideration is whether another nonprofit in the immediate area or nearby would be in a better position to serve the Hispanic youth, perhaps one that already has Spanish-speaking program managers. As no other agency is a viable candidate, the executive director then weighs the effects of a service expansion on the available organizational resources.

Fortuitously, one of the current counselors speaks some Spanish and is interested in working on his language skills. Since the possibility of having to hire a new counselor had been a potential roadblock, the executive director now feels more comfortable taking the case before the board to consider the councilman's request. The proposed resolution is presented as a win–win situation. Not only will this action cement the positive feelings of a major stakeholder toward the organization, but the service expansion will also provide justification for requesting an increase in contract dollars from the agency's government funder. After the board approves the proposal, the executive director turns the practical details of implementation over to the program director. One month after the new clients have been incorporated into agency activities, the change is discussed positively at a staff meeting; a year later, the executive director is pleased by the results of the decision.

Modes of Decision-Making

From their extensive research on strategic decisions, Hickson, Butler, Cray, Mallory, and Wilson (1986) identified three different ways of making decisions that take into account the manner in which the process unfolds. In *fluid* processes, action appears to unfold quite smoothly, with the main activity conducted at regularly scheduled meetings through set committees. As a result, the process tends to suffer fewer delays and impediments. Fewer experts are called upon, but they are respected for their knowledge and opinions. Although this kind of decision is made at the highest organizational level and can be precedent-setting, it is generally reached quite quickly, in a matter of months. Obtaining financial support for a new program is an example. In larger organizations, the development director might initiate the process, while in smaller settings this might fall to the executive director. In either case, the main deliberations would take place at meetings of the board's fundraising committee, with staff supplying information as needed. If a grant or contract is sought, the funder's established deadline for submitting a proposal would place time parameters on the process.

In *sporadic* processes, many delays are common due to a variety of obstacles, from outright resistance to the matter at hand, which is often highly consequential and potentially controversial, to having to wait for various reports to be generated. A number of people both inside and outside the organization are likely to participate in the process, each bringing different levels of expertise, influence, and personal interests. As a result, deliberations tend to be prolonged and move in fits and starts until a decision is reached by the top leaders. The actual case of a public museum's conversion to nonprofit status falls into this category. As the oldest museum in the state and with three boards involved (its formal, city-appointed board; a membership-based volunteer support group; and a foundation established to solicit funds and build an endowment), we might not be surprised that ten years passed before bringing the matter to a final resolution.

Constricted processes feature less scope for negotiation about the issue of concern. The decision is made high up in the organizational hierarchy but often below the top level, or at least by the executive director alone without board input. Because the matter is perceived to have limited consequences and relevant information is readily available, discussions generally take place through regular staff channels, possibly with help from selected external experts. The decision may be reached fairly quickly. An illustration of this kind of process would be upgrading the organization's management information system (MIS) with computers donated by a local corporation. Although program staff would be asked to propose ideas for new data elements to be added to the system, the actual changes would be implemented by the MIS director and her staff, assisted by a tech person working for the donor. The executive director would simply announce the change to the board.

Hickson et al. (1986) add one further element to explain how the *politicality* (the degree to which internal and external factors affect the outcome of the process) and *complexity* of the issue affect how the process unfolds. This results in three distinct "modes of decision-making": *tractable-fluid*, for unusual but noncontroversial matters; *vortex-sporadic*, for weighty and controversial matters; and *familiar-constricted*, for normal and recurrent matters. See Table 6.2 for a summary.

Group Decisions

Even though certain decisions could be made unilaterally by the executive director and some (such as during a crisis) may have to be made in this manner, decisions in nonprofit organizations tend to be handled through a group process. This can be a complicating factor, but it undoubtedly ensures greater buy-in and legitimacy of the outcome. Other possible advantages of this type of decision-making are the ability to generate a greater number of alternatives and the ability to process more information, improvement in coordination, and enhanced communication. On the downside, however, group decisions tend to take longer and can be compromised or unduly dominated by a few key individuals. In addition, groups can have difficulty coming to a decision, possibly due to *groupthink*, a phenomenon in which the desire to reach consensus is so strong that an independent and realistic appraisal of alternatives is ignored.

TABLE 6.2. MODES OF DECISION-MAKING

Mode	Characteristics
Tractable-fluid *Example: Seeking funding for a new program*	• Unusual but noncontroversial subject • Diffuse but not serious consequences • Limited participation • Formally channeled process • Precedent setting • Event-influenced
Vortex-sporadic *Example: Changing corporate status*	• Weighty and controversial subject • Serious consequences • Diverse participation • Prolongs, irregular discussion • Not precedent setting • Highly politicized by external interests
Familiar-constricted *Example: Upgrading the MIS system*	• Comparatively well-known subject • Limited consequences • Limited participation • Limited discussion • Not precedent setting • Internally determined

Scope and Authority

Depending on the organizational structure, some issues may fall within the purview of an established group, such as a board committee charged in the bylaws with overseeing investments or a staff task force composed of all department heads that meets annually with the executive director to help construct the operating budget. When setting up new groups that may be task- and/or time-limited, organizational leaders should determine in advance the scope of involvement and the extent of delegation for each situation and convey these parameters as clearly as possible to the individuals invited to take part in the endeavor. Otherwise, the process may have unintended consequences. For example, when staff believe their efforts will be more than just advisory, only to discover their views have little bearing on the final decision, resentment and reluctance to accept the decision may result.

Nutt (1989) described four types of participation: (a) *comprehensive*, for a group involving all those likely to be affected by a decision and given the full authority to make the decision; (b) *complete*, for a fully representative group whose charge is only to make recommendations or comment on a proposed action; (c) *delegated*, for a group composed of selected stakeholders but with full decision-making authority; and (d) *token*, for a group with both limited representation and authority. Comprehensive participation is viewed as the most effective. Complete participation is hampered by the restrictions on authority. In delegated participation, buy-in tends to extend only to those directly involved, who must then try to persuade nonparticipants to accept their decision. Token participation, which uses its selected members strictly in an advisory capacity, is considered the least effective of all.

Managing the Group Process

The substance of the decision process and the type of participation selected will influence the composition of the group. For the most important decisions, the executive director is apt to involve those seen as the best critical thinkers, those with expertise essential to the issue, those perceived to be especially loyal to the organization and to the top leaders, and those with influence over other group members, in some combination. Size is also a consideration. Small groups (five is a preferred number) are often better for evaluation and judging tasks and for addressing concrete problems because they encourage equal involvement, discourage the development of factions, and can act quickly. Conversely, bigger groups seem to be more advantageous for developmental tasks and abstract problems where members benefit from hearing diverse viewpoints that can lead to innovative solutions. However, the danger of factions forming is greater in larger groups, increasing the difficulty of coming to a consensus on the matter at hand.

Another factor is that the interactions within a small group move along an expressive–instrumental continuum. Included in the social-emotional (expressive) area are members' positive or negative personal feelings toward each other. On the instrumental side are the actions required to achieve the defined purpose for the group, such as presenting facts, deliberating, stating opinions, and voting. The key point here is that different people typically fulfill the roles of task leader (or manager) and social leader (Mason, 1996). Thus, the individual formally designated as committee chair may develop and distribute the meeting agenda, call the meeting to order, keep the discussion orderly and productive, sum up the actions taken, and announce the next steps, while someone else emerges to attend to the overall mood of the group, stepping in with a word or a gesture to dispel tensions, make sure the quieter members feel their views are respected, and generally promote cohesion.

Finally, Tropman (2006) reminds us that decision-making comes down to making choices, often among competing sets of values, and choices result in both winners and losers. He prefers to call the process "decision-building" (p. 217) to recognize that actors put together disparate elements to create a whole, combining knowledge of the steps in the process with skill in helping those involved move forward in a timely and beneficial manner, maximizing the gains of multiple stakeholders to the extent possible.

SIX THINKING HATS

The Six Thinking Hats method, developed by Edward de Bono (1999) a couple decades ago, is a practical tool to facilitate constructive decision-making by groups and individuals. Formally trained as both a physician and psychologist, de Bono is one of the world's foremost experts on the structure and functions of the brain. Over many years he has examined the manifestations of mental processes for evidence of underlying systems to make some sense of the different patterns within the brain's neural networks (de Bono, 1967).

De Bono's studies led to the conceptualization of *lateral thinking*, which in today's vernacular might be equated with "thinking outside the box," as compared to the more familiar *vertical thinking*, in which thoughts move in a logical, linear fashion, much like the workings of a computer. In contrast, "lateral thinking has to do with rearranging available information so that it is snapped out of the established pattern and forms a new and better pattern" (de Bono, 1969, p. 237). In practice, the two types of thinking are complementary. When one cannot find the solution to a problem using vertical thinking or when a new idea is required, lateral thinking should be used. We have all had moments in which a sudden insight enables us to solve a problem that had seemed very complex, and the answer then appears so obvious. By developing an ability to use lateral thinking, a person might be able to call upon insight at will. On the other hand, vertical thinking, as determined by past experience and the needs of the moment, is preferable in everyday living, for otherwise each action and sensation would have to be analyzed as it occurs, leading to an unbearable complexity. Once lateral thinking has occurred, vertical thinking is applied to test its validity and to integrate the new idea or approach within one's memory bank so that it can be used again in similar situations (de Bono, 1967, 1969).

Always concerned about the practical applications of his work, de Bono (1999) subsequently introduced the concept of *parallel thinking*, better known as the Six Thinking Hats method, which stems from research demonstrating that thinking is a multifaceted process incorporating facts, feelings, values, logic, and creativity. His work has shown that when we attempt to think in more than one way simultaneously, the result is confusion because we are trying to do too much, thus taxing the brain's capacity. Argument (or *rhetoric*) has been central to Western thought since the time of Socrates, Plato, and Aristotle. Logic and analysis are used, often in a confrontational or adversarial way, to convince others of the correctness of one's viewpoint. In contrast, based on the teachings of Confucius, the focus of parallel thinking is on behavior rather than on personality or psychological make-up, to find a way to be constructive and move forward by having everyone involved look at a particular situation or issue in the same way at the same time. All ideas, even when contradictory, are accepted and considered valid; later on, either one idea is chosen or the final product is crafted to include the various positions.

To illustrate the differences between the Socratic method and parallel thinking, imagine that four people are each standing on one side of a large house and, using their cell phones to communicate, are trying to persuade each other that their perspective is the best one to describe the house. Using parallel thinking, however, all four would walk to the front, the back, and the two sides of the house together, so they can experience the same view at the same time and share their ideas face-to-face. In doing so, the final picture of the house that emerges is likely to be fuller and more accurate (de Bono, 1999).

Putting on the Hats

As summarized in Table 6.3, the Six Thinking Hats method is essentially an extended role-play and, when used with groups, is presented as a game with set rules, which acts as a powerful social mechanism to promote cooperation. Each mode of thinking is represented by a different-colored hat as a symbol of the role being occupied at that time. Wearing a specific hat is not descriptive but directional, meaning that a certain kind of thinking is going on (e.g., the facilitator might say, "Before making a final choice, let's have some black hat thinking now"). The key point is that everyone's knowledge, experience, and intelligence can be brought to bear on a given matter by moving together in a prescribed direction (de Bono, 1994, 1999).

As shown, hat wearers make choices about what color hat to wear. White, for instance, is frequently associated with neutrality. Inasmuch as the expression "seeing red" is a common phrase for being angry, red seems appropriate for the emotional dimension. Although the white hat is used primarily for informational purposes, the red, yellow, and black hats are applicable to assessment as well. Lateral thinking is an important part of green-hat thinking, which is not just the purview of the "idea person" in the group but something to which everyone can contribute by deliberately setting out to think creatively. The blue hat is generally worn by the group facilitator or leader. This is a critical role, as the person wearing this hat determines the agenda (to

TABLE 6.3. OVERVIEW OF SIX THINKING HATS METHOD

Symbol	Cognitive Mode	Application
White hat	Factual, informative	Lays out information, from opinion to checkable facts
Red hat	Emotional, intuitive	Legitimizes expression of feelings
Yellow hat	Constructive, positive	Identifies values and benefits
Black hat	Critical, cautionary	Assesses risks; "devil's advocate"
Green hat	Creative, provocative	Searches for and generates new ideas and possibilities
Blue hat	Organizing, managing	Orchestrates and structures thinking process

Source: Adapted from de Bono (1999).

which others may contribute), controls the flow of the discussion by naming the hat to be worn initially and then calling for a change from one hat to another. The facilitator also makes observations on the progress of the group and brings the discussion to a close by summarizing what has been decided, articulating next steps, if warranted, and preparing a final report at the appropriate time.

The hats may be used singly, to request a type of thinking, or in a sequence to either explore a topic or solve a problem. Moving sequentially from one hat to another at the facilitator's direction may simply evolve from the discussion, or it may be preset to fit a particular need. If, for example, the subject is one that might evoke strong feelings in the group members, the facilitator might schedule the red hat first to bring these feelings to the surface before going on to white- or black-hat thinking. The reality is that values and emotions give relevance to our thinking; if not allowed to be a legitimate part of the process, they can emerge, unbidden, at inopportune times or even become the underlying cause for not embracing the group's decision or action. Similarly, in an assessment situation, the yellow hat is often used before the black hat to ensure that the benefits of the issue are articulated before focusing on possible obstacles. If done in the reverse, the group may become discouraged prematurely and never give an option its due. However, the method advocates no set formula for sequencing. Hat selection is a skill developed over time, as is knowing how long to allow a discussion under one hat before switching (de Bono, 1994, 1999).

An Illustration

A midsized nonprofit providing direct services to families around issues of suspected child abuse is considering a merger with a small grassroots organization whose mission is advocacy and consciousness raising on this issue. The two executive directors have met twice to explore the possibilities of joining forces and have identified compelling reasons for further deliberation. They have approached and received approval from their respective boards to pursue the merger more concretely. A seven-person ad hoc committee has been formed, with three representatives from each agency, at different staff levels, and the vice president for programs from the local United Way, of which both nonprofits are members. The United Way executive, with training in the Six Thinking Hats method and being the most neutral on the merger, has agreed to be the facilitator.

At the first committee meeting, the facilitator, wearing the blue hat, has proposed that the agenda focus on development of a formal statement of purpose for the merger. The idea is to have an official statement of understanding to bring back to the two boards as soon as possible and, ultimately, to share with all staff. To date, the staff, other than those sitting around the table, have been told some kind of collaboration is up for discussion but not the specific nature of the talks, so as not to raise unfounded concerns. However, since the word is likely to get out before long, the committee wants to issue a clear statement of facts. With everyone in agreement, the facilitator asks them to put on the red hat and gives each a minute or two to express personal feelings on the idea of a merger.

As might be expected, the resulting comments are mostly variants on "I fear we'll lose our organizational identity." The facilitator then requests some white-hat thinking, which includes hard data but also beliefs that can be checked. Thus, the white hat might lead a group member to say, "On the whole, merger has not been a familiar strategy in our community." Another comment that she'd recently read a journal article stating that mergers were becoming more common among nonprofits. A third person reminds the others that the two organizations have had a history of working together over the years on an informal basis. When this line of thinking has been pursued as far as it can go, the facilitator asks the group members to put on the yellow hat to identify the potential benefits of a merger. Everyone in the group has done some reading (or had conversations) on the topic, and they are quickly able to make a list of incentives to merge, from realizing economies of scale by purchasing in bulk to decreasing competition for limited resources. The executive director of the advocacy organization offers perhaps the most positive thought: "We would be stronger through linking with a larger nonprofit with more programs. In the end, all of our clients would be better served by pooling our resources."

Putting on the black hat is the logical next step. As the opposite of the yellow hat, it is worn to engage in what we commonly call critical thinking to ensure all risks are assessed. The biggest drawbacks to a merger that emerge are (a) a feared loss of autonomy, especially for the smaller agency; (b) the possible loss of some management positions due to duplication (e.g., both now have bookkeepers on staff); (c) the cost of having to change signage and logos and to market the new entity; and, most of all, (d) the difficulty in combining two quite different organizational cultures. At this point, the facilitator decides to shift to the green hat, which represents the full range of creativity and therefore is concerned with finding alternative solutions to previously recognized problems and brainstorming ways of approaching a new issue. Using a tactic always available during a session, he first asks that each person do some individual thinking for two or three minutes to come up with ideas for moving the merger forward and then goes around the table person by person to hear the results.

To everyone's surprise, the female counselor from the larger organization, normally quiet in meetings and perceived as rather timid, offers an unexpected metaphor: "What if we approach merger as a blender? Everyone seems to be assuming it's an all-or-nothing situation, but blenders have various settings, from low to high, including stir, chop, mix, beat, and so on." The other committee members pick up on this metaphor, and before long, a gradual process of increasing levels of collaboration over two to three years, with a "cooling-off" period between levels to assess reactions internally and externally, begins to take shape. This approach to what they start to call "controlled blending" would allow the two organizations to test out the idea of a merger before making a final commitment. Even if the last step to full merger is never taken, some of the benefits, such as joint purchasing, could be realized nonetheless.

Since the facilitator believes the group has gone as far as it can for now, he summarizes the main points of the discussion. Everyone agrees the staff member who conceived of the blender metaphor should write a position paper on the proposed solution and circulate it to the others for comments and reactions. A second meeting is scheduled for the following week to finalize the details. At that time, the committee will also make plans for a combined board and staff meeting involving both agencies to lay out the concept. They further agree to keep the details of the committee's work confidential so the new idea can be presented in the most effective way.

Later that evening, in reflecting on the meeting, the facilitator notes that the benefits of the method presented as part of his training had indeed been realized. By harnessing everyone's power and then working together in the same direction, the quality of the thinking process was enhanced. By laying out all thoughts in parallel rather than responding to each point as it was raised, the work was completed in just two hours. In the absence of confrontational and adversarial thinking, individual egos did not become an obstacle to productivity. Results were optimized because establishing a specific time for each mode of thinking eliminated confusion, which helped to optimize the results. The six hats were effective in this case—not because of anything magical in the hats, but because the facilitator had a plan for leading the group through multiple points of view in a systematic way.

FINAL THOUGHTS

As noted at the beginning of this chapter, problems come in all sizes and shapes. Not all of them require the attention of the executive director, or even the top management team. However, once an issue has reached the critical stage, organizational members tend to look for direction from the person or persons occupying leadership roles. These leaders may even be volunteers, depending on the situation or type of organization. The *art* is to know when action is needed. Although workers may be tempted to bury their heads and do nothing, failing to take action in the hope that issues or opportunities will somehow resolve themselves is not always wise. Procrastination and inattention can complicate an already difficult situation. Given the potential pitfalls, decision-making can be an act of courage, especially if stakeholder opinions differ on the most desirable course to follow. Decision makers can be misled by faulty or incomplete information, jump to a premature conclusion due to time constraints, or realize too late that one's normally sound judgment has been adversely affected by personal feelings or the flawed opinions of so-called experts.

When the realization hits that a recent decision may have been suboptimal, those affected are likely to experience conflicting emotions, depending on the perceived organizational and personal consequences of the actions that have been put in motion. After assessing the possible damage, the individual or group may elect to (a) admit the missteps and then readdress the decision by moving in a different direction that seems more prudent, (b) look for a compromise solution by curtailing implementation of the decision without fully disowning it, or (c) go forward with the original decision in the belief that it is still the most desirable of the available alternatives. In all enterprises, the reality is that *mistakes will happen*. Therefore, the true test of leadership may be in how missteps are acknowledged, owned, and rectified.

QUESTIONS TO CONSIDER

6.1. Do you believe a nonprofit leader is better served by developing a variety of decision-making styles or by becoming highly skilled in one particular approach? On what do you base your opinion?

6.2. Of the three modes of decision-making introduced in chapter 6 (tractable-fluid, vortex-sporadic, familiar-constricted), which one would you use if your nonprofit were considering whether to expand a successful program? To move to a new location? To enter into a collaboration with two other organizations? What steps would you take in each case?

6.3. How do you anticipate you might use the Six Thinking Hats method in your professional life? In your personal life?

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7

Organizational Change

THESE ARE VOLATILE times for all nonprofit organizations. The expectations and rewards emanating from the external environment are constantly shifting. The burden may be especially heavy for the human services subsector. Although called upon to deliver an ever-larger proportion of social services, these organizations face uncertainties in federal and state funding, an increasing reliance on government service contracts, pressure to demonstrate efficiency and effectiveness to sustain that funding, competition among service providers, and multiple stakeholder demands.

In light of such pressures, organizational survival may be in the balance if the leadership is not up to the task of finding ways to respond to these diverse challenges in an effective manner. Nonprofits face risks throughout their life cycle (Hager, 2018). From a study of mortality patterns for nonprofits in a major U.S. metropolitan area, Bielefeld (1994) compared the use of three possible responses to environmental uncertainties: generating income through new revenue strategies, attempting to increase legitimation by funders through activities to enhance the prestige or reputation of the organization, and realizing cost savings through retrenchment (akin to downsizing). Overall, Bielefeld found the organizations that failed were younger and smaller, used fewer strategies, with a heavier reliance on retrenchment, and had less diversified funding than the survivors. However, patterns also varied widely across and within subsectors, which speaks to the complexity of organizational change. Findings from this same research project point to other complexities related to survival, including how established an organization is when it receives a government contract and how private donations and use of volunteers affects life chances (Hager, Galaskiewicz, & Larson, 2004). Successful change is difficult to accomplish and can be disruptive, explaining why many organizational change projects fail (Beer & Nohria, 2000).

This chapter addresses organizational change in both conceptual and practical terms. The relevant theories can be divided into two major categories: *selection models* perceive the environment as the major source of change, with organizational survival predicated on the degree of fit with the external world, whereas *adaptation models* view top leaders as being able to initiate change to further the organizational mission (Hannan & Freeman, 1977; Galaskiewicz & Bielefeld, 1998). In applying these theories, we will explore the role of the organizational leader in managing change and the viability of different kinds of strategic responses to external threats and opportunities.

THE UBIQUITY OF CHANGE

The focus of this chapter is on major shifts in the essential character of the organization rather than on routine changes that may be more cosmetic in nature (see Table 7.1). We are talking about something that fundamentally alters the organization in one or more of these areas: legitimacy, professionalism, technology, mission, structure, funding, leadership, and societal values—each requiring analysis within its own specific context before any response can be made. For example, the distinction

TABLE 7.1. MAJOR ORGANIZATIONAL TRANSFORMATIONS

Area of Change	Nature of Change
Legitimacy	Informal to formally sanctioned organization
Sector	Nonprofit to for-profit or public status (or vice versa)
Professionalism	Personnel shift from one professional group to another
Technology	Computerization of data Shift in treatment modalities
Mission	Revision of organizational purpose to maintain viability
Structure	Organizational redesign Redistribution of functions and authority
Funding	Shift in the resource mix
Leadership	Transition in role occupant and/or style
Societal Values	Internal adaptation to conform to external realities

Source: Adapted from Perlmutter and Gummer (1994).

is between a grassroots group realizing it has grown so much that it now must formalize the way it conducts business (major shift) versus deciding whether and when to hold weekly all-staff meetings (minor shift).

From the selection perspective, organizational response to change may not even matter: the nonprofit may not be able to do anything to keep up with shifts in the external environment. From the adaptation perspective, however, leaders may productively determine how to respond to each situation, taking into account the implications of decisions on organizational efficiency, effectiveness, and productivity. These considerations need to be site-specific; what is of grave concern in one setting may be relatively trivial in another, and vice versa. For example, a nonprofit board was informed by its executive director that the camping director hired earlier in the year had been fired for poor performance due to his unsuccessful attempt to juggle two jobs; he had never relinquished his similar position with another nonprofit. The board saw the matter as grounds to force out both the camping director and the executive director. However, the board at the other agency placed the full blame on the camping director's deception, and its executive director suffered no repercussions. Same issue but very different reactions.

Not only must decision-making involve site-specific considerations, leaders must also carefully monitor the decision-making process as it filters down to managers who are often charged with the implementation of decisions. Tempers and emotions are heightened amid organizational uncertainty. Central to the decision-making process are both intended and unintended messages that filter across the organization (Balogun, 2006). Each organization must weigh the pros and cons of individual strategies to determine potential costs, likely benefits, and its own level of risk tolerance. The marketing and business management literature features a classic typology of strategy selection: The *defender* tends to stick to past practices and attempt to execute the strategy as well as or better than anyone else; the *prospector* is an innovator, willing to take risks in providing new products and services and regularly experimenting with reactions to emerging trends; the *analyzer* tries to be efficient but also competitive with the rest of the industry; and the *reactor* will take action reluctantly, only when faced with strong threats (Miles & Snow, 1978). The biggest challenge in effecting organizational change is not only remaining flexible and receptive to new possibilities, but also maintaining sensitivity to the impact on key stakeholders.

Theoretical Considerations

From the different theoretical approaches that address relations between organizations and the environment, the following models, summarized in Table 7.2, have been chosen for this book because they offer useful insights into the process of change in nonprofit settings.

TABLE 7.2. THEORIES OF CHANGE

Selection Model	Adaptation Model
Source of change: environment	*Source of change*: organization
Population ecology theory: Shared organizational characteristics; organization competitive position within its ecological niche.	*Contingency theory*: No single structure fits all organizations; tactical moves to seeks align organization with environmental.
Institutional theory: Impact of cultural patterns on organizational behavior to legitimacy; use of coercion, socialization, and normative mechanisms to promote conformity.	*Resource dependency theory*: Reliance on a limited number of external secure resources can constrain organization; strategic adaptations to change power balance.
	Political economy theory: Interrelationship between internal and external political and economic forces; organization reacts to levels of marketplace supply and demand.

Sources: Adapted from Galaskiewicz and Bielefeld (1998) and Schmid (2004).

Selection Models

From the selection perspective, environmental effects on organizations are the primary sources of change. Organizations have a limited capacity to change themselves, and their core features tend to remain the same despite change efforts. As we previously noted, a key feature of selection models is the inability of managers and leaders to influence the fate of the organization. The metaphor is drawn from population ecology: When climate changes, organisms are limited in their ability to adapt to new conditions. They may be *selected* for extinction.

Under organizational population ecology theory, the basic unit of analysis is a set of organizations with shared characteristics, such as similar size, age, and field of specialization. For instance, all nonprofits providing day care would be considered part of the same *niche*, especially if they share space and compete for the same resources. In general, organizations compete for limited resources, such as membership or capital, against others with similar capacities and consumer profile in the same geographic space. However, even though the organizations may resemble each other in structure and vulnerability to external constraints, those enjoying a closer fit with environmental conditions, whether political, economic, social, legal, or technological in nature, are better positioned to survive (Galaskiewicz & Bielefeld, 1998; Schmid, 2004).

Consider that in times of high unemployment, community colleges tend to increase enrollment at the expense of liberal arts institutions because of their emphasis on training or retraining individuals to meet local business needs and in only two years. In a prolonged economic slump, some four-year liberal arts colleges may close due to their lack of fit with economic conditions.

In contrast, institutional theory focuses more on the influence of cultural patterns in defining and enforcing appropriate organizational behavior. It is not as clear an example of a *selection* model as the population ecology perspective, but Galaskiewicz and Bielefeld (1998) argue that institutional forces can "swamp any independent managerial initiatives" (p. 8). Institutional forces include the political, economic, and social factors that determine an organization's legitimacy. Leaders may not be able to control those forces, but they act to maximize legitimacy in the face of those forces. For example, an organization may adopt standards mandated by a legal or regulatory body, become socialized to particular community values, or adjust to doing business in ways that become taken for granted. Some external institutional change, like the passage of new legislation, may suddenly confer legitimacy on a certain group of organizations. Accordingly, organizations may exercise rationality in choosing work procedures, but "more often conformity is less conscious" (Galaskiewicz & Bielefeld, 1998, p. 8). Institutional change involves a critical theorization stage that tests the legitimacy of existing organizational norms and a "justification of new norms and practices" before effective change can be achieved (Dacin, Goodstein & Scott, 2002, p. 48).

The board's attitude toward the camping program at Youth Services Network (YSN), the agency in our case study, is a good illustration of this theory. Despite changes in the campers, with many now exhibiting severe behavioral problems, the trustees saw no need to train the counselors to deal with these new challenges, consistent with the long-held belief that two weeks in the country cured all ills.

Adaptation Models

The fundamental assumption of adaptation models is that organizations can and will make changes that increase their chances for survival and goal attainment. Certainly, we at least *expect* leaders to initiate strategies to achieve these positive ends as they gain a better understanding of the organization's internal and external environments. Three prominent conceptual camps that have guided many thinkers regarding management influence of organizational change are *contingency theory, resource dependency theory,* and *political economy theory*.

The starting point of *contingency theory* is that no one structure is appropriate for all organizations. Instead, each organization must know its own environment and make strategic choices to fit the demands of that environment. The closer the fit, the more likely the organization will keep uncertainty at a manageable level and maintain an adequate flow of resources. Tactical moves are based on what would be most advantageous under a given set of conditions. For instance, agencies operating in highly competitive niches may be more apt to alter their programs or to use political know-how to get ahead. Similarly, a determination that the external environment is either turbulent or stable will result in different internal responses regarding staffing patterns, rules and regulations, and so forth (Galaskiewicz & Bielefeld, 1998; Akingbola, 2013). An example is the decision of a mental health agency to change its current primary methodology, which concentrates on short-term, solution-focused therapy, into a model more in tune with managed care principles to beat out the competition for government contracts.

The central premise of *resource dependency theory* is that when organizations can exercise control over acquisition of resources, they are better able to shape their relationships with external funding sources and ensure survival. In contrast, those with less control or greater dependence on a limited number of outside resources will be more constrained and vulnerable to negative consequences (Davis & Cobb, 2010). Resource dependency theory addresses the impact external forces and players have by virtue of their control of needed resources. To negate the level of outside control and to maintain autonomy, nonprofits attempt to manage and limit their dependency on outside funding organizations (Hodge & Piccolo, 2005). Strategies here might include making programs and services especially cost-effective and distinctive to increase market appeal and diversifying revenue to include a variety of sources, from foundation and corporate grants and individual gifts to fees for service, dues, product sales, and other similar endeavors. These kinds of efforts help reduce the power imbalance that otherwise may occur in the exchange process of obtaining essential resources. The executive director of a neighborhood health clinic in a California city summed up this approach: "Part of what I try to do is . . . focus on our core mission and see where we can get funded for what we want to do rather than doing what you can get funding for. . . . The game is to . . . [identify] a lot of things that work together."

Finally, even though *political economy theory* is considered an adaptation model, it includes some elements of both viewpoints. Organizations may sometimes be reactive to their environment and, at other times, much more proactive to secure necessary resources and survive. We describe the political economy perspective in several paragraphs in chapter 3, so we only call your attention to it again here. The guiding tenet of political economy theory suggests a close relationship between political and economic forces outside of and within the organization. As the levels of supply and demand fluctuate in the marketplace for the organization's products (its programs and services), so does the organizational response (Wernet, 1994, Austin & Claassen, 2008). Organizations adapt to these fluctuations according to their reading of those political and economic forces.

Applying Theory

Here's an example to think about. The Coalition, a nonprofit in a small East Coast city, is the only provider of prevention services to address child abuse and neglect within the surrounding county. As such, it is not in direct competition with other organizations for scarce resources (its resource niche would be an issue considered by population ecology theory). However, its growth has been stymied by adherence to practices consistent with the values of its founding group of social workers; it still operates in a grassroots style some thirty years later (the influence of norms and expectations is central to institutional theory). In response to being informed by its major funder (United Way) of a significant cut in the allocation for the next fiscal year due to the poor outcome of the annual campaign, the organization has been forced to lay off staff and give up two rooms in its rented space (the influence of external economic forces is considered by political economy theory). The longer-term effect is that the Coalition must devise strategies to increase revenue from other sources, both old and new. The organization is now in negotiations with local law enforcement and social services personnel to create the first child advocacy center in the state (strategic decision-making according to the demands of a situation can be understood through contingency theory). Theories help us understand general processes. If we understand the theories, we can apply them to better understand specific situations, like the ones faced by the Coalition.

Change Versus the Status Quo

Strategic management is the descriptive term for the leader's efforts to establish a good fit between the organization and its environment so the organization can realize its goals and objectives consistent with its mission and available resources. This necessitates building an organizational structure, including the selection and development of personnel capable of bringing about a desired change. Effective leaders are always "scanning the environment" so they can be proactive in pursuing shifts that will advance the interests of the organization. In contrast, *operations management* is more concerned with keeping the eye on the ball. Operations is more concerned with maintaining organizational equilibrium and fostering employees' loyalty and commitment to the already established rules and values. Indeed, organizations tend to work best when they do not have to make constant reactions to their environments. Although both types of management are needed within an organization, they can conflict when the demands for change confront the value of stability.

Senge (2006) maintains that organizations need to be aware of the interconnectedness of today's world but also recognize the realities of shifting environments:

> On the one hand building enterprises capable of continually adapting to changing realities clearly demands new ways of thinking and operating. So do the sustainability challenges. . . . On the other hand, the dysfunctions of the traditional management system keep many organizations in perpetual firefighting mode, with little time or energy for innovation." (pp. xvi–xvii)

However, change invigorates nonprofits by fostering creativity and flexibility, often leading to innovation (Austin & Claassen, 2008).

As to how organizational culture influences change, some observers argue that when group members share similar values, due to the high level of control over behaviors and beliefs, employees can be easily moved to embrace innovation. However, others perceive strong cultures as a mechanism for social control and therefore detrimental to innovation. In such settings, the leadership is primarily concerned with promoting uniformity, loyalty, and commitment to the organization, which increases the difficulty of responding quickly to changes in the external environment and finding new ways to respond to emerging problems (Jaskyte & Dressler, 2005).

These opposing positions on fostering innovation are consistent with a perception of decision-making as either purposive or passive. In the first instance, the board and the executive director anticipate opportunities in the environment and initiate action after weighing the available options. In the second case, preserving the status quo is a priority, so that when action finally must be taken, it is reactive in nature. The X factor seems to be the way in which the leader exercises the role of change agent, which is the focus of the next section.

MANAGING CHANGE

Organizations are said to operate in an "open system," which is to say that they influence and are influenced by the external forces we have been describing in this chapter. For example, the external world exerts political and economic pressures on nonprofit organizations. Therefore, with rare exceptions, a central management question is how organizational leaders will respond to challenges presented by external forces. As one nonprofit executive director put it, "I sometimes miss the old days when we were small and everyone knew everyone else. But, given the environment in which we now work, there is no turning back. It's a matter of positioning ourselves further up the chain."

Merriam-Webster's (2019) online dictionary defines *manage* as "to handle or direct with a degree of skill," "to exercise executive, administrative, and supervisory direction," "to work upon or try to alter for a purpose," and "to succeed in accomplishing." Each of these definitions come into play as we consider the practicalities of bringing about change.

The Profile of an Effective Leader

Executive assets are the sum total of personal qualities and professional attributes a leader can command. In selecting a new leader, the board typically weighs the assets of the various candidates for the position against the needs of the organization and strives to find the best fit. Once hired, the executive director is continually judged, both formally and informally, on how these same qualities and attributes are applied on behalf of the organization. We will now consider what combination of assets seems most conducive to helping group members embrace a new organizational vision.

The "Ecology of Leadership"

In discussing selection models of change, we suggested the idea that organizations occupy ecological niches, which are the arenas in which these entities operate day-to-day. Senge (2006, p. 319) uses the term "ecology of leadership" to refer to interrelationships of different kinds of leaders within a corporate setting: the local line leader, who is responsible for overseeing daily practices within each work group; the network leader, who helps connect work groups and line leaders to build greater organizational capacity; and the executive leader, whose efforts bring the whole enterprise together. Senge focuses primarily on for-profit businesses, but the thinking applies just as well to nonprofits, with some simple title substitutions.

The key message is that leadership is not the purview of a single person, especially when the goal is the development of a climate for innovation. Each type of leader needs the others to break down systemic barriers to change. A *learning organization* is one where staff, at all levels, perceive personal and organizational goals as mutually achievable and desirable and work together toward these ends. Senge (2006) envisions three fundamental leadership roles: designer, teacher, and steward.

As a *designer*, the leader must appreciate the organization as a living system and be willing to experiment and take some risks before settling on one direction. Often this will require identifying different ways to communicate with both internal and external stakeholders, not only to formulate new purpose and vision statements but also to engage key constituencies in the change process. In the nonprofit realm, stakeholders include donors, the media, peer agencies, and the general public. Each stakeholder has its own definition of nonprofit effectiveness based upon whether their particular expectations are satisfied (Balser & McCluskey, 2005). In many respects, designing is an application of incrementalism, taking small steps over time to achieve a larger result. Consequently, the designer may get little individual credit at the end of the day. Therefore, in fulfilling this role the leader must derive satisfaction from being part of accomplishing something meaningful for the entire group.

The leader as *teacher* recognizes the absence of some important capacity required by the organization. For example, the reward system may foster competition and stifle the free flow of ideas, where such ideas are vital in achieving change. Senge (2006) believes "great teachers create space for learning and invite people into that space" (p. 329). A major challenge is to enable group members to see that reality can be rechanneled to achieve a new vision for the organization. One successful approach is applying systems thinking to problems, so that the larger patterns of how things have typically been done become clear. From that vantage point, teachers help us focus as a team on what the future might be. To fulfill the teacher role, the leader must demonstrate a personal desire to learn and grow.

Stewardship is embodied in the concept of servant-leadership developed in the mid-1960s by Robert Greenleaf. Here the desire to serve precedes the desire to lead. This idea is both practical and idealistic, for in uncertain times individuals are much more likely to follow someone they trust to have their best interests at heart and who seems guided by a higher purpose. However, Senge (2006) points out the paradoxes of this role. The leader must seem to be pointing the organization in a positive direction but without closing off other possibilities. At the same time, stewards must balance the pursuit of what is new and emergent with the responsibility to conserve the essential nature of the organization. We will return to the topic of servant-leadership in chapter 13.

Creative Leadership

An organization may also be seen as a system of human energy. Whereas some "traditional" views of leadership define effective leadership as an ability to control followers, the notion of *creative leadership* focuses on the ability to release the potential of group members and guide their energy toward mutually desirable goals (Knowles, 1990).

Knowles, a longtime expert on adult learning, has borrowed from the management and education literature regarding assumptions about human behavior (McGregor's Theory X and Theory Y and Rogers's views on experiential learning, respectively) to characterize the differences between the two types of leadership. Essentially, creative leaders believe that people desire to be challenged and to assume responsibility, while controlling leaders believe staff must be coerced into working hard. Knowles argues that people will be more productive when they feel that the *locus of control* resides within them and their individual potential is being tapped. These views lead to the following propositions characterizing creative leadership:

1. Operating on the principle that followers will be more committed to decisions they have participated in making, creative leaders, except perhaps in times of crisis, involve staff in all aspects of the planning process (assessing needs, identifying goals, developing action steps, implementing the plan, and evaluating results).
2. Because creative leaders trust in the power of self-fulfilling prophesies, they openly express their faith in the ability of group members to do superior work and wait for staff to meet their high expectations.
3. Creative leaders strive to bring out the individual capabilities of their followers rather than asking them to conform to some preconceived stereotypes. Such individuals value a pluralistic work environment and a team approach, seeing their primary role as enabling all group members to reach their full potential. Creative transformational leaders motivate followers to "question assumptions and take intelligent risks as they come up with creative observations" (Dusya, & Crossan, 2004, p. 228).
4. To stimulate creativity within the organization, these leaders exhibit innovative behavior themselves, thus signaling to other group members the desirability of creativity. In this kind of environment, mistakes are considered learning opportunities, and risk-taking is applauded.
5. Creative leaders fully understand the ubiquity of continuous change and develop the necessary skills to manage it effectively. Their goal is to lead an innovative organization: one with a flexible structure that values interdependency, multidirectional communication, and both "collaborative policy-making and policy-execution" (Knowles, 1990, p. 189). Creative transformational leaders excel at encouraging organizational members to "challenge institutionalized learning and to adopt generative thinking" while transactional leaders

"encourage organizational members to improve and extend existing knowledge" (Phipps, & Burbach, 2010, p. 141).

6. In motivating followers, creative leaders recognize that internal sources such as personal achievement and recognition, fulfilling work, and opportunities for advancement and growth are often valued more than salary, status, working conditions, and other external aspects of organizational life.
7. Creative leaders comprehend that individuals tend to move toward increasing independence as they mature. Because the transition from dependence to independence is not easy or natural for everyone, leaders must be prepared to act as facilitators to help group members achieve a comfortable level of self-directed productivity.

As suggested in Table 7.3, effecting organizational change requires some combination of the most desirable assets of both the transactional and the transformational leader.

TABLE 7.3. TWO PERSPECTIVES ON LEADERSHIP IN PROMOTING CHANGE

Dimensions	Characteristics	
	Ecological Leadership	Creative Leadership
Structure	Organization as a living system Interactive on multiple levels	Interdependent work environment Flexible
Atmosphere	People-centered Caring Trusting	People-centered Pluralistic team approach Emphasis on internal motivators
Management philosophy and attitudes	Systems thinking Risk tolerant Innovative Interdependency Designer, teacher (and learner), steward	Shared power Risk tolerant Innovative High expectations = high performance Facilitator
Decision-making and policymaking	Interactive, incremental Participative (all relevant parties)	Collaborative Participative (all relevant parties)
Communication	Multidirectional Open flow	Multidirectional Open flow

Sources: Adapted from Knowles, 1990; Senge, 2006.

The Relationship Between the Organizational Life Cycle and Culture

Just like people, organizations go through a maturation process, moving through different stages of development that feature different cultural markers (Stevens, 2002; Hager, 2018). This journey can be smooth or bumpy, depending on whether the organizational culture provides stability to group members while also demonstrating the ability to respond well to external changes. For example, after going through the early stages of growth and becoming established in its particular ecological niche, the organization may become less willing and able to make changes as the environment changes around it, a phenomenon known as *structural inertia*. If operations are still relevant, incremental adjustments may be all that is required. However, if the environment changes substantially, more drastic measures, even to the point of a total restructuring of the organization, may be called for (Schein, 2017). Incrementalism is often preferred by risk-averse leaders because it reduces the number of available options, diminishing confusion and uncertainty (Bendor, 1995). This, however, can result in decreasing fit of the organization as the environment more quickly shifts out from underneath it.

Once again, the intervening force that can make innovation more palatable as the internal reaction to an external stimulus is the nature and quality of the leadership: “An integrating and inspiring type of leadership is needed to give . . . structural and systems changes a meaning for the people involved. The outcome should be a new and coherent cultural pattern” (Hofstede & Hofstede, 2005, p. 309). However, because in each developmental phase an organization is likely to face different tasks—establishing its legitimacy and building an infrastructure in the early growth years, differentiating products and services along with ensuring a steady flow of resources in the middle stages, and, in the best-case scenario, maintaining its relevance, internal stability, and nimbleness at the point of maturity—leadership style may also have to vary across the organizational life cycle. In some instances, the same individual is capable of shifting leadership patterns to meet the demands of a particular stage. However, when a leader does not have this capability to shift with the circumstances, the board may find itself in the uncomfortable position of having to force out its executive director, who may even be the founder. When the board cannot make this hard choice, the organization will suffer the consequences of a poor fit between its needs and the leader’s assets.

The case study featured in this textbook illustrates these points. The founder’s authoritarian style never deviated over the years, even as external conditions changed. The weak board he had installed was not able or willing to see the negative impact on the stability of YSN. By the time the founder died, the board’s passivity had become so ingrained that it floundered badly in its attempts to find and support new leadership.

Leadership and Organizational Culture

Let us now take a closer look at the role of the leader in establishing and modifying the organizational culture. For the sake of this discussion, we will assume an evolution similar to that of YSN: an organization formed through the vision of a single person, who becomes its executive director. The founder then brings in others to create a core group of colleagues who share his or her vision. As this new enterprise develops, still more people are recruited or hired to carry out its defined mission, and an organizational history begins to take shape.

Normally, founders are individuals with a high level of self-confidence and determination who are motivated by a strong concern for a particular social issue that does not appear to be receiving enough or the right kind of attention. Because they had the original idea, they generally also have strong feelings about how the organization should go about its business to fulfill its purpose, and they readily convey their thoughts and preferences on all aspects of organizational life. Schein (2017) contends that those forces that solve a group's problems repeatedly and that reduce anxiety will survive and become a part of the culture. However, culture-building can be influenced by powerful members who try to impose their assumptions. For new organizations, no one is more powerful than the founder, who commands all of the resources for influence included in French and Raven's classic 1959 typology: reward power, coercive power, legitimate power, expert power, and referent power.

According to Schein (2017), founders are instrumental in a variety of instances in the creation of culture. First, group members quickly become aware of the things to which the leader pays close attention, through both formal and casual remarks as well as by systematic measurement and control. Likewise, they observe what is ignored. Savvy leaders recognize that their own visible behavior conveys a strong message and often engage in deliberate role modeling. However, informal messages can be even more powerful, such as when the executive director is observed walking through the building and randomly stopping to talk with employees at all levels. A second instance is how the leader responds to a perceived crisis, whether this be the potential loss of a funding source or a follower's criticism. A third instance is the criteria used for allocating rewards and punishments, which signals priorities, values, and assumptions—something anyone going through an annual performance review experiences firsthand. Last, and especially powerful, are the criteria governing hiring, promotion, and firing. The consistent application of standards in these moments ensures that like-minded individuals will be part of the team. When systems, procedures, physical space, and formal statements of organizational philosophy, along with more symbolic acts like telling stories about key events, mesh with these primary mechanisms, the basic assumptions of culture are reinforced.

However, the very success of the founder (and others in the original core group) in developing a strong organizational culture can present serious roadblocks for a new leader, especially one brought in with a mandate to effect change. Even though newly hired executives are normally accorded respect by other group members owing to their formal position, leadership is a multilevel process of social exchange. Therefore, for a leader to reconfigure a culture to be more conducive to innovation or to better fit with a changing environment, the followers must develop enough trust in the executive director to accept that what they gain is more important to the future of the organization than what they may have to give up.

The *idiosyncrasy credit model* (Hollander, 1978) effectively described what has to occur for the leader to become a successful change agent. Imagine a kind of bank account into which followers can deposit credits to recognize the leader's respect for group norms and competence in furthering the organizational mission. Credits can also be lost if the leader fails to meet expectations or is perceived to be acting out of self-interest. Only when sufficient credits have been accumulated can a leader propose and then implement change without incurring serious resistance. At that point, the leader can even deviate from group norms, but not from role expectancies. In the initial phases, the follower possesses more control as the leader attempts to earn enough credits to establish a position of trust (Hollander, 1992).

Unfortunately, sometimes circumstances work against the newcomer, as illustrated by what once occurred in a large Girl Scout council. The long-time executive director of the council contracted cancer but decided not to resign. In the name of *sisterhood*, a strong cultural value for that particular council, senior staff took over most of her tasks. This went on for three years, without board knowledge or approval, until the executive director's death. This decision had major ramifications for the next executive director.

Routine business had been maintained for those three years, but membership was on the decline. The board rightly concluded that the organization was stagnating and mobilized a search committee to find someone for the top job who could be an immediate change agent. A hire was made within months. The new executive had strong managerial abilities and experience but no history with Girl Scouting, which proved to be problematic when she began to introduce changes in her first year, as mandated by the board. The senior staff, having become used to directing the organization, were reluctant to give up their power, especially to someone they viewed as an outsider. While they approved of the new executive director's plans for enhancing the roles of key volunteers, they undermined her attempts to revise staffing patterns to increase productivity. Not wishing to exacerbate the situation, the executive did not tell the board why she was unable to move the organization forward as quickly as they had hoped, causing many of the board members to blame her for the slow progress. By her third year, the new director had become isolated from both staff and board, became increasingly frustrated, and decided to resign.

Under the circumstances, the council might have benefited from hiring someone whom the staff would perceive as more in sync with group norms, allowing the new director to begin with a more substantial balance of idiosyncrasy credits to help her implement changes. Others, reflecting on the experience of the new director, felt that she was to blame for not obtaining a better sense of the organizational culture before accepting the job. Had the executive director been able to persuade the board to hold off on major changes, she would have had more opportunity to demonstrate her competency and further increase her support from group members. As in most complicated situations, everyone bore some responsibility for the outcome.

STRATEGIES FOR CHANGE

Some organizational changes happen spontaneously due to forces in the environment that are beyond anyone's control. However, given today's turbulent environment, very few nonprofits can afford to remain passive or reactive in their response to external pressures. Instead, they must do their best to be proactive while protecting the organization's essential identity, an executive asset Schmid (2004, 2006) calls *copeability*. In this section, we discuss the notion of planned change.

Although some maintain that people consciously choose a single approach to solve a particular class of problems, Morris and Schunn (2004) suggest that many possible strategies are available, and so the choice among them is made based on the match between the characteristics of the problem (task demands) and the decision maker's knowledge and experience solving similar problems (processing demands). In other words, the degree to which a problem is familiar is likely to influence the use of a specific strategy. Moreover, strategies that have worked in the past are more apt to be used in the future. Accordingly, strategy selection may well vary over time in response to problems, tasks, individuals, and different points of organizational development (a *contingency* approach).

Earlier in this chapter, *strategic management* was defined broadly as referring to the leader's efforts to establish a good fit between the organization and its environment. When the organization is not aligned with the environment, change is necessary. Now we turn our attention to the steps in the process of implementing change. As part of this discussion, we outline the results of a study of the approaches selected by nonprofit leaders in their attempt to remain viable and competitive.

The Change Process

Like the decision-making process covered in chapter 6, change often begins with diagnosing present conditions to identify the situation or problem that necessitates a move in a different direction. Goals for change are then set, based on this analysis. Perhaps the most critical step is to define and manage the *transition stage*: the period between "what was" and "what will be" in terms of organizational tasks, the people responsible for the work, how they operate, and the structure supporting their efforts, since change is likely to affect any or all of these variables. After the transition, an evaluation should take place to determine whether the goals have been accomplished. Finally, the new direction must be stabilized and routines established. However, wary of structural inertia, the organization also needs to try to remain flexible enough to respond should further changes be warranted.

Force-Field Analysis

During the diagnostic and goal-setting phases, a useful tools is *force-field analysis*, developed by Brager and Holloway (1992). This is a way to identify the stakeholders who are internally and externally disposed to support change and those who are opposed. What is particularly interesting about this model is it can be applied by anyone in the organizational system who elects to be a change agent. Its basic concepts are derived from Kurt Lewin's (1939) field theory. Lewin maintained that each person lives in a particular psychological universe, with human behavior resulting from the totality of the interactions between the person and the environment. Even though equilibrium is the desired state, stability is in reality a dynamic condition brought about by elements that exert either a positive or negative force and are constantly moving in opposition to each other in the attempt to achieve homeostasis (a steady state). Change occurs when the system's equilibrium is disrupted by a shift in these forces (Brager & Holloway, 1992; Hall & Lindzey, 1957). For example, a hungry man tends to move toward food, but once his appetite has been satisfied, he is likely to reject additional servings.

Later in his career, Lewin applied his ideas in many practical directions, including group dynamics. His work has had a major influence on organizational development studies. Force-field analysis assesses the strength of the opposing forces to determine whether a desired change within an organization is feasible and, if so, provides an action plan for effecting the change. The first step is to consider the available options for addressing the problem of concern, choosing the one (or several) that best supports agency values and can be accommodated within the available resources. Next, the change agent must identify the group members with the power to adopt or reject the proposed change (*critical actors*) and those in a position to influence the decision makers (*facilitating actors*). The third step is to put together a balance sheet of sorts, showing the positive and negative forces, in as specific terms as possible, that the change agent must consider to move the organization toward the desired outcome (Brager & Holloway, 1992).

If merger was the goal, for instance, a positive (driving) force might be the close personal relationship between the executive directors of the merger partners, who would certainly be critical actors. A negative (restraining) force might be fear of job loss among the line staff in both agencies. Once having determined the strength of these forces, the change agent can begin to devise strategies to increase the positive forces and decrease or at least neutralize the negative ones. A strategy in this particular scenario might be to enlist the help of unit supervisors (facilitating actors) in allaying the fears of their staff about the merger's possible impact.

Lewin's Planned-Change Model

Lewin's field theory work also included a three-step model of planned change that is applicable to the transition and stabilizing phases of an organizational shift. These steps consist of (a) unfreezing the behavior of group members by coming to terms with the underlying driving and restraining forces, (b) helping staff to learn the desirable behavior associated with moving in a new direction, and (c) refreezing by routinizing practices and procedures to re-establish stability within the organizational system (Medley & Akan, 2008; Schein, 2017). Before discernable change can be successfully adopted, old behaviors must be fully discarded (Bamford & Forrester, 2003). Returning to the merger example: an example of unfreezing would be to provide hard data showing a decline in financial support and increased competition for services, which would make a good case for considering an alliance. Once the merger is underway, organizational leaders might form task groups made up of staff from the two partner agencies to begin working through operational details such as how services will now be delivered, what new technologies might have to be adopted, and so on. Refreezing could involve issuing a new mission statement for the merged entity, installing new signage, and beginning to institutionalize desired behaviors, ultimately leading to the internalizing of the values and assumptions of the new organizational culture.

Results of a Three-State Study of Strategic Management

About a decade ago, Golensky spearheaded a comparative study of social agencies in California, Michigan, and North Carolina that provided direct client services. The goal of the study was to better understand the nature and scope of the management strategies adopted in response to the changing external environment (Golensky & Mulder, 2006; Golensky & Walker, 2003). One hundred twelve executive directors agreed to participate. For the central survey question, they were asked to review a list of strategies grouped under the headings *productivity improvement, retrenchment, new revenue*, and *transformational*. These respondents noted which strategies they had pursued in recent years and then described their perceptions of the success of these efforts. The results are shown in Tables 7.4 and 7.5.

One of the study hypotheses was that organizational leaders would use multiple strategies. In fact, twenty-five distinct strategies were exhibited in the four categories. Although these behaviors were different, they were not necessarily unrelated. For example, using more volunteers can be a corollary of reducing paid staff, and introducing new services may require changes in marketing techniques. Also, even though most respondents indicated that the strategies used either met or exceeded expectations, they expressed clear preferences for particular strategies. Of the internal measures, improvements in productivity were implemented more widely than retrenchment. Externally, the executive directors were more inclined toward securing new revenue than transforming the organization.

Under productivity improvement, upgrading computer systems was used as a strategy almost three times more than increasing staff incentives. In the retrenchment category, an organization was five times more likely to increase staff workload than to restrict client benefits. For the new revenue category, approaching new funders was selected over introducing new products by a ratio of six to one. Regarding transformational strategies, while 55 percent indicated they had formed some type of collaboration, just a handful had gone so far as to merge with another nonprofit. However, the study did not conclude that these leaders were not risk-takers: over a fifth had restructured the board, usually by increasing the number of people with direct access

TABLE 7.4. INTERNAL STRATEGIES

Productivity improvement strategies used and perceived level of success

	N	Exceeded Expectations	Met Expectations	Below Expectations	Unsuccessful
Upgraded computer systems	90	29	51	6	NA
Improved staff training	71	14	52	3	NA
Improved internal coordination among staff/departments	66	19	41	2	NA
Increased staff recognition	51	13	33	5	NA
Increased staff incentives	31	10	16	3	1

Retrenchment strategies used and perceived level of success

	N	Exceeded Expectations	Met Expectations	Below Expectations	Unsuccessful
Increased staff workload	50	4	31	10	NA
Reduced staff	32	3	21	4	NA
Used more volunteers	35	8	20	6	NA
Consolidated program sites	15	4	10	NA	NA
Cut/reduced programs	19	1	14	1	1
Tightened eligibility	14	3	9	NA	NA
Restricted benefits	10	2	7	NA	NA

Source: Golensky and Mulder (2006).

Note: In most cases, frequencies for success levels do not equal those for usage because not all respondents indicated level of success.

TABLE 7.5. EXTERNAL STRATEGIES

New revenue strategies and perceived level of success

	N	Exceeded Expectations	Met Expectations	Below Expectations	Unsuccessful
Started new services	76	20	43	11	NA
Approached new funders	83	18	41	14	6
Raised fees for services	34	4	18	9	2
Introduced new products	13	3	6	2	NA
Improved marketing and PR	70	18	35	14	NA
Increased referrals	30	11	15	2	NA
Increased lobbying efforts	25	8	10	5	2

Transformational strategies used and perceived level of success

	N	Exceeded Expectations	Met Expectations	Below Expectations	Unsuccessful
Formed collaboration	61	20	29	8	1
Merged	9	2	4	NA	NA
Considered closing	2	—	—	—	—
Franchised program(s)	7	4	2	1	NA
Restructured the board	25	5	16	2	NA
Revised the mission	24	3	19	1	NA

Source: Golensky and Mulder (2006).

Note: In most cases, frequencies for success levels do not equal those for usage because not all respondents indicated level of success.

to financial or other critical resources, and an equal number had undertaken the difficult step of revising their mission to clarify the organization's service niche.

The responses of the participants in this research study to the external pressures they were facing suggest that the desire to meet client needs was the primary driving force, but other organizational dimensions were also taken into consideration. One might conclude then that, in line with the model proposed by Morris and Schunn (2004), the decision to use multiple strategies rather than a single approach was based on prior knowledge or experience; the chances of success were perhaps derived from positive outcomes achieved by peers as ascertained through networking; and the potential costs, both real and psychic, were attached to implementation. When considering Miles and Snow's (1978) typology, the respondents acted most like *analyzers*, which are organizations functioning under both stable and variable conditions. They describe analyzers operating in stable areas as ones that operate routinely and efficiently through formalized structures and processes. Consistent with strategic management, analyzers operating in more turbulent areas watch their competitors closely for new ideas and then adopt those that appear to be the most promising. However, depending on the state of the economy and other equally pertinent factors, in the future nonprofit leaders may need to become *prospectors*, open to even higher levels of innovation, to remain competitive.

Forging Strategic Alliances

As the previously discussed results show, nonprofits were choosing to engage in some form of alliance with like organizations more and more often to enhance capacity-building or respond to regional and communitywide problems. Many funders have also encouraged applicants to consider this approach to reduce duplication of services and thus increase efficiency.

Collaboration occurs when two organizations work together through joint effort, resources, and decision-making and share ownership of the results (Guo & Acar, 2005; Proulx, Hager, & Klein, 2014). To help determine which kind of collaboration might be most advantageous to pursue, some observers have placed the different types on a continuum from least to most formal and risky, taking into consideration the degree to which autonomy is maintained or reduced as well as the costs in money and time to effect the alliance (Arsenault, 1998; Kohm & La Piana, 2003; Reilly, 2001).

1. *Cooperation* is the most informal and least risky kind of interaction, usually characterized by a loose structure, total autonomy for each participant, and an emphasis on sharing nonmonetary resources, such as information. The arrangement may be referred to as an affiliation; mutual support is the goal. Examples are a referral network and event co-sponsorship.
2. *Temporary coordination* is somewhat more formal in structure, involving some planning to establish communication channels, identification of common tasks, and division of responsibilities. Examples are a task force of representatives from youth agencies convened by a local foundation to explore more efficient service delivery methods and a coalition of healthcare organizations pursuing more favorable tax legislation at the state level.
3. *Long-term coordination* involves partnering with complementary organizations whereby members generally handle their own regular activities and maintain separate boards but cede some autonomy and may pay dues to a parent body that is responsible for common operational areas (such as fundraising, marketing, or planning). Examples are associations and federations such as the Girl Scouts, YMCA, American Red Cross, and United Way.

4. *Joint affiliation* is a more formal and enduring relationship entered into by two or more organizations for mutual benefit to achieve common goals, involving a jointly developed structure, shared resources, and mutual authority and accountability for success. Within this category, again moving from a less to a more binding relationship, are four arrangements:

   - Consortiums share a specific community or area of interest, and members combine resources to address issues each could not tackle alone. Typically, one agency acts as convener, and a core staff member oversees the joint activities. A formal agreement governs participation in the consortium, but members retain autonomy on matters outside the alliance's scope.
   - A joint venture is undertaken to accomplish a specific purpose. Such ventures are often time-limited and narrowly defined, with the parties retaining a high level of autonomy under a contractual agreement. If the initial alliance is successful, the organizations may then form a legally recognized partnership for an indefinite period.
   - Networks are often set up today in a formal way via contracts and other legal documents to deal with managed care pressures. This kind of alliance strives to improve service delivery to consumers. Members usually retain their independence regarding core functions.
   - Management service organizations are created to achieve greater efficiency and effectiveness. They focus on administration rather than programs and are especially useful in negotiating government contracts. One organization may provide management services to other nonprofits for a fee or several organizations may form a partnership, limited to administrative functions.

We opened the chapter with some description of the *selection* perspective, where the environment changes so much or so quickly that managers have little hope of survival. However, since our livelihoods and identifies are tied up in these flailing organizations, boards almost always *try* to do *something* to keep the organization viable. Sometimes they determine that circumstances dictate a radical solution such as merger with another organization. This entails creating a new corporation, usually with a new name, structure, governance, and so forth. When one of the entities absorbs the other(s), the process may be called a consolidation or, in the for-profit world, an acquisition.

Collaborations are always tricky, since they involve the softening of the formal boundaries between organizations. They are often unsuccessful, especially when partners pursue alliances as a knee-jerk effort to deal with deep problems in one or more of the partners. Leadership plays a major role in the success of collaborations, both in building the formal relationship with another entity and navigating the cultural differences that inevitably upset the flow of work. Since power and authority are generally shared in an alliance, particularly in the less formal types, leadership tends to revolve around relationship building, participatory planning, and collective decision-making.

FINAL THOUGHTS

Earlier in this chapter, we described a situation at a Girl Scout council where a new executive director faced difficulties in directing the change necessary for the organization to maximize its impacts. This vignette illustrates that, while group members may be willing to make allowances for and work around questionable, contradictory behavior by the founder or other long-time leader, they are less likely to do so for someone relatively new to the leadership position. One conclusion to be drawn is that timing is everything when innovations are introduced into established settings. Furthermore, practices are easier to change than values. When fundamental changes are necessary, the leader will undoubtedly have to rely on unfreezing strategies, such as helping group members understand and accept that the current culture has become dysfunctional. Adjustments may also require the judicious use of incentives to retain those who will support the changes and encourage the departure of those who cannot, replacing them with people more capable of implementing the organization's new direction (Schein, 2017). The important factor in achieving effective change is to choose, from among the variety of choices, the "most appropriate approach for the type of change being undertaken and the circumstances in which it will be undertaken" (Burnes, 2004, p. 886).

In the literature on conflict management, *rhetorical sensitivity* refers to the ability to change one's communication style in response to the demands of different situations; the greater the ability to adapt in this manner, the more effective the individual will be in working with a variety of audiences to resolve problems (Hocker & Wilmot, 2010). Similarly, a nonprofit leader who wishes to effect change needs to develop *environmental sensitivity*, our term for being able to size up external pressures and devise the most desirable path for the organization to follow.

QUESTIONS TO CONSIDER

7.1. Think about a nonprofit with which you are familiar. At what stage would you place it in the organizational life cycle? How well do you perceive it is handling the organizational tasks associated with that stage?

7.2. Why do most individuals and organizations find change so problematic? Can someone be an effective change agent for an organization if she or he has difficulty in reaching personal decisions?

7.3. Which executive assets would be most effective in leading a successful collaborative effort? Some observers believe a leader's trustworthiness is the most important quality to other group members. Do you agree or disagree, and why?

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SECTION 3

Securing Material Resources

In this section, the emphasis of the book shifts to the management role of the executive director, to functions such as planning, coordinating, and controlling. We focus primarily on the important task of obtaining and safeguarding the tangible raw materials a nonprofit organization must have to carry out its mission. This does not mean leadership considerations will be absent from the equation, but the main focus will be on translating vision into processes and outcomes. Similarly, many of the theories and concepts introduced in sections 1 and 2 will be revisited, as they pertain to the practical areas covered in the next several chapters. The second part of the featured case study is included here as a reference point for chapters 8 to 12.

Chapter 8 covers the nuts and bolts of strategic planning, from the reasons why an organization ought to engage in this kind of endeavor, to who should be included, to the nature of the desired end product. It presents issues related to design and structure and details of different planning models.

Chapter 9 moves the discussion of planning from the organizational to the programmatic level, with program development treated as a continuum that includes monitoring. We describe and contrast summative- and formative-type evaluations. This chapter considers the place of the logic model in this continuum.

Chapter 10 examines the full spectrum of resource generation as practiced in a nonprofit setting, beginning with the annual fund drive and continuing through the major gifts program, the capital campaign, and planned giving, from conceptualization through implementation. It also addresses ethical issues associated with this area of responsibility.

Chapter 11 is concerned with the performance indicators used by stakeholders in judging organizational effectiveness. A major consideration is the wise stewardship of resources through comprehensive budgeting and sound financial management practices, but nonfinancial elements are also delineated.

Chapter 12 links two important topics: technology and communication. This chapter explores the impact of contemporary technological advances on the ways a nonprofit can choose to interact with its various internal and external stakeholders.

KEY THEMES

Chapters 8 through 12 address these topics and concerns:

- The purpose and design of a strategic planning process: What constitutes effective strategic planning?
- The program development continuum, from planning through evaluation: What are the distinguishing features of effective program development?
- The process of securing financial resources: What goes into an effective, ethical program of resource generation?
- The concept of organizational effectiveness: What are the main financial and nonfinancial performance indicators identified by key stakeholders?
- The relationship between technology and communication: How can nonprofits best use technology to interact with key stakeholders?

CONFLICTING AGENDAS FOR THE FUTURE OF A YOUTH AGENCY, PART 2
The Executive Director's Perspective

Margaret Stover, the new executive director, focused on Youth Service Network's (YSN) fiscal problems and soon realized that the decline in the organization's financial position was a symptom of broader issues related to mission and governance. These matters were brought into clear relief through a confidential letter Stover received from a consultant who had been engaged to help YSN promote its seventieth birthday celebration in 2016:

> *The basic problem with YSN is the fact that it has at its core a faulty premise. What we basically are is a neighborhood group . . . with rather large pretensions of being more. This is not to say we don't do a good job—we do in that area. But it's small potatoes, and there must be dozens—maybe hundreds—around the city doing exactly the same thing.*
>
> *Times have changed, and the fact that we've reached sixty years is more a testament to the good luck of our predecessors than anything existing today. I've told you—perhaps too often—that you have to get rid of the majority of your board. They simply are unimportant people and, mostly, uninspired. The elements of success are simply not there.*

I do think you should address these problems as quickly as possible for the continuance of the organization. The competition is just too fierce and severe out there to warrant doing anything else.

While these were harsh words, they had the ring of truth. Beginning with the death of the founder, the organization had begun to slide. During the past ten years, no new programs had been developed, and some of the older programs, such as the tournaments, had been discontinued for lack of support. In addition, no new funding sources had been cultivated. Even though the third CEO had been able to revive the tournaments and had attempted to inject some enthusiasm into the organization, his limited administrative experience and plain bad luck in being caught in the scandal over the direct mail program were his downfall. Furthermore, the board was top-heavy with white males over the age of fifty clustered in a few industries (see Table C.1 in the introduction to Section II).

The YSN bookkeeper quickly befriended Stover and became a primary source of information. One of the most disturbing revelations concerned the search process. Stover learned that her job had been all but promised to another candidate recommended by YSN's second executive director and that de Marco had tipped the balance in her favor, possibly to embarrass the second executive, against whom de Marco harbored a personal grudge.

Stover also received a full report from the agency's bookkeeper about the scandal involving the founder's son. In light of the board members' reactions when the last CEO had brought bad tidings about the direct mail situation, the bookkeeper advised Stover to avoid this issue as much as possible—a difficult task since the lawsuit against the former staff member was still pending—or risk encountering the same fate as her predecessor. Additionally, the bookkeeper was able to provide some insights into the difficulties the third CEO had had with the chair of the finance committee at the time, and this information proved valuable when Stover subsequently was invited to lunch by this board member and was treated to his version of the conflict.

In the course of this lunch meeting, the board member suggested that Stover reach out to YSN's second CEO as someone who could provide her with a sense of the organization's history (see Table C.2 for a timeline on leadership succession). It seemed this trustee wanted to wipe out the last few years, including his disagreement with her predecessor and the direct mail scandal, and renew the ties with the past when YSN was so prominent in the youth services field. Since Stover wanted to establish a positive relationship with the board member, she followed his advice and was pleasantly surprised to discover she rather liked the former CEO, despite his gratuitous criticism of her predecessor's attempts to "modernize" YSN.

All in all, Stover's tenure had an auspicious start. The staff seemed re-energized, and the board appeared to be happy with the choice of their new CEO. Most important, it was possible to put aside monetary concerns for a while when YSN

TABLE C.2. LEADERSHIP SUCCESSION

Leader and Years in Office	Reason for Departure
Founder: 1946–1995	Joined board
Second executive: 1996–2006	Illness
Third executive: 2007–2014	Resignation (semi-forced)
Current executive: 2014–	Not applicable

received an unexpected bequest of over $800,000 from a direct mail donor whose average gift never exceeded$100 during her lifetime. In Stover's second year, however, declining revenue again became a central issue. Since she believed the organization had erred historically in putting so much reliance on a single source of income, she began to explore other avenues for generating financial support.

Stover viewed the one remaining community center—down from the three sites YSN had managed some years before—as the organization's biggest resource. Looking for opportunities to expand the center's program, she was successful in obtaining three large grants from three new donors interested in school dropout prevention, which she saw as a link to YSN's original focus on juvenile delinquency prevention.

She was more than a little dismayed, therefore, when the board greeted these funding coups with minimal enthusiasm. For the majority of the trustees, summer camp was still YSN's centerpiece, even though the organization had steadily been losing campers to more modern facilities. Since only a small number of the youngsters attending camp participated in activities at YSN's center, they did not share the loyalty to YSN of campers in the past, when it was common to see the same faces involved in the organization year-round.

Stover was also dismayed by the board's continuing belief that the direct mail program could be revived. She did not share their optimism, but at the urging of the finance committee, she switched consultants in hopes of achieving better results. When there was no appreciable improvement, she made yet another change, which did bring a slight upswing.

Increasingly, Stover believed a complete overhaul of YSN was necessary, and she decided it was time to get at the root causes of YSN's problems and develop a strategy to secure the organization's future. With the support of the board president, she was able to convince the board to enter into a strategic planning process. Although the ostensible goal was the need to strengthen the funding base and to determine which of the current programs were most viable, Stover's long-term hope was to include a serious re-examination of the governance structure. The strategic planning committee was formed toward the end of 2016. It was expected to meet through the first half of the new year and then submit its recommendations to the full board prior to the September 2017 board meeting.

Earlier in 2016, Stover's concerns about governance were heightened when Sal de Marco, who had headed the search committee that selected her, became the new board president. Initially, Stover had been very pleased when the nominating committee suggested de Marco. With YSN's sixtieth anniversary coming up, naming a former program participant to the top volunteer spot had great public relations potential; moreover, Stover knew de Marco had been very influential in her appointment as executive director and felt they had maintained a cordial relationship ever since. Unfortunately, de Marco's leadership style was very different from that of his predecessor, who had met with Stover at least once a week. Although de Marco did not see the value of frequent meetings with the executive director, he agreed to a once-a-month session if Stover would travel to his place of business, which was over an hour's drive from the YSN office.

However, despite the monthly meetings, Stover did not feel she and de Marco acted as a team. Often, when she would bring an issue to his attention and ask for his input, he would respond, "Do what you think is best. After all, you're the girl I brought to the dance." Even worse, when de Marco did consider a matter to be important, he was apt to phone a few of the other board members for their opinions before discussing the matter with Stover. Yet, in his indirect way, the board president was supportive of her, if a bit patronizing. Stover made the best of the situation, but she was certain nothing would change until rotating board terms were adopted and people were selected for the board on the basis of merit rather than personal or business connections.

Much would depend on the outcome of the strategic planning. Stover had influenced the selection of an excellent committee that included the best thinkers and some of the most respected people on the board, although it was a minor setback when de Marco declined to participate, citing business pressures. The group's growing enthusiasm about the process gave Stover confidence they would be able to "sell" the plan to the other trustees. To Stover's delight, the committee even proved receptive to discussing possible changes in governance. When the committee's interim reports were well received at the February, April, and June board meetings, she felt much better about the chances of helping YSN overcome its problems and move forward. The full committee report, with recommendations on changes in programs and services, finances, staff, and plant and equipment, was sent to the board for review prior to the September meeting (see the appendix to chapter 8 for the key provisions). The cornerstone of the plan, and probably its most controversial aspect, was a proposition to use YSN's reserves to cover deficits until new sources of revenue could be cultivated. The crucial vote would take place at the meeting.

8

Strategic Planning

THE TERM *STRATEGIC management*, discussed in chapter 7, refers to the goal of establishing a good fit between an organization and its environments. Fit is important for realizing the goals and objectives consistent with mission and available resources. *Strategic planning* is a precursor to effective strategic management (Allison & Kaye, 2011). Since different stakeholders may view an organization's priorities differently, the first phase of strategic planning involves reaching a consensus on a specific order for the organization's priorities. If staff and board members do not work toward the same list of priorities, in the same order, the effort expended in the strategic planning process can result in an unused and ignored strategic planning report (Allison & Kaye, 2011).

One way to view *strategic planning,* then, is as the beginning of the process that leads to the desired ends of strategic management. This process is ongoing and enhances "fulfillment of mission, meeting of mandates, continuous learning, and sustained creation of public value" (Bryson, 2010, p. S256). Most often the unit of analysis is the entire organization, but departments and divisions may also engage in the same general process.

Despite its benefits, strategic planning has not always been viewed as an essential part of organizational life. In past decades, many nonprofits operated from a traditional, inward-looking administration model that focused on short-term progress. If nonprofits utilized strategic planning at all, its scope was narrow because strategic planning was considered a "political" process (Hughes, 2012). Without buy-in, stakeholders complained about the amount of time and effort required to engage in the strategic planning process. A thorough planning process generally demands the commitment of considerable human resources and financial outlay. Some researchers debate the link between strategic planning and quantifiably improved organizational strategic outcomes. However, anecdotal evidence indicates that two forces have a major impact on the usefulness of the strategic planning process: (a) the care and deliberation during the preliminary conception process and (b) the organization-wide commitment sustained throughout the planning process (Vila & Canales, 2008).

While strategic planning cannot offer a guarantee of improved outcomes, Bryson (2010) found considerable evidence that many organizations realize long-term benefits from their first strategic planning project, and the yield grows with each subsequent strategic planning effort. If the process is executed properly, participants fully understand the necessity for it and stakeholders are committed to seeing that the resulting plan serves as a living document to guide the organization toward meeting present and future consumer needs more effectively, then strategic planning will likely be a justifiable use of time, personnel, and money.

In recognition of the ever-changing environment in which nonprofits operate, the goal of the process should be what Eadie (2006) calls a “strategic change portfolio” (p. 378) of initiatives, each addressing specific issues of immediate concern along with long-term opportunities or challenges for the organization. Taking such a flexible approach to planning ensures that current, still viable programs will not be discarded on a whim; by the same token, new, exciting service avenues can be readily pursued. Moreover, each organization will determine the period of time for which strategic goals are set by considering the availability of resources, the volatility of the marketplace, and so on.

Brock and Barry (2003) describe two factors that dictate the goal time frame for completion of the strategic plan: (a) the ultimate goal of the planning process and (b) whether the planning process is internally or externally oriented. Short-term plans of a year or less should address internal budgeting. Comprehensive organizational planning projects require two to four years to complete, and long-term capital budgeting projects may require five or more years for completion. In any case, goals, objectives, and action steps should be reviewed each year and adjusted if necessary to fit present circumstances.

In the first sections of this chapter, the broad parameters of the strategic planning process are laid out, including purpose, principal design elements, and practical aspects (structure, content, personnel, budgeting, and implementation). We then turn our attention to different planning models, each with its own underlying philosophy. The chapter ends with Appendix 8A containing excerpts from the strategic plan developed by Youth Services Network (YSN), the organization in the case study featured in this book.

TABLE 8.1. CLASSIFICATION OF PLANNING TYPES

	Short-Term (less than 1-year)	Middle-Term (1–4 years)	Long-Term (more than 5 years)
Internally oriented	budgeting	comprehensive planning	capital budgeting
Internal and external	implementation-oriented planning	strategic planning	long-range planning

Source: Adapted from Brock and Barry (2003).

PRACTICAL CONSIDERATIONS

The preparatory work prior to engaging in strategic planning—the planning for the planning, as it were—is critical to the success of the effort. Often the process is staff-initiated, by the executive director or other members of the top management team. At other times, the board initiates strategic planning after sensing that the organization is not reaching its full potential or has become misaligned with its environment. In some instances, an external stakeholder, such as a funder or regulatory body, provides the impetus for an internal re-examination of priorities and practices. Just like decision-making, strategic planning can be broadly characterized as anticipatory or reactive, although now more than ever the proactive organization holds a competitive advantage.

Purposes for Planning

Anderson (1988) listed six reasons for strategizing in the for-profit realm: growth, share increase, profit, market concentration, liquidation, and turnaround. Each can be applied to nonprofit organizations.

- *Growth* connotes expansion of a thorough introduction of a new program or service that furthers the organizational mission.
- *Share increase* refers to improving the position of an already existing "product," perhaps by offering it to a new client group or making it more readily available. Share increase frequently entails analyzing competitors' offerings to determine what changes would make one's own services more attractive.
- Even though efficiency is important, *profit* for charitable organizations is not just about strengthening the financial bottom line. Rather, it is more often about increasing effectiveness in mission accomplishment and consumer satisfaction.

- For *market concentration,* the organization's concern is to focus the lion's share of its resources on promoting what it does best, its core programs and services.
- The aim of *liquidation* is more drastic than it is for market concentration. Here, the end result is likely to be the elimination of one or more programs because the program has lost its relevance and can no longer be justified.
- *Turnaround* involves actions to improve overall organizational performance. Examples include upgrading technological capacity or expanding staff development.

These strategic goals are not mutually exclusive. An organization may consider several or even all of them in its planning efforts. Anderson's (1988) for-profit strategic planning blueprint, often used by nonprofits, generalizes the process and is not a perfect fit for all nonprofits. It fails to take into consideration the varying and often counter-expectations of nonprofit stakeholders who gauge the nonprofit's success and efficiency from vastly differing perspectives (Crittenden & Crittenden, 2000). Bryson (2010) outlines the following list of nonprofit-specific benefits achieved through strategic planning:

- Fosters a clarification and recommitment to the mission that identifies the best strategies for improved "performance measures and standards";
- Improves decision making by focusing on "future strategic consequences";
- Enhances organizational effectiveness by specifying timely mandates for fulfilling its mission, and better performance to satisfy stakeholders;
- Complements collaboration with other organizations that can facilitate mission accomplishment;
- Improves organizational legitimacy by creating public-valued benefits, and by satisfying key stakeholders; and
- Provides direct benefit to service recipients, improves organizational morale, reduces organizational anxiety, and augments organizational competency (p. S255).

Approaches to Planning

One way to approach planning is as a sequential, linear process. Although the details of different planning models vary, most include the following basic steps: (a) obtaining the commitment of key decision makers; (b) identifying formal and informal expectations or constraints that might affect the process; (c) creating the necessary infrastructure to carry out the process; (d) clarifying the organizational mission, values, and vision; (e) gathering pertinent information by assessing the organization's internal and external environments; (f) developing an action plan to address organizational concerns; (g) implementing the plan; and (h) evaluating the results.

In practice, however, planning is seldom truly linear. It is more of a back-and-forth process, with the participants frequently rethinking what they have accomplished. Sometimes the organization is motivated to engage in strategic planning after learning of a new constraint that must be overcome (step 2), in recognizing that a key program is no longer viable (step 5), or even at the very end when evaluating the plan's results if the outcomes fall far short of expectations. Implementation may also begin before the process has been fully completed as long as this does not have a negative effect on subsequent actions (Bryson, 2010). For these reasons, Wolf (2012) suggests that planners should think of their progress as levels:

- Level one, *purpose or mission*—reveals why the organization is making the journey;
- Level two, *goals*—provides the general direction it is heading;
- Level three, *objectives and targets*—reveals the destination;
- Level four, *strategies*—identifies specifically how the organization will get there;
- Level five, *actions*—is the trip itself; and
- Level six, *evaluation*—determines whether you have arrived.

Table 8.2 illustrates these levels with reference to a specific planning process undertaken by a large human service organization in the rehabilitation field in anticipation of changes in state policy based on managed care principles (Golensky & Walker, 2003).

By comparison, *integrated or holistic planning* is based on the idea of strategic fit, with the planning incorporated into the regular organizational operation. To create a cohesive whole, all elements of the process are constantly in play to allow for synergy. Thus, integrated planning has no defined beginning and end points; the information flow is multidirectional and the planning ongoing. Visually, the integrated process resembles a wheel, with those coordinating the effort in the center and the individuals responsible for the different tasks (formulating goals, setting objectives, etc.) on the perimeter. The coordinators collect information from the task groups and communicate relevant information back to them via the spokes. Ultimately, the various pieces of information come together in a coherent plan. These three activities metaphorically turn the wheel, representing the organization's success in moving the planning forward (Wolf, 2012).

Each approach has its pros and cons. Linear planning tends to be more comprehensive and therefore works particularly well when an organization needs to assess all its strengths and weaknesses and consider changes in a number of operational areas. It is also useful when an organization wants to legitimize its decisions to the community at large, such as when undertaking something controversial, risky, or expensive. On the downside, linear planning tends to be a slow process. Also, once a plan has been developed and approved, changing directions can be difficult, even when circumstances suggest doing so.

TABLE 8.2. PLANNING LEVELS FOR AN ORGANIZATION IN TRANSITION

Level	Illustration
1. Purpose or mission	• To provide rehabilitation services for people with disabilities in a Christian environment.
2. Goals	• To strengthen the organization's competitive position in obtaining state contracts.
3. Objectives and targets	• To increase effectiveness through a continuum of care. • To increase efficiency by consolidating financial, technological, and human resources services.
4. Strategies	• Adopt a new corporate structure: the management service organization.[a]
5. Actions	• Establish a network of affiliates to expand services statewide. • Provide management services to affiliate agencies. • Work with private-sector vendors in accordance with the state's managed care plan. • Adopt a new governance model more in tune with the new corporate structure.
6. Evaluation	• Although the MSO initially seemed successful, the discovery of a large deficit brought affiliate concerns to light. Changes were made to restore financial stability and establish a team approach to affiliate relationships. In the end, the organization kept the same model but simplified it.

[a] A management service organization is formed by one or more nonprofits to achieve greater efficiency and effectiveness by providing management and administrative services to other organizations.

Sources: Adapted from Golensky and Walker (2003) and Wolf (2012).

The main advantages of integrated planning are its emphasis on process, allowing for an immediate response to changing environmental conditions; its ability to keep participants involved over time; and its flexibility in moving quickly to action. However, because of its lack of comprehensiveness, integrated planning can result in hasty, ill-advised strategies, and its emphasis on process can come at the cost of developing a carefully worded, well-documented written plan, which may erode stakeholder confidence in the organization's long-term capacity for addressing key issues. Choosing one approach over the other will depend on the organization's needs, the situation it is facing, and its available resources. Organizations will likely use both at some point in the life cycle.

The Nuts and Bolts of the Planning Process

The purpose(s) for the planning and the approach selected for it influence how the process will be structured in terms of participation, logistics, and use of outside facilitation. For example, an organization that wants to set a more philosophical, global strategy may handle matters quite differently from one aiming for a highly detailed, broad action plan to address a number of specific concerns. Large organizations often initiate strategic planning at the departmental level, which would then feed into a similar process at the divisional level; the results of the work at these lower levels inform the planning at the overall organizational level. For smaller nonprofits, a single planning effort for the entire organization is typical.

Creating a positive climate for planning is key to its success. One way to achieve this is in the determination of who will participate in the planning process. First, the board and executive director must demonstrate their commitment by allocating sufficient resources to get the job done and by taking on a defined role in the process. Bryson (2010) refers to those in the leadership core as the "process sponsors," with responsibility for articulating the desired outcomes and stressing the importance of the planning, pledging that the effort will have tangible results, encouraging and rewarding innovative thinking, and keeping the process moving even when conflicts develop.

"Champions" are those responsible for managing the day-to-day aspects of the process, from beginning to end. These individuals ensure that planning stays high on the organizational agenda. They attend to the many details related to space, time, and materials; provide a conceptual framework for the process; educate participants about strategic planning if they are unfamiliar with its nature and purpose; involve themselves in the planning without dictating specific solutions; and push the effort forward toward a resolution even when participants feel that little progress is being made. If the situation under review is not very complex, one person may do the bulk of the work; more often, planning is a collective effort. Depending on scope and resources, separate teams may spearhead each step in the process, or a single group may take on all of the planning tasks. As for team composition, some organizations choose to use staff only, while others include board members and even outside stakeholders. Wherever possible, involve organizational members not appointed to the team(s) in the process, to help build broader support for implementing the plan. For example, during the information-gathering stage, key representatives from different stakeholder groups (staff, clients, volunteers) could complete surveys or take part in focus groups and provide progress updates to everyone.

The length of the planning process will vary as well, based again on the complexity of the issues with which the organization is grappling and the resources at its disposal. A good way to get the process started is with a retreat, which may run anywhere from one to three days. Organizations already committed to and familiar with strategic planning may require less time to reach consensus on the design and structure of the process. Asking people to set aside time to attend the retreat, especially board members, signals the importance of the effort. Even the site of the retreat can be a factor in moving things forward. For instance, when the executive directors of four small nonprofits contemplating a merger brought their boards together to review the plan drawn up by staff, they selected a space high up in one of the tallest buildings in town, with a panoramic view of the city, to set the right tone about keeping the big picture in mind (Golensky & DeRuiter, 1999). Once the parameters of the process have been set, the champions must set up the schedule of planning meetings and maintain communication with the planning team(s) between meetings via regular email, including distribution of minutes and other pertinent materials. Organizers must also see that the necessary supplies and equipment are on hand at meetings and oversee the production of the written plan (from draft stage to the final version) and its distribution.

Although some organizations may choose to handle the planning process without outside assistance, others will bring in a facilitator to move the process along. An individual known to be impartial about the outcomes of the effort and with proven expertise in managing group interactions can be invaluable, especially when stakeholders with competing interests are involved. To be effective, a facilitator must quickly learn as much as possible about the organization's history, culture, and concerns. However, for this kind of consultation to work, the process sponsors and champions must forge a solid partnership with the facilitator, based on mutual respect and trust. Otherwise, bringing in outsiders can result in unfortunate consequences for everyone involved, which was Golensky's experience when facilitating a retreat for an environmental coalition. She learned by chance midway through the second day that the funding for the coalition would not be continued, a fact that one of the sponsors had withheld. Since the express purpose of the retreat was to develop a plan for future activities, the entire process was seriously compromised, and her personal relationship with the sponsor was irreparably damaged.

Budgeting and Strategic Planning

A mistake organizations sometimes make is failing to incorporate budgeting into the strategic planning process. Consideration of costs when entering into a planning process is important. Determining whether an organization has sufficient monies to implement the plan should not be an afterthought. Bryson (2010) stresses the importance of allocating adequate budget resources to the plans that are developed during the planning process. Management may be more used to associating budgeting with fiscal control rather than with strategy development and implementation. So, leaders may require a change in mindset to perceive a budget as "the organization's blueprint for the coming months, or years, expressed in monetary terms" (Gross, McCarthy, & Shelmon, 2005, p. 395). As goals and objectives are being formulated in this type of financial planning, accountants are useful in identifying past revenue and expense patterns, future financial trends, and the financial impact of proposed new programmatic activities on the monies already on hand. As part of this effort, planners project and weigh different scenarios, from the most optimistic to the most pessimistic, to assess risks and opportunities more accurately. Including a budgetary component in the planning process not only serves as a useful internal reality check, it can also send a positive signal to funders that the organization is prudent in all fiscal matters (Wolf, 2012).

Implementing the Plan

As previously noted, one of the most discouraging aspects of strategic planning is the amount of waste, literally and figuratively, from plans that never get implemented. One reason for this outcome may be that stakeholders were not as fully committed to the process as they originally maintained. Another reason is that practical aspects of implementation were not sufficiently addressed at the planning stage. Aldehayyat and Anchor's (2010) research found that organizations could "enhance strategic planning by allowing suitable time for its implementation, improving the quality of training, [and] undertaking an in-depth analysis to become aware of unexpected problems" (p. 173). A case in point: Faculty in a school of social work participated in a two-day retreat to review current practices and consider new initiatives, resulting in a multidimensional plan written out on flip charts. A faculty member was charged with bringing the sheets back to the school so the plan could be entered into the computer. Unfortunately, she became distracted by other matters, put the sheets on a bookshelf in her office, and forgot about them. Shortly thereafter, she took a year's sabbatical at another university, during which her office was unused, and then transferred to the other university. Since no one had formally assumed or been given the role of process sponsor or champion, a proper follow-through never happened. The sheets with the plan, which everyone assumed had been lost, were discovered two years after the retreat.

Beer and Eisenstat (2000) identify the failure to designate role assignments as one of the six "silent killers" of strategic planning. The other five include organizational discouragement when implementation does not occur in a timely manner (if at all), unanticipated problems, lack of communication, loss of strategic planning cooperative spirit, and failure to identify specific goals. To ensure successful implementation of the plan, Bryson (2010, 2016) recommends these guidelines:

- Put as much time and effort into managing implementation as were devoted to the preceding steps in the process. This is critical when those responsible for implementation are not the same people who served on the planning team.
- Develop explicit strategies to guide implementation through all organizational levels. If strategy definition was not completed previously, action steps must now be outlined with specific objectives, a timetable, and clarification of roles and responsibilities.
- To overcome rough spots in facilitating implementation of the plan, take advantage of the first-hand knowledge of client populations from program staff.
- Provide ongoing support and commit sufficient resources, both human and material, to ensure that implementation is successful but also cost-effective. To model success, start with the actions that are easiest and quickest to introduce.

- Use an incremental approach, linking new initiatives with established programs in a logical way while maintaining stakeholder support internally and externally.
- Make sure planned changes follow all pertinent legal, regulatory, and funding mandates.
- Recognize that strategic planning is likely to result in changes in the organizational culture and build in mechanisms to manage any residual conflicts and to celebrate each success.
- Establish procedures for evaluating the implementation process (formative evaluation) as well as the end results (summative evaluation) and adapt strategies as necessary to fit changing circumstances.

STRATEGIC PLANNING MODELS

As suggested in the preceding sections, strategic planning can be executed in a variety of ways. In this section, we outline three specific approaches. These models were selected because they illustrate distinct underlying philosophies and perspectives on the design and structure of the planning process. Regardless of size, culture, or stage of organizational development, every nonprofit can identify a suitable approach.

Option 1: Strategic Business Planning

To some charitable organizations, the idea of business planning may be off-putting, but for those using the corporate model of board governance (e.g., referring to their top professional as president/executive director and their top volunteer as board chair), the use of terminology associated with the for-profit world should have instant appeal because such organizations are apt to have a high proportion of board members with a business background. The case can be made that, like its corporate counterpart, the major challenge facing a nonprofit today is positioning itself effectively for the future; therefore, if the techniques of strategic business planning have worked in one arena, they should be adaptable to other types of organizations (Kluger, 2006).

Underlying Principles

To guide strategic business planning, the organization should adopt a compatible management paradigm. One option would be total quality management (TQM), which stresses the importance of continuous quality improvement to benefit "customers," defined as all service recipients, including staff. Data collection and analysis are a part of every phase of the model, beginning with an organizational assessment and then moving to create the necessary policy documents. Because employees (considered internal customers) are empowered to make decisions on programmatic improvements, staff training is an important ongoing consideration. The final planning phases are service delivery processing and benchmarking: Service delivery processing underscores the need for constant attention to quality improvement and customer satisfaction, as the organization is expected to keep abreast of developments in its external environment and make changes accordingly. Benchmarking, a long-standing practice in for-profits, entails identifying best practices within one's own organization and elsewhere to be adopted or adapted as performance standards. The regular monitoring of customer satisfaction via flow charts and other statistical measures provides documentation of success or, alternatively, triggers a new round of planning (Hawkins & Gunther, 1998; Austin, 2002).

TQM enjoyed its greatest prominence in the 1980s and 1990s but seems to have lost ground due to mixed reviews of its effectiveness. However, as recently as 2016, Sweis and Saleh found the benchmarking qualities of TQM practices particularly relevant and useful for direct service nonprofits.

Another model relevant to strategic business planning is business process re-engineering (BPR), defined by Hammer and Champy (1994), its leading advocates, as a fundamental rethinking and redesign of business processes to achieve improvements in critical measures of performance. This is a top–down approach to improving organizational performance. According to BPR, planning for the future should not be unduly influenced by the past. The top management team is asked to consider whether operations should continue as is or undergo significant changes based on present realities. If the team is dissatisfied with the status quo, key operational areas of direct and support services are redesigned, making use of any new technological advances, with the focus on processes rather than separate work tasks. Given this emphasis on an entire function, specialists either become or are replaced by generalists. With access to all the necessary information, a single employee can take responsibility for achieving a desired outcome, such as meeting a consumer's needs, more efficiently and effectively. Centralizing organizational resources leads to better coordination, which in turn helps to flatten out the traditional hierarchical structure, eliminating much of the bureaucracy and speeding up decision-making (Grobman, 2011).

Steps in the Planning Process

In keeping with the general philosophy of strategic business planning, a first step in the process is to examine current and prospective agency programs and services for commonalities in markets and consumers in order to group them into primary lines of business. A vision statement (emphasizing ends or outcomes), a summary of programs and services, and a description of the current market served can then be developed for each line of business to increase understanding of the organization among internal and external stakeholders.

A *situational assessment*, another key part of the process, leads to identifying the organization's *core competencies*. This assessment entails collecting and processing data regarding the organization's internal strengths and weaknesses and the opportunities and threats in the external environment, often called a SWOT (strengths, weaknesses, opportunities, and threats) analysis. The internal review is of the present, and the external review is of the future. This kind of assessment leads to four strategy levels: (a) SO uses current strengths to take advantage of identified opportunities, (b) WO refers to attempts to overcome weaknesses in pursuing possible opportunities, (c) ST focuses on using strengths to avoid threats, and (d) WT involves defensive maneuvers to reduce weaknesses and avoid threats. In addition, the organization may wish to commission an analysis of its current and potential competitors (recognizing that these same entities may at times be collaborators) to see where it stands within its industry (Kluger, 2006).

The earlier steps lead to the selection and implementation of strategies designed to maximize the organization's assets (for the organization as a whole), a particular line of business, or an individual program or service. As part of this effort, the organization benefits from being open to discretion in allocation of funds (not restricted for a specific purpose, consistent with the strategic business plan) to develop new programs, enhance a current service, or otherwise make an investment in the organization's future. Implementation is often a combination of putting the planned strategies into motion and taking advantage of opportunities that arise unexpectedly. Progress should be monitored to assess the plan's effectiveness, updating it as necessary.

Option 2: The Strategy Change Cycle

John Bryson (2010, 2016) developed a ten-step planning process aimed at nonprofit organizations. The rationale for his model is the need to be responsive to the challenges of an ever-changing world, in an effort to survive and prosper. While the intent here is not very different from that of strategic business planning, less jargon is used to describe the cycle, making this approach potentially more acceptable to a wider range of organizations. Moreover, Bryson is careful not to make unrealistic promises about what strategic planning can accomplish, noting that planning should not replace strategic thinking and acting and is not a substitute for dedicated leadership.

Underlying Principles

Bryson contrasts two different approaches to decision-making. The *rational-deductive method* relies on a linear process that, under the most desirable circumstances, leads to consensus of goals, objectives, and strategies to achieve organizational aims, or at least the presumption of consensus. In the *inductive-political* approach, the emphasis is on issues, recognizing that conflict (over ends, means, timing, location, political advantage, reasons for change, or philosophy), not consensus, is more representative of organizational reality (Bryson, 2010, 2011, 2016). Compromise and negotiation lead to resolutions that are acceptable to all stakeholders, establishing a positive climate for formulating more general policies and programs to address core issues.

Fundamentally, the strategy change cycle seeks to identify and resolve strategic issues as a reflection of the political approach, but it also draws on the rational method where appropriate. Accordingly, once having used the rational-deductive method to come to an agreement on the best ways to address key issues, the inductive-political method can be used to turn the broad principles (worked out with the various stakeholders) into a concrete plan with specific goals, objectives, action steps, and a timetable. Or if the organization enjoys consensus on basic matters such as mission and vision, the inductive method can help iron out the remaining areas of conflict, moving the process toward implementation. Developing a common vision early on is essential to the success of the planning effort.

Steps in the Planning Process

Following is a synopsis of the strategy change planning cycle, according to Bryson (2010, 2011, 2016).

1. *Initiating and agreeing on strategic planning.* The main purpose of step 1 is garnering the support of key internal and external decision-makers to the process. First, the stakeholders must be identified and brought together, often at a retreat site, to receive an overview of strategic planning and then develop agreements about the intent of the process, its design and timing, the role and responsibility of participants, and the necessary resources. For organizations already committed to planning, some of the later steps in the cycle may be part of the retreat agenda.
2. *Identifying organizational mandates.* To decide on the direction to pursue, the planners must be aware of any constraints due to laws and ordinances as well as internal restrictions in the articles of incorporation or bylaws. Planners must also consider the influence of cultural norms operating at both the community and organization level. Often the most valuable aspect of this step is discovering how few constraints actually exist, which opens up the planning process.
3. *Clarifying organizational mission and values.* The desired outcomes of step 3 are a mission statement (with its underlying values) and a stakeholder analysis. Since everything a nonprofit does should be mission-driven, clarifying the purpose can eliminate unnecessary conflict and increase the productivity of discussion and activity. Analyzing each interest group's expectations and how well performance standards have been met will provide essential information for ensuring greater stakeholder satisfaction.
4. *Assessing the organization's external and internal environments.* The heart of step 4 is the familiar SWOT analysis. Data may be collected through various means (e.g., discussions, surveys, focus groups, interviews, document review, the Internet). Externally, conducting an environmental scan of forces and trends, key stakeholders, and other nonprofits that may be both competitors and collaborators will be useful. Internally, monitoring organizational resources (inputs), present strategies (process), and performance (outputs) is expected.

5. *Identifying the strategic issues facing the organization.* Bryson describes *strategic issues* as policy questions or critical challenges that affect (a) an organization's mandates, mission, and values; (b) product or service level and mix; (c) clients, users, or payers; or (d) cost, financing, organization, or management. The planning team analyzes the identified issues to determine which ones require monitoring, which are likely to require action in the near future, and which need an immediate response. The issues are then arranged to form an action agenda.
6. *Formulating strategies and plans to manage the issues.* To identify the best strategies to deal with the issues identified in step 5, the planners must agree on a set of actions that can maximize organizational strengths and opportunities and neutralize weaknesses and threats. The goal is to have a plan in draft form that (a) furthers the organizational mission; (b) is acceptable to key stakeholders; (c) is doable in consideration of available resources; and (d) is legal, moral, and ethical.
7. *Reviewing and adopting the strategies and plan.* The intent is to secure all necessary approvals from key stakeholders to adopt the proposed plan and proceed to implementation. Depending on the extent of conflicting interests and external regulation, this step may be highly politicized.
8. *Establishing an effective organizational vision.* Although better if done earlier in the process, the planners need to describe what the organization would look like in the future, assuming the plan is successfully implemented: a "vision of success." Having a description of this nature can motivate all organizational members to do what is expected of them to achieve the articulated goals.
9. *Developing an effective implementation process.* The particulars of step 9 are articulated in the previous section of this chapter. We emphasize that a positive outcome for this effort depends on verbal support from organizational leaders as well as the provision of the necessary resources.
10. *Reassessing strategies and the strategic planning process.* Periodically, the strategies put in place should be reviewed to determine whether they have been and will remain effective in consideration of present circumstances, with changes made accordingly. The planning process itself should also be reviewed for strengths and weaknesses, to guide the next planning cycle.

As noted earlier, in practice, this process may not be as linear as suggested here. For example, with smaller nonprofits and when the issues are less weighty or affect only a single organization, steps 6, 7, and 9 may be combined, and step 8 may be eliminated if regular planning is already an accepted practice within the organization.

Option 3: The Search Conference

Somewhat less well-known to nonprofits than the previous two planning models is the *search conference*, so named because its principal function is to allow possibilities to surface and then attach meaning to them rather than start with preconceived ideas of organizational reality. Although this methodology was first used in its present form in the late 1950s, its essence has been traced back to tribal gatherings and rituals, and it also bears some resemblance to the philosophy espoused by the Society of Friends (the Quakers). However, the search conferencing approach flourished in the United States in the 1990s as organizations came to recognize the impact of operating in a turbulent environment and became attracted to a different way to address strategic planning (Emery & Purser, 1996; Anderson, 2015).

Underlying Principles

To deal successfully with the ups and downs of an unsettled external world, organizations must put aside closed systems thinking, with its linear, operational approach that relies on top leaders and experts to provide all of the answers. Instead, they must embrace active adaptation, which goes beyond the mere acceptance of change, as the foundation of strategic planning. "In a turbulent environment, the action of any one system is nested within, and affected by, the constellation of interdependence among all other systems. . . . Dynamic changes occurring in the turbulent environment trigger the need for dynamic changes in organizations and systems" (Emery & Purser, 1996, p. 62).

The search conference therefore takes an indirect, zigzag course to help an organization reach its desired future. With its eyes on the external environment, organizations seek to maneuver around obstacles and shift direction as needed. One of the first principles is to avoid concentrating resources in one area. Stakeholders endeavor to tap the knowledge and strengths at all organizational levels by inviting those expected to be affected directly by the changes to be full partners in the planning process. For the same reason, the goal is to develop multiple plans addressing a variety of initiatives. A second tenet is to use strategies to convert wary stakeholders into advocates by generating excitement about the new directions.

Overall, the search conference model attempts to put open systems thinking into practice by viewing planning as puzzle solving. The goal is to encourage organizations to learn to cope more effectively with uncertainty. It takes a humanistic, holistic view of the world, providing opportunities for creative choice out of the belief that people have a great capacity for purposeful behavior. Furthermore, it explicitly acknowledges the universal desire to live in a more just society by incorporating the search for personal ideals of belonging, nurturance, humanity, and beauty in planning for the future of the organization (Emery & Purser, 1996; Anderson, 2015).

Steps in the Planning Process

The search conference is both the name for the planning model and the event at which planning occurs, usually held in a retreat setting. Organizations typically use an outside facilitator as conference manager. The facilitator's responsibilities include assisting the organizers and other stakeholders with the preplanning and guiding the planning process during the event, such as adjusting the time allotted for the different activities. However, the facilitator should not write the report of what transpired at the retreat or participate directly in implementing the plan. Rather, stakeholders take ownership of that work. During preplanning, the purpose for the search conference is established, the participants are selected, and the logistics are worked out. Participants should be anyone deemed essential to achieving the event's purpose. Search conferences typically range between twenty to forty people. In smaller nonprofits, all board members and top management team should be invited, as well as any vital program staff. In larger settings, pick essential representatives from each group. External stakeholders may be included as well. Ideally, the event should run for two-and-a-half to three days, but a day-and-a-half may fit the schedule of more participants.

Although each search conference is unique, the event is designed like a funnel, structured into three broad phases: environmental appreciation, system analysis, and strategic action planning. That is, the conference starts by examining the external environment to identify the broader context and emerging trends and then narrows the focus by working inward to look at the past, present, and future of the organizational system. This then leads to the development of the plan. As shown in Exhibit 8.1, participants tackle defined tasks in either plenary (full group) sessions or small (breakout) groups. The participants strive to find the common ground within the system that the whole group can support as the basis for future planning.

Because a search conference is a democratic process, everyone is seen as an expert by virtue of being a stakeholder. Therefore, all are encouraged to contribute. In fact, board and staff members are deliberately mixed, which, for some organizations, may be the first time these individuals have worked side by side. All ideas are considered valid and are recorded on flip charts. As tasks are completed, the flip-chart sheets are taped to the walls of the meeting room, with participants encouraged to walk around to review each other's work. At the end, the sheets are gathered (or photographed) and brought back to the office so the results can be transcribed as the official record of what was accomplished.

The last task of the search conference is to identify the initial steps of the implementation phase: the specifics of who will do what and when. After the event, participants are encouraged to communicate their achievements to other stakeholders to build enthusiasm for the plan, which is referred to as *diffusion*. As Emery and Purser (1996) note, "the main challenge after the search conference is . . . continuity of organization so that participants retain responsibility and authority for implementation of its action plans" (p. 232). Organizational leaders must be flexible to ensure that sufficient resources are committed to implementation and that bureaucratic constraints do not get in the way of continuing democratic action by the various planning teams. Educating sponsors and champions on these points is a role the conference manager can play during the preplanning phase.

EXHIBIT 8.1.
SEARCH CONFERENCE AGENDA

RIVERSIDE MUSEUM SEARCH CONFERENCE
February 14–15, 2020

Friday, February 14

3:00–4:00 PM	**OPENING SESSION**

- **Welcome and Statement of Purpose**
- **Introductions**
- **Briefing on Search Conference and Overview of Agenda (PLENARY)**
- **Expectations (SMALL-GROUP SESSION; PLENARY)**

4:00–5:00 PM	**Scan of Task Environment (PLENARY)**
5:00–6:00 PM	**History of the System (PLENARY)**

Saturday, February 15

8:00–8:30 AM	**WELCOME/RECAPPING OF FRIDAY'S WORK**
8:30–10:00 AM	**System Analysis**

- **Discussion—SMALL-GROUP SESSION**
- **Reports and Integration (PLENARY)**

10:00–12:00	**Noon System Analysis, continued**

- **Discussion—SMALL-GROUP SESSION**
- **Reports and Integration (PLENARY)**

12:00–1:00 PM	**Lunch (SMALL-GROUP SESSION)**

- **Discussion—Overcoming Constraints**
- **Briefing on Strategy Development**

1:00–3:30 PM	**Strategies and Action Plans (SMALL-GROUP SESSION)**
3:30–4:30 PM	**CLOSING SESSION**

- **Reports and Integration Session: Action Plans (PLENARY)**
- **Next Steps and Wrap-up (PLENARY)**

FINAL THOUGHTS

Table 8.3 summarizes the key features of the three previously described planning models. We hope that it also reinforces the idea that effective planning is more than the sum of its parts. When done well, formal strategic planning pays off, for it has a much greater impact on achieving high performance than informal planning efforts and offers a competitive advantage to organizations. In particular, this kind

TABLE 8.3. THREE STRATEGIC PLANNING MODELS

Model	Key Features
Strategy change cycle	• Gain stakeholder support for process • Identify constraints that might affect the planning process • Analyze stakeholder expectations; clarify mission and values • Conduct a SWOT analysis • Identify, analyze, and order the strategic issues facing the organization • Formulate strategies and plans to address the strategic issues • Gain stakeholder approval for identified strategies and plans • Describe the organization's future (its vision for success)[a] • Implement the plan(s) • Reassess the strategies and the planning process
Strategic business planning	• Re-examine current and prospective programs and services for common elements; group into lines of business • Conduct a situational assessment of the internal and external environments (SWOT analysis) • Select and implement strategies to maximize organizational assets
Search conference	• *Preplanning phase*: Determine the purpose, select the participants, and work out the logistics for the retreat • *Planning phase*: Complete a set of tasks to identify environmental trends; review the organization's past, present, and future; develop one or more action plans for multiple initiatives • *Implementation phase*: Work out the details of who will do what and when; ensure sufficient resources and ongoing leadership support to allow the planning teams to translate broad strategies into concrete actions

[a] This step addresses the importance of developing a vision for success. As stated in the text, best practices today suggest visioning should occur early on in the planning process.

Sources: Adapted from Bryson (2010, 2011, 2016), Emery and Purser (1996), and Kluger (2006).

Note. SWOT = strengths, weaknesses, opportunities, and threats.

TABLE 8.4. YOUTH SERVICES NETWORK REVENUE PROJECTIONS

Projected Revenues ($000)	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
Government	276	283	295	300	312	320
Foundations/United Way	135	150	175	200	200	200
Dues and fees	244	265	275	300	327	340
Direct mail/bequests	400	410	446	501	528	539
Reserves	134	127	111	49	21	9
Total	1189	1235	1302	1350	1388	1408
Revenues (percentage)	**Base Year**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Government	23	23	23	22	22	23
Foundations/United Way	11	12	13	15	14	14
Dues and fees	21	22	21	22	24	24
Direct mail/bequests	34	33	34	37	38	38
Reserves	11	10	9	4	2	1
Total	100	100	100	100	100	100

of planning results in clearer goals and a greater understanding of what is expected of group members to achieve the desired ends. It also permits the organization to be proactive in responding to perceived opportunities and threats as environmental conditions change, and it focuses attention on the big picture (Anderson, 1988; Grobman, 2011).

QUESTIONS TO CONSIDER

8.1. In light of the ever-changing external environment, what adjustments would you make in the basic approach to strategic planning to keep it relevant? Why?

8.2. What are the strengths and weaknesses of YSN's strategic plan (as presented in the appendix this chapter)?

8.3. Which one of the models introduced in this chapter was most likely used to develop this plan? Given what you now know about the organization, would one of the other models have been more appropriate? Justify your opinion.

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APPENDIX 8A

REPORT OF THE YOUTH SERVICES NETWORK (YSN) STRATEGIC PLANNING COMMITTEE (EXCERPTS)

To the Board of Directors of the Youth Services Network:

The members of the Strategic Planning Committee are pleased to present for your consideration a series of recommendations that offer a vision of the organization that we believe the YSN can become over the next five years.

YSN must step boldly into the future, using all available resources, both human and financial, to make this vision a reality. One of the premises of the proposed five-year plan is that the organization's reserves will be applied to support its operational needs as long as it proves necessary, that is, until the current income streams can be strengthened and new funding sources developed to make YSN deficit-free.

Further, the committee feels board and staff alike must have confidence that what we are doing is good and important, that we know our business, and that we have a firm base on which to build. An organization cannot stand in place, for surely that leads to mediocrity and then decline. The situation is serious. If we are unable to realize our goals by the end of the five-year period, we may need to close our doors. However, if we implement the plan, we will be secure in the knowledge that we have spent our money wisely, and the thousands of young people helped through the years will remain an achievement of the highest merit.

AN OVERVIEW

To achieve its mission, YSN will implement a sequential, developmental program that emphasizes education and employment services.

1. While YSN will continue to serve children and young adults, ages six to twenty-four, our primary target group will be ten- to eighteen-year-olds.
2. To emphasize the developmental nature of the program, we will implement an integration of services between the year-round effort and summer camping.
3. We will maintain a variety of programs to meet the educational, employment, social, recreational, and cultural needs of the service population.
4. YSN will build on its history of successful community-based services by seeking opportunities for establishing additional community centers (using its current site as the model) and for the replication of individual programs (such as the dropout prevention program) in other areas of the city.
5. Because of the emphasis on the integration of services, tournaments will be eliminated as a separate program component. Recreation will continue to be an important part of the community-based and camping programs.

SPECIFIC RECOMMENDATIONS

Programs and Services

Our areas of concentration will be community-based services and camping. The initial focus will be on new and/or expanded efforts at the present center. At the same time, we will explore options both in the same area of the city and in other sections where a similar type of center might be established. Educational programs and job-readiness training will become part of the camp offerings, along with the traditional activities. The expectation is that for the time being, YSN will continue to rent campsites at the state park; however, a feasibility study will be conducted within the next twelve to twenty-four months to determine whether to purchase our own site.

In the early days of the camping program, YSN primarily served its own youngsters from the various storefront centers we operated around the city. Over the years, this pattern changed as the number of year-round facilities dwindled. Although most of the returning-camper population from previous years is “ours,” YSN really has minimal impact on these young people even though the program is of very high quality. Given the range of problems experienced by many of the campers (e.g., poor housing, drug abuse within the home and in the surrounding neighborhood, and underachievement at school), a two-week exposure (the typical camp stay) is too short a period in which to make much of a difference. Furthermore, while computers have been introduced at camp, outside of sports and recreation, the activities offered have little connection to the year-round battery of services.

Therefore, the committee recommends that the camping program and year-round effort become more integrated, both in terms of the children served and the types of programs provided. To accomplish this, we will return to our roots and seek to increase the number of youngsters who also participate in center activities. More educational and employment-oriented activities will be introduced at camp, even to the extent of obtaining Board of Education approval to run a sanctioned summer school, to be combined with traditional camping. The five-year goal is to have almost the entire camp population composed of young people from our year-round effort, perhaps attending in longer time segments, such as a four-week session.

Finances

A broadened base of support is a major goal for this five-year plan. Our recent experience with direct mail has taught us that we should not depend too heavily on any one funding source. Therefore, we should step up efforts to increase the support derived from foundations, a likely avenue for program start-up assistance, and from all levels of government, where continuation funding might be secured. For center programs, the kinds of support currently in place should be maintained and expanded where possible; this includes the federal grant for the dropout prevention program, the grant from the I Have a Wish Foundation for the special educational effort, and the various grants and contracts with local government.

For the camping program, fees will be raised judiciously over the next several years, and additional income sources will be explored. One possibility is suggested in the program section of this report: contracting with the Board of Education for a summer school program. Finally, board members will be asked to increase their personal efforts to secure financial support, such as sponsoring a special fundraiser. Table 8.4 provides an overview of the committee's five-year projections.

In the direct mail area, the hope is that the new consultant's approach will result in stabilization of the campaign, and perhaps even modest growth. However, we must be mindful that the competition from other agencies providing similar services to ours is increasing each year, so our task may be especially difficult in this area.

Adding a special fundraising event to the overall package should be explored, recognizing that such an approach normally requires three to five years to begin generating a profit. For that reason, we have elected not to include revenues from this source in our current projections.

Another potential source of support is business corporations. Corporate support will be explored for the educational and employment services we currently provide, as well as for the new services that we propose to introduce. One factor to consider if we gain corporate sponsorship is that our relationship with the

United Way could be jeopardized because of their policy precluding direct solicitation to corporations by member agencies. The committee chose not to include this category in our projections until we have a better sense of what would be gained and what would be lost by this strategy.

The key to the success of this strategic plan is the degree to which everyone can, and does, embrace the underlying growth strategy of using present assets as an investment in the organization's future. Clearly the implementation of such a far-reaching plan will require a board of directors that is fully committed to putting forth the time, effort, and financial support necessary to assist the staff in this undertaking. As its final recommendation, the Planning Committee charges the Executive Committee with the responsibility for developing guidelines on the expectations for a prospective board member and for those individuals already serving as trustees.

9

Program Development

DESIGNING A PROGRAM is a multiphase endeavor that begins at the point when an idea is first conceived. The next steps are to determine the nature of the program and how it will be implemented. Implementation requires attention to the structure, organizational culture, and external environment.

Once implemented, managers must monitor the program to ensure the effort is moving forward as planned. Finally, one must assess its outcomes and impact: that is, whether the program has achieved its intended results and therefore warrants continuation. The primary goal of program development is to address one or more identified social advances in the most beneficial way by making the best use of the available resources.

In this context, a *program* is defined as a discrete set of activities organized to serve clients or other stakeholders in a particular manner to further the organizational mission. For example, an organization whose stated purpose is to enhance the quality of life for elderly residents might have a counseling program, a wellness program, and a social engagement program. Clients can avail themselves of all programs that cater to their specific needs and interests at any given time and for which they are eligible. Although one sometimes hears the organizational *mission* (the overarching reason for an agency's existence) referred to as its program, this ignores an important difference between the two terms. Programs are the means to the desired end as embodied in the mission.

Accountability is another important part of program development, especially in today's challenging environment. To be accountable means being able to justify the value of an organization's offerings to multiple stakeholders: clients, staff, board, funders, other service providers, accrediting bodies, and the public at large. No matter where you stand in the organizational hierarchy—direct service provider, supervisor, administrator—you cannot escape the need to document the outcomes of the work you do in regard to effectiveness and efficiency and to demonstrate that the work is provided according to high ethical standards.

As noted in chapter 8, the primary purpose of strategic planning is to help the organization determine the optimum direction to fulfill its mission now and in the future. Change often follows this effort, from tweaking current programs to creating new ones, requiring the full support of management and staff to be successful. In their research, Trzcinski and Sobeck (2008) found that program development capacity (which encompasses all the previously described activities) and readiness for change are mutually reinforcing processes, with the former a statistically significant predictor of the latter.

This chapter covers all of these issues. We first consider the elements involved in developing a project and then move on to the three main components of program development: planning, monitoring, and evaluation.

PROJECT DEVELOPMENT

A *project* is a special kind of program. After being initiated, programs generally are ongoing, with some offered cyclically. That is, activities are repeated over a given period of time (e.g., a college course offered every fall for fifteen weeks) and others provided as a constant flow to meet expressed needs, such as hot meals served at a soup kitchen year-round. A project, on the other hand, is time-limited. It might be carried out just once, to test out an innovative treatment approach or in reaction to changing conditions within the community, and is distinctive as to time, place, participants, and desired outcomes. However, successful projects may live on as new programs (Pawlak & Vinter, 2004).

Planning Small-Scale Programs

In practice, you may hear *program* and *project* used interchangeably. Schram (1997) prefers the term *small-scale programs* for "planning with a small *p* . . . , on the microlevel of the community" to distinguish these efforts from the much broader focus of strategic or social planning (p. 4). Such programs generally have low budgets and are coordinated by one person or a few individuals. These coordinators may be volunteers with or without the assistance of frontline staff. Examples include producing a resource directory, developing a support group, writing a proposal, holding a staff retreat, and educating legislators about an issue.

One of the advantages of small-scale programs (or projects, as we will call them) is flexibility. They allow stakeholders to become aware of a new concept or service approach in a nonthreatening manner. Just because they are limited in scope does not mean they cannot have an impact. For instance, a human service agency working with developmentally disabled people might want to build support for more community-based programs by mounting a one-year pilot project to establish a group home with supportive services for eight of its highest-functioning clients. If, at the end of the year, the agency can demonstrate these clients realized measurable gains, they may be able to obtain funding for an ongoing group-home program.

The steps in planning a project are similar to those for strategic planning: problem identification, project design, implementation, evaluation, and follow-up. During the first two phases, leaders define issues, gather relevant information, explore alternatives, secure the commitments of others, and set goals. As Schram (1997) states, "you may not know which road will take you to your destination when you start a planning process, but you absolutely have to know why you are setting out on the journey" (p. 32). Moreover, without clear goals, evaluating the results would be virtually impossible.

Next, the goals must be translated into operational language, specifying the activities to be carried out. Sequencing these tasks and assigning the responsible parties are also part of this phase. Given the nature of these projects, leaders must have a contingency plan. For example, if an outdoor site has been picked for the staff retreat, choose a location with indoor space that can be accessed in case of rain. When volunteers are coordinating the project, have others on standby in case circumstances prevent the original group from following through. Records must be maintained on all project details, and the implementation should be closely monitored to ensure the planning unfolds as intended. After the event occurs, follow-up and evaluation lead to writing and disseminating a report documenting the entire process.

The Marketing Approach

For community projects, Boehm and Moin (2014) propose a marketing approach that emphasizes tailoring services to meet consumer needs and desires. While marketing their strengths, nonprofits should be careful not to appear overly competitive. However, they must communicate the unique benefits they provide to remain attractive to current and future donors (Polonsky, Grau, & McDonald, 2016). In the development of projects of this type, the first three phases (initiation, planning and design, and implementation) are similar to those previously noted. However, the last phase (institutionalization or conversion) entails turning the responsibility for maintaining and evaluating the endeavor over to others.

Reflecting a determination of the needs and wants of the target group, marketing consists of the "four Ps": *product, price, place and distribution,* and *promotion*. Besides the direct beneficiaries or consumers of the intended project, other stakeholders with which the organization has ties may become involved. Some observers, therefore, add a fifth *P*, for *people*. Even within the target group, subgroups with different expectations often form. Leaders face strategic decisions about how to address these varying needs: as an undifferentiated whole, by segments, or with a concentration on just one subgroup. To illustrate, if the identified issue were teenage pregnancy, the planners could develop a uniform citywide effort to educate all preteens about contraception (no differentiation); or they could target preteens, teen mothers, and teen fathers, with each receiving a different mix of services (segmentation); or they might focus on teenagers living in low-income neighborhoods (subgroup concentration).

Product pertains to the services offered. For nonprofits, we are usually referring to nontangible or social products such as changing values and practices, although tangible items may be provided as well. In the teen pregnancy example, the intent may be to help young women gain a better self-image and to teach them techniques to deflect pressure they may receive from their boyfriends, but contraceptives may also be distributed. *Pricing* is the value put on what is exchanged between the service provider and the recipients, considering money, time, and effort. Examining the costs and benefits of various service options (e.g., individual vs. group counseling) is one way to measure this factor.

Place and distribution are concerned with service delivery; this piece of market planning may lead to conceptualizing a one-stop service center to provide various kinds of assistance at a single site, which may increase the likelihood of participation in the project. Finally, *promotion* involves the underlying policy and the actual methods used to motivate the target populations to avail themselves of the product. The most common approaches are face-to-face contact, advertising via social media and direct mailings, public relations efforts, and incentives. For the teen pregnancy project, staff might weigh the pros and cons of visiting classrooms and then schedule individual appointments with interested teens, activate social media channels, send out flyers about the new service center, hold a schoolwide assembly on the effects of early pregnancy, or offer discount coupons for local movie theaters to teens who sign up for the services.

From the marketing perspective, each project must consider the four (or five) Ps as they relate to the different phases of the planning cycle to achieve the most desirable results. Some elements may be the same throughout, while others could vary significantly from phase to phase.

PROGRAM PLANNING

Planning begins with identifying a social advance or issue and the factors believed to be at the root of the need. Without some understanding of why the issue occurs and affects a certain population and what this means to society as a whole, planning would be just a random stab at finding a solution. Drawing on assumptions supported by research, a reasonable course of action can be articulated to address the underlying factors (Chambers & Bonk, 2012; Savaya & Waysman, 2005). Kettner, Moroney, and Martin (2017) call their research-based, customer-oriented approach *effectiveness-based program planning*.

To facilitate the reader's understanding of program development, we refer in the next sections of the chapter to the Educational Development and Guidance for Employment (EDGE) program, which was created by a national social service organization and carried out by six local affiliates. This was a multifaceted juvenile delinquency prevention program designed for at-risk youth in inner-city communities, to help participants develop a more positive self-image, become acquainted with a range of career opportunities, learn marketable skills and good work habits, and acquire basic life skills. The program also recognized the importance of capacity building at the local level and the need to garner the support of the family and the community for its goals.

Issue Identification and Analysis

Identifying a social need always involves a degree of subjectivity. Until someone or some group labels a phenomenon like juvenile delinquency an issue ("This is bad for our youth and bad for our community"), we are dealing simply with a social condition, a set of facts. To avoid falling back on existing efforts that do little but maintain the status quo, the planner must try to bring a fresh perspective to the situation via a thorough analysis of the problem. This requires knowledge about the nature of the situation obtained from a variety of sources, clarification of terminology to achieve a shared definition, an appreciation of the scale and distribution of the problem (how many are affected and in what geographic areas), the social values that are involved, the level of support for and against taking action, and, of course, the underlying causes. Leaders should seek input from all relevant stakeholders at the start to avoid difficulties down the line (Kettner et al., 2017).

Needs Assessment

Once an issue has been identified and clarified, it must be conceptualized as specific needs. This allows for description and measurement of scope and severity, which leads to determining the services to be rendered through the program. As a first step, we must recognize that the concept of *need* goes beyond the simple dictionary definition of "a lack of something." *Normative* need assumes we share some standard or criterion for a particular group that is established through custom or general agreement against which we might measure existing levels of service. *Relative* need, on the other hand, acknowledges that services are not necessarily distributed uniformly, by comparing services in one community or neighborhood against the level of service provided in a similar geographic area.

The third kind of need, *perceived need*, refers to what people believe or feel their needs to be. Because this is a subjective determination, assessments vary from individual to individual but are nonetheless important considerations in the planning process. Finally, *expressed* need captures the help actually sought from providers, the translation of beliefs and feelings into action (Kettner et al., 2017; Pawlak & Vinter, 2004). By taking all four varieties of *need* into consideration, the planner is in a better position to develop a program that best fits the client population(s).

Conducting a needs assessment can be costly and time-consuming. However, its benefits routinely outweigh the costs, for it increases the likelihood that scarce resources will be used where they might do the most good. Furthermore, an organization can undertake an assessment in cost-effective ways, such as by using volunteers to gather data or reaching out to a nearby college or university to partner on a service-learning project. If the organization has embraced an integrated strategic planning focus, one with no defined beginning and end points, much of the information may already be on hand. Accessing data from government agencies or watchdog groups also saves time and money. Some standard methods used in collecting information include scanning websites; reviewing existing studies; conducting surveys, interviews, focus groups, and community forums; and inventorying the available services of provider agencies. In general, an organization should start internally—using its own service statistics, obtaining staff opinions, conducting exit interviews with clients, canvassing the immediate neighborhood, and so on—before going to external sources. Practicality and accessibility often dictate which approaches are ultimately selected.

Assessment of Assets

Inventorying the services offered by providers is a way to determine available resources that might be tapped for a new program. A complete assessment ought to yield information about the strengths or assets of the target population(s) as well as those of the organization and the surrounding community, including its residents and both formal and informal institutions. Two of the most well-known proponents of this viewpoint are John Kretzmann and John McKnight (2005), who believe nonprofits are "much more powerful . . . actors when they are not exclusively focused on needs, problems, and deficiencies" (p. 1). A prevention program like EDGE can be seen as a manifestation of the asset's framework, where the emphasis is on fostering the competencies and desired characteristics of those for whom the effort was designed.

Program Design

The structure of the program is the constellation of program activities selected to address the identified problems and how they should be delivered. For the EDGE program, after reviewing and analyzing the collected data, the planner drew these conclusions:

1. A disproportionate number of the youth who come into contact with the juvenile justice system live in low-income, inner-city communities with large minority populations that share such characteristics as substandard housing, inadequate schools, severe unemployment and underemployment, and physical deterioration.

2. When basic support systems (e.g., the home, the school, the church) fall short, values and attitudes are shaken, and a sense of hopelessness may set in.
3. To counter these negative factors, a public–private collaboration is needed, for the task is too great and societal issues impacting youth are too complex for private agencies to undertake alone.
4. Prevention offers the broadest framework for positive intervention.
5. Services must address the needs and interests of the youth, their families, and the community, for unless the family and the community understand and agree to support program goals, a new program will have little chance of success.

Developing Hypotheses

Once the parameters are identified, the next step is to develop a series of if–then statements from the theoretical model. As Kettner et al. (2017) note, hypotheses need not be as formal as for a research project; at times, they may be little more than educated guesses. However, the act of crafting hypotheses guides the decisions on program activities and provides the basis for evaluation. Some hypotheses are more easily measured than others, however. Tangible outputs and effects can be measured in a more precise way than nontangibles (Van Dooren, 2005). Here are some example hypotheses for EDGE:

- If youth develop a more positive self-image and if they obtain some marketable skills and learn good work habits, then they will feel more optimistic about the future and will be less likely to become involved in the juvenile justice system and more likely to become productive members of society.
- If parents increase their understanding of the needs of youth, then they will be more capable of providing support to their own children.
- If collaborative relationships are forged with other vital community institutions, then current resources will be used more efficiently and effectively; this will lead to elimination of service gaps and duplications.

Defining Goals, Objectives, and Action Steps

A *goal* is a broad statement about the ultimate result of the intended program. Goals usually do not have a specific date for achieving this end; it may be practical or philosophic in tone. A primary *goal* for EDGE is to improve service delivery to at-risk youth and their families, with particular attention to those areas in which services are now inadequate, limited, or nonexistent. In contrast, an *objective* is a specific statement about the expected results for the program expressed in terms of change (outcome objective), or an indication of how the results will be attained (process objective). All objectives should be clear, measurable, time-limited, realistic, and directly related to the program goal(s). They must identify the target of the work. This is not easy! Confusion about the evaluation objectives, unclear evaluation purposes, a lack of appropriate evaluation questions, and normative ideas about superior evaluation designs and methods can compromise the process (Liket, Rey-Garcia, & Maas, 2014). Here are two objectives from the EDGE program:

- To increase the number of services available for youth and their families at each site by at least 25 percent by the end of the first year and by 50 percent by the end of the second year of the program, as measured by service statistics (outcome objective).
- To provide tutorial assistance in mathematics and English as well as preparation for GED tests to upgrade educational skills, to begin in the fourth to fifth months of the first year of the program and serve at least twenty youth per site each week, as measured by service statistics (process objective).

The number of goals for a given program will depend on its scope and complexity. A program designed for a single neighborhood may have just one goal, whereas a national program could have several. A rule of thumb for both goals and objectives is to not promise more than you are capable of delivering, especially for a new program.

Finally, *action steps* for each objective should be spelled out, assigning the responsibility for their implementation and listing a date, in as concrete terms as possible, when the different activities are to be up and running. Action steps represent the front line of the program, and logic often dictates the order in which they are arranged. If the program is designed as a progression of activities, certain tasks must be completed before the next segment of the program can begin. To illustrate this point, here are some of the action steps for the previously noted process objective for the EDGE program.

- Recruit a minimum of three volunteers per site to provide tutoring.
  Responsibility: Facilitators
  Due date: Month 2
- Establish a connection with the local schools serving each program site to ensure materials used and concepts presented are parallel to those of the regular classroom.
  Responsibility: Program director
  Due date: Month 2
- Set up a classroom area within each program site to accommodate the tutoring.
  Responsibility: Facilitators
  Due date: Month 3
- Hold a workshop for school personnel at the program site to discuss the progress of the tutoring.

  Responsibility: Program director
  Due date: Month 7 or 8

The Logic Model

A useful tool for all phases of program development is the *logic model*, which "is a systematic and visual way to present and share . . . the relationships among the resources you have to operate your program, the activities you plan to do, and the changes or results you hope to achieve" (W. K. Kellogg Foundation, 2004, p. 1). The logic model enables planners to see the connections between the identified problem, what you intended to accomplish, and the actual unfolding of the effort over time, including impacts. This is usually presented in a linear, columnar format to emphasize the causal linkages believed to exist between program components and their consequences. As a planning tool, logic models allow for an in-depth, multilayered examination of an existing program (Csiernik, Chaulk, McQuaid, & McKeon, 2015). Here are its standard elements:

- *Inputs*. The resources necessary to run the program (staff, clients, facilities, supplies, equipment, collaborative partnerships, etc.).
- *Throughputs* (also called *activities*). The methods used to carry out the program (trainings, role-play, counseling, groups, data collection and analysis, etc.).
- *Outputs*. The immediate, quantifiable results of the program (number of clients served, number and types of groups conducted, number of counseling sessions, number and types of training provided, etc.).
- *Outcomes*. The short- or intermediate-term effects of the program on the target population(s) (greater knowledge of career and educational opportunities, acquisition of marketable skills, decreased number of truancies, ability to set realistic goals, increased level of self-confidence, etc.).
- *Impacts*. The longer-term effects of the program on the target population(s) and perhaps society (reduction in service gaps and duplications, fewer youth involved with the legal system, increased collaboration among community agencies serving the target group, ongoing parental support, etc.).

Logic models give attention to three core planning concepts. First is *theory*. This concept considers the rationale for the strategies selected, with an emphasis on the underlying problem or issue. Second is *activities*. For monitoring purposes, activities show in some detail how the program is being implemented on each objective. Third is *outcomes*. For evaluation and reporting purposes, outcomes focus on program details to show how inputs and activities will lead to the expected results, both short and long term.

Table 9.1 shows a theory logic model for the EDGE program. The intent at the conceptual stage of program development is to make a case for your proposed solution to the identified problem by showing the connections between the assumptions about causal factors and the program approach that has been selected, presented in

TABLE 9.1. THEORY LOGIC MODEL FOR EDGE PROGRAM

Assumptions	Inputs	Activities	Outputs	Outcomes	Impacts
Youth with a more positive self-image are less likely to become involved in the juvenile justice system. Youth with good work habits and marketable skills feel more hopeful about the future. Parents with a better understanding of youth needs are more capable of supporting their children. Collaborative relations among community institutions will ensure resources are used more effectively and efficiently.	Youth Parents Volunteers Staff Facilities Equipment Community partners	Youth-oriented services Parent-oriented services Community networking	More participating youth not previously affiliated with local agency More parental involvement More hours and service options at local level More interest in youth issues by community agencies	Positive self-image for youth Marketable skills for youth Parental support of youth Increased capacity to deliver services at local level	Reduction in number of youth involved in juvenile justice system Reduction and/or elimination of service gaps and duplications

broad strokes (Savaya & Waysman, 2005). Later on in the chapter, an outcomes logic model for the same program is provided. The reader will note that expected outcomes and impacts are identified. The place to formulate the evaluation of program results is at the beginning of the planning process, not as an add-on. In fact, Lackey (2006) maintains that program failure can often be traced back to not thinking about evaluation during the planning phase. By being clear about the desired outcomes early in the process, we can build in the necessary steps during implementation to collect data that evaluate the linkages between the concrete results of the effort and what was expected to be achieved, and to help us understand any gaps between the two so that future planning can be refined.

PROGRAM MONITORING

The purpose of program monitoring is to determine whether the effort is proceeding as intended and is serving the targeted population(s). Thus, monitoring occurs while the program is operating and provides regular feedback to management and staff. Feedback allows for changes in implementation, if necessary (we referred to this as *strategic management* in chapter 7). Monitoring of this type may be referred to as a *formative* or a *process evaluation*. This is distinguished from a *summative evaluation*, which occurs after a program is completed. The summative evaluation studies how well the endeavor achieved its stated goals and objectives (Grinnell, Gabor, & Unrau, 2015). Summative evaluations will be discussed in the next section.

A key aspect of monitoring is *quality assurance*. This requires certain standards against which program practices can be measured and then improved (should they not be up to par). Quality standards may be set externally by an accrediting body or another objective source. In the past, such groups put great emphasis on operational compliance but seemingly were less concerned about program outcomes. Today, this is no longer the case. Accordingly, we will address *accreditation* and *licensing* in the section on evaluation.

Quality standards may also be best practices as reported by like organizations or even comparing one department to another within the same setting. We referred to this as *benchmarking* in an earlier chapter. Through the systematic collection and analysis of program data, an organization can track the degree of compliance with relevant standards, to see if actions are consistent with beliefs about what constitutes effective service. Many nonprofits, especially the larger ones, have a full-time quality assurance officer on staff to oversee such activities.

Design Fidelity

In developing a program, objectives and action steps are written with as much specificity as possible to reflect (a) the expected number of people to be served, (b) the array of services to be provided, and (c) a time frame for implementation. To ensure the effort is progressing as designed, a senior staff member is charged with obtaining program data at set intervals. These data are measurement indicators of reaching the predetermined quantitative and qualitative performance levels. Reports can then be prepared to keep the executive director informed and to comply with the requirements set by the funder (if the program is externally supported). The strings attached to outside funding are often connected to specific outcome measures. However, despite the encouragement from funders and textbook authors for nonprofits to guide strategic decision-making based on such data, Thomson (2011) found that these indicators were rarely used internally by nonprofits for making decisions about program effectiveness. This is unfortunate because, assuming a climate of mutual responsibility for the quality of the program has been established, effective monitoring allows program staff to receive constructive feedback on all aspects of implementation and guidance to make improvements. In addition, maintaining detailed records creates a programmatic history for purposes of continuity in the event of staff turnover and for future program development.

Typically, program-specific instruments are developed for data collection. Timely filing of these reports assures continuation of funding. For the EDGE program, the national program director, operating out of the organization's headquarters, created a manual for use by staff at the six local sites, with definitions, an array of monthly and quarterly outcome and impact measures, and instructions on how to collect data on them. Some of these measures were dictated by the funder, a federal agency; the rest were her own invention, to help those at the direct service level understand that a vital part of their job was tracking the delivery of program services.

Definitions included client eligibility guidelines and clarification of a service unit in each program component. A flow chart (a diagram that shows progression in a system through connecting lines and symbols) provided a way to depict client movement from the point of intake until termination from the program. Exhibit 9.1 is a section of a completed Client Activity Record for one of the program sites; the purpose of this form is to track outputs or quantity of service on a month-to-month basis. Exhibit 9.2 is a completed Participant Evaluation Form for a client at one of the sites, which reflects qualitative measurement of progress. Client files containing all applicable documents were maintained at each site; the national office kept on file all reports submitted by local staff and copies of all reports sent out to the different stakeholders.

Benchmarking

Benchmarking is concerned with identifying best practices and then using this information to establish internal standards. Best practices are typically derived from observing similar organizations that are considered leaders in their field. The main challenge is to find a good balance between setting desired performance levels—not

EXHIBIT 9.1
CLIENT ACTIVITY RECORD FOR EDGE PROGRAM (PARTIAL)

Site: EDGE in Town, State **For Month of**______________

1. Number of Clients ENROLLED in the Program (Youth only)

Number of Clients	Total Enrollment from Previous Month (Column 4 of last report)	New Clients Enrolled This Month	Client Cases Closed This Month	Total Enrollment at End of This Month (Column 1 + 2 – 3)
Previously Served	35	2	3	34
New to agency	75	23	2	96
Total	**110**	**25**	**5**	**130**

2. Number of Clients SERVED by the Program (Youth only)

Components	Total Served Prior to This Month (Column 5 of previous report)	Clients Previously Served by Agency (Total Units of Service)	Clients New to Host Agency (Total Units of Service)	Total Clients Served during Month (Total Units of Service) (Columns 2 + 3)	Total Clients Served to Date (Column 1 + first entry in 4)
Individual counseling	80	10 (27)	12 (18)	22 (45)	102
Group work	150	22 (39)	31 (48)	53 (87)	203
Tutoring/GED	125	8 (32)	23 (51)	31 (83)	156
Paid employment	26	3 (25)	1 (3)	4 (28)	30
Volunteer service	15	4 (4)	4 (4)	8 (8)	23
Field trip—job	80	12 (12)	3 (3)	15 (15)	95
Field trip—cultural	50	8 (8)	4 (4)	12 (12)	62
Recreational activities	100	24 (77)	42 (98)	66 (175)	166
Youth council	35	5 (5)	2 (2)	7 (7)	42
Other	6	2 (3)	— —	2 (3)	8
Total	**667**	**98 (232)**	**122 (231)**	**220 (463)**	**887**

Note: Client numbers represent individual clients served for the month by each component. A unit of service equals a client contact for that component; therefore, for example, if the same client participated in a group two times in the month, that would equal two units of service. Similarly, the same client might participate in several components and would be counted for each one.

EXHIBIT 9.2
PARTICIPANT EVALUATION FORM FOR EDGE PROGRAM

Name of Participant: Alice Jones   Age: 14

Date Enrolled in Program: ______________   Source of Referral: Parent

Evaluated by: Carol Franks   Date: _______________

For Period: Sept.–Dec. 201_

1. Record of Participation

Activity	Attendance Record	Contribution
Tutoring	Excellent	Received service
Field Trip	Excellent	Bus Ride Monitor

2. Behavioral Assessment

Rating Category	Rating Level	Comments
Acceptance of Responsibility	High	___________ ___________
Interactional Skills	Average	___________ ___________
Leadership Ability	Average	___________ ___________
Enthusiasm	High	___________ ___________
Flexibility	Average	___________ ___________
Maturity	Average	___________ ___________
Assertiveness/Aggression	Low	A little too timid.

3. Strengths: Quickly perceives areas in which she can help others. Logical approach to problem solving.

4. Areas for Improvement: Overcoming hesitancy in being assertive; overcoming tendency to be involved in negative activities for peer approval and recognition.

5. Overall Assessment (Current Level of Functioning): Beginning to develop trust in own decision-making capabilities. Relying more on self than others for approval. Beginning to feel more appropriate friendships during the next report period; encourage her to rely even more on her own judgment.

Signature of Evaluator: _________________________

so high to be difficult or impossible to meet expectations and not so low that they are virtually meaningless. According to Mordock (2002), "maintaining staff adherence to standardized . . . protocols requires continued staff training, support, and encouragement. . . . [However,] staff cannot be forced to apply effective interventions; they must want to do so" (p. 79). The national program director of EDGE attempted to foster a positive relationship with staff at the local level by bringing everyone together at least twice a year for training, producing a quarterly blog featuring site achievements, being available any time for phone consultations, and sending frequent emails updating staff on pertinent matters. In the third year of the program, participants and local staff worked with the national office to hold a youth conference showcasing the participants as both presenters and session chairs. Two of the youth, elected by their peers, subsequently presented the conference findings in Washington, DC, before a blue-ribbon panel. Such activities kept staff and client enthusiasm for the program at a high level.

Through benchmarking, an organization can identify more effective and efficient ways to achieve the desired results, thereby improving program output as well as product or service quality and streamlining operations. The following are some standards established for EDGE for the process objective on tutoring:

- Each site will enroll 75 percent or more of the targeted number of youth for daily tutorial assistance by month 5.
- Each site will establish an ongoing interface with 100 percent of the school systems serving the client population by month 3.
- Each site will recruit at least five individuals who dropped out of school to take part in GED preparation by month 6, replacing successful candidates thereafter with likely prospects.

If a benchmark value cannot be determined for certain program areas (which may be true particularly with new, innovative services), staff are advised to establish their own baseline measures by tracking client progress during the first year of the program and then developing a benchmark based on this data for year 2 (Grinnell et al., 2015).

A special concern arises when program staff depart from the agreed-upon benchmark and introduce a practice totally different from what is prescribed, as opposed to simply not reaching the standard. Disconnects between indicators (what we measure) and practice (what we do) are common. Leaders must make an effort to understand the reason(s) for not abiding by the protocol, with appropriate follow-up action by the program monitor. Sometimes this results in discovering a practice approach that appears to be more applicable or effective than the one in the original program plan, and the decision may be to adopt the new practice. In other cases, staff may require additional training to increase their comfort level with the desired practice. At the end of the day, for monitoring and evaluation purposes, program monitoring design and practice performance must be in sync. Otherwise, the data we collect have no real meaning.

Budgetary Implications

Since budgeting is part of the planning process, it should also be one of the elements reviewed during program monitoring. Much can be learned about how a program is progressing from review of monthly expenditures, especially from the narrative accompanying the figures. On the one hand, if expenses related to a specific activity continually exceed the amount allocated in the budget, this may indicate a greater level of participation than had been anticipated, which would be a positive development. On the other hand, the explanation for the overage could be that the cost to provide the service is greater now than when the budget was developed. For both scenarios, some adjustment of the budget is probably warranted, but for different reasons: Dollars may be shifted from a line item that is below budget to accommodate the higher service use, or a less costly activity may be substituted for the one whose cost has accelerated.

Program staff should be held accountable as much for adhering to the budget as they are for being faithful to the program design. For a program like EDGE (developed at a national level but implemented locally), direct service staff were hired just prior to implementation and had no input into the budget. Each site has a copy of the budget and is required to adhere to it, submitting expense reports quarterly. Where possible, however, strategic planners should include those who will be responsible for delivering the services in the discussions on program content and budget construction. This fosters a sense of ownership not only for what is offered but also in how the program plays out.

PROGRAM EVALUATION

At the point of evaluation, the focus shifts to the identified program outcomes. The likely audiences will be those most concerned with whether the program achieved what was promised, its outcomes and impacts, and whether it did so in a cost-effective manner. The primary purpose of evaluation is to improve the quality of services provided to consumers. For it to be useful and worth its cost, evaluation must "not only assess program implementation and results, but must also identify ways to improve the program being evaluated" (Newcomer, Hatry, & Wholey, 2010, p. 6). Poister, Pasha, and Edwards (2013) found that consistent and systematic program evaluation monitoring leads to stronger program performance when clear goals have been established during the strategic planning process. A thorough and unbiased evaluation—one that tests the theory of change and adds to the knowledge base on how to more effectively address social problems—yields data that can strengthen decision-making by both internal (top administrators) and external stakeholders (funders and policymakers) and demonstrates sufficient and appropriate services were delivered to those in need as efficiently as possible (Grinnell et al., 2015).

Ideally, program quality indicators are designed *before* a program is implemented. Too often, data are not collected, or evaluation is introduced after the fact to make linkages that do not really exist between intentions and outcomes. Lackey (2006) uses the expression "paper programs" for situations where "formal documents . . . specify the services or other resources they are supposed to provide, and their routine documentation suggests they are providing what they claim, but in reality the programs are providing none or a mere fraction of these services" (p. 1). In such cases, written reports become a substitute for true accountability. However, ethical practitioners and administrators treat the evaluator as part of the team. They are the best defense against sham efforts.

The Mechanics of Evaluation

In this section, we will consider the issues associated with implementing the evaluation process and discuss different forms of summative evaluation. At the onset of program development, planners must take into account various stakeholders' interests in demonstrating that the connections between the assumptions and the suggested course of action are valid and that the program activities as designed do in fact lead to the demonstrated results. These intentions point up the significance of ongoing monitoring: If the effort does not unfold as intended, then evaluation cannot attribute outcomes to the program. The most crucial decision pertains to the type of evaluation, which will dictate what information needs to be collected, how, when, and by whom. A related concern is the manner by which the results will be presented to the different audiences. Possible approaches include exploratory (pre-experimental), descriptive (quasi-experimental), and explanatory (experimental) designs. Each provides valuable information, but only experimental designs can demonstrate causality. You will need to consult research or evaluation textbooks for more details on each method. For your purposes, we will just say that practical considerations regarding complexity, cost, and feasibility must be taken into account before selecting one rather than another.

Assume a single group pretest/posttest approach has been chosen. Such an approach establishes a baseline for comparison purposes, but it is insufficient to say with any certainty that the program was the cause of change in posttest results. Because such an approach is relatively easy and inexpensive to implement, this pre-experimental design is used regularly by smaller and midsized nonprofits.

Working backward from the stated goals and objectives, staff can build protocols into the organization's management information system for collecting and analyzing the kinds of data necessary for a summative evaluation. Capturing quantitative data is not usually a serious problem once line workers have been trained in how to enter the information. However, if some data are obtained through qualitative methods such as observation and interviewing (as is likely), management must decide whether to do content analysis by hand or use one of the specialized software packages on the market. For EDGE, staff tracked each client from intake through release, using basic information queries as well as component-specific, individualized queries on dedicated electronic notebooks to record every aspect of participation. Other assessments were more evaluative in nature. For example, staff met quarterly one-on-one with the enrollees to discuss their progress in meeting personal goals, recording the results following each meeting.

Typically, program staff are the primary data collectors, but the "who" question extends to whether the evaluator should be an insider or outsider. Insiders have the advantage that they already know the organization and are known to other staff, but impartiality may be hard to achieve. While the pros and cons would seem to be reversed in using an external person, the potential exists for a conflict of interest when the organization running the program is also paying the evaluator's fees. Lackey (2006) suggests one way to combat this problem is to involve the evaluator from the preplanning stage, building an open working relationship with all stakeholders and maintaining this connection throughout, as a kind of checks-and-balances system. The risk here, however, is that the evaluator may become invested in the program and lose objectivity.

Government funders and other external stakeholders often hire an outside evaluator to work with grantees, which takes the decision out of the hands of the sponsoring organization. As for presenting the outcomes, funders may also resolve this issue by specifying when and how they wish to receive feedback. Otherwise, the organization should consider the best and most accurate way to convey to its various publics what occurred. Thus, while the board may receive a full written report, other interested parties may be directed to a more scaled-down version online, and a community forum might be held to reach an even wider audience.

Forms of Evaluation

The numerous approaches to program evaluation range from the very formal to the fairly casual, from ones controlled by external stakeholders to others in which staff and even consumers participate in decision-making. Here we look at a selection of these approaches, chosen to show the variety in philosophy, intent, and implementation. Whole textbooks and even degree programs are dedicated to program evaluation.

External Validation

Many nonprofits see value in voluntarily seeking and receiving accreditation as "a way to ensure their own quality and to ensure that they are comparable to similar organizations in other places" (Ginsberg, 2001, p. 76). Accreditation may also be a condition for funding, or even for the legal right to provide services. Although accreditation touches on the entire organization, a substantial part of the evaluation is an examination of each program offered.

The process, which tends to be industry-specific and fee-based, usually begins with the organization completing a self-study consisting of a lengthy narrative and supporting documentation to show compliance with all the different standards. A site visit is typically scheduled so a review team can observe the operation, during which the top management team, frontline staff, clients, and sometimes other stakeholders may be interviewed. Subsequently, the applicant receives a preliminary report of the findings and may refute any claims of noncompliance on one or more standards.

Following a period of negotiation, a final determination is made by the accrediting body. Accreditation is typically granted for a certain number of years, after which reaccreditation must be sought.

In similar fashion, licensing bodies (usually state government agencies) provide validation of an organization's compliance with quality standards. The principal difference here is those nonprofits that must be licensed (such as nursing homes, foster care agencies, and daycare centers) cannot legally operate without this credential, and the review process is not voluntary.

Quantitative Analysis

Counting and analysis of relationships between counts is a vital aspect of evaluation. Counting the right things is an important first step and is most useful when counts are tailored to the needs of specific organizations. For example, to help determine effectiveness in a more objective manner, one nonprofit developed a planning and assessment tool called the Program Evaluation Grid (PEG; Kluger, 2006). Programs are numerically ranked on twenty-four factors in five value areas: strategic, effectiveness/quality, financial, program importance to key stakeholders, and marketing. The individual factors address both internal and external concerns (e.g., under marketing, the cost-effectiveness of the program and how it compares to local competitors). Ratings may be assigned by one or more staff. Agencies use PEG not only to eliminate weak programs but also to strengthen programs where the pluses outweigh the minuses.

A more widely used diagnostic tool is Event History Analysis (EHA), which offers a longitudinal picture of program outcomes by estimating when clients are at greatest risk for success or failure during periods of change. By tracking how a client moves through a given program, EHA yields valuable data to determine which factors (personal qualities of the individual, specific services, and so on) affect whether and when change may occur. An *event* is an identifiable change in an individual's status; keeping a record of the time before the client experiences a change provides the *event history*. Using this type of tool enables a nonprofit to make programmatic changes to increase effectiveness and can help practitioners assess and harmonize their expectations and actual program results (Unrau & Coleman, 2006).

Outcomes Measurement

The outcomes approach to evaluation differs from EHA in that both quantitative and qualitative measurements are used to assess performance. Effectiveness, productivity, and efficiency are equally important parts of the equation. *Inputs, throughputs, outputs*, and *outcomes* are all subject to examination. The data are provided by the individual organization, but the process is often dictated by external stakeholders. That is, funders such as United Way commonly use evidence of outputs and outcomes in their decisions about what programs or organizations to support.

For social workers and other professionals providing direct client services, the transition to performance-based evaluation has not always been smooth. Staff may be required to go through extensive training in how to provide the necessary data, and the amount of paperwork involved can be daunting, especially for smaller nonprofits. As Neuman (2003) notes, "the difficulty in studying outcomes for social service agencies is due in large part to the challenges of operationalizing and controlling for the outcome variable" (p. 8). Moreover, participating in this kind of intensive effort is not always accompanied by a commensurate amount of financial support. Management must therefore weigh the benefits in improved program quality against the costs in deciding whether to continue seeking funds tied to outcomes measurement (Zimmermann & Stevens, 2006). Benjamin's (2012) analysis revealed that outcome frameworks focus on how staff "implement programs rather than how staff work with clients" (p. 431). Consequently, the information provided by these performance-based evaluations may mischaracterize the nonprofit's performance.

Table 9.2 is an example of an outcomes logic model based on the EDGE program. Its intent is to demonstrate each step of program development, the organization's perceptions of the interrelationships between the selected activities, and the expected results.

Stakeholder Participation

Philosophically different from the previous approaches is what is broadly known as *stakeholder evaluation*. The basic premise is to involve all who have an interest in the program in every phase of the evaluation process, from conceptualization through implementation to reporting the outcomes. A range of quantitative and qualitative data collection techniques may be used. Proponents of this approach point to the benefits of encouraging the participation of a representative group of people with a stake in the program outcomes, which allows as broad a perspective as possible to be built into the process. Doing so can also increase the program's legitimacy and level of community support. On the downside, the approach can be manipulated to stave off outside criticism of the program (W. K. Kellogg Foundation, 1998). LeRoux and Wright (2010) question whether some methods of stakeholder participation provide verifiable indicators of program performance. They note that many nonprofits distribute satisfaction questionnaires to their clients to determine program effectiveness or for making decisions about whether to continue a program. While convenient and cost-effective, this process may produce false or misleading indicators because clients may approve of the care they are receiving while more stringent measures may reveal the program is not actually improving their condition.

As a subcategory of stakeholder participation, *empowerment evaluation* focuses on clients as the primary interest group. This approach strives to be democratic and collaborative, with self-determination and personal capacity building as the core values. For this approach to work, clients must be trained in evaluation practices so they can

TABLE 9.2. OUTCOMES LOGIC MODEL FOR EDGE PROGRAM

Inputs	Activities	Outputs	Outcomes	Impacts
Youth between 12 and 18 residing in low-income neighborhoods	One-on-one and group counseling	1,200 youth receive group counseling	More positive self-image for youth	5% reduction in youth contacts with juvenile justice system (per site)
Parents or participating youth	Life skills groups	600 youth receive individual counseling	Increased level of marketable skills for youth	Significant progress toward elimination of service gaps and duplication (all sites)
Volunteer group	Tutoring/GED preparation	900 engage in tutoring or GED preparation	Expanded level of parental interest and support for youth	
Project director; two group workers, secretary at each of six sites	Paid employment for older youth; volunteer experience for under 16	180 provided with paid employment; 140 given volunteer work experience	Increased agency capacity to deliver services at local level	
Facilities/equipment necessary to deliver identified services	Field and cultural trips	600 participate in job-related field trips; 360 go on cultural field trips		
Community network of youth-serving agencies	Parental skill-building and Parents Club	150 parents enrolled in Parents Club; 120 parents participate in various volunteer roles		
	Neighborhood Beautification Corps	Community networks established at all sites		
	Community network Program Advisory Council			
	Community Volunteer Program			

Note: This model represents the program in year 1.

make critical decisions on what will be evaluated, the data to be collected, and so forth (Andrews, Motes, Floyd, Flerx, & Lopez-De Fede, 2005). Another variant is *design evaluation*, which bears a resemblance to formative evaluation in its focus on process. It features a close working relationship between the evaluator and program staff but also provides useful information, primarily qualitative, for a subsequent outcomes evaluation. One of its main features is obtaining client feedback on effectiveness to refine program logic and practices (Gardner, 2000).

FINAL THOUGHTS

Even though the steps in the planning phase of program development have been laid out in a very linear, rather prescriptive fashion, planners and designers must be flexible. When unforeseen obstacles arise that cause a delay in implementation—and they will—flexibility helps staff to not become immobilized or overly discouraged. Flexibility also helps ensure that planning and evaluation are relevant to current needs, not a mindless exercise easily dismissed by key stakeholders. Even after conducting a thorough needs and assets assessment, at best this provides the planner with information of the moment. Attitudes, expectations, conditions, and values are always subject to change, which has implications for the currency of program planning (Kettner et al., 2017).

As for the other two major components of program development, monitoring seems to be well established and, for the most part, accepted by staff and management as a beneficial use of resources. Evaluation, however, especially the performance-based approach, is sometimes a hard sell. As Campbell (2002) notes, "promoted as a way to create objective standards for evaluating programs, the actual work of specifying outcomes by measurable indicators often raises as many questions as it answers, due to data limitations, methodological disputes, or value conflicts" (p. 244). However, when the feedback results in higher-quality services to clients, everyone wins.

QUESTIONS TO CONSIDER

9.1. What are the pluses in using a logic model for program development? What are the minuses?

9.2. Of the four perspectives on need (normative, relative, perceived, expressed), which might present the greatest challenge in data collection and analysis? Why?

9.3. How does benchmarking contribute to improving organizational performance?

9.4. Why has outcomes measurement become the preferred approach in evaluation for United Way and many other funders? Conversely, why are many nonprofits less enthusiastic about this approach?

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10

Resource Generation

NONPROFIT ORGANIZATIONS FACE a variety of challenges in striving to fulfill their mission. They must be able to operate effectively and efficiently in a highly complex and ever-changing environment characterized by heightened demands for services, high expectations for accountability, and competition for funding (Edwards & Austin, 2006). Of these varying challenges, the seemingly endless responsibility of securing sufficient revenue to carry out work may cause the most concern for nonprofit leaders (Joyaux, 2015). Unlike their for-profit counterparts, who derive most of their funds from consumer purchases of goods and services, nonprofits typically rely on a range of financial support, such as government contracts, foundation and corporate grants, private donations, and fees for service, each bearing its own benefits and constraints (Chikoto & Neely, 2014; Gronbjerg, 1993).

In considering the different revenue streams, reflecting a combination of donative (contributed) and earned income, the broader term *resource generation* is more appropriate than simply talking about *fundraising*. Organizations that are successful in obtaining necessary financial resources understand that a key component of the process is developing personal relationships with their funders—"friend-raising," if you will—an endeavor that is part strategy, part psychology, and part an attraction between the fund seeker and the donor that transcends the inherent power differential. Resource generation then is both an art and a science. And do not discount luck! Sometimes new funding relationships are simply a matter of being in the right place and making the right connection at the right time. One thing is clear: The role of the staff person charged with oversight of this area of operations, often called the *financial manager* or the *development officer*, has certainly become more complex.

In this chapter, we first consider some basic principles that apply to the decisions, strategies, and activities associated with bringing in the personal and material resources an organization must have to implement its mission. Then we review the major components of a resource generation program: philanthropic support, government support, and earned income (see Appendix 10.A for a glossary of terms related to this specialized field).

BASIC PRINCIPLES OF RESOURCE GENERATION

As with strategic planning and program development, a nonprofit organization needs to create and execute a plan for its resource generation efforts. Key stakeholders expect that these efforts will be conducted in an ethical manner, meaning, above all, that the monies are being raised to meet important community needs and will be put to the purpose identified in the request. Nothing upsets stakeholders (including the general public) more than a nonprofit that raises resources for one purpose and uses them for another, so careful planning and accounting is particularly important in this area.

Specifically, nonprofits must distinguish between the funds required for daily operations to pay staff salaries and benefits, to cover rent or mortgage payments, to purchase office and program supplies, to enable staff to travel to see clients at home or to attend a professional conference, and so on versus the dollars put toward capital outlays such as constructing or refurbishing a building, obtaining a new van, or upgrading the management information system. The latter group of expenditures differs from the former in its intent, which is to build the organization's assets. Office supplies are used up in a matter of weeks or months and must be replenished, but capital purchases have more lasting value and generally are authorized only when something has worn out, becomes obsolete, or is essential for a new service. Both types of expenditures are critical to the organization's ability to fulfill its mission, but each has its own rationale.

Diversification

An organization that derives all its revenues from one kind of source (say, all from individual contributions) is said to have a concentrated revenue base. An organization that derives its revenues from a variety of types of sources is said to be diversified. Both for-profits and nonprofits broadly embrace the ideal of revenue diversification because of the "perceived connection between [organizational] financial health and sustainability" (Frumkin & Keating, 2011, p. 152). A fundamental principle in a highly competitive environment is to build a broad network of support that includes individuals, foundations, corporate donors, and government. However, each revenue stream comes with its own costs and risks, and some organizations are truly better off with one dedicated revenue stream (Hung & Hager, 2019).

Keep in mind the basic tenets of resource-dependency theory. The more an organization has some control over the acquisition of resources, the greater its ability to exercise a degree of control in its relationships with funding sources; however, when an organization lacks control, it is in a much more vulnerable position. When nonprofits receive funding from multiple sources, the risk of catastrophic organizational failure associated with the withdrawal of a single source can be reduced (Frumkin & Keating, 2011). On the other hand, government contracts and other highly concentrated forms of revenue from a single source offer potential value to nonprofits in the form of lower administrative and fundraising expenses. Nonprofits that depend on fees for services from a single source of revenue, such as government contracts, “operate at greater levels of administrative efficiency” (Frumkin & Keating, 2011, p. 163). However, these savings come at a cost because of “greater exposure to swings in an organization’s financial position” when the funder unilaterally changes funding requirements (Frumkin & Keating, 2011, p. 151). Having allowed its government contract to become too large a portion of the budget, a statewide association of nonprofits found itself in this bind. The funder wanted to change the contract in ways that might compromise the organization’s mission. If the nonprofit resisted these changes, the local government agency might shift the contract to another organization. Due to its reliance on this contract, the nonprofit lacked power in this funding relationship.

Regardless of the circumstances, if a major funding source suddenly dries up, finding a substitute on short notice can be very difficult. Consider the difficulties experienced by Youth Services Network (YSN), the organization in our featured case study. The board insisted that direct mail remain the primary fundraising activity, even though strong competition from other local nonprofits providing similar services was limiting the returns from this effort. The executive director sought to diversify the fundraising streams. Instead of praising the executive’s success in obtaining grants from several new sources, the out-of-touch board criticized her for not finding a solution to the decline in direct mail income.

Diversification may mean moving in directions that are contrary to long-standing traditions. The past quarter-century has seen substantial changes in the make-up of the resource generation program in many nonprofits. For instance, one of the trends in the field of human services is deriving a larger portion of the annual operating budget from earned-income strategies such as fees-for-service, sales of products, and other commercial ventures, with some observers estimating as much as 40 percent or more of total revenues from these sources. Strategies emphasizing earned income is called “social enterprise.” This kind of commercialization has drawn criticism from certain quarters, although it has long been common practice for nonprofits in the education and health arenas. Whether it affects the essential character of human service providers is a subject of regular debate, both inside the organizations and across the field.

The Saliency of Planning

Planning to obtain necessary resources is a multi-faceted undertaking best "approached in a . . . strategic manner that places long-term benefit over short-term gain" (Benefield & Edwards, 2006, p. 65). First, the organization must have a clear statement about why it or its programs merit support. We call this the *case*. A *case statement* sets forth all the reasons that donors should want to contribute to an organization. Pertinent information is collected and organized in a resources file, often referred to as the *internal case*. The *external case statement*, derived from this file, brings the story (and data) to prospective donors. Case elements include how the organization intends to address the community problem(s) reflected in its mission, through clearly articulated objectives and well-constructed programs; the costs related to service delivery; the quality of the leadership and staff charged with carrying out the activities; the manner in which the efforts will be evaluated; and the nonprofit's history of successes, including outcomes assessments (Seiler, 2016).

Once the internal case is in place, the actual planning begins. A key decision at this point is the composition of the revenue mix. The board of directors and top management team should determine which income streams are philosophically consistent with the organizational mission and culture, are acceptable to stakeholders, will best support programs and services, and are feasible (Wilsker & Young, 2010). For example, some nonprofits elect not to seek government support because they dislike the red tape and close oversight that is usually part of the deal. The strategies for securing the different sources of revenue cover a wide range, and certain ones may work better for staff and volunteers than others. Government grants are more likely to be awarded to nonprofits that utilize paid staff for service implementation. Also, nonprofits that demonstrate cross-sector collaboration and who partner with multiple agencies are more likely to receive larger government grants (Suarez, 2011). A third consideration is organizational age. Being a newly formed nonprofit can be a plus or a minus to funders when compared with more established organizations that have solid track records and high community recognition.

Securing Philanthropic Gifts

A key step in the planning process is translating the internal case into specific funding goals, objectives, and action steps for the programs offered by the organization, based on the implementation costs attached to each one. With regard to philanthropic gifts, this necessitates identifying the potential donor groups (individuals, foundations, and corporations) that are most apt to be interested in the cause and understanding what these donors expect to gain through their support. Asking board members and other key volunteers to vet these ideas helps create a sense of ownership for the plan and lays the groundwork for their direct participation as gift solicitors.

Next, strategies for obtaining the revenue must be articulated, matching the different possible approaches with each desired gift market. As we will consider in more detail in the following discussion, the fundraising team has many methods from which to choose, including face-to-face solicitations; social media; direct mail; special events, such as golf tournaments and benefit dinners; phone-a-thons and telethons; and grant proposals. The Internet has opened a new horizon for fundraising (see chapter 12). Each method should be analyzed and evaluated through the organization's past experience, as well as the expected payoffs related to costs, to determine the ones that are most likely to work well for the markets to be tapped (Seiler, 2016).

Efforts involving both staff and volunteers, sometimes acting alone and at other times in concert, will be needed to execute the plan. Lists of prospective donors for all markets should be drawn up and reviewed, with priority given to those who most closely meet the LAI criteria: *L* refers to the *linkage* between the donor and the organization; *A* refers to the *ability* of the donor to match the level of gifts being sought; and *I* refers to the donor's *interest* in the work of the organization (Seiler, 2016). As noted earlier, relationships are critical to success in this arena. The choice of who is responsible for soliciting a given donor should be based on who in the organization has the best relationship with that donor.

The final steps are to make the solicitations, track the results, recognize the donors' contributions, ensure the gifts are used for their intended purpose, evaluate the entire process in terms of strengths and areas for improvement, and make the necessary adjustments. The organization is then ready to begin the entire cycle again (see Table 10.1 for a summary of the process).

A Nod to Market-Based Income Streams

In contrast with obtaining philanthropic gifts, earned-income ventures and government contracting tend to be more market-based. That is, the market determines whether a sufficient number of clients or customers are willing to pay for the services and products the organization can offer. This does not mean planning is less important; it just entails different considerations. For instance, the organization must give greater attention to how it stacks up against its competitors, which may well be for-profit companies. For these income streams, relationships are more apt to be based on organizational performance (on effectiveness and efficiency) than on who knows whom. Even though the connection between a government liaison and a provider's executive director may become very close over time, the ability to offer quality services at the best price may be the deciding factor in contract renewal. When selling products and services, issues of promotion, inventory, and distribution must be taken into account. Thus, management will have to call upon a different set of skills to be successful.

Ethical Practices

Public outrage has been justifiably high over stories of nonprofit leaders who have violated donors' trust by using monies obtained to fulfill the organizational mission for their

TABLE 10.1. THE PLANNING PROCESS FOR SECURING PHILANTHROPIC GIFTS

Element	Pertinent Questions
1. Clarify the case.	What community need(s) does this organization address? How are these needs addressed?
2. Determine the revenue mix.	Which income streams are compatible with the organizational mission and culture? Which ones will provide sufficient income for both operational and capital needs?
3. Define funding goals, objectives, and action steps.	What are the specific programs and services to be offered? What financial resources are needed to support these activities?
4. Identify potential donors.	Which individuals, foundations, and corporations are most likely to support the cause? What will donors gain through their support?
5. Match strategies with particular market: Individuals, foundations, and businesses	What is the likely cost-benefit ratio for each strategy? What can be learned from past experience to guide these decisions?
6. Form the corps of volunteer gift solicitors and prioritize prospects.	Which donors most closely meet the LAI (linkage-ability-interest) criteria? How can the volunteers' knowledge of the community best be used?

Source: Adapted from Seiler (2016).

Note: The final steps in the fundraising cycle are to execute the plan, track the results, evaluate the process, and make adjustments for the next time.

own personal gain. An example some years ago involved the Association of Community Organizations for Reform Now (ACORN). The public learned in 2008 that the brother of the founder and long-time executive director, then on staff, had embezzled almost $1 million, and, worse, senior officials had covered up the matter, not even informing the board until the story broke (Strom, 2008a, 2008b). In another case, an internal investigation showed two board members of the Shriners Hospital for Children had violated the organization's conflict-of-interest policy by putting undue pressure on the fundraising manager to hire the direct mail company they favored (Strom, 2008c). Every year since then, you can find high-profile cases about nonprofit leaders acting badly.

Why does the public care? A fundamental principle of resource generation is that dollars raised must be used for the purpose identified in the solicitation process.

The term *stewardship* in this context refers to "the concept of being responsible for something of value . . . and the recognition that what is cared for actually belongs to someone other than the caretaker" (Conway, 2003, p. 432). To exercise stewardship in a nonprofit organization requires a full appreciation by the leadership core and all relevant staff of the importance of clearly articulated policies and procedures related to securing support, however achieved, and transparency in regard to their implementation. When donors see that nonprofit leaders have been poor stewards of their trust, they take it personally.

PHILANTHROPIC FUNDRAISING

Some human service organizations rely exclusively on grants and contracts for their work. However, many include appeals for contributions ("fundraising") as an integral part of revenue generation. When nonprofit management adopts fundraising as an activity in which the entire staff and board participate, the nonprofit creates a culture that sanctions philanthropy as a legitimate source of organizational funding and draws all organizational members into the process. Developing a strategy for maximizing the organization's potential to obtain philanthropic gifts from individuals, foundations, and corporations is akin to building a three-story house. First, the house must have a solid foundation; for the fundraiser, this might be the annual giving campaign. Its primary purpose is to initiate contact with prospective donors to raise the cash needed for programs and services. However, when done well, the annual campaign can attract dedicated volunteers, identify new clients, and increase market share along with public recognition. The second story of the fundraising house is the major gifts program, whose goal is to increase donor commitment to bring in large contributions for both operations and capital projects. At the top story is the planned giving program, geared toward securing bequests and other long-term donor investments in the cause. As the effort moves upward from the foundation to each successive story, the intent is to nurture donor relationships to yield an ever-growing interest in and enthusiasm for the mission that will translate into a concrete demonstration of support on a sustained basis while returning to the donor a sense of personal satisfaction for contributing to the public good (Greenfield, 2004).

The Annual Giving Campaign

A well-designed annual giving campaign, the starting point for virtually all fundraising programs, should bring in a steady flow of revenue to avoid crisis fundraising whenever a shortfall occurs. For most organizations, multiple solicitations spaced throughout the year will be necessary. With so many possible campaign strategies, each nonprofit must determine the ones that are best suited to realize its financial goal(s) in the most cost-effective manner. For example, a telethon normally requires a media sponsor, a celebrity spokesperson, and other resources that make it more appropriate for a larger organization with fairly broad name recognition, whereas a phone-a-thon (or a text-a-thon, or a targeted email campaign) is within the reach of even the smallest agency since only phones, or a slate of laptops, and some volunteers may be necessary. Experience will help increase the accuracy of predictions about financial needs, productive fundraising vehicles, and timing. Some of the more frequently used methods are discussed briefly below.

Direct Mail

A very common technique used in annual fund drives is direct mail. The Internet has been revolutionary for fundraising in the early years of the digital revolution, but currently direct mail is still king. Although many of us toss out the unsolicited envelopes we receive almost daily, this approach continues to be popular because it works. Direct mail not only captures new donors, but also gathers repeat gifts from past supporters in response to each mailing. A common fundraising practice is to ask a current direct mail donor to consider increasing the amount of the next gift. Donor levels open the potential of encouraging donors to move to a higher tier, such as from the Gold Club to the Platinum Club.

Professional advice is recommended for tailoring mailings to different categories of givers. Fundraising counselors can also be vital in guiding the rental, purchase, or exchange of mailing lists, a necessary step to build the numbers of prospects. While once seen as a way to reach first-timers for fairly small gifts, direct mail is now used frequently to secure higher-end or major gifts through personalized appeals. Telemarketing, and online solicitation in particular, may supplement the traditional mailings. Technology-oriented communication is becoming vitally important, so we give special attention to it in chapter 12.

Special Events

Sometimes called *benefits*, special events are cultural, educational, recreational, or purely social activities that link an organization with its community in support of the mission. The type of activity can range from the very simple (such as a bake sale or a car wash) to the very elaborate (such as a dinner/dance honoring a corporate leader or political figure). Frequently, volunteers, whether an ongoing group or a committee formed for this express purpose, organize and run the event on behalf of the organization, with or without staff assistance. In some cases, a civic organization like the Rotary Club may undertake a project for a nonprofit. A new event is often more about friend-raising than fundraising; a benefit may take years before it gains visibility and becomes established on the annual community calendar. However, in time, a well-planned and executed event can become a solid moneymaker that also educates the public about the organization. Golensky recalls a small Midwestern youth agency where local police officers are involved as both staff and volunteers struck gold its first time out with a "Kids and Cops Ball," a perfect marriage of mission and message.

Further Options

Single-organization support groups are common support mechanisms for nonprofits of all kinds. Hospitals, arts organizations, private schools, churches, and other kinds of nonprofits may be linked to such a support group, variously called an auxiliary, an alumni association, "friends of" group, or an advisory council. These groups provide financial support through membership dues, contributions, and benefits; members may also serve as volunteers, advocates, and community boosters. A related strategy is formation of donor clubs, which recognize individuals at different giving levels, each with a unique name to convey a special status. Such recognition confers privileges such as an invitation to meet privately with the executive director, reserved seating at events, or a separate newsletter.

Participating in a federated campaign, in which fundraising and marketing are done jointly with a group of other nonprofits, is another possibility. United Way of America's annual appeal, with its focus on workplace giving through payroll deduction, is probably the most familiar example (Shaker, Borden, & Kienker, 2016). In federated campaigns, individuals, foundations, and businesses contribute to the United Way or other campaign sponsor, and the sponsor divides the contributions among participating nonprofits. The Combined Federal Campaign is a giving mechanism for federal government employees (U.S. Office of Personnel Management, 2019). Nearly fifty communities in the United States have special federated campaigns to support local arts organizations (Americans for the Arts, 2019).

Major Gifts Program

One of the payoffs for hard work on the annual campaign is being in a position to solicit larger contributions from supporters already familiar with your cause, as well as from new sources. Major gifts support operating expenses, but they can also help build a surplus that the organization can store for leaner times. Major gifts can secure underwriting for new and expanded programs or help provide the foundations for a capital campaign to meet the organization's highest-ticket needs. Individuals provide about 80 percent of philanthropic gifts, but foundations and corporations are also key markets for major giving, and all three often play a role in a single campaign.

Individual Solicitations

People of wealth are motivated to use their capacity to give to achieve a desired social end that accords moral purpose to their lives (Acs, 2013). A quarter-century ago, Prince and File (1994) published a popular list of the "seven faces of philanthropy." Their list still provides an effective summary of the range of individual motivations for charitable giving:

- *Communitarians*, who are frequently local business owners, believe supporting their community makes sense because everyone benefits.
- *The Devout* donate for religious reasons, as a moral obligation, and channel most of their money to churches and related institutions.
- *Investors* give with one eye on the cause and one eye on personal tax and estate consequences.
- *Social elites* use their personal networks on behalf of favorite causes, often by putting on special events that allow them to do good while having fun.
- *Altruists* are selfless, giving out of a moral imperative and to achieve spiritual growth; they may prefer to remain anonymous.
- *Repayers* often support institutions through which they or family members have personally benefited, such as hospitals and schools, but also insist on effectiveness.
- *Dynasts* use inherited wealth to carry on the family philanthropic tradition but may do so in ways that differ from their elders.

To develop donor constituencies, an organization should identify the segments of society it influences, beginning with the groups most closely associated with the cause, such as current board members, staff, program volunteers, and clients. Once this inner circle of stakeholders has been considered, the organization should next consider those with some kind of past relationship, including former board members, clients, and volunteers. Next, it can try to cultivate people who might be positively disposed toward the organization due to similar interests. An environmental nonprofit, for example, might purchase the mailing list for a magazine focusing on outdoor activities for its direct mail program. Beyond that are the long shots, sometimes referred to as *suspects*; each organization must weigh the expenditure of money and staff and volunteer time to make the necessary connections against the probability of forming productive relationships.

Following the rating of prospects by the cadre of volunteer solicitors, the organization may elect to use some form of donor research to learn more about the less familiar individuals and their families in hopes of finding a link to justify their inclusion. Appointments can then be set up for personal visits either at the prospective donors' place of business or at home. Experience suggests a two-person team composed of the volunteer who knows the individual best and the executive director or another member of the top management team is most effective in these types of solicitations since volunteers might be uncomfortable making the financial request (the *ask*) on their own. The organization should keep detailed records of all contacts and their results to establish a giving history of each donor. Also remember to thank every contributor in a suitable manner. For those with the greatest potential for subsequent and larger gifts, consider ways to increase their involvement with the cause, such as an invitation to join the board. Equally important is to keep the volunteers motivated by celebrating each success and bringing out the positives of visits that ended with no immediate return, as every contact is a step in building a relationship.

Institutional Supporters

Foundations and corporate giving programs are similar in that both tend to have specific areas of interest, guidelines, and procedures that govern their funding decisions. In an era of "strategic philanthropy" that emphasizes measurement, outcome, and impact, many now place a heavy emphasis on documented results and on evidence of effective management and leadership. In addition, institutional supporters may limit grants to shorter time periods and gravitate more toward program or project grants rather than support of general operations. A key difference is that foundation support is derived primarily from interest on investments, whereas corporations, outside of company foundations, link their philanthropy to profits, meaning the amount available for gifts typically fluctuates from year to year. Corporations are also sensitive to their image and therefore many limit their support to "safe" nonprofits in fields like the arts and education. All of these factors are important when determining which institutional funders to approach and for what purpose.

Foundations in the United States fall into one of four main types: (a) *independent* foundations, including family foundations, are founded from assets often contributed by families or individuals interested in a specific cause; (b) *corporate* foundations obtain assets from their associated for-profit company, but usually maintain some degree of independence on grant making; (c) *operating* foundations are private funds that conduct research and other programs to benefit communities, but may or may not make grants; and (d) *community* foundations are public charities that raise and distribute funds in a specific geographic area. Foundations are recognized by the Internal Revenue Service (IRS) as 501(c)(3) organizations, but they are subject to greater regulation and payout requirements if they do not qualify as public charities. Under current federal laws, to maintain tax-exempt status, private foundations must pay out at least 5 percent of the average market value of their assets each year. Operating foundations are mandated to spend at least 85 percent of their income to support their programs.

Although not all corporations have associated corporate foundations, nonprofits can engage companies directly for both annual and major gifts. Many companies have a corporate giving program, which tends to be closely tied to business interests. Private company giving is not subject to the same reporting or payout restrictions imposed on private foundations; companies derive the same kinds of income tax advantages that individuals enjoy when making charitable contributions. In addition, many for-profits provide in-kind contributions to nonprofits: nonmonetary gifts such as equipment, office supplies, furniture, space for a benefit, and even property. Another area of cooperation between for-profit companies and resource development for nonprofits is a matching gifts program, whereby the company (or its associated corporate foundation) matches the charitable contributions of its employees. Especially when a solid donor relationship has been established, a nonprofit may successfully tap all of these potential sources within a single company each year.

Fundraising is a professional task organized by professionals on both the giving and receiving sides. Haphazard requests, such as when a nonprofit requests something totally outside the funder's identified interests and types of support, are a waste of time for everyone concerned. A good source of information on foundations' giving patterns is the annual IRS Form 990-PF; many are available through the Foundation Center (http://foundationcenter.org/find-funding/990-finder). The Foundation Center, a nonprofit headquartered in New York City, maintains a broad range of online and hardcopy materials on philanthropy and reaches grant seekers directly through its cooperating collections across the country. Many funders have both websites and printed materials describing their giving program, and larger institutional donors often have full-time staff available to answer questions. Nonprofits have no excuse to not do their research before executing a plan to solicit support from institutional donors.

Unsolicited Requests

A donor may have an idea for a project and then invite applications from interested parties to contribute to that specific cause; this is known as a solicited request, or a request for proposals [RFP]. Since this approach is used frequently by public agencies, it will be discussed in the following section on government support. In many other cases, the donor announces an openness for proposals for projects in general areas of interest or are constantly open to unsolicited requests for grants. While a solicited request gives nonprofits a specific call to react to, responses to unsolicited requests start with the nonprofits themselves. They are developed from strategic planning, staff discussions, and consumer expressions of unmet need. Donor research is critical to find a promising fit. Monetary awards from institutions (where the nonprofit has primary control over how the work is carried out and which beneficiaries are served) are typically called *grants*. The primary vehicle for submitting a request for consideration for a grant is a *proposal*, a written application accompanied by supporting documentation. In recent times, prior to consenting to receive a full proposal, many grantors have begun requesting a *letter of inquiry*, in which a prospective applicant identifies an issue or problem and how it hopes to address it with the funder's assistance. This is a wonderful opportunity for a nonprofit to make a good first impression by showing it has done its homework. It is also an opportunity for grantors to consider (and possibly reject) an idea for a grant before a full proposal is developed.

Submission procedures and formats vary widely. Accordingly, an organization should obtain the funding source's published guidelines before preparing the proposal; larger grantors usually have everything online. However, a completed application is likely to include these components:

- *Cover letter.* A brief overview of the project, including the requested amount, on agency letterhead and signed by the executive director and/or board chair.

- *Executive summary* or *abstract*. No more than a page containing every element of the proposal captured in a sentence or two.
- *Organizational background.* A statement of the applicant's history and qualifications for carrying out the project.
- *Need* or *problem statement*. A clear articulation of the issue and the proposed solution, backed by carefully chosen documentation.
- *Objectives*. An indication of the expected outcomes of the project, stated in specific, measurable terms, flowing logically from the identified need.
- *Methods* or *procedures*. A detailed description of how the project will be carried out (e.g., participant recruitment, staffing, timing, location, equipment needed).
- *Evaluation*. The process for collecting and analyzing data to assess project outcomes, now often presented in a logic model (see chapter 9).
- *Budget*. A presentation of anticipated/actual revenue and all costs for the project, by category, with justification for the figures.
- *Appendices*. Attachments as requested; many private funders ask for the applicant's IRS determination letter (proof of federal charitable status), a board list, and the latest financial audit.

The grantor may also request a plan for continuing the project after the initial funding ends. In place of a multipage application, some funders, especially corporations, prefer a letter proposal for a fairly simple or time-limited project (see Appendix 10.B for a sample). In several states, a common application form has been adopted to simplify the process.

Capital Campaigns

As part of the overall resource-generation program, the organization may elect to initiate a capital campaign to raise money for large-ticket items, with donors frequently pledging support over a period of years. Once thought of primarily for construction or renovation of a building, and thus called a *bricks-and-mortar campaign*, such efforts are now more comprehensive, including funds for an endowment, scholarships, program development, and similar long-term needs. The overall objective of multiyear capital campaigns is "taking an organization to the next level in its physical or programmatic capacities" (Nathan & Tempel, 2016, p. 496). Capital campaigns were originally only launched sporadically by a few very large nonprofits, but they are now more common and frequent. Universities and other large nonprofits now start a new campaign right after the completion of the previous one. An organization considering this type of campaign for the first time is advised to conduct a feasibility study before proceeding to ensure that its cause is well enough known to garner the support of likely donors. Hiring an outside consultant (fundraising counsel) to conduct this activity, and to subsequently guide the entire enterprise, can be a wise investment. In one nonprofit Golensky studied that had been in existence for many years and had a loyal consumer base, the feasibility study indicated a lack of broad recognition and support in the community as a whole. On the advice of its consultant, the agency tabled the campaign until it could establish a better basis for success.

Careful preparation for such a large endeavor entails validating and prioritizing the needs that justify the campaign, accurate goal setting, enlisting board members and other top-level volunteers as solicitors and advisors, identifying prospects, setting time lines, and selecting the most effective solicitation strategies. A gift-range chart is a technique used to help determine the quality and quantity of gifts as well as the number of prospects required to meet the campaign goal. A capital campaign operates on the premise that 80 to 90 percent of the total funds will be obtained from the top tier, or 10 percent, of the givers. To set the tone of the entire campaign, aim to secure a lead gift of at least 10 percent of the total, for the remaining prospects tend to look at the first gift as the de facto ceiling, and few if any will contribute more. As an example, if a campaign has a goal of $10 million, the lead gift will be put at $1 million, with three to five prospects identified who would be capable of giving at this level (Pierpont, 2003).

A compelling case statement is a must. Ideally, an organization ought to have several statements, each meant for a specific market. For a large national organization mounting the biggest capital campaign in its history, the materials designed for the lead donor were so strong that after further study, he increased his pledge from $20 million to $50 million. Traditionally, the effort begins with a *quiet phase*; its goal is to demonstrate the campaign's viability by obtaining an impressive number of commitments, including most of the top gifts, from those closest to the organization. Face-to-face solicitations by peers of the prospects are the norm. The *public phase*, to raise all the remaining monies, often starts with a kickoff event to announce the total to date, recognize donors who have already made commitments and energize staff and volunteers to finish the job. During the public phase, direct solicitations continue, and proposals may also be submitted to institutional donors. To motivate the lowest tier, the last 5 percent on the gift chart, Lindahl (2008) suggests adding a third phase when the goal is in sight, a particularly sound idea in a difficult economy.

This is a good place to emphasize a point we made earlier: Nonprofits need to be careful to use contributions for the purposes for which they told donors they were raising them. In more general fundraising appeals, donors usually give to support the general operations of the nonprofit, so accounting for the intent of donors is easy. On the other hand, for capital campaigns, donors give for sometimes very specific purposes, perhaps for a building or for a permanent endowment. Nonprofits often sign agreements with large donors that specify these purposes. To keep faith with donors, nonprofits must honor these intents. In the case of giving to endowment (a permanently restricted asset), only a court can alter the purpose of those contributions.

Planned Giving Program

Planned giving refers to a structured, strategic decision for donors to give (usually fairly substantial) gifts to their favorite charities late in life or after their death. This top tier of philanthropic giving is an effort to secure various kinds of intentional gifts as permanent investments from these committed donors. The underlying theory is that decisions must be made in the present to benefit both the donor and the organization over the long term. Accordingly, an organization may enlist an accountant or a tax attorney to assist in setting the parameters of the program to (a) handle the complexity of the arrangements and (b) ensure good stewardship of all funds received. In addition to outright gifts of stock, real estate, artwork, and the like, some of the other common methods used for estate planning include bequests through a will, insurance policies naming the charity as beneficiary, and various kinds of trusts, some of which distribute a certain percentage of the donor's assets immediately to the charity, with the rest reverting to the donor or the designated beneficiary at the end of a set time. Others provide annual income to the donor or beneficiary for life, with the charity receiving what is left at the donor's or beneficiary's death (Greenfield, 2004; Regenovich, 2003). New financial instruments and modes for planned giving are being developed all the time.

Smaller nonprofits may question the wisdom of including a planned giving program, believing it is an approach better suited to organizations that already have wealthy individuals as steady supporters. However, this ignores the reality that bequests sometimes come from donors who during their lifetime never gave the organization more than $100 in response to each direct mail appeal. In fact, research indicates "that bequest fundraising should not be limited to a specific segment of the database and that there may be considerable utility in seeking such gifts across the file" (Sargeant, Wymer, & Hilton, 2006, p. 401). This argues for every nonprofit to at least consider planned giving, choosing the methods that best suit its constituency.

GOVERNMENT SUPPORT

Despite the red tape, relatively high formality of the application process, and changes in priorities to reflect current political considerations, for many segments of the nonprofit sector, government funding continues to be sought as a major share of total support. In general, this support is manifested in two ways, through grants and through contracts, although in-kind gifts such as surplus food are also available. Government contracts are particularly common in and important to health and human service nonprofit organizations.

Government Grants

As noted earlier, many government agencies solicit applications for grants to operate programs already deemed vital to the public. Here a need has been clearly identified and documented, and the funder is seeking organizations that can meet its criteria to provide the services. The agency may issue a *program announcement* that spells out the type of project it wants in fairly general terms, leaving room for the nonprofit to design the actual program and define the beneficiaries. However, when an agency has a much more specific idea of what it wants and how it expects the program to operate, it will use an RFP, which might describe details of the population to be served, the geographic area in which they can be found, the methods to be used, the timing, and so forth. The extent to which the government specifies the details of the arrangement (e.g., how the work is carried out, who benefits) is the line between a *grant* and a *contract*. With a grant, the nonprofit retains control over how work is carried out. With a contract, government spells out these details, and nonprofits decide whether or not they want to play by those rules as an agent of government (Hager, 2003).

Program announcements can be found on government websites. Nonprofits can also contact agencies that have previously supported them or seem compatible with their interests and request to be placed on the distribution list for future announcements. Information on RFPs issued by the federal government can be found online in the *Federal Register*, a daily publication that lists grants by category. The *Catalogue of Federal Domestic Assistance* (www.cfda.gov) is more comprehensive but very complex. Other Internet sites to review include FirstGov (www.firstgov.gov), Grants.gov (www.grants.gov), and Federal Gateway (www.fedgate.org). Because federal categorical and block grant monies are passed through to states and cities, nonprofits intent on securing public support should also become familiar with state and local government websites and seek to make personal connections where feasible.

The proposal format for government grants follows the basic outline previously provided for institutional donors, but you should always obtain the specifics directly from the prospective funder. Government agencies are famous for being very particular about the submission process; an application arriving a minute after the stated deadline or omitting a requested document may put the organization out of the running. Once a submission has passed these first hurdles, it often will be given to a peer review board that rates each component on a point system. Applications that achieve a certain overall ranking are then given further scrutiny to make the final award decisions. The written notice of the award normally contains instructions for when and how progress reports should be submitted. Successful applicants can also expect that an unannounced audit of program funds may be conducted sometime during the grant period and should therefore be sure to handle the monies exactly as directed.

Government Contracts

A contract represents a kind of business arrangement between a government agency and a nonprofit (and often for-profit businesses that compete directly with nonprofits) to deliver specified services to a particular population in a certain manner over a given time period as articulated in an RFP. Sometimes the announcement is called a *request for a quote,* or RQF, because awarding a contract can be a highly competitive process in which cost-effectiveness is critical. That is, if one contractor maintains it can do the job just as effectively but for a lower cost than another, all things being equal, it is likely to get the contract. On the other hand, once a nonprofit has secured a contract, unless its performance is truly unacceptable, it will normally continue as the provider of record until political pressure is applied to engage in a new round of open bidding. So, although contractors give up autonomy in carrying out the work, they are drawn to the regular resources that contracts provide.

Some contracts use straight-cost reimbursement (based on actual expenditures), while others set a fixed price within which the nonprofit must function even if costs are higher (Frumkin & Keating, 2011). Increasingly, government has turned to performance-based contracting, which "focuses on the outputs and outcomes of service provision and may tie contractor payment, as well as contract extension, to their achievement" (Martin, 2000, p. 32). Observers believe this trend reflects the high interest in accountability as defined by measurable outcomes (demonstrable change in the target population) rather than simple inputs or outputs. One result of this focus on outcomes is that complacency on the part of the government agency or the provider may become a thing of the past, to the ultimate benefit of clients.

COMMERCIAL VENTURES

Some nonprofits have always relied to some extent on earned income, but "social enterprise" has become particularly fashionable in the past decade. For many nonprofits the move toward earned-income strategies may be a consequence of need in the face of declining government support and increased competition for private dollars. However, having taken this step, they often find that their ability to generate revenue through selling services and products and engaging in other sorts of commercial ventures provides a degree of independence from external funding demands that justifies any criticism of such activities as somehow contrary to the traditional view of charities. However, any organization considering this avenue must understand that it entails more than hoping for a quick infusion of capital. Rather, the decision to move forward depends on compatibility of the social enterprise venture with the organization's mission and a dispassionate assessment of organizational strengths and weaknesses (Ridley-Duff & Bull, 2016).

Business Opportunities

Across the nonprofit sector, commercial income is the largest source of revenue, mostly due to the costs of healthcare. Nonprofits both large and small rely on, or dabble in, commercial ventures. Program-related products are items closely linked with the organization that prove to be moneymakers. The Girl Scouts of the USA, arguably the most widely known nonprofit product seller, has always maintained that its very profitable cookie sale teaches skills directly related to its mission and has successfully defeated legal efforts to characterize the monies earned as unrelated business income. Other types of program-related products might include educational materials sold to elementary and middle schools by an organization specializing in interventions with at-risk children and pre-teens, or publications on management topics sold by a state association of nonprofits.

Nonprofits may also provide program-related services to closely associated groups like members, volunteers, patrons, and alumni. Examples include museum gift shops and parking garages, bookstores at universities that sell sweatshirts and souvenirs along with classroom texts, and food sales and beverage vending machines, from which the organization receives a share of the profits. In the same vein, many statewide associations of nonprofits offer their member organizations the opportunity to purchase different types of insurance at a group discount rate.

A third type of earned income strategy draws on staff, organizational, and client resources. Charging fees for service falls into this category. While asking those who can afford it to pay all or part of the fee is not unethical (and some would say is actually empowering), an agency must be careful to maintain fair, nondiscriminatory practices so as not to violate its basic purpose. Other examples are a nonprofit providing the counseling for the employee assistance program at a local corporation, and an organization that serves developmentally disabled clients selling the products from its sheltered workshop. To make more efficient use of land and buildings, colleges and universities often rent space to programs such as Road Scholar (formerly Elderhostel) in the summer. Similarly, a summer camp operated by a youth-serving nonprofit in Michigan becomes a retreat site for businesses and other nonprofits in the spring and fall. Income from "soft property" may be derived from copyrights, patents, trademarks, art and artifacts, and even mailing and membership lists.

Cause-Related Marketing and Sponsorships

Both cause-related marketing and sponsorships involve a for-profit company linking itself to a nonprofit in ways that hopefully help both parties. By partnering with the right nonprofit, corporations can enhance their reputations, and can improve both their financial and non-financial returns (Liston-Heyes & Liu, 2013). For-profits that link themselves to charities with high name recognition or with a popular cause combine good business with an opportunity to gain positive publicity by demonstrating corporate social responsibility. Sponsorships serve the dual purpose of satisfying increasing pressures on for-profits to become more socially responsible and in providing nonprofits with additional funds for expanded public exposure. As an obvious illustration, an organization involved in smoking cessation programs would certainly refrain from allowing its name to be used for marketing purposes by a cigarette company, although the lure of money has sometimes led nonprofits to enter into unlikely relationships.

A common and relatively simple vehicle is a *product discount coupon* stating that a percentage of each purchase will be donated to a named charity. In contrast, some companies do elaborate research before adopting a cause and determining the best ways to support it. When the marketing team at Jones Apparel Group learned that employees and consumers identified children and education as top priorities, a multi-level initiative called Jones New York in the Classroom (JNYITC) was launched in several major markets to raise awareness of the need to identify and retain new teachers. The effort focuses on engaging employees, the trade, the press, its retail partners, and customers in promoting the cause. For example, employees have been given paid leave to hold local fundraisers, and in the initiative's first year, retailers sold a special T-shirt and a car magnet, with all proceeds going back to JNYITC (Nobles, 2006). These kinds of relationships have become increasingly common.

Steps in Establishing an Earned-Income Program

The strategies just described do not exhaust the possibilities, but before engaging in any of these kinds of activities an organization should look at the matter from many angles. Although research has shown that bringing in high levels of commercial income can be positive for an organization's self-sufficiency, reputation, and ability to attract and retain staff, it can also result in a loss of donative revenues and does not appear to lead to any significant improvement in service delivery (Guo, 2006).

A quarter-century ago, Massarsky (1994) outlined a timeless set of steps to be taken before proceeding with business ventures:

1. Explore every aspect of the issue, including ethical considerations.
2. Conduct an audit of organizational assets, including staffing, the physical plant, and finances.
3. Brainstorm possible strategies, keeping in mind interests and capabilities.
4. Carry out feasibility studies of the potential businesses identified in step 3, which involves analyzing the marketplace for likely consumers and developing an operating plan.
5. Secure the commitments of staff, management, and the board to the operating plan.
6. Develop a business plan spelling out the entire venture and the capital needed to make it a reality.
7. Seek capitalization appropriate for businesses that remain part of the organization as well as any for-profit subsidiaries that are spun off. Note that for any commercial activities not "substantially related" to the mission, the organization will have to pay income tax, and therefore gains must be sufficient to offset expenses.

FINAL THOUGHTS

Table 10.2 provides a summary of the options for the major components of a resource generation program featured in this chapter. The list includes something for just about

TABLE 10.2. OVERVIEW OF RESOURCE GENERATION STRATEGIES

Income Stream	Strategies
Philanthropic fundraising	
• Annual giving campaign	Direct mail solicitations
	Special events (benefits)
	Support groups
	Donor clubs
	Federated campaigns
	Face-to-face solicitations
	Requests to foundations and corporations
• Major gifts program	Individual solicitations
	Proposals to foundations and corporations
	Capital campaigns
• Planned giving program	Gifts of stock, real estate, art, and other assets
	Bequests
	Charitable instruments (e.g., trusts, insurance policies)
Government support	Grant proposals
	Contracting
Commercialization	Business opportunities:
	Program-related products and services
	Fees for service
	Employee assistance programs
	Rentals
	Cause-related marketing and sponsorships

every size and type of nonprofit. If the YSN board had been more open to developing a full-scale effort, the organization had the potential through its long-standing direct mail program for generating major gifts from individual donors as well as a diversified planned giving program. In one way or another, relationship building is the key with current and prospective donors and other stakeholders. Readers may therefore be surprised to learn that one of the most common mistakes organizations make is forgetting the simple courtesy of thanking each supporter in a manner commensurate with the gift.

Looking ahead, what does the future hold for nonprofit leaders and development personnel? One challenge, in light of growing attention on earned income strategies, will be to maintain the philanthropic tradition that has long been viewed as a basic characteristic of the nonprofit sector in the United States. A promising avenue still in the early stages is venture philanthropy through foundations established by wealthy individuals, giving circles, and other organizational forms, which applies to grant making some of the same thinking that has fueled start-up businesses (Pimperl, Herdrich, Hildebrandt, & Groene, 2018). Two other key challenges are to find creative ways to keep active contributors interested in programs and services while identifying new sources of revenue to underwrite both operating and capital expenses and to practice transparency by putting in place accountability measures to ensure the ethical, effective, and efficient use of resources.

QUESTIONS TO CONSIDER

10.1. Seiler (2016) notes that effective fundraising depends on effective planning and rigorous execution—actually more planning than execution. Do you agree or disagree, and why?

10.2. What are some of the arguments for and against greater commercialization of the nonprofit sector?

10.3. Since diversification of funding sources seems so logical, why do some nonprofits resist going in this direction? How would you overcome this resistance?

10.4. If you had to choose between starting a direct mail effort and introducing a new special event for the annual fund drive, which would you select? Justify your decision.

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Appendix 10A

Glossary of Selected Resource Generation Terms

Term	Definition
(the) Ask	The solicitation for support, with specific reference to the dollar amount of the request.
Capital campaign	A special drive to secure larger gifts for expenditures with more lasting value (for example, constructing or renovating a building).
Case for support	The rationale for why the organization merits support, starting with the mission.
Cultivation	The process of developing a more involved donor relationship.
Direct mail	Use of snail mail to attract first-time donors and encourage/ upgrade repeat gifts but also to secure major gifts.
Donor	An individual or institution that has previously supported the organization.
Donor club	A group of donors organized by level of support, with specific "insider" privileges.
Earned income strategies	Fees-for-service, product sales, and other commercial ventures.
Endowment	A permanent fund established by donors where interest may be used for operational needs.
Income stream	A source of financial support.
LAI principle	A method for determining the most likely donors, based on linkage, ability, and interest.
Letter of inquiry	A requirement of some funders prior to accepting a full proposal, to determine the fit in organizational priorities.
Prospect	An individual or institution that offers higher potential to become a donor.
Request for proposal (RFP)	A funder's solicitation of applications to address an issue of interest, with specifics about the preferred type of program, desired outcomes, and selection criteria.
Special event (or benefit)	A cultural, educational, recreational, or social activity that is often part of an annual campaign; may be more about "friend-raising" than fundraising initially.
Suspect	An individual or institution whose interests may be compatible enough to warrant some attention. The aim is to turn a suspect into a prospect and eventually a donor.

APPENDIX 10B

SAMPLE PROPOSAL LETTER

Month 30, 2025

Mr. Jose Q. Smith
Corporate Foundation Director
Big Company, Inc.
Detroit, Michigan

Dear Jose:

The ABC Nonprofit is grateful for your company's ongoing support of the Educational Development and Guidance for Employment (EDGE) program at our local affiliate and your personal involvement as a member of the Program Advisory Council. Knowing of the Big Company's long-standing interest in youth-related concerns, we are writing to request a contribution of $5,000, toward the total estimated cost of $8,000, to become the lead sponsor of the National Youth Conference that will be held in Detroit on October 5–7 at the Kathy Hotel.

This event will be different from most such conferences in that youth, along with volunteers and professionals from the six participating EDGE sites, are working with national staff to plan the program. The youth will also play a key role at the conference as presenters and session chairs or discussants. By structuring the planning process so the program participants have a major voice in shaping the conference, we are providing another means to foster their sense of self-worth and develop leadership skills, which are key goals of the EDGE program. Moreover, the intent is to have youth be the largest group in attendance. The planning committee has decided there must be two youth for every adult who comes to the event. The attendance goal is to have a minimum of 100 young people, including representatives from all the EDGE sites as well as from other nonprofits across the country serving the same constituency, and 50 adults. The conference theme will be "The Rights of Youth," with a focus on assessing the local response to teenagers in each community represented at the conference in the areas of education, employment, juvenile justice, and health/recreation, and how services might be improved to further the welfare of youth. Accordingly, specialists in these areas from across the country will be invited as resources, to provide expert testimony on what exists today and what might be developed for the future, which will supplement local fact-gathering by a team of youth and adult investigators.

Attendees will not need to pay a fee to attend the conference, but they will be responsible for their own airfare, hotel accommodations, and some food costs. Although program participants and staff will be conducting fundraisers to secure as much of the money for their expenses as possible, some deserving youth and adults will fall short in these efforts, and we do not wish to exclude anyone on the basis of cost. Therefore, $4,000 of your contribution will be for conference scholarships. We will use $500 to underwrite the reduced fee and expenses for bringing in Dr. Martin L. Brown, a nationally recognized motivational speaker based in San Francisco, who will address the attendees on the topic "Becoming an Effective Advocate." The final $500 will cover the hotel charges for audiovisual equipment and snacks throughout the program. The federal grantor for the EDGE program has already agreed to provide the remaining $3,000, to underwrite the invitations and other mailings to youth organizations outside of the EDGE program, travel and hotel expenses for the national staff, and ground transportation, some of the food, and conference materials for the attendees.

The board of the ABC Nonprofit believes this conference will garner national recognition on issues facing low-income youth living in inner-city communities and is fully behind the effort. Also keep in mind that for many of the youth participants, attending the conference will be a wonderful learning experience, for it will likely be the first time they have ventured far from their immediate neighborhoods. We hope you will join us in making the conference a reality. The National Director of EDGE, Michael Peters, will contact you in a few days to answer any questions you might have about the event.

Sincerely,

Fatmata C. Jones, Executive Director
ABC Nonprofit

Note: EDGE was an actual program offered by a national social service organization through six of its local affiliates, underwritten by the federal Office of Juvenile Justice and Delinquency Prevention. Although this letter is fictional, the conference referenced here was held in Detroit at the end of the second year of the grant.

11

Financial Performance Indicators

IN THIS AGE of accountability, stakeholders look for indications of organizational effectiveness. *Effectiveness* can be hard to measure and benchmark reliably because of the diversity of missions, programs, and services across and within the various subsectors. Many interested parties, especially funders, seem to equate program effectiveness with effectiveness of the organization as a whole, but other respected observers of the nonprofit world maintain that multiple criteria of effectiveness operate independently. Judgments about organizational performance, by definition, imply comparisons, and Renz and Herman (2016) emphasizes the importance of selecting the appropriate measures for comparison. Some nonprofits compare themselves to an ideal model or to their own organization at some earlier date. "The basis for the comparison is a key to understanding varying judgments of effectiveness, and it often is hidden or unknown (sometimes even to those doing the judging)" (Renz & Herman, 2016, p. 278). In the absence of an agreed-upon bottom line for all nonprofit organizations, *responsiveness*, however defined, may come the closest to filling the bill (Renz & Herman, 2016).

That said, in the absence of agreed-upon measures of organizational effectiveness, some stakeholders default to observations about how well the organization manages its financial resources. In meeting this standard, nonprofits must be scrupulous in honoring the intent behind philanthropic gifts, and they should be equally attentive in establishing clear policies and procedures for oversight of all monies entrusted to them, regardless of the source. "The foundational tenet of a healthy [nonprofit] culture of money is transparency: the consistent sharing of meaningful financial reporting with all staff and board" (Bell & Ellis, 2016, p. 478). As with so many aspects of administration, good financial stewardship entails careful planning, monitoring, and evaluation. Such stewardship goes far beyond budgeting and proposal writing to involve "a variety of concepts, principles, and tools designed to improve the use of resources to accomplish in an efficient and effective manner the [organizational] mission, goals, and objectives" (Martin, 2001, p. 1).

Unfortunately, organizational leaders, whether the top management team or board members, depending on their past experience in dealing with numbers, sometimes view this fiscal responsibility with a certain amount of anxiety and self-doubt. Even though they may be tempted to allow most of the burden in this area of management to fall on the chief financial officer (CFO) and any oversight provided by the board, to do so can have serious negative ramifications. Too many of the scandals that have beset nonprofits in the past have been linked to the failure by an overly trusting executive director or board to carry out their fiduciary duties. So, while financial management may never be one of the favorite parts of your job, it is a necessary part of furthering the greater good.

Our discussion of performance indicators in nonprofits begins with a consideration of some fundamental principles regarding responsible oversight of resources. It moves on to examine organizational decisions in a time of tight money and concludes with a review of different perspectives on the connection between performance and effectiveness.

FISCAL FUNDAMENTALS

Financial planning and record-keeping for nonprofits coincide with each organization's *fiscal year*, an arbitrary twelve-month period designated in the by-laws for keeping track of all transactions related to revenues and expenses, roughly equivalent to the program year. For many organizations, the fiscal year is the same as the calendar year (January to December), but organizations sometimes choose the same fiscal year as that of a major funding source to simplify their reporting process. The fiscal year for the federal government is October 1 to September 30; many state and local governments follow a July 1 to June 30 fiscal year.

A key part of nonprofit financial management is constructing the annual budget and then striving to live within its parameters. A *budget* is a statement of financial position based on estimates of expenditures during a specified period and proposals for financing them. Other definitions describe budgets as a plan for the coordination of resources and expenditures or the amount of money that is available for, required for, or assigned to a particular purpose. Thus, a budget is variously a plan of action, a mechanism for allocating resources, a device to control the actions of others, a monitoring tool, and a prediction of the future based on current actions.

The size of the nonprofit should not affect the degree of care given to the budget's preparation. The successful implementation of even a modest budget provides empirical evidence to future funders of the nonprofit's capacity to work effectively. The quality of the budget presented to staff, board members, funders, and other stakeholders contributes to a sense of transparency within the nonprofit (Bell & Ellis, 2016). However, budgeting should never be done in isolation. It should be a part of the overall planning for the organization, so that the end result reflects resources currently on hand and a strategic determination of the organization's future. Long-range planning is the board's responsibility, aided by the top management team. Therefore, board members must be directly involved in both the development and the monitoring of the budget and often through a standing financial committee.

Types of Budgets

The main purposes of budgeting are strategic allocation of resources, control, and to help ensure expenses do not exceed revenues. For management, budgeting helps ensure that monies are expended efficiently to provide as many clients as possible with the services they require. These purposes are realized through three major budgeting systems: *line-item, functional*, and *program* (Kettner, Moroney, & Martin, 2017). We will describe each briefly in turn.

Line-Item Budgeting

Line-item budgeting is concerned with inputs (resources) and activities (expenditures) during a single fiscal year, with control as its principal purpose. It is also the format used most often for program and project proposals. It takes its name from the manner in which it is constructed: the listing of all the budget categories and subcategories, which are meant to be comprehensive and mutually exclusive, and the associated amounts, in columns, divided between revenues and expenses. Each category is preset, sometimes according to a commonly accepted definition (such as employee-related expenses), or sometimes according to the special conditions of an organization (such as job classifications by title), or sometimes by a funding source (such as the distinction between equipment and supplies). By performing line-item monitoring, nonprofits are more likely to find areas of weakness in financial performance and can compare actual income with budgetary spending expectations (Bowman, 2016). A miscellaneous category is often included to ensure that every revenue source and expense has a place in the budget. The goal is that the budget will be balanced between anticipated revenues and proposed expenses.

Once a basic line-item budget has been constructed, the same principles can be applied to each distinct programmatic or administrative unit of the organization. The term *cost or expense center* is widely used for an individual unit to emphasize the importance of each function operating within its own budget allocations (Martin, 2001). However, to get a truer picture of total expenditures, one additional step is necessary: A distinction must be made between *direct* and *indirect* costs. Direct costs refer to expenses incurred by a single unit (for example, salaries and wages for staff of program X, travel costs for those staff as they carry out their duties, and so forth). Indirect costs pertain to expenses that benefit more than one unit, such as administrative, information technology, and fundraising expenses. In the nonprofit sector, nonprogram costs (administration, general costs, fundraising) are sometimes called *overhead costs*, so indirect and overhead costs share some conceptual similarities. Each unit's direct costs are usually straightforward. An organization's overall indirect costs are also usually easy to identify, but determining the distribution of the indirect costs to individual units is a bit trickier. Accountants refer to four methods of *cost allocation*: by total direct costs, direct labor costs, direct labor hours, and direct costing (Kettner, Moroney, & Martin, 2017).

To illustrate the allocation process, we will briefly discuss direct costing, even though it is the most difficult of the methods to implement. It is considered the most accurate approach. Perhaps more important, direct costing is the one mandated by many funding sources. Table 11.1 represents the expense side of a line-item budget for a statewide nonprofit, divided into cost centers. With direct costing, a different but appropriate basis is used in making allocations for each budget category. For example, while the work of the executive director is seen as benefiting the entire organization, the director can track time to allocate the percentage of salary distributed to the various units, or "functional expense categories." The result is 40 percent to management and general, 20 percent to fundraising, and 10 percent to each of four program areas. Conversely, the membership director spends virtually all of her time running the products and member services program, with the remainder given to general management tasks. Rent and information technology can be allocated by distributing the total amount according to the square footage each unit occupies, postage by the number of pieces of mail processed for each unit, printing by the number of pages or jobs handled for each unit, telephone by the number of phones used by each unit, and so forth (Kettner et al., 2017; Martin, 2001).

Functional Budgeting

Functional budgeting focuses on the program level: on inputs (resources) and outputs (units of service) and their related costs. Functional budgeting stresses management purposes, such as productivity and efficiency of programs. A line-item budget is required, with allocation of indirect costs to each unit. The key concern is the cost for delivering the amount of service provided by each program as measured by predetermined objectives for the fiscal year. The first step in making the budget *functional* is to identify the output measures for each program. Referring to the organization depicted in Table 11.1, we will concentrate on the second largest program, Technical Assistance. Let us assume that the unit of service is one hour of technical assistance, whether delivered at a single recipient's offices or in a group setting. Next, we must consider how much service was expected to be provided in the current twelve-month

TABLE 11.1. PARTIAL LINE-ITEM BUDGET WITH COST CENTERS

Account	1	2	3	4	5	6	Total
Executive director	7,151	7,151	7,151	7,151	28,603	14,302	71,509
Assistant director	4,040	0	0	22,122	12,078	2,020	40,260
Communication director	4,000	20,000	14,000	0	0	2,000	40,000
Membership director	37,000	0	0	0	813	0	37,813
Secretary	3,672	4,896	5,000	4,180	4,407	2,672	24,827
Travel	0	500	300	2,080	700	312	3,892
Rent	4,278	3,422	3,141	6,702	3,563	1,567	22,673
Maintenance	315	302	84	494	286	189	1,670
Telephone	1,315	972	910	1,904	1,610	729	7,440
Equipment[a]	997	898	366	2,064	1,364	599	6,288
Supplies	250	300	250	500	450	250	2,000
Postage	100	100	200	200	200	300	1,100
Printing	75	200	90	300	200	100	965
Total	63,193	38,741	31,492	47,697	54,274	25,040	260,437

[a]Equipment includes rentals, purchases, and maintenance on the items.

Notes: 1 = products and member services; 2 = advocacy; 3 = public education and information; 4 = technical assistance; 5 = management and general; 6 = fundraising. This is an approximation of the annual budget for a state-wide nonprofit organization that uses the direct costing method of allocating indirect costs, for the cost centers as previously defined. The organization is real; the figures were calculated by the authors. One way that sometimes is used to judge how a nonprofit manages its resources is the 80/20 test; that is, when expenses for all programs are tallied, they should be approximately 80 percent of the total budget, leaving about 20 percent for management and general and fund-raising. This organization's ratio is 70/35 which would still be considered acceptable, especially in light of its programmatic cost centers.

period. Typically, each individual consultation requires anywhere from two to four hours, so we will use three hours as the standard, with thirty nonprofits slated for assistance during the year, for a total of ninety units. Each of the workshops is also three hours long and averages twenty-five attendees. For the current year, four workshops have been scheduled, which calculates to three hundred total units. Overall, then, the program objective is to deliver 390 total units. When divided into the program's total expenses of $47,697, this means the unit cost is $122 per hour of direct client time.

In analyzing this result, the question is whether sufficient services are being provided and in an efficient manner. Technical assistance is very labor intensive and in most cases must be tailored to the needs of the specific recipient. For comparison, the program manager and other decision makers might consider the average fee charged by a private consultant for the same services. They may conclude that the Technical Assistance program is efficient and a bargain to clients or in need of streamlining to rein in costs.

Program Budgeting

Planning is the main purpose of program budgeting, which is concerned with inputs (resources) and outcomes (the expected changes in the target population[s] as expressed through the program goal and objectives). The focus is on evaluating the effectiveness of programs, relative to costs. The process is virtually the same as for performance budgeting: Start with a line-item budget, determine the measure for the desired outcome and calculate the cost per outcome. Budgets frequently include programs with powerful outcomes that are not fully self-sufficient: The costs for such success outpace the resources immediately available for it. When this occurs, the executive director and her team must ensure that "each activity is financed as well as it can be" with the goal of growing the program to self-sustaining status (Bell & Ellis, 2016, p. 483).

In the Technical Assistance program (see Table 11.1), the most important result for a client agency is to use the tools it has been given to overcome an obstacle that was interfering with its service delivery. For the organizations receiving on-site help, the policy is that the technician or consultant does not leave until the problem has been resolved, so the progress of all thirty organizations scheduled for assistance during the fiscal year would be considered outcomes. For the one hundred workshop attendees, outcomes may be harder to evaluate. Even though they are all given knowledge to address their problems, perhaps no more than half will actually apply what they have learned. Thus, for eighty total outcomes (thirty organizations, fifty workshop attendees), the cost per outcome is $596.

In each situation, an organization has to assess the results to see if its own standards for effectiveness have been met. For both functional and program budgeting, nonprofits can benefit from benchmarking both outputs and outcomes against those of similar nonprofits. The advantage of such comparisons is in demonstrating the quantity and quality of the work to funding sources and other key stakeholders. Also armed with cost-based output and outcome information, administrators should be in a stronger position to control costs. If engaged in performance contracting, organizations will be less apt to underprice their services. The major disadvantages are that the organization must have the financial know-how to set up and maintain sophisticated accounting and program evaluation systems, and defining accurate measures of both outputs and outcomes are a constant challenge for nonprofits of all types (Martin, 2001).

Budget Development and Approval

Generally, nonprofits prepare two separate but related organizational budgets each year. Bowman (2016) notes that "when the word budget is used without a modifier it refers to an operating budget" (p. 569). The *operating* budget shows the expected revenues and expenses for various cost centers and provides guidance for day-to-day activity. The budgets described in sections above refer to operating budgets. In contrast, the *capital* budget covers the purchase (and savings for future purchase) of equipment and other large-ticket items with a longer shelf life that will support the organization's programs and services. Thus, buying a new van to transport older adults to their medical appointments and to the senior center for recreation might be a line item in the capital budget; hiring a part-time driver for the Older Adults program would be a corresponding item in the operating budget.

Ideally, both line staff and board members will participate in budget development, but the top management team typically plays a lead role. Even if a nonprofit executive does not have an accounting background, he or she must be conversant enough with numbers to guide the budget process from creation through monitoring and final assessment. This includes hiring competent professionals, either as staff or consultants. Larger nonprofits may have a full business department headed by a CFO; in smaller settings, the responsibility for crunching numbers and maintaining accounts may fall to a single individual, possibly with the title of bookkeeper or treasurer, perhaps aided by an outside certified public accountant who might advise on complicated situations. Regardless of size, every organization can benefit from having an annual audit, which is an examination of its financial records and practices. Audits are typically performed by an independent accounting firm and help to ensure an organization's fiscal health and protect it against both fraud and unintentional errors.

The Budget Cycle

Wolf (2012) has identified the steps necessary to successfully complete what has been called a budget cycle:

1. Make a wish list of what the organization hopes to accomplish in the coming year to force people to think systematically about its activities, its mission, and its programs.

2. Factor in actual expenses of the past year's programs, projected expenses for the current year, and a realistic estimate of the likely expenditures for new services.
3. Allocate the revenue expected from each activity on the wish list, being conservative in estimating both restricted and unrestricted funds (monies earmarked for certain purposes versus those used at the organization's discretion).
4. Compare the results of steps 2 and 3, revealing where expenses exceed revenues, therefore raising discussion about which activities will need to be streamlined or discarded to balance the budget.
5. Set priorities, not based strictly on dollars and cents but also taking into account the organization's mission and the activities best able to help realize that purpose.
6. Adjust the budget to put it into balance, with enough leeway to accommodate unexpected expenses or revenue shortfalls that may arise, to the extent possible.
7. Allocate time for the board to exercise its fiduciary responsibility by thoroughly reviewing the proposed budget and being clear about the figures before giving approval.
8. Monitor the budget throughout the fiscal year, making adjustments only when necessary, in light of new information or circumstances.

You may wonder about the advisability of creating a wish list, knowing that everything on it will not end up in the budget. Wolf maintains that wish-listing is an essential step in ensuring that the organization will periodically seek innovative ways to meet client needs. That said, organizations cannot survive if they are not serious about balancing their budgets, so they ultimately should not undertake more than the organization can support. In addition, differing stakeholder interests may come into play during budget discussion and decision-making. Budgeting is not entirely the rational process it may first seem to be.

Practical Considerations

Whenever possible, those responsible for delivering programs and services should be active participants in steps 1 through 6 of the budget cycle just described, particularly if these same individuals will also be held accountable for their expenditures. Depending on organizational size, each staff member might be invited to draw up a draft unit budget and wish list for the coming year and submit it directly to the executive director. At this point, a composite draft version would be constructed with expected costs and revenue projections. The draft might then be circulated to relevant staff, who would be asked to offer suggestions of what activities to keep and what to discard, with a rationale for their recommendations. With this information in hand, a final draft can be prepared and circulated once more to make sure nothing has been overlooked.

Approval of both the operating and capital budgets is a board responsibility. Boards interested in transparency in the budgeting process should gather input either from the whole board or just the finance committee. Such discussion helps increase the trustees' comfort level so that they can make informed judgments about the contents of the budgets and then be effective monitors of the anticipated revenues and expenditures throughout the fiscal year. Once a final draft has been developed, the executive director, accompanied by the CFO or bookkeeper, is ready to meet with the board to go over the numbers and answer any questions about the budgeting process. Modifications of the budget are likely in this discussion. Next the finance committee reviews and approves the financial statements. For this meeting, an explanatory narrative is prepared to accompany the budget drafts. The last step is presenting the proposed final budgets, with the narrative, to the whole board, clarifying items as necessary. With careful process and regular communication with all stakeholders, the savvy executive should not have difficulty obtaining the required formal approval of the documents.

Budget Monitoring

As we described in an earlier chapter, the nonprofit's board of directors has three primary fiscal duties: (a) a *duty of care* that requires reasonable familiarity with "relevant laws and regulations," acting in good faith, and proceeding prudently with the nonprofit's finances; (b) a *duty of loyalty* that restricts conflicts of interests; and (c) a *duty of obedience* to the nonprofit's mission. This requires commitment to advancing the board's mission regardless of changing circumstances (Bowman, 2016, p. 589).

The board's responsibility for oversight of the budgets continues throughout the year. One way to exercise this responsibility is by formulating policies and practices to govern financial transactions. For example, checks for expenditures over a certain amount may require the signature of certain trustees in addition to that of the executive director. The nonprofit board of directors makes decisions about whether to pursue an audit, which auditing firm to use, and how to invest any reserve funds (Bowman, 2016).

Financial Reports

For each finance committee and board meeting, staff should prepare specific documents for review and approval. The two most important documents for ongoing monitoring purposes are (a) a comparison of revenues and expenses to date against the budgeted amounts and the previous year's actual figures, with an explanation of major variances; and (b) a report on the organization's cash flow position, which projects month-by-month inputs and expenditures in all budget categories.

Table 11.2 illustrates what a budget variance report might look like for a hypothetical nonprofit providing mental health and substance abuse counseling. This table represents the organization's financial position at the end of the second month of the

TABLE 11.2. BUDGET VARIANCE REPORT FOR FEBRUARY 2 ____

	Current Month				Year to Date				
Line Item	Prior Year Actual	Current Year Budget	Current Year Actual	Variance	Prior Year Actual	Current Year Budget	Current Year Actual	Variance	Total Current Year Budget
Public support									
Contract	28,375	29,900	0	(29,900)	56,750	59,800	24,900	(29,900)	358,799
Grant	18,266	18,266	54,798	36,532	36,532	36,532	54,798	18,226	219,195
Subtotal	**46,641**	**48,166**	**54,798**	**6,632**	**93,282**	**96,332**	**84,698**	**(11,634)**	**577,994**
Other revenue									
Membership dues	13,500	15,000	16,000	1,000	27,000	30,000	31,500	1,500	180,200
Fees for service	10,000	11,000	13,000	2,000	21,000	22,000	26,500	4,500	120,560
Individual donations	6,700	7,500	7,000	(500)	12,100	13,000	11,500	(1,500)	98,639
Foundation grant	0	4,200	4,200	0	0	8,400	8,400	0	50,000
Corporate support	3,600	4,000	4,700	700	7,600	8,000	9,000	1,000	47,678
Interest income	1,555	1,700	1,600	(100)	3,200	3,400	3,200	(200)	20,925
Subtotal	**35,355**	**43,400**	**46,500**	**3,100**	**70,900**	**84,800**	**90,100**	**5,300**	**518,002**
Total support and revenue	**81,996**	**91,566**	**101,298**	**9,732**	**164,182**	**1 81,13 2**	**174,798**	**(6,334)**	**1,095,996**
Expenses									
Salaries	67,680	72,000	70,500	1,500	95,880	102,000	99,000	3,000	641,243
ERE[a]	17,001	18,260	17,945	315	20,608	21,893	21,263	630	132,361
Travel	920	1,000	1,003	(3)	9,049	9,500	9,050	450	53,543
Printing	5,344	5,500	5,308	192	9,944	10,600	10,405	195	62,400

Postage	3,906	4,100	4,156	(56)	9,568	10,000	10,093	(93)	61,600
Supplies	427	450	421	29	839	875	871	4	5,166
Telephone	471	500	491	9	4,098	4,250	4,600	(350)	28,200
Rent	4,700	5,000	5,000	0	14,269	15,180	15,180	0	91,080
Utilities	607	675	684	(9)	1,206	1,300	1,227	73	7,590
Lease contracts	550	570	570	0	1,101	1,140	1,140	0	6,845
Misc. expenses	483	500	485	15	902	975	1,002	(27)	5,968
Total expenses	**102,089**	**1 08,555**	**106,563**	**1,992**	**167,464**	**177,713**	**173,831**	**3,882**	**1,095,996**

[a]Employee-related expenses (ERE) include Social Security payments, payroll and other required taxes, retirement contributions, health insurance costs, and any additional benefits the organization chooses to provide. Many agencies use percentage or the total salaries cost to arrive at the total for ERE.

Notes: On the support and revenue side of the budget, when the actual amount is lower than the budgeted amount, the variance is in parenthesis; on the expense side, when the actual amount is higher than the budgeted amount, the variance is in parenthesis. Although it appears the organization was relatively conservative in its projections for the current year compared to the previous year's actual figures, it is worrisome that the government contract is expected to provide about 33 percent of the total budget. However, since expenses have been kept in check, mainly due to not filling a part-time, entry-level position, and assuming the cash-flow problem with the government contract is resolved, the overall budget remains on target.

fiscal year. Many board members, especially those coming from the for-profit sector where projections of monthly sales figures tend to be more consistent, sometimes find the variability of nonprofit finances somewhat disconcerting. Such board members may need to be exposed to conditions unique to nonprofits, such as the fact that government agencies are often late with their reimbursements or contract payments. As shown in this example, contract monies are running a month behind schedule. On the positive side, the organization appears to be taking seriously the importance of diversifying revenue sources and has secured a new foundation grant.

A cash-flow report reveals patterns of inflows and outlays for the year. For the same nonprofit, the report might show a double payment by the contracting agency at the end of each quarter, which would reconcile the current year actual amount with the current year budget to date. This pattern might also serve as justification for opening a revolving line of credit at the bank holding the organization's accounts, a common strategy for nonprofits that rely heavily on government funding sources to ensure the nonprofit's ability to meet payroll obligations. Although revisions of the budget (once approved) should not be done without compelling reasons, monitoring the variance and cash flow reports over time may indicate unanticipated changes in circumstances that warrant such modifications.

Other Financial Statements

Periodically, the board should also be provided with a statement of financial position (also known as a balance sheet), a presentation of the organization's finances for the current year and the previous year at a fixed point in time, which could be the end of a month, a quarter, or the fiscal year. This statement shows all assets balanced against all liabilities. Assets are categorized as cash and cash equivalents (e.g., certificates of deposit), investments, monies pledged to the organization but not yet collected (accounts receivable), product inventories, prepaid expenses (for rent, perhaps), property and equipment, and an aggregation of miscellaneous items, such as a deposit on leased space. Liabilities include monies owed to vendors (accounts payable), monies received for services to be rendered (deferred revenues), mortgage(s), notes payable on other long-term debts, and any other monies owed, lumped together, such as for property taxes or health insurance premiums. To determine the accumulated worth of the organization, you subtract the liabilities from the overall assets to get the *net assets*, which may be unrestricted, temporarily restricted as to purpose or time, or permanently restricted according to the donor's specifications (Thomas, 2006).

In addition, the organization must prepare an income statement or, more formally, a *statement of activities* or *statement of revenue and expenditures*, a representation of inputs and expenses for the entire year, compared with the previous year. The various types of financial support are listed by source—contributions, government grants, fees-for-service, and so on—and, like net assets on the balance sheet, by level of donor restriction. Expenses are presented as line items by purpose (salaries, rent, travel, etc.). The statement of activities indicates whether total revenues have exceeded expenses or not. If they do, the "profit" is typically referred to as *surplus*, since it will be retained for future short-term or long-term operations. If expenses outpace revenues, the statement of activities will report a *deficit*. At the end of the year, a surplus adds to the net assets reported for the organization, while the deficit subtracts from net assets. When an income statement is produced for a shorter period, it often takes the form of the budget variance report discussed earlier, for the explicit purpose of summarizing and comparing financial activity for a month or a quarter in relation to the budget.

Communicating with External Stakeholders

Some financial reports are mandated, such as the annual Form 990 all charitable nonprofits must file with the IRS on their activities for the fiscal year. Indication of an independent audit is required by many funding sources. Other reports are created and distributed to various internal and external stakeholders at the organization's discretion. When deciding what to share and with whom, keep in mind that certain documents provide a snapshot of financial conditions at a specific point in time while others give more of a historical perspective on how resources are being managed. Since single reports may produce an incomplete picture of financial and programmatic operations, an organization needs to be careful about what message it wishes to send (Wolf, 2012).

THE "NEW" CUTBACK MANAGEMENT

For a good part of the twentieth century, the federal government established policy that it should play a major role in helping to solve social and economic problems. Consequently, funding for programs was relatively easy to obtain. However, public sentiment toward government began to change in the 1970s due to the Vietnam War, the Watergate scandal, and the recession brought on by the oil embargo. By the time Ronald Reagan took office in 1980, government was viewed as the problem rather than the solution (Lebold & Edwards, 2006; Katz, 2013). America's modern experimentation with ideals of the welfare state hit a wall.

A groundswell of conservative ideals meshed with President Reagan's personal belief that anyone who worked hard could succeed and that private philanthropy and help from family and friends were sufficient to assist those in need. The new government policy, based on supply-side economics, was to give large tax cuts to the private sector to stimulate economic growth; at the same time, the federal government severely reduced spending for social programs other than Social Security and Medicare. State and local governments now had to pick up the financial burden to deal with homelessness, AIDS, substance use, and so on, causing a severe strain on budgets that continues today in many jurisdictions. Although the nonprofit sector grew extensively during the mid-1990s and into the new century, this expansion began to level off as the economic climate soured. Simultaneously, attention and funding priorities shifted to address the wars in the Middle East, the growing international AIDS problem, and the aftermath of natural disasters. To the extent that government funding returned to support community needs, it has done so through contracts to private organizations (mostly nonprofits) rather than through direct service.

Organizational Vulnerability

Organizational financial vulnerability is defined as "an organization's susceptibility to financial problems" (Tevel, Katz, & Brock, 2015, p. 2501). As we look at the current state of affairs for nonprofits, a line from a song comes to mind: "Everything old is new again." During and even before the Reagan years, the term *cutback management* found its way into common nonprofit parlance, and much was written about developing effective strategies to cope successfully in a challenging environment. Periodic recessions and changes in political winds have caused us to regularly enter

> into an era of increased uncertainty when funding patterns are in decline or fragmented and demand for services and accountability is on the rise. . . . Those [nonprofits] that are surviving—or thriving—are organizations with leaders who have acquired the necessary skills to effectively navigate these turbulent fiscal times. (Lebold & Edwards, 2006, p. 433)

These sentiments become relevant over and over again.

When faced with the prospect of having to do more with less, organizational leaders must be prepared to make difficult choices about what to cut while continuing to offer high-quality services, maintaining positive staff morale, attracting and keeping highly productive people, and retaining the trust and support of key stakeholders. In fact, innovation is even more essential when resources are declining, and resistance to change can be easier to overcome in this kind of environment (Behn, 1996). An English proverb that has survived for hundreds of years holds that "necessity is the mother of invention." Hall (2006), reflecting on the turmoil of the 1980s, writes that "Reagan's budget cuts appear to have both stimulated the continuing proliferation of nonprofits . . . and enhanced the sophistication with which they are managed" (p. 55).

In purely financial terms, a nonprofit organization may be considered vulnerable if it is likely to cut services immediately following a setback affecting its resources, such as an economic downturn or the loss of a major donor. One possible indicator of financial vulnerability is a lack of diversity in funding sources; organizations with a number of income streams may be in a better position to withstand a crisis. The evidence is mixed, but Tevel et al. (2015) found that nonprofits with a highly diversified revenue portfolio are less financially vulnerable. Other possible indicators of vulnerability include inadequate assets in relation to liabilities, low administrative spending, and inadequate revenues in relation to expenditures, all of which reduce the options for finding solutions beyond cutting programs (Hager, 2001). Tevel et al. argue that the strongest positive predictor of nonprofit financial stability is the organization's total revenue, while the strongest predictor of vulnerability is cash income from the government (p. 2508).

Programmatically, organizational decline may occur as the result of mismanagement. One example is imprudent expansion of activities, with a concomitant and unwarranted increase in staffing, as a national nonprofit discovered when it accepted government grants for several new programs without having a plan for continuation funding. Once the original monies were depleted, all the new efforts had to be discontinued, compromising the organization's relationship with its financial supporters and the clients who were no longer being served. A decline may also be the result of a failure to maintain a competitive edge in a particular service niche. Decline can also follow scandal, which can diminish credibility and contributions. Furthermore, organizations can stagnate as they mature unless steps are taken to sustain creativity (Lebold & Edwards, 2006; Hager, 2018).

Coping in a Turbulent Environment

A common strategy for controlling expenditures is to reduce, phase out, or even immediately eliminate one or more programs. However, this presupposes we can accurately determine what each program contributes to fulfilling the organizational mission, both in terms of effectiveness and efficiency. Otherwise, emotion, instinct, or political pressure may make the decision for us. In chapter 7, we discussed the *selection* perspective, which holds that environmental changes can sometimes overwhelm any possible decisions that managers might be able to make. To the extent that organizations are able to *adapt*, the key may lie in understanding the relationship between costs and outcomes to maximize the output from every input, to the extent possible in a real-world situation (Moore, 1995). As shown in Figure 11.1, programs high in outcomes but low in costs are the "bright stars" for the organization, its bread and butter. "Rising

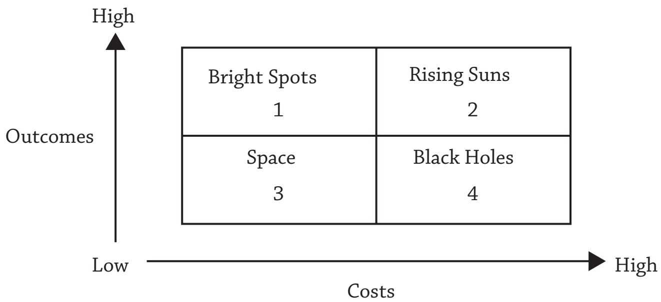

FIGURE 11.1. Outcomes-to-costs efficiency matrix.
Source: Reprinted with permission from S. T. Moore, Efficiency in social work practice and administration, p. 603. Copyright 1995, National Association of Social Workers, Inc., *Social Work*.

suns" are programs high in both outcomes and costs; since they have already proven to be effective, they must now expand their reach or reduce input costs to turn into bright stars. In the third category are the "space" programs, ones with low costs but also low outcomes. Even though managers may be tempted to keep such programs because they seem harmless and have some benefit, they represent mediocrity and therefore should be targeted for elimination. Finally, some programs are "black holes," high in costs but low in outcomes; these are simply a drain on organizational resources and must go. In practice, though, the perceptions of major stakeholders such as funders may trump this kind of logical approach in setting organizational direction, forcing the continuation of certain otherwise dispensable services.

Another perspective is provided by a three-dimensional portfolio model developed by Krug and Weinberg (2004), which measures the contribution of each program in relation to the organizational mission, the revenue and costs of the program, and its "performance value," which they summarize as mission, money, and merit. Krug and Weinberg created their model to highlight the importance of clarifying managerial assumptions about programs, revising unclear mission statements, strengthening inadequate financial systems, and being more rigorous in evaluating programs to improve overall strategic decision-making. In many regards, this model is similar to the balanced scorecard, a diagnostic tool designed for use in the corporate sector but now often applied to nonprofits as well (Kaplan, 2001).

In adopting a downsizing strategy, organizational leaders must guard against the negative effects of an across-the-board approach, which can result in disproportionately punishing programs that are actually efficient and effective rather than those that need to make major changes. Similarly, when a program is cut, the result can be less efficiency because the ratio of fixed costs to outcomes is changed, as the same overhead is now distributed across fewer expense centers. Therefore, eliminating administrative staff or consolidating facilities may make more sense, assuming the organization has such options. Hiring freezes and refusing to accept new clients may also end up being counterproductive; the net effect is a lower level of service delivery (Moore, 1995; Thomas, 2002).

Programmatic cutbacks are not the only answer available in most cases. The following coping strategies are proactive and may have the additional benefit of increasing staff morale: seeking additional revenue from new sources, turning to an influential stakeholder who might be able to ward off a proposed funding cut, deferring planned activities such as building renovations to a later date, making quality improvements in standard procedures, using part-timers and volunteers more productively to lower labor costs, increasing efficiency through use of new technology, providing incentives for resource conservation and performance improvement, collaborating with other nonprofits on projects of mutual interest, and instituting selective cost reductions (such as requiring employees to stay in less expensive hotels when attending conferences; Lebold & Edwards, 2006; Thomas, 2002). The bottom line is that before choosing a strategy, an organization must weigh both intended and unintended consequences.

PERFORMANCE AND EFFECTIVENESS

Performance and effectiveness measurements do not normally originate with nonprofit managers seeking the information to help them improve their programs. Rather, they typically can be traced to external funders who require performance and effectiveness reporting (Carnochan, Samples, Myers, & Austin, 2014). *Effectiveness*, whether at the program or organizational level, seems to be one of those concepts that, like power, we recognize when we see it as opposed to having a way to measure it that works in all situations. Nonprofit effectiveness "focuses more on the balanced input and output achieved through the combination of processes, projects, and programs implemented by the nonprofit organization to reach its predefined goals" (Willems, Boenigk, & Jegers, 2014, p. 1650). Renz and Herman (2016) suggests that organizational effectiveness, which is often confused with program effectiveness, is frequently measured by whether the nonprofit accomplishes its goals. However, this measurement system is often inadequate to help us understand the complexities of nonprofits and what is required for them to succeed. Organizational effectiveness is a social construction that becomes viable only after key stakeholders respond to the written or verbal accounts of various activities, having formed judgments based on their interpretations of the data presented, subsequently conveyed to others that what they have in hand is evidence of effectiveness (Renz & Herman, 2016). The more credible and influential the person sitting in judgment, the more weight will be accorded to that person's sentiments.

Even though the field lacks consensus on a single measure of effectiveness, the financial health of the organization is perceived by many people as a very important indicator. In one of her studies of nonprofit board governance, Golensky found that, regardless of the type of organization, when asked to identify the biggest challenges facing the sector, most of the more than five hundred trustees who responded put funding issues at the top of the list, which included resource generation, financial management, and competition with other nonprofits. Yet, focusing only on what has monetary value and on funding sources ignores other equally important social concerns, such as the organization's impact on its natural environment, and fails to consider the views of staff, consumers, volunteers, and the general public (Mook, 2013). We will now explore some of the specific attempts to come to terms with nonprofit effectiveness, both quantitatively and qualitatively.

Crittenden (2000) looked at financial performance of social service organizations, but with the larger concern of exploring how financial success relates to strategic management, funding, and growth. Two surveys conducted three years apart were supplemented with case studies. Financial performance was equated with balancing the budget and meeting targeted funding goals. Organizations were classified as *successful* if they achieved both criteria, *unsuccessful* if neither standard was met, and a *tweener* if only one goal was reached. The more successful organizations were financially savvy (e.g., they projected likely revenues and expenses before making decisions), had a diverse funding base, were strategic in targeting potential funders, recognized the importance of marketing, and sought growth principally through increasing clients rather than programs.

A second approach is based on a multidimensional and integrated model of organizational effectiveness that applies statistical analysis to both programmatic and management elements. The model is hierarchical in that it focuses on decisions made by top-level managers regarding organizational capacity, but it also considers individual staff assessments at the program level. The authors (Kroeger & Weber, 2014) conclude that service outcomes alone do not define effectiveness; structure and operating processes must also be understood as contributing to or hindering those outcomes. Moreover, they found that indicators of managerial effectiveness such as the existence of a formal mission statement, a strategic plan, and up-to-date human resources policies will be relatively stable while program indicators will vary within a given system. They conclude that both objective and perceptual measures are needed to fully capture effectiveness (Kroeger & Weber, 2014).

The relationship between the nonprofit and for-profit sectors, as collaborators and competitors, has been discussed at several points in this book, highlighting their similarities and differences. With regard to performance measurement in nonprofits, the balanced scorecard (Kaplan, 2001) is the crossover tool that appears to be the best fit, at both the programmatic and organizational levels, because it acknowledges the existence of multiple stakeholders whose views matter and uses a variety of indicators, considered generally from four perspectives: financial, customer, internal, and learning and growth (Coe & Letza, 2014). The challenge is for the organization to identify quantifiable measures of its operations. The starting point, as always, is the mission. For example, in the customer arena, a nonprofit providing education services could specify desired goals for the number of training courses offered and the progress made by clients who complete the training in finding paid employment and then monitor the results during the year. From the financial perspective, the main concern would be adding value for consumers and donors, while controlling costs. Internally, the focus is on the operating processes most necessary to meeting client needs. For learning and growth, attention falls to where changes could be made to improve service quality (Brueggemann, 2014). Again, in each case, concrete ways to measure progress toward goals would have to be found, perhaps using benchmarking. A related approach is the development of an organizational report card, which employs techniques similar to those for the balanced scorecard, with two key differences: The efforts in the focal organization are compared with achievements in at least two other organizations, and the assessments are managed by and designed for external parties (Gormley & Weimer, 1999).

In conducting performance evaluations in nonprofits, a perceived problem has been the difficulty in quantifying outcomes consisting of modifications in behavior and attitudes, increases in knowledge, and so forth. In truth, virtually all outcomes can be described using qualitative data and basic statistics, the mainstays of social accounting, which refers to a systematic analysis of items that do not have an established dollar value (Mook, 2013). For instance, for the clients of a human service organization helping those with substance use issues, an increase in self-esteem represents a major step forward on the road to sobriety. As part of an organizational review, you would assess the different modalities used with the clients, with groups led by peer counselors being one. In this case, clients can be asked to complete a self-administered questionnaire to probe their sense of self-worth when they enter and then again upon leaving the group. The results can be compared pretreatment and posttreatment. Ideally, you would want to use an externally validated instrument, but if one is not available to fit the situation, the organization can develop its own. As long as the instrument is consistently administered and interpreted, valuable information can be obtained for planning and evaluation purposes. As a secondary source, a key informant, such as a close family member, could complete a related questionnaire on the client or be interviewed (Mordock, 2002).

To sum up, even though we may not be able to define organizational effectiveness in precise terms, practice has converged on three major approaches to conceptualizing and measuring this phenomenon: the attainment of specified goals, the procurement and management of resources, and the opinions of key stakeholders. Elements of each are often used in combination as multiple frames of reference.

FINAL THOUGHTS

Kettner (2014) has identified the main themes emerging from studies of excellence, which in many ways is simply a synonym for effectiveness.

1. Establishing a purpose and mission for the organization and ensuring that all systems are consistent with the mission;
2. Creating an organizational structure that is consistent with organizational purpose and maximizes flexibility;
3. Designing jobs in a way that will permit staff to use their expertise and creativity;
4. Demonstrating commitment to high performance by rewarding productive staff;
5. Collecting data and information about services that will permit evaluation and continuous program improvement;
6. Budgeting and financing the organization in a way that is consistent with the mission;
7. Recruiting and retaining the best qualified and most productive staff; and
8. Monitoring, evaluating, and providing feedback about staff performance in a way that leads to continuous improvement and high levels of productivity.

In the end, what those of us working in, studying, and observing the nonprofit sector—all interested parties in one capacity or another—want is to see these organizations move closer and closer to achieving excellence. Incorporating the practices embodied in these eight themes, or at least striving to achieve that goal, may be the true test of accountability.

QUESTIONS TO CONSIDER

11.1. Why should a nonprofit CEO know the basics of financial management?
11.2. What is the budget's role in organizational planning?
11.3. Which is more critical for a nonprofit: living within its budget or continuously seeking new and better ways to meet client needs? On what do you base your response?
11.4. Why is measure of organizational effectiveness more difficult in a nonprofit than a for-profit?

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12

Technology and Communication

BY THE TIME this book is published, important elements of this chapter will already be dated. The past quarter-century has seen a revolution of communication in work–life spawned by the development of the Internet. The revolution began with fax machines, then email, and then the World Wide Web. Social media adoption was not widespread before 2010, and since then smart phone and tablet use have again rearranged how people (including people working in nonprofit organizations) communicate. By 2030, something new may well spawn different big changes.

In the mid-1980s the registrar for the camping program run by a small nonprofit organization kept the campers' records on 3×5 cards filed alphabetically in a shoebox. Now their records are completely digitized and accessible anywhere by smart phone. How far we have come in a relatively short time! Today, even the smallest of nonprofits is likely to have at least a basic level of technological capacity, due in part to the personal technology that workers bring to the job. Virtually no nonprofit organization can be competitive without modern technology use. Information and communication technologies (ICT) have transformed the way nonprofits communicate their mission to the world. Social media sites (SMS) such as Twitter, Facebook, and Instagram currently have widespread use in the nonprofit sector, with new sites regularly gaining traction (Lovejoy & Saxton, 2012). Because of the rapid change in proliferation and adoption of specific technology platforms, this chapter does not delve into their details. Rather, we focus more on broader issues of communication in and by nonprofit organizations.

In 2007, Manzo and Pitkin found that small organizations were less likely to meet the standards of the day: networked computers, a broadband Internet connection, or a formal technology plan with goals and dedicated resources. This disparity between the haves and the have-nots, sometimes referred to as the *digital divide*, is not solved simply by the passage of time. It persists for small organizations and creates more problems for organizations serving communities of color. However, research indicates that many nonprofits, large and small, do not take full advantage of the tools at their disposal. Technology use, and learning which tools are best for your organization, takes real time and attention. In 2015, Dunham & Co. conducted a study of 161 nonprofits and found that when potential donors attempted to make direct contact with the nonprofit via SMS, only 45 percent of nonprofits responded to questions posted on Facebook, and 51 percent responded to Twitter questions (Koenig, 2015). Even when delivering a response, 76 percent of nonprofits took three or more days to post an answer on Twitter, while 92 percent of nonprofits took five or more days to respond to Facebook questions, if at all (Koenig, 2015).

Manzo and Pitkin (2007) identified six barriers to ICT development among nonprofits: (a) insufficient funding for upgrades and maintenance, often exacerbated by donor restrictions on contributions to program needs; (b) inadequate time spent mapping out the best ways to integrate technology strategically within the organization; (c) external pressures, especially by funders, to upgrade technology in a specified manner that may not fit the organization's priorities; (d) a lack of staff whose main responsibility is managing ICT, possibly reflecting limited support for technology by organizational leaders; (e) little or no training for staff in the use of the various technologies, despite the generally accepted rule that 70 percent of the monies set aside for this purpose should go to training and maintenance; and (f) an inability to identify or gain access to expert assistance and reliable information, which may be aggravated by gender or cultural differences between staff and consultants. However, the *good* news here is that Manzo and Pitkin are primarily observing an old regime, including staff, volunteers, board members, and funders who did not grow up with the technologies that most younger people take for granted. As these digital natives begin to dominate the sector, some of these barriers to ICT development and use will adjust to the times.

In nonprofits, the mission should be the driving force behind the decisions on hardware and software, to the extent possible. From this perspective, most of the common applications for program implementation, evaluation, fundraising, advocacy, marketing, volunteer management, and other essential functions are a form of communication with one or more of the organization's stakeholders. To avoid mission drift, ICT should be used as a tool that assists in disseminating the nonprofit's mission and protects the nonprofit from goal displacement.

THE BASICS OF EFFECTIVE COMMUNICATION

Because internal and external relationships may begin, be modified, or end through communication, ICT offers one more skill that an organizational leader should master, especially given its increasing centrality in today's world. Communication, however, is certainly more than just electronic communication. Communication is both a science and an art. Leaders can learn various techniques and how to apply them to different scenarios. However, even though we may be able to anticipate the dynamics of a particular situation, such as a staff meeting or a negotiation with a major funder, each interaction is unique. Despite the thoroughness of our preparation, people seldom follow the script mentally laid out for them, and some circumstances will inevitably evolve beyond our control. This is where the art of communication enters into the equation: developing the capacity to adapt to "what is" rather than "what was" expected while still moving toward the desired outcome.

Whether communication is used to convey a simple message, for problem-solving, or to effect change, the process always has content. That is, A is usually communicating with B about something, the aspect we tend to notice first when tuning in to a conversation. Further, we can distinguish specific categories of content, such as fact versus feeling. Second, some exchanges occur in a quiet atmosphere and others in the presence of a considerable amount of noise, which refers to things that interfere with the transmission of ideas and emotions, like when cell phone conversations drop out or the lack of nonverbal cues online. We also must be wary of psychological noises: a supervisor may be meeting with a new employee to discuss the first days on the job, but the worker is thinking about her child's difficulties in mastering long division and therefore has difficulties concentrating on what is being said to her. Or the worker may believe she is going to be reprimanded for how she interacted with a particular client, and her fear gets in the way of focusing on what the supervisor is actually saying. Language can be a kind of code noise when the two parties do not have the same understanding of the words being said. For instance, the supervisor may describe the new staff member's counseling style as "interesting," meaning it as a compliment, but the worker takes it as a criticism.

In the presence of noise, A might use redundancy to improve the communication process, by repeating the message or tweet in the hope B will hear it better the second time or by trying to say the same thing but in different words or through a different medium. Redundancy can be an efficient technique if the message is then received as sent, but it can also be inefficient in the sense that repetition is wasteful of time and energy and may not succeed. In the previously described scenario, the supervisor, realizing the meeting is not being very productive, might get farther by saying, "I'm not sure I'm being clear in how I see your work to date. Is this a fair assumption?" In combining two techniques that often help to avoid miscommunication, using an *I* statement, to take responsibility for one's own ideas and feelings, and perception checking, by asking for a clarification of the other person's position, the supervisor gives the worker an opportunity to address her concerns without feeling attacked.

A third dimension of communication, especially inside organizations, is the network, which concerns how individuals can speak to each other. In a hierarchical setting, A (a line worker) may not be encouraged to speak directly with B (the executive director) but has to go through C(program supervisor), who in turn must pass on the message through D (department head). Conversely, in an organization using a flattened structure, interaction across levels is easier and encouraged. The organization chart, a diagram showing the formal roles and relationships in a given environment, delineates the division of work, the chain of command, areas of responsibility, and levels of management; it not only conveys the expected information flow but also tells us a lot about the speed and accuracy of members' communications with one another.

A final consideration is the direction of communication. In one-way communication, A talks and B can only listen; newsletters, static websites, and email blasts are examples. In two-way communication, A and B engage in a real dialogue. Social media has been revolutionary in promoting two-way communication between stakeholders of all types. The initial reaction may be to view two-way communication as better than one-way because it seems more natural. However, both have their pluses and minuses, and therefore the most efficient and effective approach to use is the one that best fits the specific circumstances. Research has shown one-way communication is considerably faster, so it would probably be preferred in an emergency (e.g., directing the orderly evacuation of a burning building). On the other hand, two-way communication tends to be more accurate because the receiver can ask clarifying questions as needed. An individual concerned about maintaining power and appearing in control is more likely to use one-way communication, while the person valuing interpersonal relationships may opt for two-way communication, despite knowing the task can become more complicated. Thus, one executive whose organization is facing major financial setbacks may elect to broadcast a generic email announcing the decision to downsize, but another in the same situation will prefer to discuss the plan and its rationale personally with staff even though she may be challenged on the decision, in hopes of keeping the loyalty of those remaining after the cutbacks (Brueggemann, 2014).

Although the widespread use of email for internal communications in organizations may seem to provide a compromise on direction (since recipients can reply instantly to senders), senders have no guarantee the responses will have the desired effect when they can be easily ignored or deleted. Furthermore, excessive reliance on email can increase noise, with nonessential messages clogging up channels of communication. Limiting the message to specific people can be a way to narrow the scope of the communication network. Like any good management tool, email certainly has its place, but often walking down the hall to have a face-to-face conversation can be much more effective for both instrumental and expressive tasks.

TECHNOLOGY AND INTERNAL COMMUNICATION

In the organizational setting, technology offers a way to communicate both vertically (from level to level) and horizontally (interdepartmentally). Computers are now indispensable to work life, used daily in word processing, Internet access, financial accounting, program monitoring and evaluation, and basic record keeping on clients, staff, and members. Facility with computers is expected for almost all workers. That said, ICT capacity appears to be greater for larger nonprofits and those located in metropolitan areas, regardless of type of nonprofit, although organizations in the fields of education and public and social benefit have shown more advancement in technology adoption and use in past years than those in the human services (Clerkin & Gronbjerg, 2007).

Practical Considerations

To address the barriers to ICT development noted earlier, organizations should work through a series of basic steps to plan and manage technology effectively:

- *Assessment*. First, establish the goals for technology penetration at all levels of the organization. An assessment should include an inventory of the hardware and software currently in use as well as a determination of the technology skills of the staff and volunteers, especially as they relate to the identified goals. This information can then guide the development of a training plan.
- *Strategic planning*. As part of the organization's overall strategic thinking and planning, attention must be given to how technology fits into present and future needs. This plan should be reviewed annually and updated in accordance with any changes in practices.
- *Personnel*. Factoring in at least one staff person to support technology (network, hardware, social media) is strongly advised. In larger settings, a team may be needed, although all modern workers need to be conversant enough with technology to contribute in at least basic ways to the organization's technology use and needs.
- *Staff training*. Specialized software is common, requiring training. A training plan should be comprehensive enough to address all skill levels. When this component is ignored to save money, the costs to the organization due to less efficient and less productive work are generally comparable to what would have been spent on training staff in the first place.
- *Budgeting*. Include line items for purchasing and maintaining both hardware and software, along with monies for tech staff and training. Choose equipment capable of supporting the applications and Internet access currently needed by the organization but also powerful enough to be upgraded to handle future requirements.

  Given the costs associated with technology, at each of these stages organizational leaders must make sure to weigh all the relevant factors to support their subsequent decisions (see Table 12.1).

Management Information System

An organization's management information system (MIS) is the central repository for administrative, financial, and program data that can then be analyzed and manipulated in various ways to provide a variety of outputs for different stakeholders. In many cases, separate applications or platforms support different functions (fundraising,

TABLE 12.1. THE PLANNING PROCESS FOR MANAGING TECHNOLOGY EFFECTIVELY

Step	Pertinent Questions
1. Assessment	• What tasks can be simplified by technology? • What are our current hardware and software capabilities? • What are our Internet and cloud data storage capabilities? • How do staff rate in terms of basic computer skills? On more advanced skills? • How much personal technology should be allowed in carrying out organization tasks?
2. Strategic planning	• What are our technology needs to meet current goals? • What upgrades and other changes in technology can be anticipated to meet projected goals for the next one to three years?
3. Personnel	• Do we have a qualified staff member to provide general technical support or must we hire someone for this position? • Is it a part-time or full-time responsibility? • What are the job requirements for the position of network administrator? For support technicians?
4. Staff training	• What kind of curriculum is needed to bring staff skills up to the desired level? • How should we implement the training (e.g., in-house or external courses or webinars, hire an outside trainer or train a staff member to train the rest)? • How should advanced skills training be accomplished?
5. Budgeting	• What specific line items must be included to cover technology needs, and for upgrades/additions as required? • Are sufficient resources available to meet technology needs? Are capacity-building grants available? • What brands and specifications best balance our needs and budget? • Should we purchase and adapt an existing system or customize one to fit our needs?

Source: Inspired by and Adapted from Zimmerman and Broughton (2006).

payroll, volunteer administration, client tracking). The fit between an organization's MIS and its administrative processes is important, but this fit is not always good. Sometimes cost forces compromises. Used and retrofitted systems can be suboptimal. Fitch (2007) estimated more than a decade ago that over half of nonprofits had information systems that did not properly fit organizational needs.

Characterizing information systems as primarily *managerial* can be misleading, especially in a human services organization, since three different kinds of decision-making occur on a regular basis: *operational*, at the direct service level; *tactical*, at the middle-management level; and *strategic*, at the executive level. Unlike in the business sector, where line workers tend to follow directives from above, counselors, therapists, and other frontline staff in a social agency often function autonomously when interacting with clients, and their primary interest is knowing whether they are making a difference in the lives of these individuals. Managers, on the other hand, are seeking to determine whether the programs offered are having a positive impact on clients, while the top decision makers may be concerned about the organization's place in the larger community. Given the specific needs at each organizational level, the discussion on configuring the system center around the most meaningful design based upon the decisions a person makes in the course of performing work.

Traditional Information-System Design

Too frequently, with the traditional approach to design, the emphasis is on the tasks to be accomplished through the system and the desired end products. For instance, since resource acquisition (e.g., fundraising) is a common information-system application, the organization might be asked to identify its main sources of revenue and other support, what information it needs on individual and institutional donors, and the types and timing of reports the different funders expect. Although accommodating major stakeholders is important, this approach fails to get to the core issue of decision-making, which is how the system will facilitate operational, tactical, and strategic decision-making.

In their effectiveness-based approach to program development, Kettner, Moroney, and Martin (2017) maintain that producing data is intended to support decision-making in the broadest sense. They are most interested in the tactical and strategic levels. To determine which programs work best with respect to certain types of clients and problems, they identify these primary considerations: (a) What questions do I need the system to answer? (b) What data elements must be included in the system to answer the questions? and (c) What types of routine reports do I want the system to generate? These *are* key questions, especially to those responsible for program planning and evaluation and for obtaining the material resources necessary for implementation. However, they may not go far enough in overcoming underutilization at the operational level. When direct service workers are not included in the development of the system, but are asked to provide most of the data for reports that are unhelpful to them, they may feel imposed upon and never take full advantage of the system's capabilities.

Systems Theory and Information-System Design

Fitch (2007) suggests that the traditional approach to design, by focusing on management concerns, disempowers those employees whose informational needs are not recognized as equally valid. Instead, he proposes using an emancipatory design that takes into account decision-making at all staff levels and promotes open communication throughout the organization. Too often in social agencies, the detailed notes on clients recorded by line workers must be reduced to a summary for a supervisor to enter into a database, which cannot capture observations and other nuanced comments regarding the intervention. As a result, the information on the real work being done is lost. An alternative that helps overcome these problems is system design modeling, a methodology for identifying the full range of organizational functioning by allowing "practitioners, managers, and directors in human service organizations to analyze their current information flows and processes, identify barriers to optimal performance, and design information system solutions to meet their organizational needs" (Fitch, 2007, p. 138).

System design modeling is based on general systems theory. Therefore, it has the potential to be used by nonprofits and for-profits because both are a collection of processes that use information to advance their interests. Activity-based management focuses on determining efficiency and effectiveness by studying how inputs, processes, outputs, and outcomes relate to each other, much like the logic model discussed in chapter 9. The primary goal is continuous improvement in the delivery of high-quality services in the most cost-effective manner to maintain a competitive edge. Analysis, usually done monthly, is based on the resources consumed (e.g., staff salaries) and time spent on a given activity, the units of service delivered, and outcomes as measured by performance indicators constructed to fit each program. Considering the present climate for nonprofits, activity-based management has a certain appeal since it is related to outcomes-based evaluation. However, it also requires a major commitment on the part of organizational leaders and staff to make a successful transition to such a complex internal communications system.

ICT Impact on the Nonprofit Workplace

No one disputes that technology has transformed the workplace across all sectors over the past forty years. To understand the effects of ICT on nonprofits, we should consider some core characteristics of the sector, including its use of volunteers and its focus on nonmonetary concerns such as the mission, relationships with colleagues, and work-related opportunities for personal and professional growth. Saidel and Cour (2003) made early observations of the ways technology was changing work and workplace interactions in the voluntary sector at the turn of the century, with regard to autonomy and flexibility, learning challenges, the distribution of power, and overall job satisfaction (see Table 12.2). Think of the observations in Table 12.2 as hypotheses: Do you expect they still hold in today's technology environment?

TABLE 12.2. THE IMPACT OF TECHNOLOGY ON THE MODERN NONPROFIT WORKPLACE

Impact Area	Kinds of Changes
Job transformation	
Upward migration	• Professional staff are more likely to prepare their own reports, memos, and presentations than in earlier eras.
Lateral migration	• Tasks may be handed off by middle managers at the central office to their counterparts in satellite locations.
Circular migration	• Tasks are sent back to the central office if decentralization proves less efficient.
Task expansion	• Support staff are taking on higher-order administrative and non-administrative tasks in addition to their regular clerical work.
Learning opportunities	• Gaining new technical skills is seen as a form of career development and an incentive to stay with an organization. • Some staff become in-house coaches and informal tech support for their colleagues. • New tech positions may be created, allowing for lateral job moves and new career directions for current staff. Staff gain new inter-personal skills as a result of technology demands.
Distribution of power	• Senior-level staff often feel they have delegated power to subordinates due to technology. • Support staff are more likely to feel they have gained expert power rather than delegated authority. • In general, the ability to access new kinds of information and expand communication outlets is a source of power at all levels.
Job satisfaction	
Positives	• Technology offers new challenges, more variety in tasks, greater autonomy, and continuous learning opportunities. • Acquiring new skills increases staff marketability (internally and externally) and chances for promotion. • Having a computer terminal at each work-station gives employees a greater sense of independence and control in carrying out assignments.
Negatives	• Potential for mismatch between new job technology requirements and the person holding the position (over- or under-qualification). • Some staff experience frustration when the organization fails to provide sufficient tech support and training.

Source: Adapted from Saidel and Cour (2003).

Job Transformation

Relatively speaking, direct service and management staff in nonprofits tend to be highly professional and well-educated, which means they are more likely to be able to adapt to using technology on a regular basis to carry out work tasks. One big change that Saidel and Cour (2003) emphasize is that tasks that were once performed separately and in sequence first by a manager with follow-up by administrative support staff are now compressed into a single function and performed solely by the manager. The "secretary" function has largely disappeared, although administrative assistants still provide essential support. They refer to this as *upward migration*. Another change is *lateral migration*, where scheduling, client tracking, and similar tasks are handed off from middle managers in the central office to professionals at the same job level in satellite locations. A third variation, *circular migration*, occurs when decentralizing a task proves to be less efficient than expected and the job is routed back to headquarters. The Internet has facilitated changes in each case.

Although certain routine matters may now be handled more directly by managers, support staff are expected to take on higher-order administrative and nonadministrative tasks such as preparing databases and spreadsheets, coordinating client services, and managing evaluation research. Consequently, administrative assistance is now more of a stepping stone into program management than in past eras. So, *task expansion* is seen across all job types. Some see this as job enrichment while others find it stressful.

Learning Opportunities

Many staff members perceive the opportunity to learn new technical skills as a form of career development and an incentive to stay with the organization. In nonprofits that lack the resources to hire ICT staff, professionals and clerical personnel who gain technical know-how become valued informal coaches and tech support for their less-adept colleagues. In other settings, new positions in technology have been created, allowing for lateral job moves and new career directions by current employees. In fact, the career path in nonprofits may more accurately be described as spiral rather than linear. Besides, developing talent in house is more cost-effective than hiring new employees or contracting out many technical tasks.

In addition, technology may lead to side benefits, such as developing new interpersonal skills. For example, discussing business via email with someone you have never met requires learning how to negotiate effectively and to trust a person you cannot see. Similarly, the support staff member asked to train a group of professionals in the use of a complicated spreadsheet needs to practice diplomacy and patience.

Distribution of Power

Views of how technology has shifted power within nonprofit organization depends on where one sits. Executives and other senior-level professionals often feel they have delegated much of their power to subordinates due to technology, giving them more autonomy to work independently, be innovative, and make their own decisions. Support staff, however, are more apt to refer to an increase in expert power rather than delegated authority. Key volunteers in many organizations now hold essential decision-making authority in day-to-day operations. Being able to access new information and engage in new forms of communication is also a source of power in today's competitive environment. Since many nonprofits already lean toward a more participatory structure, the availability of email, in-house social media, and technology-mediated programming only increases the possibility of direct involvement in decision-making and planning at all organizational levels.

Job Satisfaction

As indicated earlier, nonmonetary incentives, such as mental challenges, variety of tasks, and autonomy, are important in voluntary organizations. The opportunity for continuous learning of ICT skills is as an important contributor to job satisfaction. The acquisition of these new skills enhances an individual's marketability and chances for promotion, internally and externally. For many, having a computer at the ready provides a sense of control over certain aspects of the job and reduces the need to rely as much on others. On the whole, although increases in workload and skill expectations due to technology might be expected to cause dissatisfaction, most staff adapt to this new normal by looking on the positive side of the impact of ICT on their work lives. However, some staff become frustrated at the rather slow pace of their organization to reach full technological capacity, including a lack of sufficient technical support and training.

A potential concern is that, as technology continually transforms the workplace, workers might be mismatched with the new expectations of a position. Skill requirements could increase or decrease, resulting in the worker being overqualified or underqualified. Sometimes perceptions matter as much as real skills, if decision makers overgeneralize that older workers, or women, or minorities have a particular orientation to technology adoption. In practice, when training in the use of technology is offered in nonprofits, it is generally made available to all who need a particular skill set, which tends to level the playing field.

TECHNOLOGY AND EXTERNAL COMMUNICATION

Communication with the external world has been transformed by the Internet and smart phone use. Email and Internet access have become ubiquitous in the nonprofit sector, with some variations in capacity due to size and field. Employees now exchange information with their counterparts locally and globally, obtain data on almost any subject imaginable, participate in online discussion forums, take continuing education courses, and even deliver certain client services, to name just some of the possibilities with modern technology (Zimmerman & Broughton, 2006). *E-commerce* refers in general to business that is conducted electronically. In nonprofit organizations, it describes using the Internet to generate donations, increase membership, market products and services, and respond to customer inquiries and complaints (Grobman, 2015), usages that have become increasingly common over the past decade. We now focus on these and other electronic applications that are becoming a standard part of the operations of many nonprofits.

Advocacy

Advocacy is described as a "constellation of activities [that] positions individuals and organizations in the public sphere to create dialogue and change on behalf of communities and populations of individuals" (Goldkind & McNutt, 2014, p. 57). Over the past two or three decades, the use of *e-advocacy* by nonprofits to impact the direction and development of public policies has evolved from efforts at the local or regional level that complemented established social-change methods like community organizing, lobbying, and petition drives to much broader campaigns with national and even international targets. They typically use email, broadcast texts, blogs, and social media to grow and engage their audiences. These methods facilitate physical meetings and flash mobs, but most e-advocacy is currently mobilized virtually via social media.

E-advocacy provides nonprofits with capabilities previously unavailable. Some states offer a program called "request to speak." This program allows the general public to register an opinion on legislative bills and agendas, and the process is accomplished through Internet access. Even if the organization does not appear physically before the legislature, its opinion is read aloud and entered into the legislative record. Before a vote occurs, a legislative page reads the list of organizations who have posted an opinion on a bill, as well as the organization's specific comments. One of the last things the legislators hear before casting a vote is this list of organizations that are either for or against a piece of legislation. This type of e-advocacy, which is free to the public, can influence the way legislators ultimately vote and does not require employing a professional lobbyist (Ciecko, 2011).

Despite these advances, not all nonprofits have adopted the new techniques. For smaller organizations, cost may be a factor, although some believe technology may actually allow such groups to compete more effectively with wealthier organizations. Moreover, e-advocacy is not generally a substitute for the more conventional approaches but is likely to be integrated into one overall strategy. Often, old-school approaches like knocking on doors is more effective! The choice of a particular method, whether low-tech or high-tech, will often depend on the intent of the communication, one-to-one, one-to-many, or many-to-many.

Fundraising

Another term enjoying wide recognition today in nonprofits is *e-philanthropy*, referring to the use of the Internet to obtain donations and other forms of philanthropic support, especially from individuals. It became a major vehicle to promote charitable acts after the terrorist attacks of September 11, 2001. People were almost desperate to respond in a positive way to these tragic events, and the Internet provided the mechanism, once several for-profit Web sites linked their credit card processing systems so that visitors to the sites could donate to the relief efforts (Hart, 2003). More recent disasters (such as hurricanes) have sparked the rise of *mobile philanthropy*, or the use of text messaging, to solicit gifts.

Now, most nonprofits that solicit contributions have an option to donate online, usually through an organization's website. E-philanthropy has evolved to encompass the full range of resource development activities, starting with the initial effort to reach and educate potential donors. In addition to seeking online gifts, nonprofits use the Internet for all levels of resource generation (up to and including planned giving) and to engage supporters in other ways to help the charity (such as through membership, volunteering, and advocacy). For those who need help, online services focus on organizing and managing every aspect of special events, from sending out invitations to surveying participants in the previous year's fundraiser and others for conducting prospect research.

Although e-philanthropy is particularly visible, it is still a minority of the fundraising effort used by most nonprofits. Since fundraising is a high-touch business, the telephone and snail mail are still essential tools. That said, the tipping point to majority use of virtual means to solicit donations may be closer than we think. Saxton and Wang (2014) found that e-philanthropy via SMS now takes precedence over traditional fundraising efforts for many nonprofits. Whereas Facebook donors typically donate smaller individual amounts, nonprofit SMS reach a much broader audience, increasing overall donations (Saxton & Wang, 2014). Rather than being limited to financial capacity, nonprofits are only limited by their "Web capacity" (Saxton & Wang, 2014, p. 850), a barrier that gets smaller and smaller every year.

Interorganizational Relations

As Austin (2002) pointed out amid the early revolution in technology use for external communication, "the increased pressure to integrate services, facilitate organizational change, foster interdisciplinary practice, and identify best practices is forcing middle and top managers to add 'managing out' to their expertise in managing down and managing up" (p. 35). In practical terms, this means expending time and energy on boundary-spanning activities as well as on internal issues to ensure the fulfillment of the organization's mission and remain competitive in securing essential resources. A key strategy is engaging in both formal and informal networks with other organizations in the community.

Although nonprofits have varied in the degree to which they have embraced ICT in the past, some of the emerging technologies may encourage broader usage to improve both internal and external networking capacity. Social service agencies, for instance, could benefit from Web services that use a standard protocol so that other computers on the Internet can access them and obtain the data they need to, say, create a treatment plan to move a child in foster care through the delivery system more effectively and efficiently. To achieve this goal, the data must be specially formatted to enable computers to do much of the work. XML (extensible markup language) turns documents into mini-databases. When organizations adopt this protocol, their computers are able to read the same material. Service providers with a common interest can share the information, thus fostering both intra-agency and interagency coordination. Constant refinements of XML, and new protocols adopted now and in coming years, facilitate greater potential for information sharing.

Marketing

At one time a popular camera brand was advertised on TV with the slogan "Image is everything." Some leaders of voluntary organizations hold that marketing is mostly about manipulating an image. However, this is a short-sighted view. According to Wolf (2012), marketing is the *engineering of satisfaction* among stakeholders, including the media and the general public. It is a form of exchange through targeted and varied means of communication to educate and enlighten those stakeholders and to ensure their support of the organization's mission. This support may be manifested as gifts or grants, favorable legislation, the purchase of services, a featured article in the local newspaper, or a positive opinion expressed by an average citizen about the organization's work. Seen from this perspective, marketing is as vital a management function as planning and resource generation, and not to be easily dismissed as simply self-promotion.

A basic concept in this arena is *market segmentation*, which refers to identifying the different constituencies or stakeholder groups and planning strategies accordingly. To maximize the effective use of scarce resources, managers must focus on the groups deemed most critical to the enterprise's overall success. Constituents have many claims on their loyalty, so to help figure out what motivates someone to make a charitable gift or purchase a service, we must consider the elements of a standard *marketing mix*, commonly referred to as the four *P*s: *product* (for nonprofits, the programs and services provided), *promotion* (making people aware of the available programs and services), *price* (the costs to use the programs and services), and *place* (the locations where programs and services are provided).

To be competitive, a voluntary organization should take all four elements into consideration, blending them strategically to meet its own needs and those of its target market(s). For example, a nonprofit may have developed an innovative after-school program for youth ages twelve to fifteen, but if the area schools and parents in the community do not know the program exists, if the price is too low or too high compared with the costs of similar services, and if the program is not offered in a convenient location and transportation issues have not been addressed, then the program is unlikely to attract enough youth to make it a success. Conducting research on the external environment to obtain sufficient customer-related information to develop the optimum marketing mix is an essential first step in the process. Organizations should periodically survey consumers to gauge their satisfaction with the product to allow for continuous quality improvement (Grau, 2014; Wolf, 2012).

Marketing should include both low-tech and high-tech approaches. Social media posts and an email newsletter distributed to all constituents every other month may be perfect to convey general information about the organization's activities and solicit small donations, but this is still not a substitute for a print mailing with details about new initiatives sent only to top-level supporters, designed to make these individuals feel special and to pave the way for a major gifts campaign. In online marketing, a key initial step is to create an email file and then continually build it up by gathering new addresses offline, running "Forward to a Friend" or viral campaigns, and uploading your traditional donor file. This is an area with constant new developments, as media preferences evolve. McCarthy, Offutt, Shoaff and Snyder (2013) conclude that success in viral marketing entails the ability to attract visitors to the website by offering compelling content and promoting the site through other media, and the establishment of effective mechanisms to convert Web traffic into registered users and ultimately donors. While these conclusions still have merit today, viral marketing is now largely associated with social media. The brightest horizons for change in the nonprofit sector are in how we will market our products in new technology environments.

Volunteer Management

Although we will examine the management of program volunteers in more detail in chapter 16, we note here that technology has been adapted for use in volunteer programs. Internet-based services such as Idealist.org and Volunteermatch.org connect potential volunteers with organizations, and some larger nonprofits have created their own Web-based services for this purpose. *Virtual volunteering* refers to activities that are completed via the Internet on a computer or smartphone, usually in support of or through a mission-based organization. While these volunteers may never be seen by their nonprofit sponsors, in fact many of the same people also volunteer locally and in person. Moreover, ICT creates new possibilities for volunteering on both sides of the equation: smaller or start-up organizations and those in remote locations may find be able to attract and involve volunteers online, and for the volunteers, participating electronically can overcome the potential barriers of limited time, distance, and physical disability (Dhebar & Stokes, 2008).

Nonprofit leaders and managers considering an online volunteer program are advised to plan carefully, starting with what the organization hopes to accomplish by this approach and then articulating how these objectives could be translated into specific opportunities within its programs and services. Being able to post clear, detailed descriptions of assignments is the best way to ensure a positive response. Good and frequent communication is vital to encourage volunteer retention and performance, and regular monitoring and evaluation may be even more essential for virtual volunteers. Some of the attributes for successful online volunteering are well-developed people- and project-management skills, a solid and stable infrastructure, and an appreciation for diversity (Cravens, 2006; Dhebar & Stokes, 2008).

ICT is also increasingly being used in the administration of volunteer programs: handling applications, screening and matching volunteers to assignments, checking in, and tracking the contributions of volunteers. We will take up this aspect of volunteer management in chapter 16.

FINAL THOUGHTS

Some barriers to ICT development, such as insufficient funding for upgrades and maintenance, clearly pertain to material resources, but the personal element is vital. Line staff may be apprehensive about having to acquire new skills and adopt new practices that seem contrary to their professional ideology and even learn a new vocabulary (see Table 12.3). At other times, top-level managers are the ones who, in their concern for efficiency, focus on the costs involved, failing to see the larger picture of what could be accomplished in improving service delivery with a more technologically capable environment. Since cultural change is generally accomplished only when leaders perceive a need to move the organization in a different direction, the first step may be educating the executive director and other members of the top management team about the strategic advantages associated with effective ICT use. Certainly, our future is heavily bound up with digital technology.

Brainard and Siplon (2004) proposed approaching technology usage by first identifying two nonprofit organizational models, one emphasizing businesslike methods (the economic model) and the other, participation and membership (the voluntary spirit model). For the economic model, efficiency is viewed as a higher value. Those oriented toward the second category are much more interested in promoting democracy and building relationships. The Internet is a useful tool in both instances, but the desired ends are quite different. In advocating for a return by nonprofits to their voluntary roots, the authors cite the examples of three groups that each have, in addition to their formal structures, a cyber organization developed and run by volunteers that is much more than a website to promote fundraising on behalf of the cause: “The interactions themselves become valuable for the sense of solidarity they engender, the sense of mutual obligation that pushes people to contribute to the attainment of purposive goals, and the information sharing they facilitate” (Brainard & Siplon, 2004, p. 449). This approach proved to be foundational to the development of websites and social media over the next decade.

TABLE 12.3. GLOSSARY OF SELECTED TECHNOLOGY TERMS

Term	Definition
Blog	A list of entries posted on a Web page that can serve many purposes, from an online newsletter to a personal journal, to share experiences, opinions, and feelings. Some invite feedback.
Chat room; discussion forum; SNS group	A space for online exchanges on specific topics between parties with a common interest. Chat rooms and groups allow for communication in real time, while forums accept postings but have less capacity for interaction.
Crowdfunding	The practice of raising resources for a project by collecting money (usually small contributions) from a large number of people. The practice has been greatly facilitated by social media.
Email	A means or system for sending, receiving, and storing messages electronically; the message itself.
Internet	An electronic communications network that connects computers around the world through a standardized protocol. The World Wide Web.
Image and video-sharing	The practice, or websites that facilitate the sharing of images and videos with other users.
Listserv	A computer program that automatically sends an email message to all the subscribers on a list.
Local area network (LAN)	A means to link personal computers in the same locale for communications and sharing of software and hardware.
Micro-volunteering	Completion of volunteer tasks online or via Internet-connected devices in small increments of time.
Mobile philanthropy	Use of text messaging to cell phones to raise gifts for a specific cause, such as disaster relief. Some charities are now recycling old handsets or selling their own branded phones, using the profits to support programs.
Podcast	A digital audio file that presents information on a particular topic. Podcasts are routinely shared via social media to raise awareness of social issues.
Social media	Websites and applications that allow people and organizations to interact with each other via the Internet.

Table 12.3. Continued

Term	Definition
Social networking site (SNS)	Member- and profile-based websites that facilitate interaction and information sharing via blogs, information sharing and re-sharing, video and image sharing, games, and location sharing.
Viral marketing	A method of facilitating and encouraging messages to be passed along from person to person via the individual's social network. "Viral" connotes that a piece of information has been shared widely.
Virtual volunteering	Online volunteering; the practice of completing volunteer tasks at least partially through use of the Internet.

The one constant is that technology and its applications continue to evolve, so we might speculate on what lies ahead for nonprofit organizations in this regard. On a practical level, MISs may be retooled as knowledge management systems (KMSs) that have the capacity to be much more than excellent data accumulators and can actually bring together the collective intelligence of an entire organization. The next logical step is to expand beyond the boundaries of a single agency to create networks of providers engaged in mutual problem solving through virtual intelligent collaboratives. Advances in cloud technology foster such interaction. Virtual sharing and interaction are the watchwords of the twenty-first century.

Questions to Consider

12.1. The underutilization of ICTs in nonprofits is common. What are the major barriers to effective use? What are some specific issues impacting technology use in human service organizations?

12.2. How does each of the four identified dimensions of communication (content, noise, network, and direction) figure into promoting effective exchanges in nonprofit organizations? What is the role of the leader in improving communication in the organization as well as externally across organizations?

12.3. Technology has had a major influence on the nonprofit workplace. In what ways have ICTs improved the quality of work life? How have they changed the dynamics in less positive ways?

12.4. Of the different current external applications of technology discussed in chapter 12, which ones are likely to have staying power in the future? On what do you base your opinion?

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SECTION 4

Maximizing Human Resources

To complement the information on securing material resources presented in the previous section, we now turn to the human side of the equation. One of the common observations about the nonprofit sector is that most of the programs and services offered by voluntary organizations are initiated and delivered through the efforts of individuals (paid staff and volunteers) working separately or together to address stakeholder needs. Accordingly, such organizations are described as "labor-intensive." The main challenges in this arena are to establish and maintain high standards of performance, to motivate and build cohesiveness, and to foster loyalty and commitment. The third part of the featured case study is included here as a reference point for chapters 13 through 16.

Chapter 13 returns to the topic of leadership, but with a focus on the leader as the moral and ethical compass of the organization. This entails a dual responsibility to set a personal example of values-based conduct and to protect the organization against internal and external risks that might compromise its good name.

Chapter 14 explores the policies and procedures that must be put in place and enforced to create a dedicated, effective, and productive workforce, with special attention to issues related to diversity. Human resources management encompasses all of the activities pertaining to paid staff and their work environment. Volunteers count, but are covered in the last chapter.

Chapter 15 covers the practical side of nonprofit board governance, from recruitment through self-assessment. Understanding the value of this organizational resource justifies the time and effort necessary to develop and nurture a board that is fully capable of assuming its rightful leadership role.

Chapter 16 provides a detailed account of the process for introducing and maintaining a high-quality volunteer program. Recognition is given to the different types of volunteerism as well as to the wide range of individuals drawn to assisting nonprofits in carrying out their missions.

KEY THEMES

Chapters 13 through 16 address the following topics and concerns.

- The ethical dimensions of leadership: What are the professional leader's responsibilities in promoting a values-based organization?
- The human relations side of nonprofit organizational life: What policies and practices need to be in place to build and retain a competent, dedicated workforce?
- The effective nonprofit board: How should a governing board be structured and sustained to ensure high-level performance?
- The organizational value of a dedicated corps of program volunteers: What are the essential elements of a strong volunteer program?

CONFLICTING AGENDAS FOR THE FUTURE OF A YOUTH AGENCY, PART 3

The Board President's Perspective

Sal de Marco could not remember a period in his life that he was not connected with Youth Service Network (YSN). He was only five when his father died and Uncle Lou stepped in as the man of the family. Since his uncle was director of programs for YSN, young Sal was enrolled at camp during the summer and was busy at the community center the rest of the year. He was still close with several boys—men—who had participated with him in these activities.

There were many good times in those early years. De Marco remembered the excitement of taking part in the citywide track meets sponsored by YSN and then seeing his picture in the paper the next day for anchoring the winning team in the relay race, his specialty. And he loved camp. Getting out of the hot city for the summer, swimming in the lake, and watching the Indian ceremony where a local elder played the chief were wonderful memories.

Yet de Marco also associated one of his worst experiences with YSN. When YSN's founder, Trevor Clinton, announced his plans to retire, Uncle Lou confided to the then-teenage de Marco that he wanted the job and submitted his letter of interest. Shortly afterward, de Marco came home from school to find his uncle in the living room, crying. Clinton had sent a memo to the YSN staff stating that the associate director of the agency would succeed him; Uncle Lou was never even interviewed for the position. De Marco considered this a great injustice, for the associate director, in his opinion, did not match his uncle's skills.

Although Uncle Lou remained with YSN until he retired some years later, de Marco resented what had happened. He turned his attention more and more to his studies and ultimately became a banker, an accomplishment that his uncle did not live to see. De Marco's main connection to the organization at this point was small gifts in response to direct mail appeals. It was thus a surprise when the third executive director, who had followed Clinton's hand-picked successor, reached out and invited him to join the YSN board. With mixed feelings, de Marco agreed.

Old habits die hard. De Marco discovered his belief in the importance of the agency's work was still strong. Furthermore, he felt he had something to prove to the other trustees, although he was never quite sure what that was. As YSN neared the milestone of its sixtieth birthday, the nominating committee decided it would be fitting to name a former program participant to be board president, and de Marco was selected. He wished that Uncle Lou could have been there to see his nephew receive this honor.

In the time since Margaret Stover had been hired, de Marco had not had much contact with her outside of board meetings. Overall, he was pleased with her performance, although he had hoped she would have achieved more success in reviving the direct mail program by now. One quirk of hers did bother him, however: Stover always seemed to be waiting for the board to show overt approval of her actions and had difficulty hiding her disappointment when the trustees failed to acknowledge her efforts to her satisfaction. For example, when Stover announced to the board that she had obtained a government grant of $75,000 a year for the next two years, she obviously felt it was a major achievement. True, it was the first federal grant YSN had ever received, but the amount was chicken feed compared to what the direct mail program generated. In the best years, direct mail had raised close to $800,000 annually, and even now it brought in over $400,000. When there was little reaction from the board, Stover looked crestfallen. De Marco took this show of emotion as a sign of weakness; he'd never let his board at the bank see his feelings so openly.

After becoming board president, de Marco discovered that Stover expected to have frequent meetings with him to discuss agency business, as she had done with his predecessor, Ben Shank. She didn't seem to realize that he couldn't be as free with his time as Shank, who owned his own company and could come and go as he pleased. In the spirit of compromise, de Marco agreed to monthly meetings if Stover would drive to the bank early in the day so that his schedule was not disrupted. Yet these needs of Stover's were minor irritants. She had been his choice for executive, and he still felt she brought many strengths to the organization. Therefore, when she suggested the idea of strategic planning, he saw no reason not to go along with her or to question the process once it began, as long as it would not make additional demands on him.

Upon receiving the Strategic Planning Committee's report, however, he wondered whether he should have been more directly involved in the effort. Some of the recommendations were fine, such as trying to integrate the programs and involve the kids on a year-round basis. That arrangement had worked well for him, certainly. On the other hand, he had trouble with the heavier emphasis on the community-based programs at the center. Even though camping was discussed, it appeared to him that the program was of secondary concern. Moreover, the plan's suggestion of combining schoolwork with camp activities had no appeal to him at all—camping was about having fun!

Being a fiscal conservative, de Marco also had trouble with the concept of dipping into the reserves in the hope of realizing future gains. This seemed to him a dangerous step to take because the implication was that if YSN could not identify and secure new monies, the organization might not survive. Perhaps to Stover, whose history with the agency amounted to only a couple of years, it was sensible to consider such a possibility, but de Marco knew that for himself and the majority of the board members with long-standing ties to YSN, no plan implying the end of the organization could be taken seriously.

Recognizing he would not be able to support the committee's report, de Marco dialed the YSN number to inform Stover he would be making a statement at the board meeting advising that no sweeping changes be introduced at this time. Really, he did not think the organization's problems were so great; more direct mail revenue would resolve a lot of the present concerns. Maybe they could develop the center programs along the lines suggested in the report, but camp should keep its traditions. As he well knew, a two-week stay was long enough to provide memories for a small child that would last forever. His message to the board would be that the winning formula of the past was just as viable today. Tampering with the basic structure of YSN was not a direction he could endorse.

PRESENTATION OF THE STRATEGIC PLAN

After a night of tossing and turning, Stover made her way to the office on the day of the board meeting, still perplexed by de Marco's reaction to the proposed strategic plan. Unfortunately, she was still no clearer than she had been the night before about the best course of action to take. After drinking two cups of strong coffee, she sat down at her desk to think through her options, knowing that, as is often the case in such situations, no solution would be perfect.

One possibility would be to contact the chair of the Strategic Planning Committee, Joan Ardway, to talk about the board president's concerns and how that might affect the discussion on the plan at the meeting and the full board's decision regarding it. This would prevent Joan from being taken by surprise when de Marco made his statement against the plan and allow for some strategizing in advance by the committee members to respond to his objections. However, Stover feared Ardway would take de Marco's position too personally, as an attack against her work as chair of the committee and give in to her tendency to get very defensive when she felt she was being criticized. At such times, Ardway seemed to lose her ability to present an effective and logical case to support her views and even was known to become overtly emotional, which was somewhat surprising given that she was a first-rate systems analyst for a major corporation and had a well-deserved reputation in her field for her ability to handle complex situations.

If Ardway lost control, this would play right into de Marco's hands, whose rather condescending opinion that most women were not constitutionally suited for leadership had been voiced more than once to other board members, usually on social occasions after he had had a couple of drinks. In truth, Stover privately thought that with YSN's history, this kind of attitude toward women was probably shared by several of the male trustees. All in all, it might be best not to give Ardway too much time to think about a worst-case scenario. It was possible de Marco could change his mind and decide not to oppose the plan, and then Ardway would have been upset for nothing. Also, the committee as a whole had never showed anything but satisfaction with the results of their work; Stover felt certain they would back up the committee chair and not allow de Marco to bully her.

A second option was for Stover to take the lead in presenting the plan. Even though it had been a group effort from the start of the planning process, many of the issues addressed by the plan had been raised first by the executive director, and she had the best command of the facts underlying the various recommendations. Perhaps it was time to demonstrate to de Marco, and the rest of the board, that she was a forceful leader and dispel any doubts that she had been the right choice for her job. It was tempting to picture herself in this way, but fundamentally Stover believed it was necessary for the strategic plan to be embraced by the board through its own actions. If the board approved the plan simply to please her, she would be perpetuating the very tradition established by YSN's founder that she hoped the plan would begin to change. Stover remained convinced that the organization could not move forward and be competitive in today's environment without a strong board. All of her training and experience would be directed toward helping the board achieve this desired end once the plan was ratified.

For the same reason, Stover decided against calling board members who were not on the Strategic Planning Committee to lobby for the plan. She did not in any way want to suggest she did not have full confidence in the committee. Furthermore, making such calls could be tricky: if she did not mention de Marco's intention to oppose the plan, once this was revealed at the meeting, some board members might feel they had been manipulated and swing over to his side just on principle, and if she did bring up the board president's concerns, she might inadvertently plant seeds of doubt about the plan's merits.

Sometimes it was best just to let matters take their own course. After weighing the different options open to her, Stover decided to wait for the meeting and let the process play itself out. At bottom, she believed the strategic plan was sound, and, most important, the members of the Strategic Planning Committee stood behind it 100 percent. She also believed that the board members cared a great deal about YSN and would see that the proposed plan was the right way to go. Turning to the pile of papers on her desk, Stover busied herself in her work and tried not to keep looking at her watch. Six o'clock would come soon enough.

13

Leadership by Example

LIFE IS FULL of contradictions, unresolved problems, and seemingly uncontrollable circumstances. In uncertain times, we often look to our leaders to make sense of it all. During the Great Depression and World War II, President Roosevelt provided national perspective through his "fireside chats." Organizational life is no different. Viewed within a symbolic frame, organizations have been described by Bolman and Deal (2013) as complex, constantly changing, organic pinball machines. Myths, rituals, ceremonies, and stories become vehicles through which meaning and order can be restored. In chapter 5, we discussed how an organization's culture is defined by its artifacts, values, and symbols. To fully understand why group members perceive and react to situations as they do, look for patterns that tie everything together in some kind of coherent whole (Schein, 2017).

One of the symbolic responsibilities of a leader is to establish and enforce an ethical approach to practice. Many nonprofits provide services to vulnerable populations, to those with mental or physical illnesses or limited cognitive abilities, to those suffering from substance use disorders that cloud their judgment, to those too young to be able to make critical decisions on their own, and so on. Who is best placed to speak for those who cannot represent themselves? How do you reconcile client needs with managed care limitations on the amount of care? When important stakeholders disagree on the balance between effectiveness and efficiency, whose perspective deserves more consideration? In all of these and other similar circumstances, the executive leader must not only verbalize what is expected of organizational members but also act as the moral and ethical compass for that organization. Inspirational rhetoric is not enough: leading by example creates a profound visual image, and actions represent tangible evidence of the leader's commitment to the nonprofit (Kouzes & Posner, 2014). If the executive director and other key leaders fail to live up to this obligation, as we have seen in some well-publicized scandals that have rocked the nonprofit world, the fallout for the organization in terms of staff, client, donor, and public disillusionment can last for many years.

To set the stage for the remaining chapters in section 4, we explore a nonprofit leader's responsibility to create and sustain a values-based culture. First, we will review some basic ethical principles. Next, we will delineate the general parameters of an ethical culture and the particular expectations for faith-based organizations. Lastly, we will consider the steps a leader must take to protect the organization against threats from both inside and outside the organization that could negatively impact its reputation as a provider of high-quality services and its ability to secure necessary resources.

BASIC ETHICAL PRINCIPLES

Given the pressures for accountability and quantifiable outcomes placed on nonprofits today, focus on ethics may seem quaint. However, in truth, such focus may be even more important now than in the past to reaffirm the essence of a nonprofit organization: the values underlying and shaping its mission. This is the central attraction for the majority of those who seek to work and volunteer in this arena. The more clearly we articulate this fundamental truth, the more closely we can align purpose and practice (Rothschild & Milofsky, 2006).

Both *morals* and *ethics* refer to conforming to standards of right and wrong in behavior, but some observers suggest ethics may go further in confronting more subtle issues or questions pertaining to rightness, fairness, and equity (Brueggemann, 2014). Morality is more about not breaking conventional rules and laws, whereas ethical behavior regards coming to terms with values that transcend time and place and can be applied to all societies. Thus, if people wish to act morally and ethically, they must try to practice core values such as justice and righteousness in their personal and professional lives and also work to institutionalize them in society at large. Jeavons (2016) points to Martin's description of ethics as something more than an outward expression of conventional rules or laws of morality: it includes a personal obligation to perceive what people "should" know or believe to be moral.

Nonprofits share a unique historical and societal dimension that defines the public's expectations for what constitutes ethical behavior in and by nonprofits. "Questions of trust and integrity go to the essence of the reason for the existence" of nonprofits, writes Jeavons (2016, p. 192). Two primary perspectives have evolved that look at doing the right thing in very different ways (see Table 13.1). According to the *deontological* perspective, the emphasis is on the means to achieving a particular good; it holds that actions are fundamentally right or wrong based on universal

TABLE 13.1. ETHICAL PERSPECTIVES AND RELATED CONCEPTS

Perspective	Concepts[a]
Deontological perspective: Emphasis on the means; actions are fundamentally right or wrong.	*Religious texts*: e.g., the Ten Commandments, the Golden Rule.
	Natural laws: e.g., categorical imperatives or moral obligations that are unconditional and universal in their application (Kant, 1963).
	Social contract: e.g., a real or hypothetical agreement among people defining and limiting rights and duties binding on all members (Rawls, 1971).
	Common sense: e.g., self-evident obligations guide actions unless overridden by other moral issues (Ross, 1930).
Teleological perspective: Emphasis on the ends: actions serve a desired purpose	*Utilitarianism*: e.g., the moral worth of an action is to achieve the greatest good for the greatest purpose number, or more benefit than harm for those affected (Bentham, 1961; Mill, 1861/1998).
	Applied ethics: e.g., one's own interests cannot count for more than the interests of others; do what has the best consequences for those affected by the action (Singer, 2011).
	Pragmatism: e.g., values are considered hypotheses about what actions will bring satisfactory results (Dewey, 1929; James, 1907).

[a]The concepts identified here represent a selection of the ideas that have been derived from two major ethical perspectives. The philosophers cited are some of the more prominent thinkers associated with the concepts.

Sources: Adapted from Manning (2003) and Rothman (2013).

laws, regardless of the consequences and the situation in question. The Golden Rule (do unto others as you would have them do unto you) is a good illustration. On the other hand, a *teleological* or *consequentialist* perspective focuses on the ends. Decision makers pursue a particular course of action because it is likely to lead to the desired results. Under the doctrine of utilitarianism, the right action is the one producing the greatest good for the greatest number of people or, put another way, more benefit than harm for those affected. However, both perspectives present some obvious difficulties as a guide to effective decision-making. Deontology deals in absolutes, to be applied in all circumstances. However, in practice, circumstances are not always so clear-cut. With the utilitarian approach, some desirable outcomes (e.g., the quality of life) cannot be measured objectively, which complicates our ability to balance good and harm. In addition, an exclusive focus on consequences can lead us to justify inappropriate or even immoral actions undertaken to achieve a positive end (Manning, 2003; Rothman, 2013).

An egregious example of disregard for basic ethical principles is the Tuskegee experiment, in which poor African American males were recruited for a study on the effects of syphilis, conducted by the U.S. Public Health Service (PHS) in the early 1930s. The participants received free food, transportation, and medical examinations but were not told they had syphilis and were not treated for the disease. Tuskegee University, a historically black institution, then known as Tuskegee Institute, was enlisted by PHS to encourage local African Americans to take part in the study and received in return money, training for its interns, and employment for its nurses. The agency also sought help from black church leaders, community leaders, and plantation owners. The project was finally stopped in 1972, due to the efforts of a whistle-blower working for PHS. Following congressional hearings, the regulations governing the use of human subjects in publicly funded projects were rewritten, and a class-action lawsuit was filed in U.S. district court on behalf of the study subjects, resulting in a $10 million out-of-court settlement by the U.S. government (Tuskegee University, n.d.)

Prudent leaders wishing to demonstrate ethical behavior through their actions must exercise care to explore both means and ends, with the hope of finding the right way to obtain the desired goal. This requires weighing the practicalities of expending resources to achieve a particular end versus other opportunities that will not be pursued. Politics and culture also enter into the decision equation, as leaders have many forms of influence at their disposal, from persuasion to coercion. Choosing an ill-advised means (such as placing undue pressure on key stakeholders) may lead to attaining the identified goal, but take a toll on ongoing relationships. The executive director of a small youth agency discovered this when he coerced staff members to contribute to a pet cause of dubious reputation and word of his actions reached the board. The executive was dismissed because the board felt his credibility with staff had been irreparably harmed, and his behavior raised serious questions about his professional judgment.

As a final consideration, Rothman (2013) notes that while ethical perspectives provide a conceptual structure for examining issues, they are often too general in their orientation to be helpful in providing direction for everyday decision-making. Thus, principles derived from these theories that can be operationalized as guidelines for practice to ensure consistency and equity in carrying out the organization's work, such as might be found in a professional code of ethics.

PROVIDING ETHICAL AND MORAL LEADERSHIP

Nonprofits routinely seek to be competitive by adopting certain businesslike practices and conforming to the external expectations of funders and regulatory agencies. In doing so, they sometimes forget their origins and stray from their core. However, origins and core are often the elements that distinguish nonprofits from their counterparts in the public and for-profit sectors. Although volunteers, whether at the policy or programmatic level, can and should play a key role in refocusing nonprofits on values and ethics, the top management team must show the way, keeping in mind that for many organizational members the journey is as important as the destination. Accordingly, to establish an ethical climate (which is fundamentally a psychological construct), leaders need to be aware of how decisions are made and constantly attend to their general behavior. To assure truly ethical behavior, organizations must create a "culture in which key ethical ideals and expectations are incorporated in the core values of an organization and thus permeate its operations" (Jeavons, 2016, p. 191). Leadership occurs at many levels within a nonprofit; however, the executive director and the board of directors share primary responsibility for leadership.

Creating a Values-Based Organizational Culture

To ensure that ethical ideas and expectations go beyond the surface, a leader must create an organizational culture in which these principles become deep-seated assumptions for all group members. The executive leader must model the key values and then establish the mechanisms essential to translating the values into practice, along with the rewards to reinforce the desired behaviors.

Taking into account both moral obligations and social or community standards, Jeavons (2016) identified five essential ethical attributes of nonprofit leaders and the organizations in which they function that are consistent with expectations placed on the voluntary sector to serve the public good.

- *Integrity* speaks to the "conformity between appearance and reality, between intention and action, between promise and performance" (p. 199) in all aspects of individual and organizational existence.
- *Openness*, often called *transparency* today, involves what the organization does and how it generates support for its endeavors (and the rationale behind these decisions) to build trust. More than ever, openness requires organizations to "conduct their business in a way that is open to public scrutiny" (p. 202).
- *Accountability* refers to how stakeholders use resources and their receptivity to constructive feedback on using resources more productively. True accountability necessitates ready explanations for philanthropic choices made by nonprofits.

- *Service* is the fulfillment of the purpose for which the organization was established. Jeavons argues that use of public resources indentures an organization to service. Charitable donations "incur the ethical obligation to be service-oriented" (p. 206).
- *Charity* is rooted in a sense of caring about the well-being of others, beginning with the interactions between the top management team and the board, as a reflection of the generosity of everyone who supports the organization and as a means of transmitting societal values from this generation to the next.

Assuming the five values just described represent the ethical obligations that ought to guide the ways in which nonprofits and their leaders operate, the practical question remains how to move from an ideal state to everyday practice. Schön (1983) coined the term *reflective practitioner* to describe a professional who develops the capacity to face the complexities of modern society by applying previous experience to new situations as they occur. This often requires reconfiguring knowledge drawn from the past in the moment to address a current problem, rather than analyzing the issue after the fact to gain a better understanding of it. Executive directors who can think on their feet are best equipped to help organizational members deal effectively with ethical concerns. Table 13.2 illustrates how a reflective practitioner might apply the core values described above to both common organizational activities and unexpected developments.

Some professions, such as social work, have a very well-defined code of ethics that provides a strong foundation for creating a values-based organizational culture. Nonetheless, the executive leader must still take responsibility for ensuring that group members remain true to the core values in all interpersonal dealings both inside and outside the organization. This starts by the executive leader showing the way through actions that are consistent with being a person of high moral character: "The challenge is to be a light, not a judge; to be a model, not a critic" (Covey, 1991, p. 25). Jeavons (2016) observes that nonprofits that develop a culture that emphasizes ethics are more likely to demonstrate ethical behavior and are less likely to act in a self-serving manner. The applications listed in Table 13.2 are derived from actual occurrences in a nonprofit providing residential care to children and youth unable to live at home.

Servant Leadership

The obligation to serve as the moral and ethical compass of the organization is perhaps most fully embodied in Robert Greenleaf's concept of *servant leadership*, a model that places serving employees, clients, and community (society at large, as well as other major stakeholders to whom the organization is accountable) as the number-one priority of a true leader.

TABLE 13.2. ETHICS IN PRACTICE

Core Value	Applications
Integrity	A standing board committee meets at least three times a year to review programs and services for compatibility with the expressed organizational mission. The executive director informed the board of a staff member investigated by Child Protective Services for alleged inappropriate behavior toward a client. Although no proof was found, the agency developed a remedial retraining plan for the worker as a preventative measure.
Openness or transparency	The organization routinely reports on how monies obtained through government contracts and individual gifts, its main financial sources, are used to fulfill its mission. The organization participates with other groups and has its own campaign to educate external stakeholders about the need for more resources to address child abuse.
Accountability	The board annually evaluates the executive's job performance; she reports monthly on key issues at board meetings and meets weekly with the board president. The organization voluntarily sought, and was granted, accreditation through the Council on Accreditation of Services for Families and Children.
Service	The organization has adjusted its programs in recognition of the declining age of its clients. The organization is an active member of a local consortium whose aim is to develop a cost-effective college program for direct-care workers to improve hiring standards and retention.
Charity	Senior managers maintain an open-door policy so that front-line staff can bring suggestions for changes in agency practices and clients can raise their concerns; agency has weekly unit meetings, case conferences, and administrative staff meetings. The executive director has identified a group of clients with severe family problems (e.g., drug abuse) that present barriers to reunification as "functional orphans" to bring this issue to the surface.

Van Dierendonck and Patterson (2015) describe servant leadership as a "virtuous attitude" that fosters "empowerment, authenticity, and stewardship in others" (p. 119). In 1964 Greenleaf founded the Center for Applied Ethics (now headquartered in Atlanta, and renamed the Robert K. Greenleaf Center for Servant Leadership). Ever the pragmatist, Greenleaf summed up his approach in one fundamental question: "How do we get the right things done?" Out of the founder's writings, the Center identified ten characteristics that capture the essence of this type of leader.

1. *Listening.* The servant-leader attempts to capture and refine the will of the group by paying close attention to what others say. Servant-leaders practice self-reflection on a regular basis.
2. *Empathy.* The servant-leader recognizes and is sensitive to uniqueness in others by understanding others' expectations.
3. *Healing.* The servant-leader embraces the spiritual side of organizational life by responding to problems and crises in a caring manner.
4. *Awareness.* The servant-leader makes a concerted effort to stay in touch with what is going on both with others and with oneself.
5. *Persuasion.* The servant-leader relies on convincing arguments and dialogue rather than coercion to build consensus among group members.
6. *Conceptualization.* The servant-leader is able to think beyond present needs and provide a longer-term vision for the organization.
7. *Foresight.* The servant-leader strives to anticipate the likely consequences of a decision for the future.
8. *Stewardship.* The servant-leader acts responsibly for the greater good of society in fulfilling the organizational mission.
9. *Commitment to the growth of people.* The servant-leader is dedicated to nurturing the personal, professional, and spiritual development of group members.
10. *Building community.* The servant-leader strives to promote social capital, or a sense of connectedness, within the organization so that group members can in turn be socially responsible to the community at large.

The seventh item, foresight, is seen as critical in helping the organization move from a survival outlook (reacting to immediate events) to being proactive, moving with an incremental plan. It is a quality most likely to develop over time as a leader gains an intuitive understanding of the patterns of organizational life. Having foresight means being able to anticipate the opportunities that the future may offer by drawing on the past. Foresight leads to a grasp on the meaning of events that may seem obscure to others, and an articulation of a vision for the organization in a way that enables group members to willingly embrace change. The final step is to translate vision into action through a creative, measurable plan. Thus, foresight, which is really an ongoing process, can be viewed as the central ethic of servant leadership.

Managing Faith-Based Organizations

Kosher products, such as the meats produced by Hebrew National, a part of ConAgra Foods, are made according to Jewish dietary laws. For many people, buying kosher has nothing to do with religion but instead reflects a perception that such food is of higher quality and healthier (Severson, 2010). *Branding* is the process used by companies like Hebrew National to position their products and services as having characteristics that consumers consider special. Similarly, faith-based nonprofits represent a specific brand or kind of organization, one often held to especially stringent standards. Historically, organizations operating under the auspices of a particular religious denomination played a significant role in the development of social services in the United States and were among the earliest to serve the needs of poor people (Furman & Gibelman, 2013). Although many of these organizations now rank among the largest nonprofits here and abroad, a substantial number continue to operate with modest budgets and limited staff who believe that part of their rewards come from doing spiritually based work.

In the United States, the conservative political tradition includes recognition of faith-based and other values in delivery of social services. In the opening years of this century, this recognition factored into George W. Bush's Faith-Based Initiative, which was intended to facilitate government support of religious groups in a broad range of social services. A central tenet of the effort was that organizations receiving government support could use faith as a hiring criterion. Implementation of the plan was hampered from its inception by concerns that it was really a way to promote a conservative political agenda and by concerns over maintaining the separation of church and state. Since government funding to faith-based organizations comes with specific requirements and restrictions, many small and midsized faith-based nonprofits were either unaware or uninterested in seeking federal funding (Clerkin & Grønbjerg, 2007). Indeed, retrospective studies indicate a general lack of responsiveness to the Faith-Based Initiative, with any "expansion of service delivery capacity among faith-based human service organizations . . . an isolated rather than widespread occurrence" (Sinha, 2012, p. 577).

A fairly widespread view of faith-based organizations is that they are "hubs of trust and islands of peace and support within their communities," providing concrete services as well as spiritual and moral guidance and a unifying presence (Cnaan, Sinha, & McGrew, 2004, p. 57). An unanswered question, however, is whether the expectation that faith-based organizations should be more ethical than secular organizations is a fair one. Certainly, a misstep by this type of nonprofit engenders a high level of anguish and recrimination, as was evident in the scandal involving the American Bible Society (ABS) in the spring and summer of 2008. After the media uncovered that the executive director had paid over $5 million to improve the organization's Internet presence to a consultant with ties to online pornography and gambling, the board suspended the executive and subsequently decided not to renew his contract. Perhaps the reaction was so negative because of the allegations of poor management at ABS over the previous decade. As one person commented, “The people who are sitting in high positions in the religious world must be extra cautious about their call and responsibilities” (Kwon, 2008). However, the reality is that leaders of faith-based organizations appear to be susceptible to the same temptations to engage in managerial and financial wrongdoing as are leaders of secular groups, suggesting accountability measures need to be in place and enforced for all nonprofits, regardless of the religious orientation of the organization.

The other critical issue pertains to the capacity of faith-based organizations to provide high-quality services. Many have limited budgets and staffing. In addition, religious values often dictate how services are delivered even when they have policies against proselytizing (efforts to spread the faith). For instance, in the area of reproductive healthcare, clients seeking help from an organization like the Salvation Army may not receive an appropriate assessment of their needs or be fully informed about their options. For social workers and other professionals guided by a clear code of ethics, this can present a real dilemma and conflict of values, especially for those staff members who do not adhere to the same religious doctrine as their employing agency. Faith can also have more practical ramifications. For example, Jewish organizations often are closed on major religious holidays celebrated by that faith, but do not officially recognize Christmas and Easter. These observances can occasionally put them at odds with the more standard community calendar. In practice this may not present an obstacle, because clients tend to select a provider based on the availability of specific programs. So long as these programs are offered when needed, the clients may be unaware of decisions not directly affecting them.

Despite the challenges, religious groups will likely continue to play a major role in social service delivery. Just as they have for many decades, they will find ways to reconcile their religious principles with more secular values to achieve mutual benefit. In fact, because the leaders of faith-based organizations believe their work is part of a higher purpose, they tend to be comfortable doing what they must to further the organizational mission. Evidence points to finding common ground around issues of openness, inclusiveness, and the promotion of broader social and community obligations, such as seeking justice for poor people by working to change local neighborhoods and institutions (Campbell, 2002; Vanderwoerd, 2004).

RISK MANAGEMENT

Even in organizations led with the best of intentions, bad things can happen. Nonprofits face risk management challenges from many fronts, and they are often held to the same standard as for-profits who have access to more resources (Mancuso, 2012). The management of risk through monitoring and coordination is a matter of internal control; however, with increasing emphasis on accountability, its importance is felt throughout the organization. We live in litigious times, and as nonprofit organizations age they find that maturity involves new risks and responsibilities (Kurzman, 2006). While all nonprofits must confront and manage risk, human service organizations, particularly those serving vulnerable populations, face this burden disproportionately. Organizations involved in direct service are simply more open to mistakes or abuse by staff, volunteers, and strangers. However, risks extend beyond such direct harm. For example, any entity involved in healthcare that transmits data in electronic form (such as health plans, clearinghouses, and direct providers) must comply with the provisions of the Health Insurance Portability and Accountability Act (HIPAA), which is designed to protect the privacy of individuals' health information while permitting the flow of information needed to ensure high-quality care and protecting the public's health and well-being. HIPAA violations can have serious consequences in the form of monetary penalties and even prison for certain acts of noncompliance.

An Overview

Just as leaders are expected to set an example and create a climate for ethical practice, they also have the responsibility to assess and plan for how to deal with various risks. *Risk* is defined as anything that could compromise the organization's ability to carry out its mission by endangering one or more of the organization's primary assets: people (including clients, staff, policy and program volunteers, and the general public), physical and intellectual property (such as buildings and original materials), donative and earned income, and the organization's stature and reputation in the community.

To address risk proactively, organizational leaders should conduct risk assessments. In light of these assessments, they should also review insurance policies on a regular basis and make adjustments to the coverage as warranted. Typical types of coverage include *premises liability insurance* for areas where services are provided and staff are based; *professional liability insurance* for the activities of all staff, volunteers, and consultants carried out on behalf of the organization; *directors and officers liability insurance*, as discussed in chapter 4; *vehicular insurance*, at a level higher than the mandated state minimum; and *bonding* for anyone with authority to sign contracts or handle organizational finances. Every nonprofit should also have access to legal counsel for advice on matters such as reviewing leases, signing contracts, entering into formal agreements with others, and modifying the organization's bylaws (Kurzman, 2006). In addition, establishing a positive working relationship with the accounting firm that conducts the annual audit can ensure that internal fiscal policies and practices are in keeping with current standards for nonprofits. However, some types of risk are not insurable, such as the loss of public support. Therefore, prevention is the wisest course of action, with a priority of avoiding harm to any of people associated with the organization.

Establishing a Risk Management Program

Assessing risk entails systematically identifying the operational areas in which the potential for threat to the organization is relatively high, including estimates of the likelihood of the occurrence of these threats. The size of the organization may affect how the process is carried out, with larger nonprofits perhaps having a separate risk management department. Smaller entities might rely on a committee of staff and volunteers. The responsible party determines which risks serve which levels or attention and response. Some risks are so remote or minor that they might not warrant a piece of the plan. For more common or more serious potential problems, response includes taking necessary action to prevent the problem from happening or, for unanticipated situations that arise, to mitigate any negative consequences. However, insurance policies and risk management programs are not a failsafe against liability. Problems arise. Groble and Brudney (2015) found volunteers are twice as likely as board members to be sued in direct-service nonprofits. As defendants in general, board members have a 50–50 chance of acquittal; volunteers have a much smaller chance of gaining immunity.

Initial risk assessment begins with team brainstorming. Tremper (1994) recommends writing down all of the possible risks that come to mind and then using checklists available from various sources, including insurers and accrediting bodies. Examine all procedures manuals for legal compliance. Review safety records over the past year. Physically inspect the premises to look for hazards. Compare job requirements with the actual skills and judgment of staff. Although some risks are generic, such as a client slipping and falling on a wet floor, others are more site-specific: the issues of concern for a nonprofit providing residential care would be very different from those at an agency whose main service is information and referral. Just as important as the listing of risks is estimation of the probability of each identified risk, as well as likely cost should a problem actually occur. Risks can then be prioritized based on the frequency and severity of the threat. Finally, a decision must be reached on the actions to be taken, which could include eliminating the activity, modifying it to reduce the risk to an acceptable level, accepting the risk because of the lack of a good alternative, or shifting some of the risk (at least the financial aspect) through insurance or contracting with another provider.

Ethical Considerations

The actions of employees are a major source of risk for nonprofits. Problems result from interactions with clients, ranging from dissatisfaction to litigation. Employees themselves bring suit against their employers for issues related to compensation, promotion, and many other matters associated with human resources management. Furthermore, as will be discussed more fully in the following text, nonprofits are susceptible to occupational fraud, which includes the misappropriation of the employing agency's assets by a staff member or the use of one's position for personal gain (Archambeault & Webber, 2018).

Concerns Related to Staff Performance

According to Watkins and Watkins, "professionals are held to a higher standard of behavior in their professional capacities than that of the general population" (cited in

Kurzman, 2006, p. 276). Unfortunately, the subject of ethics, especially the legal aspects, is not fully explored in most graduate education programs. However, professional workplace organizations like the Association of Fundraising Professionals and the American Evaluation Association generally provide this kind of guidance for their members. The National Association of Social Workers (2017) has developed a comprehensive code of ethics identifying detailed standards of conduct in six different areas of responsibility: to clients, to colleagues, in practice settings, as professionals, to the profession, and to the broader society. However, although virtually all the issues a worker might encounter in everyday practice are addressed, many of the standards are aspirational rather than prescriptive, and some may come into conflict with each other. Consequently, individuals must occasionally consider and apply the spirit of the code to determine the most ethical action. For instance, in the first section of the code, promoting the well-being of clients is established as the primary responsibility. However, it also states that loyalty to the client may be superseded under special circumstances, such as when the worker becomes aware the client is abusing a child and is then required by law to report this information. Maintaining client confidentiality is another strong belief, except when the situation presents compelling reasons not to comply (e.g., if the client makes a credible threat to harm himself or another person), and so on.

Obviously, even with a broad professional code, practitioners make questionable interpretations and simple mistakes in judgment that may lead to lawsuits by irate clients or their families. This suggests that nonprofit leaders should be more proactive in their communications with employees by putting in place site-specific internal procedures that provide clear guidance to staff (especially recent hires) regarding lines of accountability and performance expectations, without circumscribing individual decision-making to the degree that workers are reduced to mere automatons. Moreover, those dealing directly with clients are not the only ones who must be educated about legal obligations and possible areas of organizational vulnerability; supervisors and senior managers may be equally in need of direction on these subjects (Kurzman, 2006).

Human resource management is the focus of chapter 14, but we note here that employee lawsuits over salaries, working conditions, opportunities for advancement, and so forth are another area of potential risk to the organization. Consequently, organizations (their risk management teams) must be conversant with all applicable laws and regulations and aware of current societal trends. They must then take the necessary steps to ensure that personnel policies are fair, up to date, and enforced uniformly. This helps not only to avoid or at least discourage litigation, but also puts the organization in a stronger position to respond effectively to any charges of discrimination or harassment. Nevertheless, despite taking all possible precautions, a nonprofit may still fall victim to retaliation by a disgruntled staff member, as a regional child-care agency once discovered. An employee who had injured herself as the result of allegedly slipping on ice in the agency's parking lot decided to sue for damages after being fired for poor performance unrelated to the accident. The nonprofit's leaders felt that the suit was frivolous; no one had witnessed the accident, and the case was based only on the litigant's word as to the circumstances of her fall. With legal fees mounting, the organization elected to come to a financial settlement with the former staff member.

Concerns Related to Fraud

Fraud is an act of deception or misrepresentation, intentional distortion of truth to induce another to part with something of value, or to surrender a legal right. Occupational fraud is frustratingly easy to perpetrate in a nonprofit. If you think that most people electing to work for a voluntary organization do so because of a belief in its mission rather than for monetary reasons, then trust in the integrity of your colleagues is virtually a given, and the sense of personal violation is all the stronger when fraud occurs. Even though the organization itself may commit fraud through improper acts (e.g., falsifying financial statements or miscoding services rendered to increase Medicare reimbursements), most of the cases of occupational fraud involve bad behavior by individual employees, motivated either by external circumstances, such as financial problems at home, or by internal factors such as a real or perceived experience of having been treated unfairly on the job (Archambeault & Webber, 2018; Holtfreter, 2008), as illustrated in the following actual cases.

- The chief financial officer of a statewide nonprofit, believing herself to have been denied a deserved raise, decided to take the increase anyway by giving the executive director supporting documents when checks were signed to make it appear a dormant account originally set up to encourage staff to continue their education was still active. Her duplicity came to light during the annual audit, after she had taken a similar position elsewhere. Although the executive director felt the new employer should be made aware of the theft, the board president decided that because the total amount taken was under $1,000, he would handle the matter discreetly by making arrangements directly with the former staff member to repay the money.
- After resigning as top executive of a national organization, the executive director admitted to having embezzled more than $870,000 from the charity during the previous decade due to resentment over perceived unfair treatment by the board regarding his salary and benefits. He concealed the theft by intercepting donations to the charity and depositing them in bank accounts set up for his personal use. Former colleagues and key volunteers expressed shock and anger at this news. The ex-executive director was prosecuted for his crime, receiving a prison sentence; he was also required to make restitution to the charity. However, he continued to blame the board for his actions.

The Ethics Audit

Weak internal controls, a lack of business and financial expertise, overreliance on poorly prepared volunteer boards, and an atmosphere of trust provide opportunities for fraud. However, with scandals occurring all too frequently, the general public is no longer as willing to assume the good intentions of nonprofits. Many now expect charitable organizations to demonstrate that appropriate systems and policies have been established to ensure that contributions and other resources are being prudently maintained, managed, and deployed.

Whereas annual financial audits are well established in the nonprofit sector, far fewer organizations make use of an equally useful mechanism: an ethics audit. The purpose of the ethics audit is to review and assess the adequacy of current practices, modify practices as needed, and monitor the implementation of these changes (Reamer, 2000). Two broad areas are addressed in a typical ethics audit: staff awareness of known risks related to practice and the manner in which ethical concerns are presently being handled within the organization. This kind of audit is applicable to any nonprofit, with a simple Internet search providing guidelines for creating a suitable instrument. For purposes of illustration, we will focus on the audit as it might be used in a social service agency; it was originally conceived for that purpose, drawing on the National Association of Social Workers Code of Ethics and common law as sources (see Table 13.3).

Once an organization's leaders have made a commitment to initiating an ethics audit, the first step is to assign primary responsibility for overseeing the process. Depending on the size of the organization, the executive director might take on the job personally, or it could be delegated to other management staff, or a standing ethics committee might be formed. For maximum impartiality, an outside consultant could be hired for the entire review. The second step is to prepare a list of likely topics to be covered in the audit, divided into client-specific issues (e.g., client rights, confidentiality and privacy, informed consent) and more general issues pertaining to the agency as a whole, such as service delivery practices, maintenance of boundaries, conflicts of interest, defamation of character, supervision and training, use of consultants, fraud, referral policies and procedures, grounds for termination of services, and practitioner impairment. A key area to address is the ethical dilemmas encountered by social workers in direct practice due to conflicting professional duties and obligations, as discussed throughout Chapter 13. Human services administrators also face ethical dilemmas over the allocation of scarce or limited resources, telling the truth, and adhering to the relevant policies, regulations, and laws governing such organizations. For example, in serving elderly people, should priority be given to the many or the few—that is, to those well enough to participate in day programs at the agency or to the frail, home-bound clients? In the previous vignette about the CFO who stole a small amount of money by manipulating documents, which position on handling the situation was more beneficial for the organization, the executive's or the board president's?

Once the specific topics have been determined for a given setting, a structured instrument might be developed to systematically collect data and rate the level of risk in each category, from the lowest ranking (which would pertain to a practice needing no modification) to the highest ranking (for something deemed to be seriously flawed and in need of immediate attention). As part of this effort, likely data sources must

TABLE 13.3. CONDUCTING AN ETHICS AUDIT

Step	Pertinent Questions
1. Committing to the process	What are the likely benefits to the organization? Is there a downside to pursuing an audit? What impact would an ethics audit have on our resources (people, time, money)?
2. Assigning oversight responsibility	Should the process be handled in-house or by an outside consultant? If in-house, who should be in charge? What are the pros and cons of forming a standing ethics committee?
3. Identifying areas of risk	What current practices constitute a potential threat to our organizational and professional values? Which of the available objective checklists and protocols should we use to ensure that we are not overlooking anything?
4. Developing the instrument	Which stakeholder groups should be involved to help produce the most effective instrument? What is the most efficient way to produce an appropriate instrument to meet our needs?
5. Collecting and analyzing data	What sources need to be tapped to collect all the relevant data? What is the fairest and most practical way to prioritize the potential risks as reflected in the data?
6. Using the findings	What is the best plan for making constructive improvements in agency policies and practices? What safeguards should be put in place to ensure that the plan is implemented in the most ethical manner?

Source: Adapted from Reamer (2000).

Note: The findings of an ethics audit should be treated as a living document, as the first important step in an ongoing process.

be identified. After the data have been collected and analyzed, the results should be prioritized by the degree of risk, and a plan should be delineated for implementing the findings, starting with the most significant concerns. Although a thorough review of this nature may not be warranted every year, senior management must remain vigilant, ready to identify any new potential threats and take appropriate action. They might periodically conduct another full audit, especially if the organization experiences anything out of the ordinary, such as an incident of occupational fraud or when the organization undertakes a change in the top leadership.

FINAL THOUGHTS

For the most part, in this discussion on ethical leadership, the focus has been on the actions of the executive director, but leadership in nonprofits is a shared responsibility, with the board as an equal partner and therefore also a possible source of risk to the organization's reputation and steady flow of resources. In the case of the board of directors of the Charles M. Blair Family Museum in Martindale, Montana, the issue was failure to execute the duty of care, a basic responsibility of a nonprofit board (see chapter 4). As the result of a suit brought by a group of community volunteers, the Montana State Court dismissed the trustees for breaching their fiduciary duties in not spending enough of the money left in trust by the donor at her death to establish the new institution, resulting in its closing. The court's ruling has been seen as a victory for the principle of honoring the wishes of the donor except in those rare instances when the intentions cannot be fulfilled or are deemed too frivolous. The court ordered that a new board be formed to reopen the museum.

Elected officials have also weighed in on board responsibilities. In response to accounting frauds at large for-profit corporations, which occasionally reveals the weaknesses in board oversight of resources, the U.S. Congress enacted the American Competitiveness and Corporate Accountability Act in 2002, better known as the Sarbanes–Oxley Act. The intent of this law is to ensure financial accountability in the corporate community by strengthening governance policies and procedures. Even though the principal focus of this act is publicly traded entities, it has affected governance practices in nonprofits as well, with many states using the Sarbanes–Oxley regulations or passing similar legislation to ensure that board members are qualified to serve and understand their fiduciary duties.

Snyder (2005) maintains that one of the best ways to restore public confidence in nonprofits is to create a board–staff partnership committed to the fulfillment of the organizational mission according to the laws governing voluntary agencies and accepted standards of practice and guided by a code of ethics to form and maintain a values-based culture. Even in cases of wrongdoing resolved through legal measures, one can almost always point to an ethical principle that has been violated. Snyder also encourages nonprofits to work together to regulate the sector from within, in a consortium comprising foundations, state associations of nonprofits, umbrella groups, and other interested parties, to forestall the imposition of further regulations. When the nonprofit sector fails to regulate itself, it invites regulation from the government and the general public.

QUESTIONS TO CONSIDER

13.1. Is the role of ethical or moral compass of the organization harder today than in the past for a nonprofit leader? Justify your position.

13.2. Based on the information provided in the featured case study, Youth Service Network's founder, Trevor Clinton, likely cannot be considered a servant-leader. Which of his actions seem most at odds with this model? How have those actions affected the organization over time?

13.3. If you believe faith-based nonprofits merit special consideration in competing for government support, what expectations of these organizations are justified in return? If you feel special consideration is unwarranted, support your views.

13.4. What steps should an ethical leader take to protect the organization from risk? Which kind of threat is most detrimental to a nonprofit's good standing in the community? Why do you believe this to be true?

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14

Human Resources Management

FOR NONPROFITS AND other organizations that focus primarily on the delivery of services rather than on producing goods, a competent, dedicated workforce (including volunteers) is perhaps the most critical resource in carrying out the organizational mission. For-profits may have an advantage of offering higher salaries, but, as Watson and Abzug (2016) discuss, nonprofits have the powerful advantage of attracting employees and volunteers who are motivated by and want to share in the nonprofit's mission. To find, prepare, and retain a well-qualified workforce requires careful attention to "all of the choices and actions that take place in the life of an organization's employees" (Strom-Gottfried, 2006, p. 141), from recruitment through performance appraisals, including disciplinary measures when needed. All this falls within the broad function of human resources (HR) management. In larger settings, a separate department may oversee these areas. In smaller organizations, HR management may be included within the executive director's responsibilities or delegated to another member of the senior staff. Regardless of who oversees these functions, the policies and procedures guiding the process must be implemented with skill and an even hand. As noted in the previous chapter, many of the risks to a nonprofit stem from disputes arising from personnel issues, so a lot is at stake both financially and in terms of the organization's reputation in the community.

From a broader perspective, the value of the nonprofit sector as an employer has become increasingly important to the overall economy of the United States. The U.S.

Bureau of Labor Statistics (BLS) reports that American nonprofits employ 12.3 million workers, a little more than 10 percent of the private sector workforce (US BLS, 2018). From 2007 to 2012 when total U.S. private employment declined by seven percent, nonprofit employment rose by 8 percent (BLS, 2016a). Although nonprofits can be found in many fields, over half of the employment is in healthcare, with education second; in the years to come, job opportunities are projected to be highest in the health and human services. Moreover, the number of nonprofit employees has doubled in the last twenty-five years, representing a higher average annual growth rate than business and government are experiencing. In dollar terms, for 2012 nonprofit workers were paid $532 billion in wages, outpacing the wages paid by the utilities, construction, and wholesale trade industries and an increase of 26.3 percent over nonprofit wages in 2007 (BLS, 2016a).

Management of staff is only part of the HR tasks for nonprofit organizations. BLS (2016b) estimates that roughly a quarter of American adults volunteer for a nonprofit organization each year. This amounts to over 60 million people, with the typical volunteer spending about fifty hours in volunteer tasks over the course of the year. Consequently, the management of volunteers is a major commitment for many organizations, although evidence suggests that many nonprofits do not commit adequate time and resources to volunteer administration (Hager & Brudney, 2015). In some organizations, volunteer administration is part of the HR department. In others, it is a separate unit. In too many others, it is haphazardly assigned to program managers or to other volunteers.

This chapter examines the topic of HR management in nonprofits from many different angles, although we emphasize management of staff, leaving volunteer administration to chapter 16. Addressing the issue of job satisfaction and commitment sets the stage for considering all of the practical details associated with the decisions that must be reached and their ramifications in regard to an organization's workforce. Last, we will focus on the special challenges of managing diversity in the workplace.

PROMOTING JOB SATISFACTION AND COMMITMENT

To be successful, an organization must not only find ways to hire the best people to provide its programs and services but also be mindful of what is required to retain these individuals. Staff turnover can be measured both financially and in terms of the emotional toll it takes on the organization's culture. In addition to the actual costs of replacing an employee, clients may be inconvenienced while a new person is sought, hired, and trained. The remaining staff members may feel a personal sense of loss. For those attracted to working in nonprofit settings, the general perception is that they are drawn initially by the nature of the work and are most likely to stay on when their personal beliefs and organizational values coincide and when they feel their efforts contribute to mission fulfillment (Akingbola, 2013).

Intrinsic Versus Extrinsic Motivations

According to Taylor's classic theory of motivation (developed in reference to the for-profit sector), monetary rewards are the major incentive to achieve greater productivity. However, regardless of the sector, few today believe money is the only factor to bring about increases in work output. The prevailing sentiment today is that the most significant motivating element is *supportive relationships* with co-workers and supervisors, who are encouraged to send out as many positive signals as possible, such as involving staff in decision-making. These two different perspectives are captured in McGregor's X and Y theories, discussed in chapter 4. Theory X stands on the idea that human beings have an inherent dislike for work, valuing security above everything, and therefore require a considerable amount of direction and control to perform well. Theory Y holds that individuals have a natural capacity for creativity, want more responsibility, and so need a work climate encouraging democratic participation. You might recall that Theory Z, developed some years later, is a kind of compromise position, encompassing aspects of both theories X and Y. This again calls to mind Maslow's hierarchy of needs, which starts at the physiological level (food, clothing, and shelter) and proceeds sequentially through higher levels: safety needs, social needs and the desire for love, the need for esteem, and the need for self-actualization (as cited in Skidmore, 1995). After forty years of debate, Cerasoli, and Nicklin (2014) conducted a meta-analysis of studies on these topics, concluding that "intrinsic motivation is a medium to strong predictor of performance" and remained constant even when extrinsic incentives were offered (p. 980). When tied to job performance, intrinsic motivation gets crowded out by extrinsic incentives. "Intrinsic motivation predicted more unique variance in quality of performance, whereas incentives were a better predictor of quantity of performance" (Cerasoli & Nicklin, 2014, p. 980). Overall, the evidence suggests a mixture of intrinsic and extrinsic motivators as most valuable in improving job performance.

Maslow's theory underscores the importance of perceiving workers as individuals. It takes into consideration both personal and group needs to provide appropriate working conditions and challenges, particularly with respect to the highest level need of self-actualization, which involves the desire for achievement along with social approval and recognition. The contract renewal and promotion process used by most U.S. colleges and universities reflects this theory; for many academics, the benefits of achieving tenure include job security and peer approval, but even more important is the freedom to pursue research areas that are personally meaningful even when they may be outside the mainstream of one's discipline. Workplace studies by Hofstede and Hofstede (2010) comparing people in different occupations provide evidence that those in fields demanding education well beyond the basics, such as professionals, are more likely to be motivated by intrinsic factors (the nature of the work, achievement, responsibility, recognition, and advancement). In contrast, those with less education, such as clerical staff, are more motivated by extrinsic factors (working conditions, supervision, salary, and company policies and procedures). However, collective practices depend on organizational characteristics like structure and systems and can be influenced in more or less predictable ways by changing these organizational characteristics (Hofstede & Hofstede, 2010). That said, extrinsic factors are rarely fully absent from employee's considerations. Research by Robineau, Ohana, and Swaton (2015) found that extrinsic factors such as competitive compensation packages play an important role in attracting and increasing the quality of the people who apply for jobs of all types.

Key Factors

A general theory cannot account for all individual behaviors, which vary by an assortment of characteristics. That said, theories help identify trends and generalizations that help shape management practice. One way of understanding how individuals view their work is through Schein's concept of *career anchors* (Schein & Van Maanen, 2016), which are specific preferences each person has regarding the kind of work they do. These *anchors* are believed to exist prior to accepting full-time employment but evolve over time and with experience. Haley-Lock (2008) focused on five of the anchors that are relevant for nonprofits (especially human service organizations) to study how career orientations might affect job satisfaction: (a) *dedication* to a cause (the desire to have an impact on larger social issues); (b) *lifestyle* (the desire to strike a balance between work and non-work responsibilities); (c) *autonomy* (the desire to be able to choose how and when to complete tasks); (d) *managerial competence* (the desire to have advancement opportunities and hold a leadership position); and (e) *entrepreneurial creativity* (the desire to develop or reshape programs according to one's own vision). She found that newer employees placed much more value on entrepreneurial creativity than those with a longer history at the organization, but the reverse was true for lifestyle balance. Both groups (new and established) expressed similar interests in autonomy, serving the cause, and having opportunities for promotion and leadership. Although lifestyle balance was not related to job satisfaction for the veteran workers, it was for the relative newcomers—even though the veterans valued this career anchor much more than the newcomers. In addition, while dedication to a cause was positively related to job satisfaction for all workers, this was not true for the three remaining anchors, further reinforcing the idea that managers must consider individual needs and desires to promote a sense of well-being in the workplace.

The ability to retain staff is a kind of referendum on organizational efforts to promote job satisfaction. Finding ways to reduce work-related stress should be management's goal, since such stress is frequently related to the intention to leave. Support from supervisors and co-workers is particularly important, with family support acting as a buffer to lessen the effects of conflict between work and home obligations. Policies and procedures to increase social supports and decrease stress on the job should be encouraged (Nissly, Mor Barak, & Levin, 2005). Interestingly, Giffords (2003) found that, in general, social service workers in nonprofits and for-profits demonstrate more commitment to the organization and the profession than do those in public (government agency) settings. The predictors of affective organizational commitment in social service workers are cognitive trust, managers, communication, and the structure of the work, while meaningful organizational commitment indicators were educational status, emotional trust, the structure of work, and additional job opportunities (Tekingunduz, Top, Tengilimoglu, & Karabulut, 2017). Moreover, professional commitment, but not organizational commitment, appears to increase with age and for those in more responsible positions that allow greater flexibility in decision-making. This suggests a need to stress incentives that bring about a higher level of commitment to the organization. Nevertheless, worker loyalty can be a mixed blessing, for staff in nonprofits often come with a strong belief in the mission, but may also hold their organizations to higher ideological standards. One result might be an informal or even formal grievance when a job-related problem is encountered and a decision to leave if the situation is not resolved in a manner consistent with the individual's personal values (Hoffmann, 2006).

PRACTICAL CONSIDERATIONS IN HUMAN RESOURCE MANAGEMENT

In establishing the policies and practices necessary to manage the workforce, a nonprofit must consider both internal and external aspects of the environment. First and foremost, the mission (the guiding force for all programmatic decisions) ought to determine the types of jobs and the skill levels of employees to fill these positions. Another critical internal factor is the organization's financial health, which has considerable bearing on the number of staff and the reward system. Finally, the culture of the agency, by setting the tone for expectations and work style, dictates hiring individuals who will fit in. Culture also influences the degree of formality of HR procedures.

Externally, the composition of the labor pool and general economic conditions may represent opportunities or constraints in setting personnel policies. As part of this process, some or all of the following pieces of legislation will have direct bearing on both policies and practices:

- The Social Security Act of 1935 and the Fair Labor Standards Act (FLSA) of1938 established the basis for federal and state unemployment programs, minimum wages and hours, and overtime pay provisions. Nonexempt staff must receive overtime pay and so forth under FLSA, but exempt employees (usually managers, executives, and professionals) are not covered.
- The Equal Pay Act of 1963 mandates equal pay for employees holding the same jobs, except when seniority, merit, and factors other than sex dictate otherwise. It addresses both direct and indirect (e.g., benefits) compensation.
- Title VII of the Civil Rights Act of 1964 (amended in 1991) bars discrimination on the basis of sex, race, color, religion, or national origin for organizations with at least fifteen employees working twenty or more weeks per year.

The Lilly Ledbetter Fair Pay Act of 2009 clarifies the timing of unlawful discriminatory behavior.

- The Age Discrimination in Employment Act of 1967 (amended in 1978 and1986) protects individuals forty and older from arbitrary discrimination.
- The Equal Employment Opportunity Act of 1972 extended Title VII coverage to more kinds of organizations. In 1980 sexual harassment was recognized as a form of sex discrimination by the Equal Employment Commission.
- The Pregnancy Discrimination Act of 1978 identified pregnancy as a disability qualifying a person to receive the same benefits as given for other disabilities.
- The Americans with Disabilities Act of 1990 prohibits discrimination on the basis of physical or mental disability by organizations with at least fifteen employees and requires reasonable accommodations for such individuals.
- The Family and Medical Leave Act of 1993 requires organizations with at least fifty employees to grant up to twelve weeks of unpaid leave for the birth or adoption of a child, for the care of any member of the immediate family with a health issue, and if an employee cannot work due to a major health problem.

Compensation and Benefits

Many factors dictate the nature of the compensation and benefits program, including the prevailing trends in the community and industry. A main consideration is that the package must be competitive in attracting and retaining the best people. Day (2016) suggests a nonprofit compensation package called *total rewards* as a forward-thinking enticement to affordably attract the most qualified workforce. This package not only includes things normally expected to attract motivated workers such as base salary, incentive pay, and benefits but also adds good supervision, safe and attractive facilities, access to training and development, and other elements as part of a total constellation of benefits to attract potential employees and enhance their employment experiences. In determining salaries and wages, depending on the organizational structure and strategic goals, an egalitarian philosophy may suggest little differentiation by staff level. In larger settings, pay grades are more hierarchical, varying substantially by level of responsibility. With this latter strategy, the organization can open itself to criticism from key stakeholders if the disparity from level to level is too great or if the executive director's salary is much above that for executives in comparable agencies. The Internal Revenue Service has the power to revoke charitable exemptions (or more "intermediate" sanctions) for nonprofit organizations if compensation is judged to be uncharacteristically high for key workers. United Way, a nonprofit academic center at a local university, the state association of nonprofits, and the Internet are possible sources for salary studies to use as a general guide. Some nonprofits hire consultants to guide them in setting salary levels.

An important policy decision is whether any increases in compensation will happen automatically according to a predetermined schedule or by merit, or some combination of the two. As for benefits, some, such as paying into the state unemployment insurance fund, are mandatory while others are up to the organization. Historically, nonprofits have been known to provide strong benefits packages, partly to offset less-than-stellar salaries. However, economic pressures now often necessitate other arrangements. For example, healthcare has become so expensive that many organizations have had to reduce the coverage and increase employee co-payments. Vacations, paid holidays, sick leave, personal days, staff development, and retirement plans are other examples of discretionary benefits.

Job Design

The components of a job ought to reflect the client or organizational needs that a particular constellation of services is expected to meet. Accordingly, the duties and responsibilities of a direct-care worker in a residential facility will be markedly different from those of a middle manager in the same setting. The first step in job design is to collect and analyze relevant data to determine the best configuration of jobs to carry out the mission, not just for the present but also in anticipation of future demands. With this information in hand, the specific tasks and behaviors attached to a given position can be identified, as well as the desired characteristics and qualifications of the person to fill that slot, the appropriate rewards (monetary and nonmonetary), and the physical accommodations necessary to do the work. The ultimate aim of job design is to improve organizational effectiveness and efficiency and increase employee job satisfaction.

Recruitment and Selection

Today, nonprofit leaders are likely to have more than a dozen jobs throughout their careers. To contain costs and remain effective, nonprofits need to maximize employment efforts by attracting, recruiting, and retaining the right personnel for the right job. This process can easily be “the most important process nonprofit managers undertake” (Watson & Abzug, 2016, p. 597). Job descriptions (for both staff and volunteers) must be written for each open position, with as much detail as possible on duties and responsibilities; the required knowledge, skills, and abilities; and the reporting relationship. Any specific physical requirements should be noted as well. Except when hiring the executive director (which is a board responsibility), job descriptions generally fall to senior management, who must also specify the procedures for filling vacancies to ensure that the process is fair, meets all legal requirements, and is consistent with the board-approved salary range. The aim is to identify the most critical tasks and qualifications so that applicants can judge whether to submit their credentials without making the job seem undoable, thus prematurely limiting the pool of candidates. To that end, some expectations may be stated as absolute while others are open to negotiation. For instance, the educational preference for program director of a large human service organization might be a master’s degree in social work, but a master’s degree in public administration or education could be an acceptable alternative. All job descriptions should be reviewed periodically to ensure they still reflect organizational needs and realities, and revised accordingly (see Exhibit 14.1 for a sample job description).

EXHIBIT 14.1
SAMPLE EMPLOYEE JOB DESCRIPTION

Youth Services Network, a seventy-year-old nonprofit organization supported by individual donations, United Way, and foundation and government grants

Job Title: Program Director

Responsible for oversight of current programs, consisting of a variety of activities housed at the agency's youth center, a summer camping program, and two grant-funded programs also housed at the youth center

Essential Duties and Responsibilities

- Monitors all programs to ensure they are implemented as designed
- Supervises center director and director of camping services
- Evaluates current programs and prepares reports for key stakeholders
- Assesses client needs and recommends new programs as warranted
- Develops and secures funding for approved new programs
- Represents agency on citywide youth council
- Performs all other duties as assigned by the executive director

Qualifications

- Knowledge of youth programming trends and stages of youth development
- Proven skill in fundraising with private and government donors
- Strong supervisory skills, including the ability to design individual professional development plans
- Expertise in program monitoring and outcomes-based evaluation
- Skill in forging collaborative relationships with peers

Education and Experience

- Master's degree in social work preferred; graduate degree in public administration, education, or related field will also be considered
- At least five years' experience in youth work at a nonprofit organization, with a minimum of one year in a management capacity
- Must be a self-starter and detail-oriented

Reporting Relationship: Reports directly to the executive director

Salary and Benefits: Negotiable

Hiring procedures should define who will be involved in personnel decisions, how openings will be advertised, what records need to be kept and by whom, and how the selection process will unfold. A job announcement is generally prepared for each opening. To meet affirmative action guidelines, the announcement should include job title and classification as exempt or nonexempt, location, a description of the most essential duties, the minimum acceptable qualifications, the starting date, and the application procedures, covering what, where, and to whom materials should be sent and by when. Announcements may include the salary range or just state that salary is negotiable. As Pecora (1998) notes, "the recruitment and selection of employees is a form of public relations. The quality of recruitment materials and the respect and professionalism shown to applicants shape the image of your organization" (p. 157). Thus, the venues for advertising or posting a position must be chosen carefully so all likely candidates are made aware of the vacancy. Many organizations want to make sure that underrepresented groups (such as racial minorities or women in upper management) are targeted. A copy of each announcement with a list of how and where the position was advertised or posted should be stored in a permanent file.

Even when an announcement is clearly worded to discourage unqualified candidates, applications will come in from individuals who lack the stated criteria. Having screening guidelines, weighted to emphasize the most important qualifications, tracking of applications as received, and a log to record their disposition will provide concrete proof that everyone has been treated fairly and consistently. For those who meet the minimum job qualifications, hiring committees should have a systematic way to distinguish the best candidates from the others. Individuals eliminated at this point should be sent a thank you letter indicating they will not be receiving further consideration, with copies retained in the permanent file.

The next set of decisions concerns the selection process. Depending on the nature of the position and the number of individuals on the short list, many organizations will conduct brief telephone or Skype interviews to make further reductions. A key decision is whether to consider current employees for the opening and, if so, how to ensure they are treated in the same manner as any other applicant. Whether interviews will be conducted by a single person or a committee, careful attention must be paid to the process to avoid violating rules and regulations on discrimination. All interviews should be scheduled for the same length of time, and the same list of job-specific questions must be posed each time. The Department of Statistics at the University of Washington provides guidelines on what information may be legitimately requested and what is unlawful, drawn from the Equal Employment Opportunity Commission's (n.d.) regulations, via its website. Here are some sample questions.

Subject: Family—*Unlawful inquiries*: How will your husband feel about the amount of time you will be traveling if you get this job? What kind of childcare arrangements have you made? *Lawful inquiries*: Can you work overtime? Is there any reason why you can't be on the job at 7:30 AM?

Subject: Arrests and Convictions—*Unlawful inquiry*: Have you ever been arrested? (An arrest does not necessarily mean the party is guilty.) *Lawful inquiries*: Have you ever been convicted of any crime (excluding minor traffic violations)? If so, when, where, and what is the disposition of the case?

To help determine whether past experience is relevant to the position in question, a useful technique is the *Patterned Behavior Description Interview*, which delves more specifically into the individual's qualifications. For example, you might ask how the applicant handled the need to make a significant change in the way work got done within the organization (Pecora, 1998). A related technique is the situational interview. This entails presenting hypothetical but likely scenarios pertaining to the job and/or the organization and asking the candidates to indicate what he or she would do under those circumstances. In both cases, a rating scale can be established to judge the responses (e.g., 5 = much more than acceptable to 1 = much less than acceptable), with supporting comments. With a selection committee, the candidate's answer can be compared to those of group members for the same vignette.

Although much more common in the for-profit sector, testing is used by some nonprofits as a screening device to ascertain skill levels, knowledge, personality, and technical capabilities before making the final selection. However, the validity of such tests is not universally accepted; as a general rule, testing should never be the only hiring criterion, and the results must be viewed with caution. Finally, before offering the job, the organization should conduct background and reference checks. The reasons for a background check vary with the position. For example, criminal checks are required in virtually all states for anyone who will be working with childrenor elderly people, or disabled people. Areas to investigate include driving record, bankruptcy, property ownership, and credit rating (Privacy Rights Clearinghouse, 2019). The person's legal right to work in the United States should also be checked. Misrepresentation of any information provided may be grounds for immediate disqualification of that candidate.

Reference checks are still considered an important piece of applicant vetting. However, since the applicants indicate whom to contact and therefore can be expected to choose only those apt to provide positive comments, the insights from these sources must be taken with a grain of salt. Furthermore, with the increase in the number of lawsuits filed by individuals against former employers suspected of sabotaging efforts to obtain a new position, even though anything truthful about the person's performance legally can be shared, many organizations have adopted policies strictly limiting the information to affirming the title of the job held, the dates of employment, the most recent salary, and whether the person would be eligible for rehire (potentially the most telling bit of information). A verbal request for a reference may prove to be more fruitful than a written request, because voice inflection or choice of words sometimes convey helpful information about job candidates.

The job offer should precisely state the responsibilities of the position, salary, benefits, starting date, and the date for accepting or rejecting the offer. Contact may first be made by phone, followed by a confirmation letter. Until everything is definite, the other finalists should not be notified, so that if the deal falls through the hiring committee can approach the next-best applicant and avoid having to restart the entire process. Once the decision is certain, a letter should be sent to those not selected, expressing the organization's thanks for their time and interest, with some wording to the effect that the background of the person chosen more closely fits the agency's current needs and the requirements of the position. Hiring committees must handle any internal candidates with delicacy; keeping their goodwill should be the goal, for they are likely to remain at the organization. In fact, this may present an opportunity for career counseling on obtaining further education or work experiences to increase their chances in the future.

Staff Development and Supervision

Staff development refers to various forms of training, career counseling, and personal accommodations. It is part of the overall reward system and is intended to benefit both employees and employer. Landsman (2008) describes two primary pathways to building loyalty and fostering retention: through *job satisfaction* and *perceived organizational support*. Job satisfaction is an emotional response while the perception of support is more of a cognitive appraisal of how much value the organization places on the employee's contributions and well-being.

Opportunities for professional growth start with the first day on the job via an orientation, the purpose of which is to make new workers aware of the organizational structure and how they fit into the whole enterprise, and to help them begin building relationships with their colleagues. Support pays dividends from day one. Umamaheswari and Jayasree (2016) found that feelings of loyalty and personal commitment to the organization were grown from a positive relationship with supportive supervisors. For frontline staff, their immediate supervisor (the primary person charged with ensuring quality in job performance and enforcing agency rules) is generally given the responsibility for conducting the orientation. After a tour of relevant program spaces, the new employees should be shown their specific work environments and introduced to the other members of the unit. Most important, ample time must be set aside for the supervisor and each new employee to review the tasks associated with the job and to discuss the individual's interests and aspirations. By the end of this first meeting, mutually agreed-upon goals for the first evaluation period and a basic outline for a staff development plan should be set. A similar process can be followed for new managers, with the executive director or another senior person doing the honors. In addition, every new hire should be given a copy of the agency's personnel manual, the key document spelling out all relevant policies and procedures. Many organizations require newcomers to read the manual and then sign a form attesting to their understanding of and willingness to comply with its provisions. Exhibit 14.2 illustrates some key policies found in a typical personnel manual.

EXHIBIT 14.2
SELECTED PERSONNEL POLICIES

At-Will Employment

All agency employees are employed on an at-will basis. As such, employment can be terminated with or without cause and with or without notice at any time at either the option of the employee or the employer. No supervisor, program manager, manager, or other representative of the agency (other than the executive director) has the authority to enter into any agreement or contract for employment for any specified period of time or to otherwise modify the employee's at-will status. Any modification to the employee's at-will status must be in writing and signed by the executive director.

Conflicts of Interest

Secondary Employment

The agency recognizes that some employees will involve themselves in outside employment over and above agency responsibilities. Any employee intending to engage in other paid work must submit to the executive director, in writing, pertinent information as to these activities and secure prior authorization to pursue such outside work. Activities related to outside employment cannot occur during the employee's regularly scheduled work hours and may not interfere with the employee's effectiveness in the provision of services for this agency. Agency equipment or facilities may not be used when engaged in outside employment.

Ethical Behavior

Employees are to conduct themselves in a manner that will reflect credit on themselves and the agency. All personnel have a primary commitment to our clients. All employees must uphold the code of ethics adopted by her or his professional organization and this agency. [Subheadings address confidentiality in general and specifically in regard to clients, gifts or other special considerations, special privileges, and financial interests.]

Partisan Political Activity

Employees may not use their agency authority to influence or interfere with the result of an election or a nomination for office, nor may any employee coerce, attempt to coerce, command, or advise another employee to pay, lend, or contribute anything of value to a party, committee, organization, agency, or person for political purposes. An agency employee is not, however, precluded from engaging in political management or political campaigns in her or his personal capacity on her or his own time so long as she or he does not represent herself or himself as an employee of the agency.

Performance Evaluation

All employees' performance and potential shall be evaluated on a continuing basis to improve the employee's effectiveness, assess training needs, and make decisions on placement, promotion, separation, compensation, and other actions that affect the employee. Performance evaluation is an ongoing process and is part of everyday supervision. No evaluation or review in any way alters the at-will status of an employee.

Supervisors shall evaluate all regular employees at least annually. Employees are expected to participate in their evaluation, will receive a copy of their evaluation, and will review the written summary with their supervisor. All evaluations will be based upon quality and quantity of performance of duties, as outlined in the employee's job description and goals mutually agreed to by the employee and supervisor. All evaluations will include performance goals for the next year and for plans for professional development, when needed. All employees will sign their own evaluation and have the opportunity to add comments to the document.

Personal Days

All regular employees (those working full-time or who work on a scheduled part-time basis) shall be credited with a total of three (3) "personal" days (24 hours) at the beginning of each calendar year. A prorated portion will be available to new employees hired after the beginning of the fiscal year. These days can only be used singularly. They may not be used in succession. Personal days cannot be used in less than one-hour increments. Personal days may be used for sick leave, but they may not be added to vacation or holiday leave.

Employees must use personal days in the year in which they earn them, or they will lose them. Employees may not carry unused personal days over into the next year and will not receive pay in place of unused personal days. The agency will not pay an employee for unused personal days upon termination of employment.

Note: These policies are from the personnel manual of a nonprofit providing employment services to women.

The specifics of each staff member's professional development plan will vary, taking into consideration the needs and desires of each employee as well as the organization's expectations and available resources. For the employee, the agreement may entail financial support and release time to earn an advanced degree or to attend a workshop that fulfills licensing requirements for continuing education. The organization has an interest in staff members acquiring additional training in a particular discipline so a new program can be offered in response to consumer demand or to update skills to handle new technologies. The ongoing professional development requirements of accrediting or regulatory bodies will also be a consideration. After weighing all factors, an organization can choose from a range of development options, including on-the-job training, mentoring, coaching, skills training via video streams, teleconferencing, and attending workshops and conferences.

As mentioned previously, the supervisor plays a critical role in fostering job satisfaction and organizational commitment. This requires a balance of three main supervisory functions: education, management, and personal support. In many cases, the same supervisor wears all three hats. At one point, the supervisor may be central in counseling workers on client intervention techniques. At another point the supervisor may need to explain changes in the employee benefit package. At still another, upon learning about a spouse's illness, the supervisor may play a central emotional support role in providing comfort and concrete assistance to a staff member. Given these potentially conflicting duties, a central dilemma for supervisors is to find the best approach to empower those reporting to them, but at the same time respond to organizational pressures for greater efficiency and accountability.

One continuing challenge for supervisors is helping to create an organizational culture that promotes collaboration and the use of teams. Informal interactions between staff members to share information or bring a task to completion have always been valued, but such synergy is particularly valued in today's workplace. Many nonprofit organizations emphasize the idea of working together, both internally (often across disciplines) and externally in the belief that dividing up responsibilities allows each person or entity to contribute specific talents from a position of strength. At the intraorganizational level, once a team has determined that group process is the best course of action, the supervisor, acting as team leader, must carefully select the other group members, clearly articulate the assignment and desired outcome(s), provide the necessary resources to get the work done, create an atmosphere of open communication, help build trust and manage any differences that arise within the team, and bring the project to a productive end. In short, according to Bailey and Dunlap (2006),

> effective task-oriented teams are best understood as collections of people who are held together by a common purpose, a sense of loyalty and accountability to themselves, a culture of trust and confidence that attends to results but does not require certainty of consensus, a concomitant agenda for a positive experience for all its members, and a clear understanding of measures of success. (p. 198)

Performance Review

As a general rule, all employees should receive a formal evaluation at least annually to gauge progress in achieving their goals and determine the future direction of their development plans. However, the basic content of the review ought not to come as a surprise. A good supervisory practice is to meet regularly with each supervisee throughout the year to discuss job-related matters, including performance. Doing so allows for remedial adjustments well before the annual review. A staff member whose performance is judged to be deficient during the formal evaluation should be reviewed at set intervals until the problems have been corrected or the individual is terminated. Organizations mandating a three-month or six-month probation for new staff will also conduct evaluations at those times.

Employment-related issues remain the primary area of litigation, with allegations of wrongful termination the most common and charges of sexual harassment and discrimination the next leading causes (Pakroo, n.d.). For this reason, organizations must take particular care in developing the language of their personnel policies. Asking an attorney to review the policies periodically to ensure compliance with the various applicable rules and regulations is advisable. Many nonprofits now have an at-will employment policy (as in Exhibit 14.2), allowing either the organization or the staff member to break the work relationship with or without cause. Reasons for at-will termination might include misconduct as defined by the organization and may include such things as failure to follow policy, the commission of an illegal act, or insubordination. The general policy may be superseded by a specific contract between the parties, or an agreement with an employee union. Generally, the burden is on the discharged employee to prove that termination has violated some contract, although several states recognize exceptions to this rule. While inadequate performance may be a listed cause for dismissal, performance deficiencies are usually not invoked as a reason for termination unless the employee is unwilling or unable to follow the organizational procedures for corrective action.

A key step is determining both the criteria and the process for evaluation. A good evaluation system should be *valid*, meaning the instrument assesses the performance requirements spelled out to the employee; *reliable*, which refers to the consistency of the evaluation over time and from individual to individual; and *practical*, in terms of ease of administration within a reasonable time frame and its usefulness to both management and staff. Assuming the intent of the appraisal is positive and nonpunitive, the process can be structured to benefit everyone involved. Ideally, the evaluation instrument should include both generic and job-specific elements, confine its content to actual dimensions of the job, and be realistic in its expectations. "Realistic" means recognition that not everyone will or can improve on every dimension each year. In fact, for both personal and professional reasons, people often reach a plateau or even decline slightly in performance from one year to the next. Therefore, a benchmarking approach is recommended, by which the most desirable behavior might be rated a 7 and the least desirable a 1, with the midpoint of the scale still representing an acceptable level of performance (Millar, 1998).

Staff might productively participate in the construction of their own assessment instrument, using their job descriptions as the starting point to identify specific situations and the standards for judging them. Not only will this increase the perception that the process is fair, but it may also forestall later legal challenges. While measures specific to the duties of particular employees are important, assessment should also include organizational expectations of all employees. These may be behavioral in nature, such as measuring dependability or maintaining good relationships with colleagues. So, the instrument may share the same core elements across the assessment instruments used for colleagues but differ on the job-specific items by position.

Organizations have options in the way they represent their ratings of the various assessment items. These include:

1. a simple list of statements describing a worker (e.g., "takes initiative in carrying out responsibilities"), with the evaluator checking any item that is true and leaving the others blank;
2. a *graphic rating scale*, which provides statements on performance like the checklist, but including ordered categories to rank the person (perhaps from 1 = seldom to 5 = always);
3. an *essay*, an open-ended narrative describing the employee's strengths and areas for improvement;
4. *critical incidents*, or statements capturing highly effective and ineffective behaviors that critically affect doing the job; and
5. a *management-by-objective review* based on specific, measurable goals set for a given period of time (say, six months or a year) relevant to an individual's job, with agreed-upon indicators of quality to reflect the level of performance rated from superior to acceptable. An example in rating initiative would be *superior* = employee shows initiative 90 percent of the time when presented with opportunities, *acceptable* = 75 percent of the time, and *unacceptable* = less than 50 percent of the time. Exhibit 14.3 shows examples of some of these options.

Prior to the evaluation conference, the supervisor and each supervisee should complete the performance review instrument independently so their time spent together can be used productively to note both strengths and areas for improvement. Except with regard to goal setting and the individual development plan for the next evaluation period, the parties need not agree on every dimension of the assessment. In fact, the dialogue over disagreements often becomes the most important aspect of the evaluation, providing an opportunity for the supervisor to clarify expectations and the supervisee to raise any job-related concerns or personal issues that might be affecting performance. The form should also include space for the supervisee to comment on the appraisal. Fairness in the process is the primary goal. To that end, a number of organizations have adopted what is known as a "360-degree" review, an approach that allows all members of the staff to evaluate each other in a formal but anonymous manner. Depending on the position of the person being evaluated, other stakeholders such as clients, funders, and community partners may also be contacted for their input. Even though this kind of review is rather time-consuming (and therefore expensive), the benefits in obtaining a more well-rounded perspective on the competencies of every employee can be worth the investment. The final step is to make sure all evaluative data are properly recorded and submitted in accordance with set deadlines, because other HR decisions (bonuses, promotions, and so forth) may be affected by these results.

EXHIBIT 14.3
PERFORMANCE EVALUATION OPTIONS

Option 1: Behaviorally Anchored Rating Scale
Job-Specific Dimension: Recommending New Programs

This dimension addresses the ability to be responsive to current and future client needs while being cognizant of trends in youth development and sensitive to organizational and community priorities regarding the allocation of resources.

7 This staff member demonstrates a *superior* ability to respond to current and future client needs in light of trends in youth services and resource availability.
6 This staff member demonstrates an *excellent* ability to respond to current and future client needs in light of trends in youth services and resource availability.
5 This staff member demonstrates a *very good* ability to respond to current and future client needs in light of trends in youth services and resource availability.
4 This staff member demonstrates an ability to respond to current and future client needs in light of trends in youth services and resource availability.
3 This staff member demonstrates *some* ability to respond to current and future client needs in light of trends in youth services and resource availability.
2 This staff member demonstrates *limited* ability to respond to current and future client needs in light of trends in youth services and resource availability.
1 This staff member demonstrates *no* ability to respond to current and future client needs in light of trends in youth services and resource availability.

Option 2: Checklist
For the following items, place an X before each one that is characteristic of the staff member you are evaluating.

_____Effectively assesses current and future client needs.
_____Stays abreast of trends in youth program development.
_____Develops strong program designs to address the identified needs.
_____Demonstrates skill in seeking and obtaining new funding as warranted.
_____Effectively monitors ongoing programs.
_____Effectively evaluates current programs.
_____Effectively supervises all staff with a direct reporting relationship.
_____Demonstrates strong writing skills in preparing reports and other documents.
_____Effectively represents the agency in the community.
_____Is a consistent team player within the organization.

Option 3: Graphic Rating Scale

For each of the following items, rate the quality of the employee's work performance, as reflective of the individual's job description, using this scale:

1 = Poor 2 = Fair 3 = Average 4 = Good 5 = Excellent

[The same list as in option 2 would work here. This approach can also be used to rate frequency of performance, with a different rating scale, such as

1 = Never, 2 = Infrequently, 3 = Sometimes, 4 = Usually, and 5 = Always.]

Note: The examples are derived from the sample job description shown in Exhibit 14.1, for a program director of a youth agency.

Voluntary and Involuntary Separations

In general, an employee and an organization may part company in four ways: resignation, retirement, termination, or layoff. The first two actions are typically initiated by the individual and the latter two by the organization, but the actions of the organization may influence the decision to resign or retire, and the individual's contributions to mission fulfillment, real or perceived, may have some bearing on terminations and layoffs. Especially if a departure is unanticipated or forced, and the circumstances are seen as invalid by other organizational members, termination can have broader negative consequences, such as disappointed clients, derailment of a program, or dismay among employees over a valued colleague's fate. At other times, the result may be quite positive: When someone leaves who was ineffective or had difficulties in working collaboratively, terminations can improve service delivery and staff morale. Although layoffs are never a happy occurrence, this difficult decision may enable an organization to continue valued programs and preserve other jobs.

While staff may resign to continue their education or to spend more time with their families, a voluntary resignation often signals some level of dissatisfaction over the nature of the job or working conditions. For example, in smaller organizations, the only route to a promotion or higher salary may be going to another setting. Managers should consider holding an exit interview to explore the reasons why an employee has chosen to leave, even if the discussion reveals a few painful truths. Retirement, on the other hand, usually comes toward the end of one's career and, unless motivated by a serious health issue, can be an occasion for celebration. Since retirement age is not mandated by law, an organization must set its own policies as to timing. To keep particularly valuable senior staff, some organizations offer incentives such as the option to work part time but still remain eligible for full medical coverage. Other retirement policies should address the payment of any accrued benefits and rights to continue participation in employer-sponsored benefit programs, such as 403(b) or other retirement plans.

Involuntary separation means that the employer makes the decision to terminate employment, not the employee. This presents other, more difficult issues for managers. A distinction needs to be made between problem employees and employees with problems affecting performance, arising from family, mental health, substance abuse, technology addictions, or financial issues. In the latter case, help may be offered via health insurance or an employee assistance program, with dismissal the last resort. Termination of problem employees may be for cause (violation of policies, insubordination, and so on), but inadequate performance is probably the most common reason. When concerns arise over how an employee handles work assignments, organizations often initiate a progressive disciplinary process, moving from verbal warnings to written warnings, and finally to dismissal if the employee is unable to show adequate improvement. Even though this is the least enjoyable part of a supervisor's job, such concerns must be addressed immediately and in a respectful manner. The first step is to develop a plan together that spells out the expectations for improvement, with dates for subsequent evaluative meetings to monitor progress toward these objectives. At each stage the supervisor should make every effort to help the staff member correct the problem areas, perhaps by modeling the desired technique or providing opportunities for additional training. The supervisor should document all the steps to demonstrate that personnel policies have been followed to the letter and applied fairly.

Layoffs, however, typically result from budgetary constraints. They are one organizational strategy used in difficult times. Sometimes workers who are laid off will be rehired if circumstances change, but often the separation is permanent. In truth, organizations often use downturns as a way to remove problem employees without having to go through the progressive disciplinary process. Here the issue of fairness can be addressed through formulations that uses such factors as seniority, performance appraisal, and the employee's contribution to programs and services (Kettner, 2014). To avoid charges of discrimination, the reductions should be applied across the board and with appropriate consideration for those in protected classes (due to race, disability, sex, age, and other relevant characteristics).

Even in dismissal, the dignity of the staff member should be preserved, to the extent possible, during a private, confidential, and uninterrupted meeting between supervisor and supervisee in which the specific reasons for the decision are stated. While the employee may dispute the decision, the supervisor must be clear that negotiation is not an option but should also inform the individual of any appeal or grievance process. Also be sure to spell out the procedures regarding final salary, accrued vacation time, benefits, completion of any outstanding work, and the disposition of property belonging to the organization, like files, keys, and electronic devices. To alleviate some of the tension and provide corroboration of the facts of the meeting in the event the employee subsequently challenges the termination, managers sometimes invite another manager or an HR representative to be present at the interview. In cases where drama might be expected, a security officer might be asked to monitor the meeting from a nearby space.

ADDRESSING DIVERSITY IN THE WORKPLACE

Organizations, whether for-profit or nonprofit, have compelling reasons to build a staff representing differences with regard to ethnicity, sex, age, sexual identity, and disability status. A diverse workforce reflects the diversity of our communities. Women, people of color, and immigrants are the majority of new workers entering the U.S. workforce in the twenty-first century. This diversity is also manifested in clientele, who are likely to prefer communicating with someone who knows their culture and speaks their language and who may select a provider based on these factors alone. Thus, building and maintaining a diverse staff is an imperative that makes sense out of a concern for both efficiency and effectiveness. For nonprofits, we might go a step further to say that diversity embodies many of the basic values of the sector, including representativeness and inclusion.

Yet, for all of its pluses, diversity also brings challenges, especially in terms of communication, collaboration, and conflict management. Due to legal prohibitions, discrimination is apt to be more subtle. While women and people of color are now common across the U.S. workforce, they are still too often excluded from circles of power and influence. Nearly two decades ago, Mor Barak (2000) suggested the need for an expanded definition of diversity that distinguishes "observable or readily detectable attributes ('visible diversity') such as race, gender, or age . . . [from] less visible or underlying attributes ('invisible diversity') such as religion, education, and tenure with the organization" (p. 51). The latter characteristics may not be so obvious but may be just as significant a barrier to advancement within organizations of all kinds. Another example is sexual orientation. Although expression of sexual orientation may remain invisible when an individual chooses to keep his or her identity secret, out or outed individuals may face discrimination due to cultural assumptions and prejudices. The combinations of biases and diversity in the workplace can result in at least some degree of discomfort between co-workers. Professional development workshops and individual mentoring with staff members often concern our attitudes toward difference.

A Question of Age

The modern workforce in the United States features three age cohorts or "generations": the Baby Boomers, Generation X (GenX), and the Millennials (Y), with Generation Z (boomlets, or some other label that has yet to catch the public imagination) on the cusp of entering the workforce. The practice of breaking the constant stream of births into discrete groups has led to a good deal of theorizing about the alleged differences between generations. Golensky is a Boomer. Hager is an GenXer. GenXers have been characterized as more pessimistic, cynical, and self-centered than

Baby Boomers, who are perceived as goal-oriented; highly dedicated to their work, sometimes to the point of overidentification with the job; and comfortable in hierarchical settings. In contrast, Millennials are sometimes said to be more optimistic, patient, and tolerant of others and see themselves as change agents. Generation Z has been born into economic recession and are expected to be distrustful of both commerce and government.

However, the accuracy of these generalizations is unclear, and they are not particularly useful in understanding how best to deal with the various age groups. In fact, Kunreuther (2003), who researched social-change nonprofits, found that despite some differences across the generations, similarities in outlook and work ethic were common. The commonalities included a deep commitment to the mission of the organization, a high level of job satisfaction and dedication to the work, and a strong desire to make an impact on the lives of their clients. They differed in that the younger staff were more anxious about maintaining a balance between work and family and were more apt to have chosen nonprofit work due to a personal experience, such as being a victim of violence or discrimination. For GenXers and Millennials in leadership roles, the main difference was their attempts to alter traditional organizational structures, such as by using teams and flattening the hierarchy. One clear message was the need for Baby Boomer directors to actively prepare the younger staff to be the future leaders.

Before leaving this topic, we should note that some nonprofits, like their business counterparts, have been discriminatory in their HR practices toward older workers, especially those in more senior (high-salaried) positions, by finding reasons to terminate their employment. Discrimination against both the young and the old are common and commonly discussed by the media and the blogosphere. Nonprofits, then, should make a special point of recognizing the value of diversity across their workforce.

Women in the Workplace

Women constitute a large portion of the nonprofit workforce, particularly in the human services, where leaders such as Jane Addams and Mary Richmond helped define the profession of social work. However, as salaries in social agencies have improved, more men have gravitated to upper management positions, and fewer women have been selected for these top spots, except perhaps in organizations devoted to women's and girls' issues (e.g., rape crisis centers and Girl Scouts), which tend to be staffed by females. A 2014 Harris Poll found that 44 percent of female nonprofit workers think their organization favors men over equally qualified women for executive leadership positions (Di Mento, 2014).

The issue does not seem to be overt discrimination, as most organizations abide by federal policy guidelines; at the same time, few appear to do anything specific to ensure women enjoy equality with respect to hiring and promotions. For instance, women may be passed over for higher-profile assignments that might showcase their talents and let them grow professionally, or they may not have the same access as male staff to mentors. One explanation for the disparities in work-related opportunities may be gender-role stereotyping. As illustrated in the case study featured in this book, the board president is conflicted about the executive director, whom he believes is well qualified but disparages her for too openly seeking board accolades for her achievements. However, his real feelings may be more evident in his tendency to discuss important matters with some of his board colleagues before addressing them with the executive director, requiring her to cater to his schedule for their meetings, and referring to her as "the girl [he] brought to the dance," which demonstrates a lack of respect for her position. In short, if perceptions remain that women lack the necessary traits to be effective leaders, succeed more by luck than skill, or cannot be fully devoted to their work due to family responsibilities, the glass ceiling is not likely to disappear any time soon.

Ethnic and Racial Groups in the Workplace

As indicated earlier, the twenty-first-century nonprofit workplace is characterized by men and women of diverse ethnicities and cultural backgrounds. Thus, nonprofits have economic incentives for learning how to manage cultural diversity effectively. They also face legal mandates governing affirmative action and face cultural norms for putting diversity ideals into practice (Parish, Ellison, & Parish, 2006). Nevertheless, inequities toward people of color in terms of advancement, salary, and so forth are clear. These inequalities are driven by historical patterns of decision-making, traditional power structures, deeply ingrained biases, and lack of appreciation for the value of diversity. Three patterns are common in hiring practices: (a) *discrimination and fairness*, a strategy to increase the numbers, motivated primarily by the desire to comply with government mandates, with the expectation that these individuals will blend into the dominant culture of the organization; (b) *access and legitimacy*, an attempt to strengthen connections and enhance outreach efforts in niche markets, such as hiring black social workers to work with black clients; and (c) *learning and effectiveness*, the most desirable approach, which views a diverse workforce as a way to achieve a more vibrant and productive organization, reflecting a major attitudinal shift by top leaders (Joshua-Gojer, Allen, & Huang, 2016).

Although a number of organizations have attempted to establish norms of inclusion through diversity-training programs, such efforts appear to result (at best) only in change at the individual level. To achieve a true pluralistic environment across the board in which individuals from all cultures are valued and respected, more comprehensive measures are required that include equitable hiring and promotional policies, ongoing training, and mentorship (Findler, Wind, & Mor Barak, 2007). Moreover, if substantive and lasting change is to occur, confrontation of biases must begin at the top by helping administrators and senior managers see that diversity enhances the organizational mission. This must be followed by securing their personal commitment to create an institutional culture that rewards differences while honoring the similarities among staff. Proactive strategies, such as seeking and hiring applicants from diverse backgrounds for HR positions, should be encouraged. At the same time, managers must be prepared to step in and deal with conflicts that arise to reaffirm the organization's pledge to its stated values (Mor Barak, 2017).

Other Diversity Concerns

As noted earlier, both visible and invisible diversity can present workplace barriers. Physically disabled people typically fall into the first category. While the Americans with Disabilities Act prohibits employers with at least fifteen employees to discriminate due to physical or mental disabilities, the legislation does not set numerical goals for hiring or promotion. This means a position can be denied to a person with disabilities who is deemed unable to carry out the essential functions of the job. The keyword here is *essential*, defined as the basic components of the work that have to be performed, with or without reasonable accommodation. For example, a requirement for a camp counselor could be to lead frequent hikes over rough and hilly terrain, which is likely to eliminate from consideration someone who is wheelchair-bound or uses crutches. In contrast, the director of camping services may design the summer program but is unlikely to be leading the hikes, so a disability might not be a factor in hiring for this position. Furthermore, advances in technology have made the modern nonprofit more accessible to people with a wide range of disabilities, adding yet another element to enrich the organizational landscape.

Gay, lesbian, and transgendered individuals who choose not to make their sexual orientation or gender expression known fall into the invisible category. In this case, discrimination tends not to become a concern unless their orientation becomes general knowledge, at which point they may be harassed by co-workers or denied promotions and other organizational supports. Accordingly, such individuals may need to tread carefully as to what they reveal and to whom. We write this at a time of shifting federal recognition and protections for people based on their sexual orientations and expressions. Various state and local laws, judicial rulings, and executive orders bar certain kinds of discrimination. Public opinion is also shifting in the direction of support for people who express their sexuality in diverse ways. That said, one can easily find two people with radically different views on this topic. Consequently, stakeholders may hold views ranging from total acceptance to a desire to exclude non-heteronormal individuals from all organizational roles. The best advice for top management is to be sensitive to internal and external norms as well as the applicable laws in setting HR policies and to review these policies regularly in light of the ebb and flow of rapid cultural shifts.

FINAL THOUGHTS

In the end, for most organizations the overarching goal in HR management is to instill in all employees a common vision about the important work to be done and their collective responsibilities in achieving the mission. To do so requires a thorough understanding of the emotional needs and professional interests of each staff member and then making every effort to see that policies and procedures are designed to take both driving forces into account to foster job satisfaction, productivity, and loyalty.

QUESTIONS TO CONSIDER

14.1. Schein and Van Maanen (2016) uses the term *career anchors* to refer to individual preferences regarding work. Do you believe "dedication to a cause" is still the primary reason people choose to work in nonprofits? How would you rate the importance of lifestyle balance, autonomy, opportunities for advancement, and entrepreneurial creativity as motivating factors?

14.2. If you had to choose between (a) a job that provided a great sense of accomplishment but lacked basic social supports versus (b) a job that valued teamwork and collegiality but lacked stimulation in the work itself, which would you prefer and why?

14.3. In reference to Youth Service Network, the nonprofit in the text's featured case study, how would you assess the board's hiring practices, both ethically and practically?

14.4. Why do even the most prominent nonprofits make critical mistakes in staff recruitment, hiring, and performance evaluation? What can be done to improve these processes?

14.5. What are the most important steps a nonprofit should take to manage diversity effectively? How would you apply these strategies to women in the workplace? To ethnic and cultural groups?

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15

The Nonprofit Governing Board

NONPROFIT GOVERNANCE AND leadership represent the "two most important areas in which nonprofit organizations differ significantly from businesses and government agencies" (Renz, 2016, p. 125). That said, nonprofit governance shares some similarities with private business. In the United States, as in many other countries, a nonprofit seeking incorporation must have a set of bylaws and a board of directors who ensure fulfillment of the stated mission by providing oversight of the direction and management of the organization's programs and services. In meeting these responsibilities the board exercises a special kind of authority: *governance*, composed of *accountability* (responsiveness to key stakeholders' expectations and pertinent legislation and regulations), *transparency* (openness in sharing information with various interest groups about organizational activities and finances), *predictability* (carrying out a clearly defined role in a uniform and fair manner), and *participation* (active involvement in planning, decision-making, and evaluation of the organization's work to promote effectiveness and efficiency in the use of available resources; Gill, 2005). In the words of Renz (2016),

> governance is the process of providing strategic leadership to the organization, a process that begins with making informed organizational choices: choices about why we are here, what we want to accomplish, how best to achieve those results, the resources we will need to do these things and how we will secure them, and how we will know whether we are making a difference. (p. 132)

The conventional wisdom is that effective boards lead to effective organizations, although the exact nature of the relationship remains unclear (Renz, 2016, Herman & Renz, 2008). Research has focused on governing boards since the mid-1990s, and a "growing body of evidence affirms that effective board performance is integral to nonprofit organization performance and success" (Renz, 2016, p. 127). Much of the literature designed for practitioners is prescriptive and suggests that governance and management should operate as separate functions, which often leads to reducing the issue to a list of responsibilities expected of the board and another for the staff. While this approach may be useful to a frustrated executive director coping with either an overinvolved or an underinvolved board, it provides little real assistance in motivating the board to perform to its highest potential. The issue is how to establish a meaningful division of labor between the board and top management to maximize the talents and expertise of both. Chait, Ryan, and Taylor (2011) observe that many modern executive directors have become sophisticated leaders, leaving more operational details to governing boards. They warn that boards may become micro-governors who give too much technical attention to every detail and become blind to the importance of overall leadership governing.

Chapter 4 painted in broad strokes a picture of the concept of shared leadership prevalent in most nonprofits, identifying the board's responsibilities as stated in the prescriptive literature and exploring the nature of the board–executive relationship, including descriptions of the most common governance models. In this chapter, we emphasize the nuts and bolts of forming and sustaining a high-functioning board.

AN OVERVIEW OF EFFECTIVE GOVERNANCE

Effectiveness means that something produces a definite or desired result. In the nonprofit world, with its emphasis on mission as the cornerstone of all activities, how one achieves results can be as important as the results themselves. So, the process of board activities may be an essential part of goal attainment. For example, Renz (2016) maintains that an effective board has a high degree of collegiality and strong interpersonal ties. Similarly, Preston and Brown (2004) found a positive relationship between board members' emotional commitment to the organization and performance: such boards tended to be more actively engaged, as reflected in better attendance at meetings, willingness to serve on more committees, and larger financial gifts.

Given the shared leadership model prevalent in most nonprofits, the executive director's view of the board is key to any assessments of effectiveness. In the Preston and Brown (2004) study, for instance, executives rated their best-performing board members as very valuable to the organization. Kramer's classic 1985 article on governance suggests that the executive director too often has a view of the board "as a nuisance or unnecessary burden, a group to be overcome rather than an indispensable resource whose development is an essential part of professional responsibility" (p. 22). Kramer labeled the belief that most of the power in organizational policymaking should be vested in the staff as "technocratic ideology" and the opposite position, that the executive has an obligation to nurture the leadership abilities of the board, as "democratic ideology." Since executive directors are often directly involved in board recruitment, or at least strongly influence the process, how they see their relationship with the board may have great bearing on whether it plays a substantive role in policy and decision-making or is more of a rubber stamp.

Motivation and Performance

One simple fact about board members is often overlooked, or not taken into account as fully as it should be: they are volunteers. True, they have different responsibilities than those in direct service or support roles, but they have similar needs and expectations and require the same outlay of time and energy. Although nonprofit board members are sometimes stereotyped as altruists, someone who serves unselfishly out of a moral imperative, both logic and research tell us that individuals who agree to be on a nonprofit board do so for a variety of personal and professional reasons. Prospective board members calculate the material and psychic costs and benefits of committing to a board. Once in place, board members demonstrate a great deal of variability in their capacity and willingness to fulfill the responsibilities assigned to them, probably due to a constant assessment of what they bring to the board and what their board service provides to them individually.

In an early but still significant study of motivation for board participation, Widmer (1989) proposed four discrete categories of incentives: *material, social, developmental*, and *ideological*. In addition, some of the reasons given by the board members she studied were labeled "service" incentives. In the *material* category are both employment and client-related incentives, such as gaining skills that might lead to a job or ensuring access to services for self or family. *Social* incentives include meeting new people, working with friends, and wanting to spend time with those already on the board. Learning new skills or having a chance to exercise current talents, training, and experience would be examples of *developmental* incentives, and participation due to a belief in the cause or in the work of the agency would fall into the *ideological* category. Virtually all of Widmer's study subjects also reported some kind of service incentive, ranging from a desire to repay a debt to society or the organization to more altruistic motives, such as to fulfill a civic duty or contribute to the well-being of the community. Interestingly, these findings closely parallel those of Prince and File (1994) for donor motivation, as discussed in chapter 10.

Golensky (2000) studied the effects of the incentives for board participation on the actual behaviors of board members after their selection and observed a clear link between motive and performance. The data indicated a relationship between serving on a board out of a belief in the organization's work and two of the most desired behaviors for boards cited in the literature: contributing funds and advancing the organization's image. In addition, the developmental incentive of being able to contribute skills and experience was closely associated with these two behaviors, plus three other expected responsibilities: *selecting* and *supporting* the executive, *reviewing* the executive's performance, and *planning* for the organization's future. Equally important, the decision to serve on the board out of a sense of civic duty or to repay a debt to the agency or society did not translate into a greater disposition to carry out the duties we might expect of board members. One possible conclusion to draw from this observation is that simply being on the board and attending meetings satisfied what they felt obligated to contribute. Actually carrying out governance duties was something extra. Table 15.1 presents the results of this research, which suggests a practical application for board composition and recruitment: seek out and cultivate those whose incentives to serve are closely aligned with organizational expectations and therefore more likely to result in effective performance.

A gap in our understanding of board behavior is the absence of a single unifying theory on governance. Different scholars use different theoretical or conceptual lenses to try to best explain board behaviors. For example, Miller-Millesen (2003) explored the essentials of three different theories to explain how boards function. From her analysis, *agency theory*, which stresses the importance of ensuring that management operates in a manner congruent with stakeholder expectations, was linked with the board's monitoring role in determining mission and purpose, assessing the executive director's performance, overseeing programs and services, exercising fiscal control, and strategic planning. *Resource dependency theory* focuses on the organization's ability to secure the resources essential to its survival; the logical connection here was to the board's boundary-spanning role in raising funds, enhancing the nonprofit's image in the community, advocating on the organization's behalf, and protecting its interests with external constituencies. Finally, *institutional theory*, with its emphasis on conforming to societal norms and values, may influence board structure

TABLE 15.1. MOTIVATIONS FOR PARTICIPATION AS RELATED TO PERFORMANCE

Motivation	Level of Performance
Having skills or experience to contribute	High
Belief in organization's work	High
Belief in the cause or mission	Moderate
Meeting new, interesting people	Moderate
Civic duty	Moderate
Opportunity for personal development	Moderate
Expected for business/professional reasons	Moderate
Repayment	Low
Advocacy for clients	Low
Opportunity to work with friends	Low
Making business/professional contacts	Low

Source: Golensky (2000).

and processes (e.g., operating through committees and ensuring adherence to relevant laws and regulations). Nonetheless, the author concluded that many of the board behaviors could be interpreted by using any of the three theories, leaving us still unclear why what boards actually do frequently bears little resemblance to what the prescriptive literature dictates.

Over a decade later, applications of these three theories are still common. *Stewardship* and *role theories* also have currency in today's scholarship. Recently, Cornforth and Macmillan (2016) made sense of board-executive relationships through an application of *negotiated order theory*, which argues that organizational members constantly assess and rearrange their relationships. While these individual lenses shed some light on boards, they result in a fragmented view.

The Board–Executive Relationship Revisited

According to Gill (2005), selecting, supporting, and regularly evaluating the performance of the executive director is the board's most important responsibility. However, meeting this governance responsibility is often problematic. Jaskyte and Holland (2015) graded the average nonprofit board at a B– in performing their duties related to executive director support, executive director evaluation, and executive director performance monitoring. When the time comes for a change, depending on the circumstances of the executive's departure, the board may consciously or unconsciously look for someone with exactly the same qualities and strengths as the outgoing individual or seek a totally different skill set. Instead, this should be viewed as an opportunity to examine values and analyze needs for both the present and the future. As for evaluating the executive director's performance, some boards find the process uncomfortable and therefore shy away from it; others believe it is unnecessary. Even in those nonprofits that conduct such an annual review, the process may be less than satisfactory for both parties.

Whether overtly or covertly, issues of power and control emerge in the nonprofit board-executive relationship. Ideally, the two halves of the leadership core will work together to carry out the organizational mission, but this ideal ignores the tensions that can arise because the board selects and can fire the executive while the executive controls the flow of information to the board and has the professional know-how and credentials on which the board depends. The discussion about some of the most common governance models in chapter 4 suggests the potential for accommodations in which each party has defined roles and responsibilities. In practice, organizational patterns vary widely, on a continuum from board dominance at one end and staff (especially the executive director) dominance at the other. Furthermore, as outside observers, we must guard against the temptation to judge as dysfunctional a particular arrangement that departs from the prescriptive literature, for the central concern is whether it works for everyone involved. For example, in a small nonprofit focusing on child abuse that Golensky investigated, the board showed little inclination to be involved in most of the traditional governance tasks, deferring to the executive director on virtually all decisions. However, this seemed to have no bearing on the organization's stability or reputation in the community.

Thought leaders often try to identify good management practices that might increase the chances for success. A critical relationship is the one between the executive director and the board president or chair, whose roles in many ways are complementary: the executive director manages staff while the president manages the board. If these two powerful individuals have mutual trust and respect, the executive director's interactions with the board as a whole tend to be much smoother. Conversely, friction and breakdowns in nonprofit organizations of all types (sizes, ages, and relative degrees of sophistication and excellence) stem from misunderstandings and different perceptions between the board president and executive director (O'Connell, 2003). Failing to recognize these dynamics can bring unintended consequences. During its search for a new executive director, a nonprofit that Golensky studied allowed the board president to take a leave of absence rather than resign after she decided to apply to become the executive director. She was then allowed to return to her role of board president when she was not selected as executive director, putting the new executive in a very awkward position. Similarly, in the Youth Services Network (YSN) case study featured in this text, we have seen the unfortunate impact on the entire organization of the male board president's clear disdain for the female executive director. On the other hand, a cozy relationship between the board president and the executive director can result in resentment by the other board members, who may feel left out of the real action. In this scenario, the executive director can become the target of these negative feelings, and long-term board development may also suffer.

Determining the best division of labor between the board and staff is a stumbling block and bone of contention for many nonprofits, especially in smaller settings with limited personnel. Much of the hard evidence suggests a discrepancy between what the board actually does and what it is supposed to do (as described in the prescriptive literature). Moreover, boards and their top management team often disagree in regard to the functions and activities each believes the other should perform, with fund development, long-term financial planning, and fiscal oversight among the areas displaying gaps between expectations and performance (Herman, 2016).

Even though board members appear to be taking a more active role in fundraising now than in the past, many board members still express feelings of discomfort over donating money and approaching others to make donations. Rather than accepting this situation as the norm, executive and fundraising directors may take concrete steps to help the board become more at ease with the world of finances, such as by providing training on different kinds of fundraising techniques or using a team approach for securing major gifts, pairing a less confident board member with a senior staff member or a more confident board peer. Some nonprofits ask board members annually to select from a list of fundraising activities, which range from sending thank-you notes to donors to personally seeking capital campaign contributions, without passing judgment on the choices made.

Bradshaw (2002) proposed a creative solution to the division-of-labor question, reframing the discussion by using the metaphor of *storytelling* to emphasize the functions of governance, leadership, and management rather than specific roles assigned to the board or the staff. Leaders are responsible for creating the *story*, which refers to forming a coherent sense of the past and a vision for the future in a compelling version of the activities and decisions shared by organizational members. Managers then implement and enact the reality established by the story, while the governance function is "to question, challenge, test, and refine the organizational story" (Bradshaw, 2002, pp. 475–476) so that the narrative does not become overly entrenched and prevent the organization from adapting to new environmental demands. Whether the board carries out its governance function in a supportive, collaborative, or confrontational manner is less important than that this function is performed.

PRACTICAL CONSIDERATIONS

As previously noted, board members are volunteers, arguably the most important component of the nonprofit volunteer corps. They apply their talents as a group, through full board and committee work, and individually taking on special assignments. In today's turbulent and competitive world, board members must be seen as a critical resource that, when helped to perform effectively, can and will make a major contribution to the organization's success. Sadly, some nonprofits and their top professionals ignore the governance function, learning their lesson the hard way when a crisis occurs and the board is too weak to be of much use. In this section, we examine the structures and processes that give shape and direction to the nonprofit governing board, highlighting proven practices designed to foster effectiveness.

Board Structure

Form should follow function. In other words, the structure of a particular board is derived from its legal mandate and the general policies established in its bylaws and incorporation documents to carry out the organizational mission. One important consideration is size, which depends to some extent on the governance model that has been chosen. For example, with the policy governance approach (see chapter 4), since the board members act on all matters as a committee of the whole, a small board of about seven is considered sufficient (Carver, 2006). Most of the other models use some sort of multiple-committee system, so the number of board members must be high enough to do the work in an efficient manner. In the case of one very traditional nonprofit that has twelve working committees, its forty-four members are viewed as a necessity.

Typically, board leadership consists of a president (or chair), one or more vice presidents, and a secretary. These officers and usually the chairs of standing committees, perhaps with a few other board members for more balance, constitute an executive committee, a group that provides governance oversight and may make certain decisions between regular board meetings. The executive director usually sits with the executive committee, but usually not as a voting member. The president is responsible for seeing that the board operates as a team, conducting meetings, assigning members to committees and keeping them accountable, and working closely with the executive director on such matters as meeting agendas and ensuring that key stakeholders are kept abreast of organizational developments. The vice president stands in when the president is absent or unavailable but may also head a major committee or lead a project. The primary responsibility of the secretary is to maintain complete records of all board business and handle board communication. Some boards have treasurers, although in larger organizations financial matters are handled fully by staff.

Besides an executive committee, permanent committees may be established to cover finances, fund development, human resources or personnel, programs and services, marketing/public relations, and nominations (sometimes called the board development committee). Other committees are common for certain types of nonprofits, such as buildings and grounds for an organization owning property or collections management for a museum. The main responsibilities of a committee, as spelled out in the bylaws or a written charge, are to study issues pertinent to its assigned area and recommend policies for adoption by the full board. When specific, time-limited needs arise, ad hoc committees or task forces are frequently formed; their duties expire once the assignment is done.

An important task for the board president is to make committee assignments and select the chairs, frequently with input from the executive director and the executive committee, from among those on the board or the community at large, depending on the committee's charge. Ideally, these decisions are based on an assessment of skills, interests, support of the organizational mission, and (for current board members) evidence of meeting the expectations of board service. Choosing officers is generally an internal process; individuals are named from within the board, using much the same criteria as for committee chairs, and are elected to their positions as specified in the bylaws. Quite often, organizations have adopted a more-or-less formalized succession plan whereby people move up through the organizational hierarchy to eventually become president. However, wise boards observe how someone performs as a board member and on committees before considering him or her as an officer.

The length of board service for individual members is another structural concern. One "best practice" is to institute limitations on board terms so as to ensure that fresh viewpoints and talents are always part of the mix. However, some organizations (YSN, for one) see a greater value in continuity and loyalty and therefore allow board members to serve as long as they wish. In some instances, this is a mistake, for long-time board members can get complacent and fail to carry out their duties in an effective manner or become simply a rubber stamp of the executive director's decisions. Accordingly, many nonprofits set a two-term limit (of two, three, or four years each) for board members and require at least one year off the board before again being eligible for further terms. Another recommendation is to stagger the terms, with perhaps a third of the board turning over every year, to maintain some stability and institutional memory. Term limitations should be considered for board officers as well, to prevent leadership from being the province of just a few.

Board Composition

As the old saying goes, "act in haste and repent at leisure." This is to say that if you act impulsively and do not plan carefully, you may regret your actions for a long time. This aphorism applies to building a board. By replicating the same old board structure, nonprofits risk losing access to new sources of training and positive change agents who have the capacity to stimulate the growth and sustainability of the organization (Gazley, 2014). Gazley's research on the composition and policies of boards found that older organizations tended to be less likely to have diversity requirements. Younger organizations were more open to adopting practices that are in step with the prevailing norms of the sector. In the YSN case study, the board was out of step with some of these norms. The founder installed his friends and business associates on the board because this was easy and expedient. Moreover, this ensured that people would ratify his actions without question and not get in the way of his vision for the organization. This presented great difficulties for his successors. The board proved unwilling and unable to rise to the occasion when new environmental demands and challenges threatened YSN's long-term survival.

One viewpoint on forming an effective board is to strike an even balance of people who bring *wisdom* (the knowledge related to the organization's programs and services), *wealth* (the ability to contribute or obtain funds, or both), and *work* (the time, energy, and skill to carry out the typical governance responsibilities). Although the origin of this formula is uncertain, it has deep roots (Herman & Block, 1990). Today we might add *wallop*, Golensky's term for having connections and influence with external stakeholders that can pay off for the organization in securing necessary resources, obtaining favorable legislation, and so forth. Others call this *social capital*, a vital resource for any nonprofit. This formula conveys the important message that a strong board needs diversity of abilities and strengths. A diverse board provides a plurality that benefits the entire nonprofit organization. Coule's (2015) research found that nonprofits that emphasize plurality view conflict as a potential source for creativity, as opposed to a homogenous board's view of conflict as unacceptable and nonproductive.

Another modern prescription is that the make-up of the board should reflect the community and clients served by the organization. A number of funders have taken this position; the Ford Foundation, for one, has long required grant applicants to describe the demographic breakdown of the board. Many boards struggle with diversity, especially regarding ethnicity and culture. A typical board member for most nonprofit organizations is a forty-year-old white male who works in the business sector. Even though board members profess to want broader representation in their ranks, in practice the emphasis seems to be more on diversity of skills rather than diversity of culture or socio-economic status. One problem is that, depending on the depth of the pool of available candidates, nonprofits may end up vying with each other for those potential board members who are perceived to be the most desirable. For instance, in one midwestern city where Golensky spent part of her career, the same African American female, a well-known professional with extensive background in human resource management, was recruited heavily by both for-profits and nonprofits and thus had her pick of boards. Less prominent individuals were overlooked. Although informal networking may prove fruitful, the best way to change board composition is to make diversity a priority by adopting a systematic plan for recruitment and retention that is supported by both professional and lay leaders (Buse, Bernstein, & Bilimoria, 2016).

Recruitment and Selection

Despite rhetoric on the desirability of a diverse board, the reality is that new board members will likely resemble those already serving. All too often, filling empty positions becomes an issue only as the date set in the organizational bylaws for board elections nears, and then time limitations prevent a thorough search. As with YSN, those recruited to the board are likely to be friends, neighbors, or business colleagues. The process may be very informal, consisting of a telephone conversation, and lacking in specificity about duties and expectations. As one respondent in Golensky's (2000) research noted, his organization tends to invite the participation of anyone proposed by a current board member who seems to have something to contribute and is willing to join, so long as the person is not diametrically opposed to the agency's philosophy.

Research conducted by Bernstein, Buse, and Slatten (2015) suggested that if nonprofits want to positively impact the recruitment of effective board members, improve the nonprofit's outreach within the community, and improve fundraising results, the nonprofit should focus significant energies on "establishing a board whose members clearly understand their roles and responsibilities" (p. 31). According to their research, the care with which the job expectations and responsibilities are designed into a coherent job description predicts the quality and effectiveness of the eventual board of directors as a whole.

How does one build this effective board? First, as in hiring staff, the starting point should be job analysis and design. The board should debate and outline the expectations and responsibilities deemed generic to all trustees, from which a job description can be developed (see Exhibit 15.1 for a sample). The job description should be discussed with each board prospect, so that when individuals agree to join the board they have no questions about the duties for which they will be held accountable. To create a board diverse in all of the areas judged to be important by the current board members, a grid (also known as a skills inventory) can be constructed. Along the left-hand side, specific qualifications, such as geographic location, age, ethnicity, sex, areas of expertise, community relationships, and fields of employment are listed. The second step is to enter the names of current board members at the top and then put

EXHIBIT 15.1
SAMPLE JOB DESCRIPTION FOR BOARD MEMBERS

Position Title: Member of Board of Directors
Responsible to: Entire Board of Directors
General Description
Board members have the overall responsibility for the organization. They are charged with supervision and oversight, which is the process by which they make decisions, delegate work, and assure decisions are carried out as intended.

Responsibilities

- Attend all board meetings
- Serve on at least one committee and attend all of those meetings
- Support and participate in fundraising activities
- Be aware of and take all responsibilities seriously (i.e., legal, financial, planning continuity, evaluation, selection, and evaluation of executive director)
- Be a goodwill ambassador for the organization
- Actively participate in decision-making
- Be willing to assume leadership positions
- Be a team player
- Contribute financially according to one's means

Qualifications
Interest in and willingness to support the goals of the organization. Initiative, integrity, analytical ability, leadership, good decision-making ability, planning skills, and the ability to organize and monitor work.

an X in every appropriate box; the empty cells suggest a recruitment profile as it shows what qualities are underrepresented on the board. Finally, because recruitment is too vital to leave to the last minute, consider establishing a standing board development committee charged with working year-round to identify prospective board members and manage the whole selection process, leading to preparation of a strong slate of candidates for the annual election. The same committee can also be responsible for identifying opportunities to increase board knowledge and awareness and oversee board assessment, both of which will be discussed in more detail in the following text.

One further point on recruitment and selection: although we cannot ignore the possible value to the organization of having a board member with extensive financial resources or the kind of name recognition that easily opens doors, if that individual has no desire to be a full member of the board, attending meetings regularly and serving on committees, the organization might be better served to create an advisory board for the social or business elite of the community rather than add such individuals to the full board. Their association would still be useful to the nonprofit as long as they had no false expectations of the role the new member would play and no resentment on the part of the other board members for having to carry a greater share of the governance workload. The nonprofit with the extensive number of active committees referenced earlier established two such groups, with a very positive effect. First, they formed a board of counselors to assist with fiscal matters, and real estate transactions in particular. Second, they formed a group for former board members who wanted to stay involved, who were expected to contribute to the agency's annual fundraising campaign. Each of these advisory groups met once a year on a formal basis, but at least two of the counselors served regularly on the standing investment committee, and former board members were often asked to work on particular tasks, depending on their areas of expertise.

Board Meetings

For local nonprofits, monthly or bimonthly board meetings are the norm. However, in a survey Golensky (2000) conducted several decades ago, about one in eight organizations indicated that the board met just quarterly. This was particularly common for regional, statewide, and national organizations. Some of the largest ones, whose members reside all across the country, held meetings twice a year. While the board members participating in the 2000 survey generally felt the frequency of meetings was about right, many of the executive directors whose boards met every other month or quarterly questioned whether this was sufficient to accomplish the necessary business. The dilemma was that attendance was often a problem, so holding more frequent meetings did not resolve the issue and threatened to make it worse, even resulting in the loss of some members, especially for boards that recruited heavily from the top corporate or professional ranks. This issue has almost certainly moderated in recent years, as technology has increased our comfort in conducting more business and social interactions remotely. Much board interaction is now conducted through email and texts. Hager has long been a member of a board of directors where virtually *all* board business is conducted via email and periodic conference calls.

The most commonly cited reasons for missing a board meeting are conflicting obligations at work (e.g., another meeting scheduled at the same time) or home (a child's or spouse's illness, out of town on vacation, etc.). Some of the strategies adopted to increase attendance at face-to-face meetings include changing meeting times, with early morning and lunch-time popular options; shortening the length of meetings; and having a more focused agenda to stimulate increased discussion on important matters. This last choice is particularly interesting because the agenda is often overlooked as a strategic tool. In fact, this seemingly innocuous piece of paper can be a real source of power for the person who determines the topics to be covered, as much by what is left out as what is included. Ideally, agenda setting should be handled jointly by the board president and the executive director, ensuring that critical matters requiring the board members' involvement are addressed proactively. The agenda and accompanying material ought to be sent out electronically in advance of the meeting so that board members can be prepared to participate in the discussion and business. An agenda distributed at the last minute or at the meeting itself might be a sign of an executive who is trying to control the decision-making process.

To increase the efficiency and effectiveness of board meetings, some nonprofits use a *consent agenda*, grouping routine business such as approval of the minutes of the last meeting, summaries of recent committee meetings, and any other item considered primarily informational (i.e., not necessitating discussion and action by the board) to be voted on together, usually at the start of the meeting. In this way, the bulk of the time can be spent on more substantive issues pertaining to the present and future of the organization. For this approach to work, sufficient information must be provided well in advance of the meeting so board members understand what is included in the consent agenda. This permits anyone who feels further consideration should be given to an item to ask, prior to or at the meeting, that it be removed and accorded separate attention.

To achieve much the same ends, Tropman (2006) emphasizes structuring board meetings to produce high-quality decisions, drawing on his research into the ways nonprofit executives go about the task of promoting good group decisions. Tropman's observations of effective meetings led to a description of what is called the *agenda bell*, a system of organizing the meeting time into seven parts. Shaped like a bell curve showing a normal distribution, this agenda accords major attention to decisions, divided into modest, moderate, and the most difficult items, which fall in the center of the curve and consume around half the total time. The meeting starts with about ten minutes for approval of the previous meeting's minutes and brief announcements; the last half-hour or so is spent brainstorming about a particular issue before adjourning. This allows board members to work up to the hardest issues and then finish with a "fun" activity that unites the group in planning for the future. This approach asks board members to do their hardest work when energies and attendance are at their peak, in the heart of the meeting time. Other related practices include the "no-new-business" and the "no-more-reports" rules, to emphasize the need to submit items in advance to make the best use of time at the meeting itself.

Exhibit 15.2 illustrates another useful governance tool that was developed by a nonprofit organization providing child-care services to a multicounty area in Michigan. The intent of this calendar is to reinforce the timing of critical decisions, linking them to ongoing organizational goals and objectives. When the organization undertook an extended search for a new executive director, the different tasks associated with the process were also listed on the calendar to remind the board members of the added obligation and to ensure that they kept to the schedule set for the search. The result was a meaningful and logical context for addressing all board actions.

EXHIBIT 15.2
BOARD OF DIRECTORS CALENDAR FOR FISCAL YEAR 20__

October 5, 20__ New Board Members Marketing Presentation Quality customer service, fiscal responsibility, and professional staff development are standards for the agency.	November 2, 20__ Review Human Resources Policy The diverse child care needs of families are met.	December 7, 20__ Board Members' Get-Together
January 4, 20__ Audit Report Board Evaluation Community Input The community is educated on all aspects of quality child care.	February 1, 20__ Discussion of Strategic Planning Partnerships are maintained to meet our mission.	March 1, 20__ Strategic Planning Continues The agency is viewed by the community as the lead child care resource.
April 5, 20__ Nominations for New Board Members A comprehensive child care system is established.	May 3, 20__ New Board Members Begin Marketing Presentation The diverse child care needs of families are met.	June 7, 20__ Community Input Board Member Activity The community is educated on all aspects of quality child care.
July 12, 20__ Begin Director's Evaluation Salary and Benefit Review Partnerships are maintained to meet our mission.	August 2, 20__ Director's Evaluation Written; Salary Approval. Board Officer Nominations Calendar Planning FY Succession Plan and Annual Authorizations The agency is viewed by the community as the lead child care resource.	September 6, 20__ Nominations for New Board Members Officer Elections Meeting with Director Next Year Budget Capital Budget A comprehensive child care system is established.

Note: Many nonprofits elect not to hold board meetings in July and August.

The Educational Component of Governance

The cycle of board development begins with recruitment. It continues through a process of education to help board members carry out their work and ends with monitoring the board's performance, with the possible removal of those not meeting expectations (Brown,2007). Since recruitment has already been addressed in a separate section and board assessment follows, our focus here will be on efforts to educate and train board members. Research by Bernstein, Buse, and Slatten (2015) found that no other internal practice affected external board practices more than training board members to understand their roles and responsibilities.

Although executive staff and board members typically embrace the idea of an educated board as an important step toward board effectiveness, board training is not always made a high priority by either. In some settings, the training consists primarily of an orientation for new board members and little thereafter. Other nonprofits incorporate education in regular board meetings by having staff members present short overviews of the programs and services offered, with outside speakers brought in occasionally to address governance topics. Still others hold annual or every-other-year, all-day board retreats during which training is given a prominent place. Some others emphasize podcasts or other forms of online education. A possible explanation for these varying approaches can be traced to ambivalence about the importance of clarifying board roles and responsibilities. Board members may acknowledge they are not as well versed in organizational matters as they should be, but then cite time constraints as a barrier to improvement. For executive directors, especially those subscribing to the technocratic ideology discussed earlier, underlying the stated desire not to overburden their very busy board members with further demands on their time is often a fear that better-educated board members might then feel empowered to micromanage.

To an outside observer, these perceptions can seem like mirror images of each other. In truth, a clearly articulated program of board training and education often results in greater commitment to the organization as board members gain more confidence in their ability to handle the business of governance and thus take more pride in their work, reducing their need to rely so heavily on the executive director. Orientation should begin at the point of recruitment so that prospects are informed immediately about the nature of the organization and its mission. Once individuals have accepted the invitation to join the board and preferably before they take up their duties, a time needs to be set for a formal orientation. This orientation is ideally conducted with both the executive director and board president, with other staff and board members included, as warranted. Topics should include the organization's history, programs, finances, and personnel structure, and review of expectations of board members in terms of attendance at meetings, service on committees, fundraising, and public relations. Ideally, each new board member will be provided links to a manual with the same information presented during the orientation, the calendar of meetings and other board-related events, the organization's bylaws, and any other useful materials pertaining to governance and management. Some organizations also assign an experienced board member to each new person as a mentor for the first year, a way to help the newcomers feel more comfortable in taking up their responsibilities.

Although devoting some time at every regular board meeting to a topic that will increase the members' understanding of their governance obligations is certainly a positive step, many nonprofits find this is insufficient in achieving the goal of a well-educated board. Consequently, they may encourage board members, especially those being groomed for current or future leadership roles, to attend conferences and organize study groups or seminars for them. In addition, an annual (or biannual) retreat may be scheduled to consider bigger issues with longer-term implications that require extensive discussion. A retreat is a special event often held at a location away from where the board generally meets to emphasize its importance and to signal a focus on nonroutine matters. When the purpose of the retreat is board development, the resources devoted to it can be considered a wise investment to accomplish the following objectives:

- Strengthening performance through a review of governance processes and the board's roles and responsibilities;
- Assessing the board's contributions to the organization and identifying ways that they can add greater value;
- Establishing priorities for the board and identifying strategies and actions to achieve them;
- Enhancing collegiality and working relationships among board members and between board and staff; and
- Determining the next steps in board development and in the implementation of overall action plans (Holland, 2006, p. 360).

Information for planning and conducting a retreat may be obtained online from several sites. One of the best resources on this and other aspects of governance is the nonprofit BoardSource, established in 1988 and located in Washington, DC; its homepage is www.boardsource.org.

Board Self-Assessment

Frequently, one of the agenda items for a board development retreat is *self-assessment*, a task that many board members find as disquieting as evaluating the performance of the executive director. In this age of accountability, however, when external stakeholders such as accrediting bodies, funders, and regulatory groups are examining virtually every aspect of organizational life, many boards now accept the necessity of conducting some form of evaluation of their own contributions, collectively and individually. For those that have embraced the policy governance model, systematically evaluating the manner in which the board manages its time and actions is a built-in obligation.

More and more, the definition of an effective board includes monitoring its own progress and evaluating its performance. Having a board president and executive director who understand the importance of the assessment process is critical to its success. By calling attention to the need for regular evaluation, they accord it legitimacy and establish a behavioral norm. One reason many board members have not taken self-assessment very seriously is that organizations are often reluctant to tie personal consequences to the process. Many nonprofits include in the bylaws a provision for removing a board member. Here is some language adopted by a statewide association of nonprofits:

> Any board member may be removed from office for "cause" by the affirmative vote of two thirds of the board members. For purposes of this section, "cause" shall mean (a) misconduct or (b) failure to attend any three consecutive regularly scheduled meetings of the board members during any one calendar year without being excused therefrom by the chairperson of the board of directors.

Unfortunately, such policies are seldom invoked even for poor attendance. So, removal for "misconduct," which is not spelled out at all, is likely to come into play only for the most egregious offenses. However, if unsatisfactory performance were well defined, added as a cause for removal, and then applied when appropriate, this could go a long way toward strengthening these types of evaluations.

A starting point is to develop a work plan for board members, with goals and objectives, similar to the one established for the organization as a whole. Earlier in this chapter, the annual board calendar created by a Michigan nonprofit was used as an illustration of a method for keeping board members focused on the work at hand (Exhibit 15.2). You may not be surprised to learn that this same organization also prepared a board action plan at its annual governance retreat for the upcoming year that reflects its evaluation of the progress made collectively toward the outcomes set the previous year. Some time back, this nonprofit adopted the policy governance model, which has as a core principle the concept of *moral ownership*, which means that a board is responsible to those stakeholders who have a special interest in the work of the organization. For a community-based organization the ownership would be the community at large (Carver, 2006). Thus, the first outcome for the annual work plan is linkage with its owners; the process for evaluating the action steps under this goal is shown in Exhibit 15.3.

Another tool for individual assessments is the Director's Self-Evaluation Checklist (Romero-Merino & Rodriquez, 2016), consisting of twenty-two statements (sample item: "I have a good understanding of my role and duties as a board member," with a scale ranging from 4 = agree to 1 = disagree; p. 149). The stated purpose of the checklist is to "assess the 'added value' that [individual board members] bring to the organization, whether they have met the expectations set by the board when they took their place at the boardroom table and whether they continue to be committed to serving on the board" (p. 148). At the bottom of the form, the board member may offer

EXHIBIT 15.3
BOARD MEMBERS' SELF-ASSESSMENT TOOL (PARTIAL)

As the Board members of XYZ Agency assess theirs own performance of their governance duties, they should do so in the context of its own job description and outputs in these areas of governance: Linkage With Its Owners, Policy Development, Monitoring Executive Director Performance, and Board Governance Process.

In addition to individual and full board assessment of its performance, the Board may also seek input from the Executive Director.

On a scale of 1 to 5, 5 being the *highest* level, please check the column that best reflects your assessment of the collective board's performance in the following areas:

Progress with Board Outcomes	1	2	3	4	5	**Improvement Opportunities and Comments**
In the past year, the board communicated with and/or interacted with key policymakers, the community, and other stakeholders.						
In the past year, the board met with the boards of agencies whose missions intersect with this agency to learn more about ways for the boards and staffs to coalesce on mission-related activities.						
In the past year, board trainings or meetings addressed appropriate community relations and advocacy roles and means to be embraced.						
The board assisted in introducing the new executive director to the community and key stakeholder groups.						

Note: This was part of an actual tool used by a regional child-care organization in Michigan.

suggestions for improving board performance and his or her ability to make an effective contribution. The form also indicates that the responses will be used by the board chair in a face-to-face discussion with the member about past efforts and future service. Other evaluation instruments of this type can be accessed through the internet.

FINAL THOUGHTS

According to Senge (2006), when people are asked about great teams they have been part of, their responses express the meaningfulness of being fully connected with others in generating a new reality while growing as individuals. What is required for a group to get to this place? One of the primary requirements is to bring the members into alignment: "When a team becomes more aligned, a commonality of direction emerges, and individuals' energies harmonize. . . . There is . . . a shared vision, and understanding of how to complement one another's efforts" (p. 217).

This is the perfect recipe for what the ideal nonprofit board should be, and it is an achievable goal when both the executive director and the board president are of one mind about the roles and responsibilities of an effective board. The particular model of governance chosen is not the difference. Rather, the key is the level of commitment brought to the enterprise, from member recruitment through education to assessment.

QUESTIONS TO CONSIDER

15.1. What does *effectiveness* mean to you when applied to a nonprofit board? Do you believe an effective board leads to an effective organization? If so, how?

15.2. What are some of the sources of tension between senior staff and the board in a nonprofit? How can these issues be addressed to create a true partnership between the two elements of the leadership core?

15.3. Do you subscribe to the *technocratic* view or the *democratic* view of nonprofit boards (see Kramer, 1985)? Support your position.

15.4. What are some of the ways of educating board members about their roles and responsibilities? Why are both board members and executives directors sometimes ambivalent about board education and training?

15.5. What are the best arguments in favor of boards conducting a self-assessment on a regular basis? Can you think of reasons to forego such assessments?

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16

Volunteer Administration

VOLUNTEERS ARE A vital part of the life of many nonprofit organizations, giving time and often money in support of their favorite causes. Some nonprofits, such as the Girl Scouts, could not function without the volunteers who fill positions (like troop leader) for which the organization has no paid staff equivalent. In other cases, such as museums, hospitals, or soup kitchens, volunteers render services that otherwise would have to be provided by paid staff. These individuals assist the organization through two distinct roles. *Direct service* volunteers work with the paid staff on tasks such as walking the dogs housed at a rescue shelter, staffing emergency hotlines, and giving guided tours of a public arboretum and generally have a fair amount of contact with clients. *Indirect support* volunteers are the ones putting together mass mailings, answering phones, and delivering supplies, with limited client contact (Hartenian, 2007). While board members are also volunteers, the volunteer administration literature and field generally leaves them aside, concentrating instead on mobilizing nonboard volunteers to help facilitate the missions of organizations.

Volunteering, defined as any kind of unpaid effort, freely given, whether in more formalized ways in organizations or informally (e.g., helping out a neighbor), has been a part of the American tradition since colonial days. According to the Corporation for National and Community Service (2019), about a quarter of the U.S. population, over 77 million adults, ages sixteen and older, volunteered nearly 7 billion hours nationally in 2017. This rate has been static over much of the past decade, but represents an increase over previous decades. To put a monetary value on volunteering, Independent

Sector (2018), a national umbrella organization of nonprofits, values each volunteer hour at $24.69 (2017), derived from average hourly earnings for nonmanagement, nonfarm workers, and estimated fringe-benefit costs. Multiplying the contributed hours by the hourly rate for that year gives some idea of what volunteers are worth but does not account for the intangibles, such as demonstrating community support of a cause.

In this chapter, we focus primarily on the direct service volunteer rather than the individual providing indirect support. We first consider various conceptual and practical aspects of volunteerism and then examine the elements of an effective volunteer management program.

AN OVERVIEW OF VOLUNTEERISM

From the information on numbers and the dollar value of volunteers, the reasons behind the widespread use of volunteers in nonprofit organizations may seem obvious. Indeed, the conventional wisdom is that volunteers represent a considerable cost savings for their organizations and, at the same time, enable an organization to offer more services. On the downside, workers sometimes fear that volunteers may be used to displace paid workers (Handy, Mook, & Quarter, 2008), and thus relationships with staff can be problematic. However, this concern can be ameliorated when organizational leaders introduce the volunteer program by including salaried staff in design and implementation of the volunteer program. When handled appropriately, overworked staff seem to appreciate having the extra help and recognize that volunteers can be effective advocates for the organization (Brudney & Gazley, 2002).

Forms of Volunteerism

As previously described, volunteerism can be categorized as informal or formal. The first category, also called *unmanaged volunteering* or *neighboring,* includes spontaneous and sporadic efforts between friends and neighbors; the second category may be called *managed volunteering* and is normally conducted through organizations. Formal volunteering is the focus of the previously presented volunteering numbers from the Corporation for National and Community Service.

In addition, volunteering assignments can be differentiated by length of the involvement and the nature of the assumed tasks. The *supervolunteer* regularly dedicates many regular hours to his or her volunteer assignment (McCurley & Lynch, 2011). However, an increasingly popular option is *episodic volunteering*, which tends to be short term and time limited (Hyde, Dunn, Bax, & Chambers, 2016). These kinds of assignments can be ideal for those who cannot make more extensive commitments, perhaps because of family or job constraints, but often simply out of personal preference. Some may offer their services for a specific project on a temporary basis, for a few hours or a day at most (e.g., a one-time neighborhood clean-up effort), while others show up at a given site at regular intervals as their schedules permit, such as at a community food bank to sort contributions. A third approach involves service that may be provided regularly but for short periods, usually less than six months; volunteering to assist victims of a natural disaster would be a good illustration. Budding technology has also facilitated episodic volunteering, with some organizations now giving people the opportunity to *microvolunteer* in short bursts via smart phone.

With *recurring volunteering*, individuals generally exhibit a greater level of commitment, although the assignments may still be of relatively short duration. Examples include tutoring adults who are illiterate and mentoring a child. In these cases, a person is likely to follow a set schedule, say, every Wednesday afternoon from three to five, and his or her absence would leave a void. In contrast, at a food bank several people are apt to be on site on any given day doing similar tasks, so one absentee will not hinder completion of work.

Some nonprofits also provide the opportunity for groups of people to volunteer at the same time. To promote greater cohesion, a family might elect to participate in an activity together. This could involve serving dinner on Thanksgiving at a homeless shelter or organizing a fundraiser to benefit the neighborhood or a particular nonprofit. This kind of participation is an excellent way to instill the value of community service in young people and create a new generation of volunteers. Groups also include individuals from the same company, team, or religious congregation working together to build a house for the local Habitat for Humanity or entering a 5K race sponsored by a charity as a single entry (Korngold, Voudouris, & Griffiths, 2006). Group volunteers provide the opportunity for nonprofits to get more work done, but they also present particular planning and management challenges.

Motivations for Volunteering

Motivations for volunteering cover the spectrum from satisfying purely altruistic purposes to addressing self-serving interests. One popular list of such motivations was generated by Esmond and Dunlop (2004), in their Volunteer Motivation Inventory:

- Values: Desire to acting on altruistic beliefs;
- Reciprocity: Desire to help others in hopes that the good turn will one day be repaid;
- Recognition: Desire for thanks and esteem for contributions;
- Understanding: Desire to learn more about the world or about oneself;
- Self-esteem: Desire to increase one's own feeling of self-worth;
- Reactivity: Desire to heal or address one's own past or current issues;
- Protective: Desire to reduce one's feeling of guilt or personal problems;
- Social: Desire to fit in with the activities of friends or family;

- Social Interaction: Desire to have fun with friends of family; and
- Career development: Desire to gain experience, skills, or connections.

For some individuals a single motivation may drive volunteering while for others a combination of motivations may be at work. The key to successful recruitment and retention of volunteers is to understand what they hope to gain from the experience and to focus on meeting those expectations. When people driven by values believe they are fulfilling a meaningful and effective role within the organization, their commitment to their volunteer efforts is likely to increase. When people driven by more extrinsic motivations (career development, social needs) are provided assignments and an environment that meets those needs, they are more likely to return.

Mayer, Fraccastoro, and McNary (2007) found those with higher levels of self-esteem volunteered more days per year and for a longer period than those with lower self-esteem. One useful concept for understanding volunteer engagement with nonprofits is the *psychological contract*, an implied reciprocal agreement between the two parties. It has been developed to understand employee behavior, but adjustments have caused it to be applied fruitfully to volunteers. The premise behind the psychological contract is to identify each individual's goals and needs and then, to the extent possible, attempt to meet their expectations. Although people do not volunteer in exchange for financial rewards, they do have expectations of the organizations to which they contribute their time. Accordingly, at first contact, organizations should pay attention to what motivates particular individuals to volunteer, to try to satisfy those driving forces, and endeavor to provide some clear indication via timely feedback and a system of rewards and recognitions that their work is actually contributing to the overall mission and goals (Nichols, 2013; Hager & Renfro, in press).

Nonprofits serious about retaining volunteers for the long-term must develop and adopt organizational procedures that make volunteer retention a serious priority. Hager and Brudney (2016) identified specific management practices that can foster retention. These include (a) regular supervision and communication with volunteers; (b) prescreening to determine volunteer suitability; and (c) collecting detailed information on volunteer activity, service performed, and logistical data about the volunteer. Lipp (2015) identified five trends that help us think about volunteer retention:

1. Volunteer rates increase with age.
2. More highly educated volunteers are more likely to continue volunteering.
3. Volunteers who devote more time to volunteering have the highest volunteer retention rates.
4. Volunteers at religious organizations are more likely to continue to volunteer.
5. The more challenging the volunteering task, the higher the retention rates.

As mentioned earlier, volunteering to help religious organizations is the most popular cause in the United States. Through telephone interviews with more than five hundred Indiana residents, Grønbjerg and Never (2004) found that frequent attendance at religious services was a strong predictor of involvement in any type of volunteering and directly related to participation in providing religious services, helping with fundraising, and maintenance of facilities and grounds for faith-based organizations. However, they remind us that factors influencing certain kinds of volunteer activity (say, work for one's church) may have no relevance with regard to other volunteer work, thus reinforcing the need to take into account the differential impact of the various psychological motivations to volunteer and stay engaged.

Age as a Factor in Volunteerism

In considering all age cohorts, Generation X (people born from the early to mid-1960s to the early 1980s) volunteered at the highest rate nationally (36.4 percent) in 2017, followed by the Baby Boomers (people born from the mid-1940s to the early 1960s) at 30.7 percent. The youngest and oldest cohorts volunteer at lower rates: Generation Y at 26.1 percent and the Silent Generation at 24.8 percent (Corporation for National and Community Service, 2019).

Older adults have increased their volunteer participation over the past half-century and make up a larger proportion of the regular or supervolunteers. Why? Improved healthcare, more free time, or the desire to fill the void left by the death of a spouse or some other form of family disintegration have been, by and large, ruled out. We are left with two partial explanations for this phenomenon: advances in education and the significant involvement of women, with a third possibility being changed attitudes toward retirement from a time for relaxation to an opportunity for new activities and adventures. Support for the relationship between perspectives on retirement and volunteerism is provided by Smith's (2004) study of midlife workers aged fifty to sixty-four on their future plans, but with some unexpected results. When asked to describe their ideal retirement lifestyle, close to 60 percent of the respondents saw volunteerism as a significant part of the equation, but even more (63 percent) connected retirement with living a life of leisure. Moreover, those within five years of retirement were less likely to view volunteering as part of the plan than those farther away from leaving the workforce, which suggests that in the end personal needs may take precedence over societal expectations. Chambre and Netting's (2018) research found that some Baby Boomers are seeking to reinvent the conception of retirement by working longer, increasing their educational and work-related skills, and volunteering more hours to more causes, enabling them to "make a substantial contribution to a myriad of social issues" (p. 6).

At the other end of the age spectrum, young people are also volunteering at increasing rates. One possible factor contributing to the increased interest in volunteering among young adults is the growth in service-learning programs that, in many communities, begin with kindergarten. *Service-learning* is a way to connect academic goals with community service through age-appropriate projects. Students are provided with real-world experiences specifically designed to bring classroom learning alive. Many middle schools, high schools, and institutions of higher education across the country now include some kind of volunteer community work as a graduation requirement, although structured reflection on volunteerism is required before it meets most definitions of service learning. In a study of service learning as a predictor of future volunteerism, prior involvement in service projects emerged as the most powerful determinant. Other key factors were the personal gain to the students from acquiring communication, leadership, and interpersonal skills through participating in service learning and the project's perceived value to the community organization and its clients (Tomkovick, Lester, Flunker, & Wells, 2008).

Differences Between Women and Men

Surveys of volunteers ask about the biological sex (male or female) of respondents, which is taken to be a proxy for underlying cultural gender roles and expression. Gender identity indeed influences whether and why people volunteer. Although men volunteer slightly more hours per month on average than women (fifty-two vs. fifty), women tend to offer their services at a higher national rate, at 28 percent versus 21 percent for men (U.S. Bureau of Labor Statistics, 2016). Taniguchi (2006) focused on employment and family characteristics to help explain gender differences. Consistent with previous studies, the majority of the respondents had done no volunteering, but for the men and women who had participated in some kind of volunteer work, employment status made a big difference. Women working part-time or who were unemployed contributed many more hours than men with the same status, but among full-timers, men spent more hours volunteering than women. In addition, women spent more time caring for aging family members, which, as one might expect, appears to limit the time available for volunteering. These findings are important "because of their implications not only for the overall supply of volunteers but also for women's opportunities to get involved in the community, cultivate social networks, attain personal growth, and gain life satisfaction" (Taniguchi, 2006, p. 97). These findings give credence to our assertion that gender roles are more at play in explaining volunteering than biological sex.

Research by Rotolo and Wilson (2007) on how women's volunteerism is affected by children and employment status yielded fairly similar results: Homemakers and part-timers are more apt to volunteer than are full-time workers. However, they also discovered that whereas mothers of preschoolers are less likely to be active volunteers, having school-age children has a positive effect on volunteering, especially for homemakers. If nonprofits wish to increase the involvement of young women with children, they can benefit from rethinking how best to use such volunteers, perhaps by providing more avenues for family volunteering.

Culture, Race, Ethnicity, and Formal Volunteering

With respect to race or ethnicity, participation patterns for people of color seem to differ from those of Caucasians, but empirical research is sporadic on exactly how race, ethnicity, or culture matters for volunteering. Some evidence does indicate personal and social resources, such as education and amount of discretionary time, contribute to the likelihood of volunteer participation. Women are more apt to volunteer than men among native-born African Americans, Asians, Hispanics, and Caucasians and among immigrants from these same groups except for Asians.

We also know the way formal volunteering is viewed in immigrants' native cultures may affect volunteer behavior in their new culture (Sundeen, Garcia, & Raskoff, 2009). For instance, focus groups involving Latino adults in Oregon revealed that their volunteering occurs mainly in the context of the family and secondarily in the neighborhood and church rather than in mainstream community-based organizations. They consider what they do as simply "helping" others. In many Latin American countries, volunteering means activities by the rich to help poor people, so volunteer work as defined in the United States is not really part of their experience. Thus, the best route to connect with the Latino community is to build trust by establishing personal relationships, slowly, respectfully, and unobtrusively (Hobbs, 2001). For many African Americans, volunteer participation takes place through the church, but Black sororities and fraternities are a major outlet as well for their members, who may engage in team volunteering. On the other hand, Hager recently held a workshop on volunteer management with a group of visiting Africans, who indicated that their conception of volunteering was so different in most of their countries that Western recommendations for management were largely irrelevant for them.

Measures of Satisfaction and Discontent

Hager (2013) has described a current challenge for many volunteer programs: they have not kept pace with the changing landscape of volunteering to accommodate the needs of the increasing numbers of people who do not wish to or cannot participate in more traditional ways. Over a decade ago, Macduff (2006) called our attention to the *serendipitous volunteer* who may show up at an agency offering a few hours of her time and wanting to be put to work on the spot and then not return until weeks or even months later. Whereas traditional volunteers crave stability, the serendipitous volunteer's main concern is flexibility. Nonprofits and their volunteer administrators are sometimes slow to adapt to new trends in volunteer behaviors.

Failing to keep paces with such trends affects both recruitment and retention of volunteers. Just as with paid staff, organizations make an investment in recruiting, training, and placing volunteers and so have an interest in what prompts individuals to continue to volunteer or drives them away. That is, organizations must be attuned to the psychological contract. Volunteers leaving out of disappointment or frustration can have a negative effect on staff, clients, and even on the broader community. As indicated earlier, satisfaction with the volunteer experience is derived from the activity itself but also from the rewards the tasks provide. These rewards may be intrinsic (such as the feeling of accomplishment after mastering a new skill) or extrinsic (perhaps through social interactions with other volunteers). When rewards are insufficient, volunteers may burn out due to the stresses caused by their assignments. The psychological contract is "breached."

Responses to volunteering can be traced to individual personality traits; those with better coping skills are better able to overcome challenging aspects of their assignments and maximize the positive side. Satisfaction also derives from family support, legitimating the time spent away from home. It also depends on the quality of the supervision, reflecting the value placed on personal commitment (Kulik, 2007). Indeed, individual motivations for volunteering are strongly connected to organizational responses in terms of the tasks assigned and the rewards available to meet these expectations. Stukas, Worth, Clary, and Snyder's (2009) Total Match Index (TMI) measures the overall fit between motivations to volunteer and "environmental affordances" by the organization. It is a step toward increasing positive experiences for both volunteers and the organizations they serve. In 2015, Guntert, Neufeind, and Wehner's research corroborated TMI's ability to predict satisfaction and the intention to volunteer again, underlining the value for volunteer administrators in harmonizing volunteer needs and the tasks assigned to them.

These administrators can also gain from understanding the factors leading to volunteers' decisions to stop volunteering. The burnout phenomenon is very real and potentially costly. On the other hand, volunteers may leave for reasons that have nothing to do with a negative experience, such as when their circumstances change due to relocation or a new job (Allen & Mueller, 2013). Therefore, Yanay and Yanay (2008) suggest that, to understand perseverance and dropout, we should consider the discrepancies between volunteers' expectations and their actual experiences within the organization rather than on their reasons for volunteering. For example, a social service agency dealing with clients in crisis may want their volunteers to act independently in managing their tasks, whereas the volunteers are feeling abandoned when expected to handle on their own the anxiety and pain arising from their work. All benefit when organizations match needs and tasks to the expectations of volunteers. Studer (2016) defines this close interaction between volunteers and staff as interactional volunteer management. Her research suggests that retention is related to relationships between the volunteer manager and individual volunteers and to the manager's interactive mediation between volunteers as a stakeholder group with other organizational stakeholders.

ELEMENTS OF EFFECTIVE VOLUNTEER MANAGEMENT

The factors for maintaining a dedicated workforce (see chapter 14) has essential similarities for developing and maintaining an effective program of volunteer management. In both cases the process starts with assessing organizational needs and continues with close attention to planning, recruitment and screening, orientation, supervision and training, rewards, and evaluation. However, in volunteer programs, because people often pick an organization for its mission rather than for a specific position, matching individual expectations with available opportunities is critical. In addition, scheduling the hours of service to accommodate both the volunteer and the organization is almost an art form. Hager and Brudney (2011) suggest that some organizational issues related to recruitment of volunteers cannot be managed because managers face many immutable characteristics that cannot be changed, such as the mission of the organization. However, some volunteer recruitment productivity issues can be resolved by identifying, addressing, and nurturing volunteer management practices associated with prevailing recruitment problems. They label these practices the "volunteer management capacity" of an organization.

Korngold et al. (2006) identify the key elements of any kind of high-impact program, and they apply well to volunteer administration: (a) visible and consistent support from senior managers; (b) staffing by one or more professionals for whom this is their primary if not sole responsibility; (c) adequate resources in the annual budget, with a cost–benefit analysis each year to determine the program's value; and (d) sound written policies to govern all aspects of the effort, including risk management. Volunteer managers must think creatively and adaptively as they forge together best practices for their volunteer management programs.

Assessment and Planning

For any new enterprise, formation has a major influence on the end result. The starting point is to assess the "why" of the program; each nonprofit will determine whether and, if so, how volunteers can contribute to fulfilling its mission, from carrying out an indispensable function (e.g., the Girl Scout troop leader), to supplementing the work of paid staff, to providing an extra hand for special occasions such as preparing a large mailing. In making these decisions and then designing the actual program, obtain as much input as possible from administrators, staff, board members, other policy-level volunteers, and even clients, as appropriate, perhaps through a series of focus groups. Buy-in will pay dividends throughout the life and work of the volunteer program.

As part of the assessment, potential problems should be considered—the extra time demands in providing volunteer supervision, for one—and then weighed against the likely benefits. This should be done early in any process so the worth of the investment of organizational resources can be clearly delineated to both internal and external stakeholders. Involving staff early in major decisions is a good way to avoid later difficulties. If staff feel threatened by the volunteers' presence or are indifferent to them, the diversity of opportunities and the quality of the supervision will certainly be affected, diminishing the overall experience for the volunteers and, as a result, the success of the program. Conversely, when staff feel empowered by their inclusion in developing the program, they are much more apt to see the positive side of using volunteers (Brudney, 2016).

Once the decision has been made to develop a volunteer program, policies should be written and approved by the board to explain its purpose, goals, and objectives; the roles volunteers are likely to fill; and the general management of the endeavor, including applicable personnel procedures, insurance coverage, and budget implications. A key step is establishing oversight responsibility of the program. Ideally, a lead volunteer administrator, who may be either a current employee or a new hire, will be at the managerial level to demonstrate organizational commitment and, if resources permit, will serve full time as *volunteer manager, director,* or *coordinator* (the most common titles). Depending on the size of the organization and the program's projected scope, it may have additional professional and clerical staff needs. While personnel will be the largest budget item, sufficient monies should also be set aside for other likely expenses, which may include information technology, advertising, transportation, meals, and recognition events. In addition, training may be necessary to upgrade the volunteer administrator's skills, to prepare paid staff to assume their supervisory duties, and to help the volunteers perform effectively in carrying out their assignments. Exhibit 16.1 illustrates policy statements suitable for a volunteer program at a hypothetical multiservice nonprofit organization.

Creativity must be used in designing assignments to fit the varying needs of the types of volunteers encountered today, especially those interested in short-term or episodic assignments. For traditional volunteers who will make longer commitments, an analysis of the recurring roles that individuals could fill within the organization should lead to job descriptions for each one. Job descriptions should include a clear indication of duties and responsibilities, the reporting relationship to paid staff, and other pertinent details about the position. Once aware of an individual's strengths and aspirations, the volunteer manager can use the job descriptions as a guide in matching the right job with the person's expectations, modifying the final dimensions of the job as warranted. Opportunities for episodic volunteers may not call for formal job descriptions, but the parameters of these assignments should be spelled out for both planning and training purposes.

Recruitment

Most organizations rely on a combination of formal and informal approaches to recruit potential volunteers for both recurring roles and more time-limited assignments. The analysis of organizational needs, conducted prior to the program's start, points to the most likely sources. Hager and Brudney (2011) show that organizations that strategically target their recruitment methods have fewer recruitment problems than organizations that use a greater array of methods.

A nonprofit serving young teens through recreation and tutoring might view the local colleges and universities as the primary target, whereas an agency helping women gain employment via training and counseling is more apt to turn to the community's business sector. At the same time, the appeals must be effective in drawing individuals

EXHIBIT 16.1
A SAMPLE OF POLICY STATEMENTS FOR A VOLUNTEER PROGRAM

The Multi-Activity Service Center (MASC) is committed to the principles that guided the settlement house movement. First and foremost, the organization is deeply connected to the communities it serves and sees its purpose as nurturing all the potentialities of the residents in these areas, from young to old. To achieve this end, we foster an exchange of experiences and talents by bringing together the resources from inside and outside each community. An important component of our mission is our comprehensive volunteer program.

1. *Who Is a Volunteer?* A volunteer is an individual who engages in any kind of unpaid effort on behalf of our clients, whether on a recurring basis or to meet short-term needs. We welcome diversity in age, sex, ethnicity, socio-economic status, educational background, sexual orientation, and ability level as long as the person subscribes to our mission, is willing to take appropriate direction, and has no legal or physical impediments to carrying out assigned tasks.
2. *Recruitment and Screening*. MASC will use all suitable methods for locating and fostering volunteers to help in the various programmatic and administrative areas identified through our assessment as needing this assistance. We are prepared to commit the necessary resources to ensure we can attract the number of people needed to fill these positions. All prospective volunteers must be willing to give the organization permission to conduct background and reference checks as warranted by the positions in which they have expressed an interest.
3. *Program Administration*. A full-time staff member will oversee the program. This person may be a current employee who is reassigned to this position or a new hire, based on who best fits the job description. She or he will supervise a half-time clerical person and one of the two AmeriCorps participants currently at MASC and be responsible for managing the program's budget. Depending on the growth of the program, the board and executive director are committed to a commensurate increase in the staffing and budget in future years.
4. *Personnel Policies*. Volunteers will be required to wear name badges while working at any MASC facility. They must also sign in and out each day at the Volgistics kiosk; remote volunteers can sign in via text to the Volgistics system. Those filling recurring positions are required to attend an orientation prior to starting their duties and to take part in all trainings deemed essential to their work. Each volunteer will report to the staff person designated as his or her supervisor and follow this employee's directions as they pertain to the job; in turn, each paid staff member serving as a supervisor must treat the volunteer as a full member of the team and attend a special training before assuming supervisory duties and attend any subsequent identified trainings. This assignment will be considered during the employee's annual performance review. Volunteers may park in the staff lot and will be reimbursed for gas (or public transportation), meals, and any other approved expense incurred in the course of carrying out their assignments.

Note: MASC is a hypothetical nonprofit, a composite of three actual social service agencies.

who are qualified for the available positions. A surplus of people who cannot be placed, for one reason or another, is a problem because it may create negative feelings toward the organization and make poor use of staff time to interview and screen unsuitable candidates.

McCurley (1994) proposed three different ways to conduct recruitment efforts to ensure the organization obtains the number and types of volunteers it needs:

- *Warm-body recruitment*. This approach works best when a relatively large supply of volunteers is needed for a short period of time to do fairly simple tasks, such as to act as judges and huggers for a Special Olympics event or to sign in participants for a charity golf tournament. Techniques like distributing brochures, putting up posters, using public service announcements on local radio and television stations, issuing press releases, talking to civic groups and social media blasts are used to disseminate information about the organization and activity to as many people in the community as possible. The goal is to generate as many "warm bodies" as possible to carry out immediate essential tasks.
- *Targeted recruitment*. In contrast, the focus of targeted recruitment is a predetermined and limited group of volunteers who can provide particular skills, based on a profile of the ideal person for the job. The recruitment campaign will be shaped by clearly establishing what talents are needed for the task to identify the most likely locations for finding these people and the best ways to capture their interest by addressing their psychological needs. Being a "friendly visitor" to an older adult who is homebound and fielding calls to a crisis hotline are good examples of jobs that require a high level of empathy and compassion.
- *Concentric circles recruitment*. The intent of this approach is to secure a small but steady flow of volunteers, with word of mouth as the primary vehicle. It relies on the goodwill of staff, volunteers, clients, and people living in the immediate vicinity of the organization to convey the need for additional help to their friends, family members, and neighbors. Just about every nonprofit with a volunteer program uses this method at some point because it has proven to be very efficient in achieving its objectives. It is well suited to episodic volunteering, such as tending to a community garden. Sometimes the volunteer pool is already full, and the need is for organizational partners. This would be the case for colleges and universities mandating internships or service-learning as a graduation requirement. For students in schools of social work, fulfilling a field placement in a local social service agency is the most critical part of the program; thus, considerable effort goes into the process of finding the right match.

Even though the statistics on the number of active U.S. volunteers are impressive, the reality is that three- quarters to two- thirds of adults are not involved in formal volunteering each year. Perhaps the most easily overcome barrier is simply asking people to volunteer. Like donors, the majority of people invited to volunteer will do so. Of other potential barriers, lack of time, lack of interest, and ill health are the ones most often cited. Higher income may be associated with lack of time as a barrier, while those with less income are more apt to cite lack of interest in organizational volunteering. These findings suggest the value of targeting recruitment efforts, depending on the types of volunteers the organization is seeking to recruit. Organizations hoping to eliminate or at least mitigate the barriers to participation must become more flexible in their expectations and their outreach by increasing the number and scope of their volunteer opportunities. As noted in chapter 12, online or virtual volunteering is one option worth pursuing to widen the pool of individuals who want to contribute their talents.

Screening and Placement

For many nontraditional forms of volunteering, as when warm-body recruitment is used for simple assignments, screening may be very short and simple, if necessary at all. For longer-term assignments and for those that involve meaningful contact with clients, face-to-face interviews are valuable. Phone or online screening are often used, too. The size of the nonprofit often determines the extent to which written policies dictate the screening and matching of the volunteer to the assignment. In a larger nonprofit with a larger volunteer population, staff are more likely to provide formal training and attempt to fit the capabilities and expectations of the volunteer to the available positions (Hager & Brudney, 2015).

Screening of volunteers must be handled as diligently as for paid staff, particularly when an organization serves vulnerable clients with whom the volunteers will have considerable contact. Effective screening addresses several different but related goals:

1. to meet organizational needs for extra hands to carry out both ongoing and episodic tasks;
2. to match volunteers with satisfying opportunities;
3. to make wise use of organizational resources by adding volunteers to the staffing mix;
4. to create a cadre of goodwill ambassadors back to the community;
5. to build social capital through helping individuals gain first-hand knowledge of the challenges facing society at large, and
6. to retain those volunteers over time.

Whether prospective volunteers are responding to outreach efforts or have made their way to your organization of their own volition, the volunteer manager's task is to make them feel welcome and reinforce the budding psychological contract. However, a priority is to protect the organization and its clients from those potential volunteers whose background suggests they should not be placed in that setting. Fortunately, this is a fairly rare occurrence, but one which nonprofit managers must constantly consider. More often, the issue is "simply" identifying the job that represents the best match between the individual's talents and expectations and organizational needs and then helping the person see this fit and become enthusiastic about filling the slot. Such matches are not always "simple," as they require considerable people skills. The interview process resembles screening applicants for paid staff positions in many respects, with one big difference: the volunteer candidate may be familiar with the organizational mission, but not yet have a specific position in mind. Therefore, one of the most important attributes of an effective volunteer manager is the ability to be an active listener. This entails paying attention to both verbal and nonverbal messages to ascertain the person's motives and interests. For those who will be taking on recurring roles, the volunteer manager can develop an agreement (preferably in writing) that spells out the tasks associated with the position and how these activities reflect what the volunteer hopes to gain from the experience. Exhibit 16.2 shows what might be included in a contract of this kind. Do not confuse this with the psychological contract,

EXHIBIT 16.2
AN EXAMPLE OF A VOLUNTEER CONTRACT

The following agreement has been jointly reached by Theresa Kowalski, volunteer, and Frances Karl, Volunteer Manager for the Multi-Activity Service Center (MASC), for the period from January 1, 20__ to December 31, 20__. The agreement may be terminated by either party within 30 days of its initial signing and thereafter by mutual consent. However, the volunteer understands that any serious violation of agency policy may also be cause for immediate termination and that the contract is subject to review at the end of the year.

1. *Assignment*. Based on Mrs. Kowalski's expressed interest in working with older adults and her desire to gain skills that might translate at a later time into a paid position with this population, she is assigned to the Adult Services division in the North Bridge facility, specifically to oversee the Telephone Hotline, a program in which she has volunteered for the past five years.
2. *Supervision*. Her supervisor will be Anita Steinman, director of North Bridge.
3. *Duties*. Mrs. Kowalski will work Monday through Thursday from 10:00 AM to 3:00 PM (with a half-hour lunch break). In addition to answering phones and making referrals to community services when MASC itself cannot meet the need, she will assist Ms. Steinman in recruiting and training other volunteers.
4. *Professional Development*. In light of the additional responsibilities assumed this year, Mrs. Kowalski will be invited to attend the advanced training course "Working with Older Adults: Some Further Considerations" from February 2 to 4.

(Signed/dated by Theresa Kowalski) (Signed/dated by Frances Karl for MASC) which is more informal and refers to all the internal calculations about why a volunteer wants to keep volunteering for a given organization. That said, a formal written agreement (or "contract") about expectations can help reinforce the psychological contract.

In the course of the interview, the focus will change from an open-ended presentation about the organization and its various programs to a more structured back-and-forth exchange as the likely assignment emerges. Interviewers should avoid reaching premature conclusions about the most appropriate fit. Even though the person's current or former employment is likely to come up, and the person may have particular work skills that are needed by the nonprofit, many times individuals want their volunteer duties to be quite different from their regular paid-job duties.

The interview is an appropriate place to talk with volunteers about organizational requirements applicable to them, such as abiding by confidentiality rules, wearing name badges whenever on the premises, and completing computer logs and any other routine data collection (such as evaluations). A key discussion point is whether the time commitment is flexible. As previously mentioned, organizations that are more accommodating of people's busy schedules are likely to be more successful in drawing in volunteers who require such flexibility.

Once the main issues have been resolved, the next steps can vary for traditional (regular and long-term) and nontraditional (episodic) volunteers. Traditional volunteers may require background or reference checks and possibly a second interview that includes the program director or the staff member who will serve as supervisor. For nontraditional volunteers, when a desirable candidate has a narrow window of availability, the coordinator of volunteers must be able to live with a looser structure and oversight (Macduff, 2006). Training may also be required before individuals are ready to assume their duties, again differing according to the nature and duration of the volunteer assignment. Finally, prospects should be made aware of the insurance provided to protect them and the organization, and any procedures in place to serve clients with special needs. Since the decision to go forward is obviously a two-way proposition, the screening and interviewing process must be designed so that either party can gracefully exit at any point.

Orientation and Training

"Onboarding" volunteers is similar in its basic purpose to the way in which paid staff are introduced to their jobs. In both cases such orientation is an opportunity for the organization to put its best foot forward and establish the kind of positive relationship that tends to yield the most dedicated performance and long-term commitment. Online orientations are sometimes used, especially for purely virtual volunteers, but face-to-face onboarding helps to socialize volunteers to the nonprofits they serve. This starts with a personal greeting from the executive director of the organization to the newest members of the team. For organizations that have a probationary period for volunteers (perhaps the first thirty days), the orientation may take on even more significance, especially if the volunteers harbors any uncertainty in accepting the job.

Although a professional tone is important, serving refreshments or perhaps a light meal makes a statement that volunteering for this entity is appreciated.

The content of the orientation can be divided into two broad categories: information on the organization as a whole (provided by the volunteer manager) and information that is job specific (provided by relevant program staff or a volunteer responsible for a program area). Under the first heading, the history and purpose of the agency should be described, and each volunteer should be exposed to the organization's mission statement. Next, the volunteer manager should provide some basics about the programs and services provided by the broader organization, with some current demographic and utilization statistics on the clients, and the overall staffing configuration. A useful document is the organization chart that shows the internal structure and reporting relationships, as well as how volunteers fit in. A list of the applicable rules and regulations covered during the interview process should be distributed and reviewed. Finally, tour the facility, allowing the volunteer manager to point out anything specific to the volunteer program, such as where to sign in and out and the room in which in-service training is held.

For the second part of the orientation, the volunteers can be turned over to the staff person (or sometimes a volunteer) in charge of the area to which they have been assigned. In larger settings that may have several employees supervising volunteers, the program director should clarify to whom each volunteer will be reporting and make the necessary introductions. This is the time for the staff member to go into detail about the tasks the volunteers will be carrying out and to answer any questions about their roles and responsibilities. If not done during the general tour of the facility, the volunteers should be shown where they will actually be working and informed about the equipment and support available to them. The last piece of business is to describe what happens next, which in most instances will include some form of training, and to provide an overview of the first few days on the job.

Every volunteer assignment requires some level of preparation to do the work, but the extent and duration of the training will vary from position to position. Much of the training and orientation to culture and processes takes place informally in the regular course of business. In fact, this informal learning begins with recruitment and continues through the screening process, with the orientation another occasion for imparting a lot of valuable information. That said, the availability of some kind of formal training is one of the primary benefits of volunteering, so it is inadvisable to overlook this area even when time and the budget are tight. In most cases, without spending large sums of money, a solid training program can be put together with ingenuity and an understanding of the principles of adult learning.

The focus of formal training should be on the practical skills the volunteers must have to carry out their assignments. Moreover, most adults prefer interactive learning, such as role-playing and discussion, rather than lectures. An agency-made video of a counseling session (with the permission of all participants) followed by a question-and-answer period led by the staff member who counseled the client will have a much greater impact than an outside expert talking in general about fundamental counseling principles. The training provided prior to the start of the assigned tasks will most likely be designed by the organization, but once the volunteers are on the job, they should be included in the planning and evaluation of all subsequent training so that the content and methods used are as relevant as possible. Using experienced volunteers to train newer recruits makes a strong statement and can be a very effective technique.

Supervision

The quality of the guidance provided is an important aspect of the volunteer's satisfaction with the experience. The development of a positive organizational culture for volunteerism begins with the attitudes and actions of the top management team. As previously mentioned, involving paid staff from the very start in discussions about the need for and design of the volunteer program will go a long way toward generating a sense of ownership of the new endeavor. An important step is to clarify the roles volunteers will play and to dispel the myths that volunteers and employees often hold about each other, such as that staff work for pay alone but volunteers act out of purely altruistic motives.

Important: Organizations should not assume that staff will be able to perform effectively as supervisors of volunteers without specialized training. They often cannot, which immediately compromises the quality of experience for the volunteers. As volunteer trainer Steve McCurley (1994) once wrote, "expecting young and/or inexperienced staff members to acquire supervisory skills . . . through a process of 'try it and see' is probably optimistic; expecting volunteers to enjoy the process of experimentation is delusionary" (p. 515). Staff should also be acknowledged for their productive work with volunteers, including appropriate-touch supervision. Such acknowledgement can be both internal (when performance reviews are conducted) and external (at volunteer recognition events). At the same time, those who demonstrate a weakness in this area should be helped to improve their skills. Staff who resist working with volunteers can sometimes be brought around by involving them directly in crafting volunteer position statements, participating in training, and observing other staff who work productively with volunteers.

Some useful perspectives on management issues emerged from research by Leonard, Onyx, and Hayward-Brown (2004) on both the views of women volunteers and the views of volunteer coordinators who worked with them. The volunteers valued coordinators who were accessible, good listeners, flexible, and promoted a team approach rather than a hierarchy. Three different management styles were observed from interviews with coordinators:

1. In the *horizontal* style, volunteers were treated more like peers, as reflected in open communication and accommodations in scheduling; they had input into decision-making, were respected for their work, and were encouraged to develop new skills and try new roles.

2. The *nurturing* style is used most frequently, with the coordinators balancing direction with promotion of volunteers' independence; the primary objectives were to establish close personal relationships, to make the volunteers feel their work was valued, and to support the volunteers in taking on new challenges, much like a "good mother."
3. Under the *managerial* approach, efficiency and effectiveness were stressed, with no real interest in promoting individual volunteer needs; the main concern was to ensure that volunteers followed policies and procedures and did not overstep their marginal helping role. In comparing the two sets of responses, the managerial style was the least compatible with the volunteers' preferences.

Performance Reviews and Recognitions

For one-shot, limited-time (episodic) efforts, other than perhaps keeping track of the dependability of individual volunteers, performance reviews are certainly not necessary. However, that is not true for recurring and "regular" volunteers, especially in settings like hospitals or mental health clinics where volunteers may work with vulnerable clients. With the stress today on accountability, these volunteers should receive regular evaluations, to ensure the quality of their work, to identify challenges to be addressed, and to monitor the fit of the assignment to the volunteer's motivations. Unfortunately, just as many boards express reluctance about evaluating the executive director, volunteer managers often shy away from systematic reviews of volunteers. In a survey of Kent County, Michigan nonprofits that Golensky conducted nearly twenty years ago, only 16 percent of the respondents conducted formal evaluations. One volunteer manager noted her organization had discontinued written evaluations in favor of more informal, verbal reviews, commenting, "Why not get a paid job if you have to go through all that?" While this point has merit, good resource management dictates that every undertaking receives some level of assessment to improve the design and implementation before offering the program again.

Another way to view individual evaluations is as a form of recognition of the volunteer's contributions to the organization. Because volunteers do not receive pay, the organization must find different kinds of rewards, combining the psychological with the concrete, to let them know their work is valued. For example, an individual who performs some special service could be the subject of a featured article in the agency newsletter. Given the various types of volunteering now prevalent, the organization may want to consider instituting a system like that used in fund development to acknowledge donors at different giving levels, since neither episodic volunteers nor those who devote countless hours to their assigned work may be comfortable receiving the same rewards. With this approach, short-term volunteers might simply receive a thank-you letter signed by the executive director the first few times they help out and recognition on social media. If or when they accumulate some predetermined number of hours, they might receive a certificate of appreciation. With longer, more regular service, invitations to attend a recognition event at the end of the program year can go a long ways toward recognizing the contributions of these volunteers.

For recurring volunteers, identification cards, permanent name tags, shirts, or other indications of their "official status" can be issued at orientation. If a regular newsletter, blog, or webpage is created, the organization should regularly emphasize the contributions of volunteers, including pictures. More formal kinds of recognitions, such as an end-of-year luncheon with the executive director and other senior management as well as board members in attendance to present certificates of appreciation, permit the organization to show its gratitude very publicly. That said, a good reward is a genuine smile or a heartfelt thank-you from a staff member when casually encountering a volunteer. Not all volunteers are motivated by such recognition, but all volunteers appreciate it. Just as motivations differ, preferences for recognition differ. Smart nonprofits cover their bases by recognizing their volunteers however and whenever they can.

Maintaining good records to track every person's history with the organization is a task for the volunteer manager. Information technology has made this job easier, although many nonprofits do not invest in high-quality volunteer administration software. When used, the data can be used for strategic management, grant reporting, fundraising, performance reviews, and recognition of volunteers. For episodic volunteering, the database may consist of only dates and times, names, phone numbers, and email addresses. Some typical fields found in a recurring volunteer's profile are contact information, a job description for each position held, a list of trainings attended, dates and hours worked, and evaluations. If the agency requires a job application for volunteers and works out individual agreements, these documents would be included as well. The volunteer manager should also document which staff members served as supervisors for volunteers.

FINAL THOUGHTS

Table 16.1 summarizes the steps that must be taken to develop an effective volunteer program. Throughout this chapter, we have also looked at the process from the volunteer's viewpoint, in terms of motivation and satisfaction. Thus, to capture the full flavor of volunteerism in nonprofits, volunteer administration must be conceived of as a negotiation between the needs of the organization, the needs of its clients, and the needs of the volunteer. Each step is a point that either reinforces or threatens breach of the psychological contract.

Korngold and colleagues (2006) observe that nonprofits frequently do not get as much value from their volunteers as they could. They offer three suggestions for enhancing the contribution of volunteerism in American society: (a) an increased investment by public and private funders in recruiting, placing, training, and recognizing volunteers; (b) an expansion of community investment through establishing the

TABLE 16.1. DEVELOPING AN EFFECTIVE VOLUNTEER PROGRAM

Element	Pertinent Questions
Assessment and planning	What client and organizational needs can volunteers meet? What adjustments (in budget, personnel, insurance, etc.) will be required to accommodate the volunteer program?
Recruitment	What are the most likely sources to find volunteers to meet the identified needs? Which recruitment method(s) will attract the most suitable individuals?
Screening and placement	What criteria should be used to determine a person's suitability for the program? How do we ensure the best match will be made between an assignment and the individual's talents and interests?
Orientation and training	What should be included in the orientation to help new volunteers gain a full sense of the organization and their assignment? What kinds of formal and informal mechanisms should be included in the initial and ongoing training for volunteers?
Supervision	What steps should be taken to encourage paid staff to embrace and support the volunteer program? How do we appropriately prepare employees to supervise volunteers and reward them for doing a good job?
Performance reviews and recognitions	How can we maximize individual reviews to benefit both the volunteers and the program? What types of "rewards" are most effective in showing our appreciation for the volunteers' efforts?

Sources: Adapted from Korngold et al. (2006) and McCurley (1994).

necessary infrastructure to maximize opportunities for all interested citizens, using local volunteer centers and other similar mechanisms; and (c) a greater investment by businesses and corporations in encouraging and supporting employees who wish to volunteer. Considering the number of people now volunteering on a regular basis, these kinds of investments offer the likelihood of large returns and virtually no risk.

QUESTIONS TO CONSIDER

16.1. One-third to one-fourth of American adults volunteer for a nonprofit every year. Does that seem like a lot, too little, or about right?

16.2. Individuals engaging in volunteering at an early age go on to participate as volunteers later in life. How does your personal experience fit with this claim?

16.3. How would you compare the effective management of paid staff versus effective management of volunteers? If you were offered the choice between serving as human resource director or volunteer manager for a nonprofit, at an equal salary, which would you pick and why?

16.4. Why does the belief persist that paid staff and volunteers often have a problematic relationship?

16.5. What are the most effective ways to provide a satisfying volunteer experience? How do the motivations to volunteer factor into the equation?

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