

MBA II Sem III

MCQs: [311] – [Management of Non-profit organizations]

Notes

UNIT-I

The World of Non-Profit Enterprises: third sector, nonprofits sector, social enterprises; Economic, Sociological and Structural theories of nonprofits; Contemporary role of nonprofits; Nonprofits vis-à-vis State and Business

- The World of Non-Profit Enterprises:
- Third sector,
- Nonprofits sector,
- Social enterprises;
- Economic, Sociological and Structural theories of nonprofits;
- Contemporary role of nonprofits;
- Nonprofits vis-à-vis State and Business

Defining Nonprofit Organizations

The task of defining the nonprofit sector is a difficult task because the organizations constituting the sector are so varied in legal status, organizational forms, revenue structures, and operational domains. The institutional diversity of the sector is a major impediment for a sound and all-inclusive definition. Nonprofit organization (NPO) is generally understood as an organizational entity whose primary objective is not profit-related. One can find different approaches in literature to defining nonprofit organizations. These approaches are discussed briefly here.

A simple way to delineate nonprofit organizations is to identify them by their legal status. By this approach, the legal framework of the country in question determines the 'nonprofit' nature of the organization. The legal definition approach is the most unambiguous and straightforward method for defining non-profit organizations (Salamon and Anheier, 1992). Thus an organization is non-profit if it comes under the appropriate statutes or acts of the country of operation. A nonprofit organization is what the law of the country says it is (United Nations (UN), 2003). The major limitation of this system is that there is no common ground for comparing the sectors across different national settings. Similarly, not all organizations which are 'legally nonprofit' are treated as nonprofit organizations by experts within the nonprofit sector. For example, in India, an organization can claim nonprofit status if it is registered under any of the following statutes (CSO, 2009).

- 1) The Societies Registration Act, 1860 Management of Non profit organization -
- 2) The Indian Trusts Act, 1882
- 3) Public Trust Act, 1950
- 4) The Indian Companies Act (section 25), 1956
- 5) Religious Endowments Act, 1863
- 6) The Charitable and Religious Trust Act, 1920

7) Mussalman Wakf Act, 1923.

8) Wakf Act, 1923

9) Public Wakfs (Extension of Limitation) Act, 1959.

All organizations registered under any of these acts are legally nonprofit because these organizations are granted nonprofit status and allowed tax benefits as per Income Tax Act, 1961. However, experts in Indian nonprofit sector do not consider all registered organizations nonprofit. Several religious organizations, business associations, private hospitals and schools with nonprofit status exist mainly to serve the interests of a particular community or a closed group and are not generally considered as part of voluntary sector (Sen, 1993).

Another limitation of a legal definition is that many nonprofit organizations, especially those in a developing country like India, function outside the purview of any legal frame work. But it must be said that the number of such organizations is on the decline as the benefits of legal incorporation are several. Still, legal definition proves inadequate to cover the entire nonprofit sector considering those sections of nonprofit activity that do not come under any legal provision. Therefore legal definition, though easy to apply, suffers from serious insufficiencies.

Other frameworks for defining nonprofit organizations in literature focus on organizational characteristics of the entities constituting the sector. Morris (2000) identifies three common bases for defining nonprofit organizations – kind of inputs, nature of output, and how the net earnings are distributed. According to the first approach, an entity can be classified as for-profit, household or nonprofit depending on the source of financial resources. According to this economic or financial definition, the key feature that sets the non-profit sector from others is that the organizations of this sector receives the bulk of their income not from commercial markets, but from financial contributions of their members and supporters. But this definition is fraught with complications as there are nonprofit organization's that run purely on self-generated income.

Management of Nonprofit organization -

The second basis for defining a nonprofit organization is the nature of output of the organizational process/operations (Morris, 2000). *Public purpose* nature of outputs will determine the nonprofit status of an organization. Functional definition identifies nonprofit organization's by the nature of services they provide.

Provision of public services to serve the public at large distinguishes nonprofit from other organizations. One potential problem of this definition is the existence of commercial organization's engaged in the field of public services such as special education, health care for the old etc.

Finally one can categories an organization on the basis of how it distributes its net earnings (Morris, 2000). Non-distribution constraint is the distinguishing characteristic of the third method. Hansman (1980) describes a nonprofit organization as one that is not allowed to distribute its net-earnings to its members or any other person who has a control on the organization. The above condition of non-distribution of profit is recognized as the most distinguishing characteristic of a nonprofit organization (CSO, 2009). But making economic surplus during the course of their operations is not prohibited for such organizations. The restraint here is that the surplus, if any, is to be used for the accomplishment of organizational mission and not to be distributed among the members. However, the members or other individuals associated with the organization can be paid compensations for services rendered by them. Non-distribution clause differentiates nonprofit organizations in a Particular service provision from its for-profit competitors in the same area of Operation.

The definition that has found widest acceptance in literature for its Comprehensiveness seems to be the structural-operational definition suggested by Salamon and Anheier. According to this

definition, an entity will be considered a nonprofit organization if it satisfies the following five criteria of being: organized, nonprofit distributing, private, self-governing, and noncompulsory/Voluntary (Salamon&Anheier, 1992). The above definition forms the basis of the working definition adopted for distinguishing nonprofit organizations in UN Handbook of Nonprofit Institutions (United Nations, 2003). Following the UN recommendations, Central Statistical Organization (CSO) in India has also adopted the same definition for System of National Accounts –SNA (CSO, 2009). Sen (1993) comments that the structural– operational approach is the most suitable definition for nonprofit organization’s in Indian context for its capability to incorporate the complexities of the sector in India.

By applying the structural-Management of Non profit organization -operational definition, trade unions, cooperatives and self-help groups (SHG) are excluded from the sector, although legally these Organizations are granted nonprofit status.

Introduction: organization is a group of people joining together and establishes to achieve a common object or a common goal. Basically it may classify as a two categories like as follow:

A for-profit organization: exists primarily to generate a profit, that is, to take in more money than it spends. The owners can decide further to keep all the profit themselves, or they can spend some or all of it on the business itself. Or, they may decide to share some of it with employees through the use of various types of compensation plans, e.g., employee profit sharing. The legal forms of a for-profit, including sole proprietorships, partnerships and corporations.

- A non-profit organization: exists to provide a particular service to the community. The word "non-profit" refers to a type of business one which is organized under rules that forbid the distribution of profits to owners. Most nonprofits businesses are organized into corporations. Most corporations are formed under the corporation laws of a particular state.

Every state has provisions for forming non-profit corporations; some permit other forms, such as unincorporated associations, trusts, society etc., which may operate as non-profit businesses in different terms. Nonprofit organizations are voluntary, organized by citizens on a local, national and international level. They involved in numerous activities.

Nature of Non-Profit Enterprises:

1. They supposed to be independent from government
2. These organizations are not meant for profit
3. They are expected to be value based
4. They are setup to serve public or social purpose or public service mission.
5. They must be exempt from paying tax
6. They would not distribute the excess profit to shareholders, instead of that they utilize the funds for the developmental activities.

Purpose: Every organization which start with an objective to change an individual or society problem. On profit organizations are aims to add quality of life of selected segments of society and are human change agents as termed by Peter F. Drucker.

- promote a specific mission
- Often eligible for a tax-exempt status, and some may receive tax deductible contributions.
- **Public Benefit:** Public benefit non-profit corporations are basically organized to benefit the general public, and not for the interest of its members.

Mutual Benefit: are formed for a common gain purpose of its members, and due to this private purpose, this type of corporation pays the same taxes as regular for-profit corporations. Mutual benefit nonprofit corporation exists only to serve the needs of its members, and not the general public, it is also up to its members to resolve disputes that may arise as to how the corporation is being run.

Emergence of Nonprofit Sector: The scope and role of non-profit sector have expanded considerably in most countries over the years (Salamon, et al., 1999). Non-profit sector accounts for a considerable percentage of national GDP in many countries. Also, it is a substantially big employment provider. A vibrant non-profit sector can extend the reach of the government in certain fields of development, can propose alternative models of development especially when mechanism for constructive debate on national policies are absent and thus justifying the label of Third Sector (Defourny, 2001). Nonprofit sector's influence has also begun to extend beyond the traditional domains of public service to even business sector. Scholars in business have made note of the elevated role of nonprofit sector in business as a de-facto regulator (Prahalad&Brugmann, 2007). This role of the nonprofit sector is likely to gain more significance in the light of the current trend of deregulation policies of governments. At the same time, cross-sector partnerships are also on the rise as several business organization's have started looking at nonprofit organization's as potential partners in their social responsibility initiatives, marking a clear deviation from the confrontational relationship between corporate sectors and nonprofit. Thus nonprofit sector has become a prominent player, wielding influence in social and economic spheres.

THE WORLD OF NON-PROFIT ENTERPRISES:

Different terminologies used for Non Profit Sector:

Different terms: "Nonprofit sector," "Third sector," "Independent sector," "Charities," "Voluntary sector," "Tax-exempt sector," "Nongovernmental organizations," "Associational sector," "philanthropy," "social economy" and "social enterprise," and many more. Clearly, each of these terms depicts one aspect of the social reality of the sector at the expense of overlooking or de-emphasizing other aspects.

Charity:

The term charity emphasizes the support these organizations receive from private charitable donations and assumes a certain motivation on behalf of both donor and recipient. But private charitable contributions do not constitute the only, or even the major, source of their revenue; and many nonprofit organizations are not “charitable” but advocate special interests or seek to promote their members’ interests through lobbying.

Independent Sector:

The term independent sector highlights the role these organizations play as a “third force” outside of the realm of government (i.e. political power) and private business (i.e. the profit motive). But these organizations are far from independent, politically or financially. Politically, many are engaged in advocacy, and board membership is typically drawn from local, regional, and national elites; and in financial terms, they depend heavily on both government and private business for revenue.

Ngo (Nongovernmental Organization):

The term NGO (nongovernmental organization) is the term used to depict these organizations in the developing world and in international relations, but it tends to refer only to a portion of what elsewhere is considered to be part of this sector— namely, the organizations engaged in the promotion of economic and social development, typically at the grassroots level.

Philanthropy:

The term philanthropy refers to the use of personal wealth and skills for the benefit of specific public causes and is typically applied to philanthropic foundations and similar institutions. Yet the sector also includes self-interested behavior, pecuniary or otherwise, and interest organizations that lobby on behalf of their members rather than for the common good.

Nonprofit Organizations/Sector:

Even the term nonprofit organizations/sector, a term used by the UN System of National Accounts and, as we will see, economic theories, is not without its problems. This term emphasizes the fact that these organizations do not exist primarily to generate profits for their Management of Non profit organization -owners. But these organizations sometimes do earn profits, i.e. they generate more revenues than they spend in a given year. What is more, the terms suggest more about what the organization is not, than what it stands for, prompting one analyst to ask, and “If not for profit— for what?” (Young 1983).

The term *Économie Sociale* is the term used to depict a broad range of nongovernmental organizations in France and Belgium, and increasingly within the European Community, but it embraces a wide variety of business-type organizations such as mutual insurance companies,

savings banks, cooperatives, and agricultural marketing organizations that would be considered parts of the business sector in most parts of the world.

The definition used to delineate the organizations that form part of the social economy has four main components:

1. Organizational purpose of service to members or some specified larger community rather than profit to shareholders;
2. Independent management;
3. A democratic decision making process; and
4. Precedence of social aspects over capital in the distribution of income.

Voluntary Associations:

The term voluntary organizations or sector emphasizes both the significant input that volunteers make to the management and operation of this sector and the non-compulsory nature of participation in terms of membership. But a good deal of the activity of voluntary organizations is carried out by paid staff, and not by volunteers, and many non-profits have no membership base at all.

Voluntary associations are private, membership-based organizations in which membership is non-compulsory. They are distinct from many nonprofit organizations such as hospitals, social service agencies, or art museums, which may have a governing board but no broad membership base. In addition, like other nonprofits, the association should have identifiable boundaries to distinguish members from non-members, and should be self-governing and non-commercial in objectives and behavior.

Third Sector: In the economic context, nonprofit organization is called as Third sector organization. Non-Profit organizations have emerged as one of the largest sector after government (public) organizations and private organizations. So, this is called as Third Sector. Third sector organizations are a term used to describe the range of organizations that are neither public sector nor private sector. It includes voluntary and community organizations (both registered charities and other organizations such as associations, self-help groups and community groups), social enterprises, mutual and co-operatives.

Nature of Third Sector Organizations (TSOs) generally,

1. Independent of government: This is also an important part of the history and culture of the sector;

2. Value-driven: This means they are motivated by the desire to achieve social goals (for example, improving public welfare, the environment or economic well-being) rather than the desire to distribute profit; and

3. Reinvest any surpluses generated in the pursuit of their goals. For this reason TSOs are sometimes called ‘not-for-profit organizations’. A better term is ‘not-for-personal-profit’. In many cases, TSOs need to make surpluses (or ‘profits’) to be financially sustainable.

TSOs can take a number of legal forms. Many are simple associations of people with shared values and objectives. Many have company status but with a not-for-personal-profit approach. Very many have charitable status or are community interest companies, industrial and provident societies or co-operatives.

In October 2010, the Government published its strategy to support charities, voluntary groups and social enterprise. It is committed to ensuring that charities, social enterprises and cooperatives have a much greater role in the running of public services.

Benefits of Third Sector Organizations: Public services can gain a lot from working with third sector organizations. The benefits vary across policy and geographical areas. But some of the common themes are TSOs’:

1. Understanding of the needs of service users and communities that the public sector needs to address.
2. Closeness to the people that the public sector wants to reach.
3. Ability to deliver outcomes that the public sector finds it hard to deliver on its own.
4. Innovation in developing solutions; and
5. Performance in delivering services. TSOs also speak out for people and their needs to the public sector and to wider society. Such activity may be based on a local, drop-in advice service for people with unmanageable debt, right through to a charity’s national communications campaign (on child cruelty, for example). Such work dovetails with TSOs’ services to the public.

Benefits of Forming a Non-profit organization:

Limited liability protection. Protects directors, officers and members against being held personally responsible for their company’s debts and liabilities. With limited liability protection, creditors cannot pursue the personal assets of the business owner to pay off business debts.

➤ Tax-exempt status. Nonprofits can apply for both central and state tax-exempt status.

- Access to grants. Some nonprofits are eligible to receive public and private grants, making it easier to get operating capital. For instance, certain grants and other public allocation organizations.
- Tax-deductible donations. With under section 80G nonprofits, donations made by individuals to the nonprofit corporation are tax-deductible.
- Possible state sales and property taxes exemption. This benefit varies by state.
- Service discounts. Tax-exempt nonprofits generally can receive discounts on bulk mail rates.
- Credibility. There is established credibility for an organization that is recognized by a tax-exempt nonprofit.

Disadvantages of forming a Non-profit organization:

- Cost: Creating a nonprofit organization takes time, effort, and money. Because a nonprofit organization is a legal entity under federal, state, and local laws, the use of an attorney, accountant, or other professional may well prove necessary.
- Paperwork: As an exempt corporation, a nonprofit must keep detailed records and submit annual filings to the state and IT by stated deadlines in order to keep its active and exempt status.
- Shared control: Although the people who create nonprofits like to shape and control their creations, personal control is limited. A nonprofit organization is subject to laws and regulations, including its own articles of incorporation and bylaws. In some states, a nonprofit is required to have several directors, who in turn only people are allowed to elect or appoint the officers who determine policy.
- Scrutiny by the public: A nonprofit is dedicated to the public interest; therefore, its finances are open to public inspection. The public may obtain copies of a nonprofit organization's state and Federal filings to learn about salaries and other expenditures.

Role or Functions of Non-Profit Organization:

By function means the normal tasks or roles that non-profit organizations can be expected to perform. Researchers have identified several such contributions:

- Service-provider role,
- Vanguard role,
- Value-guardian role, and
- Advocacy role (Kramer 1981).

Service-provider role:

Since government programs are typically large scale and uniform, nonprofits can perform various important functions in the delivery of collective goods and services, particularly for minority preferences. They can also be the primary service providers, where neither government nor business is either willing or able to act. They can provide services that complement the service delivery of other sectors, but differ qualitatively from it. Or they can supplement essentially similar services, where the provision by government or the market is insufficient in scope or not easily affordable.

Vanguard role:

Non-profits innovate by experimenting with and pioneering new approaches, processes, or programs in service delivery. Less beholden than business firms to the expectations of stakeholders demanding some return on their investment, and not subject to the electoral process as are government entities, nonprofit organizations can, in their fields, serve as change agents. If innovations prove successful after being developed and tested by nonprofits, other service providers, particularly government agencies with a broader reach, may adopt them, or businesses might turn them into marketable products.

Value-guardian role:

governmental agencies are frequently constrained—either on constitutional grounds or by majority will—to foster and help express diverse values that various parts of the electorate may hold. Businesses similarly do not pursue the expression of values, since this is rarely profitable. Nonprofits are thus the primary mechanism to promote and guard particularistic values and allow societal groups to express and promulgate religious, ideological, political, cultural, social, and other views and preferences. The resulting expressive diversity in society in turn contributes to pluralism and democratization.

Advocacy role:

In the political process that determines the design and contours of policies, the needs of under-represented or discriminated groups are not always taken into account. Nonprofits thus fill in to give voice to the minority and particularistic interests and values they represent and serve in turn as critics and watchdogs of government with the aim of effecting change or improvements in social and other policies.

SOCIAL ENTERPRISES;

History: Social Entrepreneurship is relatively a new term. It came in to notice just a few decades ago. But its usage can be found throughout the history. In fact, there were several entrepreneurs who established social entrepreneurs to eliminate social problems or bring positive change in the society. Vinoba Bhave, the founder of India's Land Gift Movement, Robert Owen, the founder of

cooperative movement and Florence Nightingale, founder of first nursing school and developer of modern nursing practices might be included in this category. They had established such foundations and organizations in 19th century that is much before the concept of social entrepreneurship used in management

Definition of Social Enterprise

“Social enterprises are defined as nonprofit or for-profit business ventures that strive to achieve a quantifiable double bottom line of financial and social returns. These ventures are financially self-sufficient”.

“Social entrepreneurship is the use of the techniques that startup companies and other entrepreneurs to develop, fund and implement solutions to social, cultural, or environmental issues”.

“Social enterprises are non-profit organizations which apply capitalistic strategies to achieving philanthropic goals”

A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders. Social enterprises can be structured as a for-profit or non-profit, and may take the form of a co-operative, mutual organization.

Social Enterprises have been defined as “A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners”

Social enterprises are involved in providing services or making goods. However they have explicit social aims and social ownership with a structure based on participation by stakeholders, such as users, community groups and employees.

“Business covering wide range of activities are defined as Social Enterprises”

Significance of Social Enterprises:

- Social Enterprises are social mission driven organizations which apply market based strategies to achieve a social purpose.
- In India a Social Enterprise may be a NPO and NGO, often registered as a society under Indian societies Regulations Act of 1860
- Many entrepreneurs running a profit focused enterprise which make genuinely charitable gestures, this can't be considered to be social Enterprises
- It is just like, “Doing charity by doing trade” rather than “Doing charity while doing trade”

Example of social enterprises:

- Prayaas: Its goal is to protect the rights of marginalised children, women and young people. Delhi
- Nirmaan: Organizing fair, scholarship
- Goonj: School materials
- Tata Jagritiyatra
- Let's Do it
- Snehadeep: Computer Training for the differently-abled

Legal structure of Social Enterprises:

- ❖ Partnership and Limited liability partnership
- ❖ Limited company
- ❖ Community interest company
- ❖ Industrial and provident society

Essential Characteristics of social Enterprises:

- It is serving social goals by using an enterprise strategies
- It is both a “from Welfare to Work” and a “Social Investment” approach
- It is providing assistance to the marginal groups in the community by encouraging self reliance

Key features of Social Enterprises:

- ✓ Emerging and evolving entity
 - ✓ Very much diversified
 - ✓ For both disabled and able bodied people
- a) Disabled: Physically disabled, development of challenged and Psychiatric patients
- b) Able people: Ex-officers, non-engaged youth, women and middle aged semi skilled people
- ✓ Operated by charities and NPO
 - ✓ Run by some for profit business organizations as subsidiaries

- ✓ Projects supported by government seed funding

Staffing decisions are among the most important decisions that nonprofit organizations make. Just as businesses and organizations of all sizes and areas of operation rely on their personnel to execute their strategies and advance their goals, so too do nonprofit groups. It follows, then, that nonprofit organizations need to attend to the same tasks as profit-seeking companies do when they turn to the challenges of establishing and maintaining a solid work force. To accomplish this, nonprofit organizations have to address the following six personnel issues, as delineated in the Small Business Administration publication *Human Resources Management*:

- **Assessing personnel needs**
- **Recruiting personnel**
- **Screening personnel**
- **Selecting and hiring personnel**
- **Orienting new employees to the organization**
- **Deciding compensation issues**

"An effective non-profit manager *must* try to get more out of the people he or she has," wrote Peter F. Drucker in *Managing the Non-Profit Organization*. "The yield from the human resource really determines the organization's performance. And that's decided by the basic people decisions: whom we hire and whom we fire; where we place people, and whom we promote. The quality of these human decisions largely determines whether the organization is being run seriously, whether its mission, its values, and its objectives are real and meaningful to people rather than just public relations and rhetoric."

ASSESSING ORGANIZATION NEEDS

A key component of any endeavor to build a quality core of personnel is an honest assessment of current and future internal needs and external influences. Leaders and managers of nonprofit organizations should study workload history, trends in the larger philanthropic community, pertinent changes in the environment in which they operate (layoffs, plant closings, introduction of a new organization with a similar mission, legislative developments, etc.), personnel demands associated with current and planned initiatives, operating budget and costs, and the quality and quantity of the area worker pool, both for volunteer and staff positions. Moreover, all of these factors need to be studied within the framework of the organization's overarching mission statement. As many nonprofit leaders have noted, adherence to other general business principles (sound fiscal management, retention of good employees through good compensation packages,

etc.) is of little solace if the organization loses sight of its mission—it's reason for being—in the process.

Writing in *Human Resources Management*, Gary Roberts, Carlotta Roberts, and Gary Seldon noted several fundamental business principles concerning assessment of personnel needs that apply to nonprofits as well. These principles include:

- Fill positions with people who are willing and able to take on the job.
- Providing accurate and realistic job and skill specifications for each position helps ensure that it will be filled by someone capable of handling the responsibilities associated with that position.
- Written job descriptions are essential to communicating job expectations.
- Employees who are chosen because they are the best available candidates are far more likely to have a positive impact than those who are chosen on the basis of friendship or expediency.
- Performance appraisals, when coupled with specific job expectations, help boost performance.

"The process of selecting a competent person for each position is best accomplished through a systematic definition of the requirements for each job, including the skills, knowledge and other qualifications that employees must possess to perform each task," the authors concluded. "To guarantee that personnel needs are adequately specified,

- 1) Conduct a job analysis,
- 2) Develop a written job description,
- 3) Prepare a job specification."

RECRUITING, SCREENING, AND SELECTING ORGANIZATION WORK FORCE

Recruiting

For many nonprofit organizations, publicizing its very existence is the most important step that it can take in its efforts to recruit staff and volunteers alike. This is especially true if one wishes to encourage volunteers to become involved. Volunteers are the life-blood of countless nonprofit organizations, for they attend to the basic tasks that need performing, from paperwork to transportation of goods and/or services to maintenance. Writing in *Quality Management in the Nonprofit World*, Larry W. Kennedy noted that "they supply valuable human resources which, when properly engaged, can be worth tens of thousands of dollars in conserved personnel costs to even the smallest organizations."

Nonprofit groups rely on two basic avenues to publicize their work and their staffing needs: local media (newspapers, newsletters, radio advertising, billboards, etc.) and other community organizations (municipal governments, churches, civic groups, other nonprofit organizations, etc.) Many nonprofit groups have found that contact with some community organizations, particularly churches and civic groups, can be particularly rewarding since these organizations already have members that may be predisposed toward lending a hand.

Screening and Selection

The interviewing process is another essential component of successful staffing for nonprofit groups. This holds true for volunteers as well as for officers, directors, and paid staff. Indeed, Larry W. Kennedy remarked in his book that "volunteers should be recruited and interviewed systematically the same way you would recruit paid staff. An orderly and professional approach to volunteer management will pay off handsomely for your organization. What you do in the recruitment phase of your work will set the standard for volunteer performance. If you are disciplined and well organized, you will often attract more qualified volunteers."

Managers of nonprofit organizations should make sure that they do the following when engaged in the process of staffing, screening and selection:

- Recognize that *all* personnel, whether they are heading up your organization's annual fundraising drive or lending a hand for a few hours every other Saturday, have an impact on the group's performance. Certainly, some positions are more important than others but countless nonprofit managers can attest to the fact that an under-performing, unethical, or unpleasant individual can have an enormously negative impact on organization morale and/or organization reputation in the community. This can be true of the occasional volunteer as well as the full-time staff member.
- Use an application form that covers all pertinent areas of the applicant's background.
- Ensure that your screening process provides information about an individual's skills, attitudes, and knowledge.
- Try to determine if the applicant or would-be volunteer is interested in the organization for legitimate reasons (professional development and/or advancement, genuine interest in your group's mission) or primarily for reasons that may not advance your organization's cause (loneliness, corporate burnout, etc.).
- Objectively evaluate prospective employees and volunteers based on criteria established in the organization's job specifications.
- Be realistic in putting together your volunteer work force. "Managers cause most of the problems with volunteers by making unreasonable assumptions about their intentions and capabilities," wrote Kennedy. An organization that sets the bar too high in its expectations

of volunteers (in terms of services provided, hours volunteered, etc.) may find itself with a severe shortage of this potentially valuable resource.

- Recognizing that would-be volunteers and employees bring both assets and negative attributes to your organization, nonprofit groups should be flexible in accommodating those strengths and weaknesses. "If you want people to perform in an organization, you have to use their strengths—not emphasize their weaknesses," said Drucker.

Organizations that pay attention to these guidelines will be far more likely to enjoy positive and lasting relationships with their volunteers and staff than those who fill their human resource needs in haphazard fashion. As Kennedy said, "the time to begin evaluating the probable reliability of human resources is prior to their insertion into your internal structure."

ORIENTING STAFF AND VOLUNTEERS TO THE ORGANIZATION

Training is a vital component of successful nonprofit organization management. But many nonprofit managers fail to recognize that training initiatives should be built for all members of the organization, not just those who are salaried employees. "Specialized training should be designed for every person in the organization, including board members and volunteers," contended Kennedy.

"The principles of quality management should be reinforced in each phase of training, with generous opportunities given to the trainees to talk about their questions and concerns". If we select and train people with well-established and consistently implemented guidelines, we greatly increase the potential for team building. Beyond that, a common objective, a commitment to quality, a sincere concern for the team members, and a dedicated leader can cause wonderful things to happen.

When those factors are not present, things can occur that are not so pleasant". Volunteers who are shoddily intruded into an organization's processes or who are not well managed can create chaotic inconsistency in services. The additional, time, energy, and money needed to clean up well-intentioned but off-target volunteer efforts can quickly offset any gains provided by their services."

Poor Performers

Many nonprofit organizations find that at one point or another, they must address poor performance by a member of the organization. When that person is a paid member of the staff, dealing with the issue is in many respects no different than it would be in the for-profit world. Organizations of all types have a right to assume certain standards of performance from paid employees, and if that standard is not met, they should by all means take the steps necessary to ensure that they receive the necessary level of performance from that position, even if that means firing a poor worker.

The situation becomes more complex when the person is a volunteer, however. The volunteer worker is an essential element of many nonprofit organizations, and the primary characteristics of volunteerism—selfless service—make it difficult to remove poor performers. In addition, insensitive handling of one volunteer can have a negative impact on other volunteers upon which your organization relies. Nonetheless, Kennedy stated that "volunteers should be held accountable just as though they were being paid top dollar to work. This does not mean that you can be careless about people's feelings. Even for-profit managers have learned that managing and supervising requires certain social graces and sensitivity to every individual. However, the reluctance of nonprofit managers to hold volunteers accountable to reasonable levels of performance or to terminate bad volunteer relationships can be their downfall."

Drucker noted that most nonprofits will, sooner or later, have to deal with people "who volunteer because they are profoundly lonely. When it works, these volunteers can do a great deal for the organization—and the organization, by giving them a community, gives even more back to them. But sometimes these people for psychological or emotional reasons simply cannot work with other people; they are noisy, intrusive, abrasive, rude. Non-profit executives have to face up to that reality." If all else fails, such disruptive volunteers should be asked to leave. Otherwise, other members of the organization, including the executive, will find that their capacity to contribute is diminished.

Drucker agreed that dismissing an under-performing or otherwise undesirable volunteer can be a difficult task. "The non-profit executive is always inclined to be reluctant to let a non-producer go. You feel he or she is a comrade-in-arms and make all kinds of excuses," he granted. He contended that nonprofit managers should adhere to a basic guideline in such instances: "If they try, they deserve another chance. "If they don't try, make *sure* they leave". An effective non-profit executive owes it to the organization to have a competent staff wherever performance is needed. To allow non-performers to stay on means letting down both the organization and the cause."

COMPENSATING THE ORGANIZATION'S EMPLOYEES AND VOLUNTEERS

Tangible Benefits

As Ted Nicholas noted in *The Complete Guide to Nonprofit Corporations*, nonprofit corporations may establish fringe benefits programs for their employees. People that can be covered under these programs include not only staff personnel, but also directors and officers. "The benefits," wrote Nicholas, "can be as attractive as those provided by for-profit business corporations. In addition, the benefits can be far more economical for the corporation and beneficial to the employees than any program that could be offered by unincorporated organizations. The nonprofit corporation can establish an employee pension and retirement income plan. It can provide for sick pay and vacation pay. It may arrange for group life, accident and health insurance coverage for its officers and employees. It can elect to cover its employees' personal medical expenses that are not covered by the group insurance plans, provided that the corporation can pay all or part of the cost of the

various employee benefits it sets up. It can require some contribution from the employees covered by the fringes."

Bruce Hopkins observed in his *Legal Guide to Starting and Managing a Nonprofit Organization* that "there is a tendency in our society to expect employees of nonprofit organizations to work for levels and types of compensation that are less than those paid to employees of for-profit organizations. Somehow, the nonprofit characteristics of the organization become transferred to the 'nonprofit' employee." Hopkins goes on to note that while this perception may indeed be a reality because of the budgetary constraints under which many nonprofit organizations operate, in other instances employees do not feel entitled to compensation levels that are offered to employees of for-profit businesses. In fact, some nonprofit groups feel no obligation whatsoever to provide comparable levels of compensation in terms of salary, benefits, etc., relying instead on the altruistic leanings of those who become involved. Organizations that operate under these assumptions are short sighted and run the risk of losing out on many talented people. Indeed, Hopkins pointed out that "many nonprofit organizations, particularly the larger ones (universities, hospitals, major charities, and trade associations), require sophisticated and talented employees. Because these individuals are not likely to want to be 'nonprofit' employees, nonprofit and for-profit organizations compete for the same pool of talented persons. This competition extends not only to salaries but also to benefits and retirement programs."

Experts indicate that although the compensation packages that are offered by nonprofit organizations are constrained by the so-called private inurement doctrine, which holds that the profits realized by a nonprofit organization can not be passed along to private individuals (as dividends are passed along to shareholders in a for-profit enterprise), they can still offer attractive compensation packages to employees provided that they are judged to be "reasonable." When weighing whether it considers compensation to be reasonable, the Internal Revenue Service studies whether compensation arrangements exceed a certain percentage of the organization's gross revenues. Excessive compensation can be penalized by imposition of additional taxes and fines, but the most damage to organizations who do this can often be found in the realm of reputation; few allegations are more damaging to a nonprofit organization's community standing than the charge that it is bestowing excessive compensation (in the form of salary, country club memberships, etc.) to top executives or others.

Intangible Benefits

Successful managers of nonprofit organizations recognize that the people who compose their organizations' work force—volunteers, employees, officers, and directors alike—are often participating in the group at least in part for altruistic reasons. Indeed, Drucker noted that "although successful business executives have learned that workers are not entirely motivated by paychecks or promotions—they need more—the need is even greater in non-profit institutions. Even paid staff in these organizations need achievement, the satisfaction of service, or they

become alienated and even hostile. After all, what's the point of working in a non-profit institution if one doesn't make a clear contribution?"

Leaders of nonprofit organizations, then, need to always be on the look out for ways in which they can show their paid staff, their volunteers, and their leadership how their involvement in the organization is making a difference, whether the group is involved with ministering to the economically disadvantaged or devoted to protecting a beloved natural resource. As Father Leo Bartel, Vicar for Social Ministry of the Catholic Diocese of Rockford, Illinois, told Drucker, "We give [volunteers] opportunities to deepen in themselves and in each other the sense of how important the things are that they are doing."

References:-

Bray, Ilona M. *Effective Fundraising For Nonprofits: Real World Strategies That Work*. Nolo, March 2005.

