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Sewing the Seeds of Passion: A Study on Effectively Communicating Vision in a Volunteer Based Non Profit Organization

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SEWING THE SEEDS OF PASSION:
A STUDY ON EFFECTIVELY COMMUNICATING VISION
IN A VOLUNTEER BASED NON PROFIT ORGANIZATION

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ABSTRACT

This thesis will focus on the study of modern nonprofit organizations and the crucial role which leadership and vision play in fueling these organizations.

Recent literature, written both specifically about nonprofits and about corporate culture in the general business world, suggests that there is a direct correlation between the strength of leadership at the executive and board levels, and the degree to which volunteers and paid staff will "buy in" to the philosophy and work of the nonprofit. And because of the nature of the nonprofit business, that is, that it exists "for the public good" as opposed to the good of the stockholder, the concept of employees and volunteers embracing the vision of the organization and carrying it with them passionately in the delivery of the service to the community, is even more compelling than in the private sector.

The purpose of this study is to postulate that there is a pattern of success which can be established in the nonprofit organization which will lead to a positive embrace of the corporate vision among staff, both paid and volunteer, and ultimately result in a fruitful delivery of the service which the nonprofit seeks to provide. Experts in the study of nonprofits believe this pattern begins with the Executive Director, who in a very real sense, assumes the central position of authority, responsibility and accountability within the organization. But the ED must work in conjunction with a board of directors which seeks to stay informed, involved and committed to the success of the organization. Together the ED and the board must then seek organization wide consensus on a strategic plan which encompasses every part of the nonprofit, both in the implementation of the service itself, and in the support system which drives that implementation.

But this paper theorizes that the pattern for success does not end there. It is also

suggested in present corporate culture literature that strong leadership will do more than merely provide the framework of success in the traditional sphere of management tasks such as controlling, delegating, planning, and organizing. Recent studies confirm that it is vital that leadership nourish the human side of business, as well. And again, this seems to be almost doubly important in the world of nonprofits. This writing establishes four crucial leadership elements as essential for a passionate embrace of the nonprofit vision. They are strength, transparency, ethical behavior, and a personal connection of employee or volunteer to the lifeblood of the organization. These points are packaged together as the STEP plan.

The purpose of this paper, then, is to establish these vital elements of strong organizational leadership as the building blocks of a successful nonprofit agency, which can dynamically meet the purpose for which it was formed.

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Chapter 1

INTRODUCTION

Consider the numbers, and be astounded. At the beginning of this decade, an

estimated 98.4 million Americans, or over fifty percent of adults eighteen years of

age or older, offered volunteer services to some sort of organization for an average

of four hours per week. That comes to a total of 20.5 billion hours, three-fourths

of which comprised what would be considered formal volunteering, or a specific

committed time each week. The 15.7 billion hours of formal volunteering

represented the combined equivalent of over nine million full time workers, with a

potential worth in salaries of $170 million. Nearly 70 percent of this total full

time equivalent went to the nonprofit sector of the economy. In fact, that full

time equivalent of part time volunteers accounted for at least 41 percent of the

total work force in the nonprofit sector (Hodgkinson, Weitzman, Toppe, and

Noga 46-47).

Nonprofit organizations have assumed such a vital and pervasive role in the

economic, political, and social texture of western culture, that it is sometimes

difficult to remember that their existence as a succinct and definable sector is a

relatively recent phenomenon. Even though the basic tradition of a community of

people joining together to render a service for, or meet the needs of, those who

could not provide for themselves, enjoys a rich lineage which could be traced back to the most ancient of biblical times, there has been nothing in history that could even remotely explain or describe the literal explosion over the last thirty years of entities which claim non profit status and operate for "the public good". In 1940 there were 12,500 charitable tax-exempt organization in the United States. By 1950 that number had quadrupled to 50,000; and in the ensuing four decades the growth would be exponential: by 1967 more than 300, 000, ten years later, in 1977, 790,000, and by 1990, just under a million (Hall 19). Obviously, many of the organizations that now claim this new status, such as churches, hospitals and charitable orders, have been in existence for tens, hundreds, or even thousands of years. Many of these ministries provide the same services today that they have in the past, yet as they do they vie with each other and with an army of newcomers (sometimes not very charitably) for financial support from either individuals, groups and corporations, and in some cases, the government. Add to this the fact that there are such a wide array of services and organizations which have been granted nonprofit status, ranging from the aforementioned charities, to cultural and social organizations, to neighborhood associations, to organizations which represent trade and union workers, and it is easy to see why the nonprofit "market" is so very competitive.

By definition, a nonprofit organization is one that provides for or fulfills a public need, for the public good, which may not necessarily be provided by

business or government (Herman, viii). What the vast array of entities that meet this description have in common is, as Peter Drucker put it, "that their purpose is to change human lives" (Drucker 1989, 198). But this "change" is taking place, at least from the government's point of view, within a business context: a context which presents certain stipulations, expectations, and realities. As their name implies, nonprofit organizations do not exist to make a profit, which is to say they are not allowed to make a profit in exchange for services provided, which would in any way benefit those who have contributed to or sustained the organization. And, because of their unique position in the economy and society, non profit organizations are allowed to solicit donations in the form of dollars and volunteer efforts to support the distribution of the service they render.

It is the pursuit of those scarce commodities of dollars, volunteer hours, and yes, even power, that drives a competition among nonprofits which rivals that of the members of its older brother, the private sector, and which commands considerable attention from its other sibling, the government itself. In fact, it could be said that the government has had something of a love/hate relationship with nonprofits which dates back more than two centuries, but that relationship's tensions have escalated to the boiling point over the last fifty years in particular. The controversy and the subsequent body of laws that have developed for charitable and service organizations spring forth from two different, yet intertwining governmental concerns: tax money (or more appropriately,

nonprofits as shelters against taxation) and the distribution of power. A brief look at the history of the nonprofit organization over the past 100 years will yield a greater understanding of the environment in which they operate today, and the challenges that environment affords.

At the turn of the century, much of the charitable work in this country which was not being done by religious institutions was being handled by one of several multi million dollar foundations. The fathers of the foundation movement, including rich and powerful political and social engineers such as Andrew Carnegie and John D. Rockefeller, believed that most of the responsibility of correcting society's inequalities lay with the what Carnegie termed "men with a genius for affairs". They felt that if the American industrial-economic society were to survive, these elite few had the social and moral obligation to wisely administer their wealth, devoting it to "institutions of various kinds, which will improve the general condition of the people; in this manner returning their surplus wealth to the mass of their fellows in the forms best calculated to do them lasting good" (Hall 15).

These foundations were markedly different than anything that had ever been attempted by smaller, more localized charitable organizations. They recruited en masse the very elite of the academia of the day to research and implement programs with the explicit goal of reforming social, economic and political life through mobilization of public opinion, instead of through the traditional political

process. The academic experts would report their findings to those commissioning the foundations, who would then go directly to the people and campaign for specific reform. These "philanthropic intentions" were denounced by many as nothing more than a means by which the wealthy could affect society the way they saw fit, while circumventing the democratic political process (Fosdick 1952). Storm clouds began to form as politicians considered the implications of what might happen to themselves if too much power shifted into the hands of those outside of Washington.

Still, in the first half of the twentieth century, the rate of increase in the number of foundations was staggering. In 1929 there were only 203 foundations with assets exceeding one million dollars in the United States; by 1958 that number had ballooned to 2058 (Hall, 20). The major reason for this incredible growth was easy to understand: with highly progressive tax rates, one of the few ways that the wealthy could safeguard their interests , maintain control of their enterprises, and avoid large taxation was by forming or contributing to a private foundation (MacDonald 36ff). The existing tax laws actually encouraged this transfer of private resources into activities that certain government economic planners deemed necessary to the national purpose (Hall 19).

Meanwhile, government took a long, close look at the success of the foundations, and in many ways, began to emulate it. Herbert Hoover instituted what was called an "associative state", in which government used its growing

resources to become a sort of co-op for charitable associations to find and help those in need of food, shelter, and educational development. For some of those associations, that co-op eventually led, under Franklin Roosevelt, to full scale federal funding (Hall 18). By the early 1940's, government dollars became the largest source of revenues for charitable tax-exempt organizations in the fields of culture, education, health and social welfare. After World War II, for example, the GI Bill, along with the National Defense Education Act, provided giant indirect subsidies to universities. Similarly, the Hospital Construction Act of 1945 made the government a major player in the health care field (Hall 19).

But despite the apparent good that foundations and other charitable groups were accomplishing, underneath the surface there were congressional rumblings about the enormous power, tax breaks, and freedom from regulation which nonprofits enjoyed. The early 1950's began a nearly 25 year period of investigation, wrangling, and controversy, in which a nation was trying to come to grips with philanthropy, both as a philosophy, and as a business. The first round of concern involved the fear that many non profits might be sympathetic toward communism. Although most charitable organizations had no political leanings whatsoever, a few large foundations, such as the Ford, Carnegie, and Rockefeller trusts, were strongly identified with liberal causes or with internationalist foreign policy initiatives (Hall, 21). Conservative Republican and Democratic leaders alike, many of whom were building careers on rooting out communist subversion,

began to target a broad range of private institutions.

The Cox Committee of the House of Representatives began an investigation of educational and philanthropic foundations and other comparable organizations which are exempt from federal taxation to determine whether they were using their resources for the purposes for which they were established, and especially to determine which such foundations and organizations are using their resources for un-American an subversive activities or for the purposes not in the interest or tradition of the United States (Select Committee 1953- 1). After hearing from a wide array of witnesses on both sides of the issue, the Committee announced that its findings yielded no proof that foundation funds were being diverted from their intended use. Those results, however, did little to stifle opposition to foundations and other nonprofits.

Two years later another Select Committee was called under the watchful eye of Congressman B. Carroll Reece (Hall 22). Reece mounted a massive investigation into both the motives for establishing foundations and their influence on public life. Again, there was little conclusive evidence that any of the foundations or other organizations investigated were involved with supporting communism. However, their findings raised many profound questions about the freedom and power which these so called philanthropic organizations had attained. Among other things, the Reece Committee charged that foundations were a thinly disguised amalgam of fortunes over which donors retained considerable control

through the appointment of administrators called "philanthropoids". This concentrated power was exerted throughout all levels of society, from research and education, to the media, to government itself. Even though the Reece Committee eventually was dismissed as an artifact of McCarthyism, it did raise serious questions about the seeming proliferation of tax exempt organizations, the apparent use of many of the those organizations for self rather than public interest, the lack of government monitoring, and, most important, the lack of knowledge about the world of the nonprofits (Hall 22).

For much of the next decade there were growing attacks, investigations, speeches and political debates surrounding this sprawling, growing entity that seemed to defy any manner of control. These concerns gained increasing attention in the late 1960's, as rising taxes and inflation increased public tax sensitivity and brought new cries for tax reform. In response, Congress began hearings on tax-exempt organizations in February of 1969. The result, after much publicity and debate, was the 1969 Tax Reform Act (TRA), a landmark piece of legislation calling for greater accountability of nonprofit organizations, more government monitoring, and a more stringent standard for a contribution to qualify as a tax deduction. The TRA, along with the Peterson Committee, a nonprofit self monitoring group which was formed under the direction of John D. Rockefeller III, essentially led for the first time to official recognition of what was hardly a startling revelation: private initiative included not only foundations, but also a

broad range of voluntary groups supported by a mix of public and private funds. What was startling, however, was the realization that together these millions of otherwise unconnected groups and organizations constituted a third succinct and cohesive "sector" of the economy, in addition to the private and government sectors. This view was further cemented a decade later in 1979 when a private group of non profit leaders organized an agency called INDEPENDENT SECTOR (IS), whose purpose was to serve as a "common meeting ground" for all elements and viewpoints within the world of non profit organizations, and to represent their agenda to the public (Hall 23, 24).

The world of the nonprofit was changed forever by the TRA of 1969 and the recognition of the reality of the third sector, but even greater changes were to take place in the 1980's. Organizations of all kinds faced new and growing challenges, starting with the massive budget cuts of the Reagan administration (which simultaneously increased their responsibility while cutting a good deal of their federal aid) and continuing with the dawn of the information and technology eras. One trend in the late 80's and early 90's was the push for greater professionalization of the sector. Now most organizations, even those religious in nature and mission, are headed by professional managers with one eye on the group's mission, but the other always on the bottom line (Hall 27).

Unfortunately, another significant development in charitable organizations in the last decade has been the uncovering of several instances of fraud and other

scams among well known institutions, and particularly their leaders. Jim Bakker and his PTL ministries cast a skeptical light on all evangelical TV ministries when it was found that he was diverting contributions from sincere viewers to finance his own outlandish lifestyle and obsessions (Jeavons 193). And in the spring of 1992, it was discovered that the head of the national chapter of the United Way was receiving a salary of almost $500,000 a year, setting up relatives to head subsidiary organizations, and skirting about the globe first class using organization funds. It has taken years for local United Way chapters, whose ties to the national organization are minimal, to convince donors that their contributions at the local level were not financing lavish jet setting by some corporate snob in Washington (Jeavons 194). The ongoing Whitewater investigations, which have become more about sex than money in recent months, at least began with allegations of misuse of campaign funds and political power. In addition, revelations that only a minute percentage of donations to even the finest of organizations go to the actual work for which the contributor has concern, have made fund raising all the more difficult.

The whirlwind of history involving nonprofits over the course of this century, together with the unique economic, political and social elements that are currently at work, have made for a challenging, sometimes chilling, environment in which charitable and service organizations must work today. Consider the following factors:

First, there is still not a very large body of data available concerning nonprofits as a separate and distinct sector. A relatively few number of universities even have separate courses which deal with working in and with nonprofit entities, let alone entire programs that deal with the unique topics and issues which these organizations face. Second, it is still not clear even among those strategists and politicians who have authored recent legislation concerning nonprofit organizations, just exactly what the body of law says or does not say, expects or does not expect, includes or does not include. Third, there is almost a measureless number of different types and forms of nonprofit organizations and corporations dotting the local and national landscape. For as many causes, as many issues, as many passions and concerns that exist across this nation, there are that many and more organizations to match. Trying to monitor them all either at the state or the federal level is a daunting task, which, nevertheless, must be done. This results in an enormous amount of paperwork and legal maneuvering which must be navigated by the leadership of non profits. Fourth, nonprofits, especially the smaller ones, are in the unenviable situation of having to recruit both leadership (usually in the form of a governing board) and workers on a volunteer basis, who may have little or no ideas as to the inner, everyday workings of a non profit organization. In mid to large sized organizations, these volunteers are working along side, or in some cases, even leading, a paid staff, many of whom do not always share the passion for the cause that the volunteer does. Fifth, raising

funds to operate a nonprofit is more crucial than ever before, and yet this must be done in an environment dominated by legal requirements and paperwork, competition among the plethora of different organizations and causes, a growing skepticism about where fund raising money goes and how it is spent, and the challenge of reaching people and companies for contributions who themselves have limited time and resources.

The challenges of working within this environment lay squarely at the feet of the leadership of nonprofit organizations, which is to say their governing boards and the individual who is charged with managing the day to day functions of the organization (referred to as the Executive Director). It is essential that this upper level management team be dynamic in their abilities, passionate in their beliefs in and about the organization, committed to overcoming all obstacles, knowledgeable of current conditions while remaining forward looking on issues that concern their organization in particular and nonprofits in general, and always willing to learn and re-learn, shape and re-shape, think and rethink. In other words they must have the ability to *formulate, articulate,* and *accentuate* a passionate vision to those both within and outside the organization. This vision would include the *mission* of the organization (what the organization stands for), the *goals and objectives* it must reach to fulfill that mission, *why* that mission and those goals and objectives are compellingly vital to the community, the *ethics* (manner and behavior) it will employ in which it will fulfill them, and the *resources* needed (whom and what) to

fulfill that mission.

It is the hypothesis of this paper that there are several key ingredients that contribute to the effective formation, articulation and accentuation of vision from leadership to the working body of the nonprofit organization, whether that body be made up of paid staff, volunteers, or any combination of the two. That formulation, in equation form, is:

Centrality of Executive Director + Effective Board + STEP Leadership
= A staff of workers and volunteers who embrace the organization's mission.

First, there must be an organization-wide recognition and acceptance of the *centrality of leadership* of the Executive Director. This centrality must be psychological and functional, and it must be accepted not only by those on the governing board and those lower in hierarchy, but it must also be accepted by the Executive Director himself or herself. The position of the ED is demanding and difficult, as he or she navigates the organization through the troubled, crowded, and sometimes convoluted waters of daily operational life, using the policies and directives adopted by the governing board. And though the board is technically and legally accountable for the course each organization takes, it is the ED who is usually ultimately held responsible both personally and professionally for the implementation (or lack thereof) of the mission from philosophy to reality. The Executive Director will normally relate issues of importance from the board room to the staff and workers of the organization, and vice versa. He or she is also usually the most visible personification of the mission, goals and objectives of the

not profiting from their involvement with the organization, which means they are receiving their livelihood through other means. This usually implies that they are not involved on a day by day basis with the organization, and are not always as "in touch" with the crucial issues, events, and challenges which the organization faces as is the Executive Director. This situation presents two crucial implications: first, the board of a nonprofit needs to make a conscious and continuing commitment to board development on an individual and group basis; second, the working relationship between the Executive Director and the board is vital, and must be marked by trust, honesty, respect, and a two way, free flow of information. In addition, because he or she is usually more knowledgeable and aware of the daily issues that confront the nonprofit organization, the Executive Director must take an active role in board development. This can sometimes be uncomfortable because of the ultimate subordination of the Executive Director to the board.

These functional aspects of nonprofit leadership come together for the ultimate good of the organization when they are involved heavily in the process of strategic planning, the next key aspect of creating organizational vision. If after receiving input from all levels of the organization, the board develops a sound, detailed strategic plan, and then holds the Executive Director accountable for the implementation of that plan on a day by day basis, then it has taken a giant step toward igniting a passionate vision among its shareholders. But even if the

Executive Director and the Board are fulfilling their responsibilities, and even if they have formed a logical, working, strategic plan, the organization is still not guaranteed to have a staff and constituency that is devoted to its mission. Unless those looking both from within (employees and volunteers) and without the organization (current and potential donors, the community in which the organization operates, the government, etc.) see what could be termed a "legitimate" leadership working at the upper levels to successfully implement the mission, then the chances these stakeholders will engage in a passionate vision are minimal. This legitimate leadership would first be characterized by several individual and group qualities, such as Strength, Transparency, Ethical Behavior, and the ability to Personally connect with members of the organization and solicit a passion for its mission and work. The first letters of these particular qualities together spell out the word STEP. These key ingredients-- the centrality of the Executive Director whose leadership pervades every aspect of the organization, a growing, visionary board of directors that is holding itself and the ED properly accountable in key areas, the development of a sound and functional strategic plan, and the STEP model of organizational leadership-- will give heart and soul to the vision of the nonprofit organization: a vision that all involved will buy into. It is the purpose of this writing to tie all of these elements together into a viable blueprint for nonprofit organizational success.

Chapter 2

REVIEW OF LITERATURE

The purpose of this chapter is to review a broad based body of research which demonstrates substantiation of the Leadership/Strategic Plan/STEP equation. This chapter will examine separately the different leadership, strategic planning, and relationship issues which would ultimately work together in the successful staff and volunteer ownership of the nonprofit organization mission.

I. Leadership Issues In the Non Profit Organization

One of the central features among existing literature regarding leadership in a nonprofit organization is the notion that it can be a topsy turvy sort of world. In spite of the formal hierarchical structure which most nonprofits employ that puts the Executive Director as subordinate to the board, the day to day reality as it is experienced by the ED, members of the board, and the staff is that the Executive Director is expected to carry out *the dominant* leadership role in the organization. This everyday reality seems to belie what most people believe about how an organization does and should work, and often puts the ED in the rather discomfiting position of actually leading those who are, in fact, his direct employers. This section will examine this delicate and intricate relationship and how it affects the organization.

In his *Organizations and Organization Theory* (1982), J. Pfeffer proposes the "purposive -rational" model in which the board of a nonprofit is seen as the creator of mission who set policy, oversee the programs of the organization, and assess financial and program progress through the use of performance standards. The ED is hired to assist the board, and works under the board's direction to accomplish the board's purposes. This echoes the "managed systems" model developed by R. F. Elmore in his *Organizational Models of Social Program Implementation* in 1978 (185-228). Both of these models find their ancestry in Weber's classic description of bureaucracy, which conceives of organizations as goal oriented bodies under the direction of sagacious decision makers where responsibility and authority are hierarchically arranged. Other literature on the subject by J. G. Alexander, M. Bower, Conrad and Glenn, and A. Swanson, accepts this theoretical notion, which puts the board in the box at the top of the organizational chart and at the center of leadership responsibility. Indeed, United States law requires that a nonprofit board be ultimately responsible for the conduct and affairs of the organization (Heimovics and Herman 137).

In theory this is all great. Is this, however, everyday reality? The obvious problem for most nonprofit board members is that they are volunteers who very often do not have a great deal of experience when it comes to the inner workings of the organization, or the time as individuals to get and stay informed. They usually have jobs of their own, with family responsibilities, and the task of knowing

enough to even be able to hold the nonprofit accountable and to appraise programs
and services is a formidable one. In his volume, *Nonprofit Boards of Directors:
Beyond the Governance Function*, M. Middleton concludes that non profit boards
rarely are able to fulfill the demands of the envisioned normative models. Instead
of behaving in the traditional hierarchy mode, Middleton finds that most
nonprofits actually live in a world of "strange loops and tangled hierarchies" in
which boards retain their legal superiority (which they use only occasionally),
while the ED typically holds the greater information, expertise, and, quite
naturally, a greater stake in the everyday operation of the organization (149).
This is a strange world where the governing legal party is, to a large extent, totally
dependent on a paid subordinate for the facts necessary to make wise decisions.

Heimovics and Herman take Middleton's conclusions a step further and
propose the theory of the "psychological centrality" of the Executive Director. In
their study, which will be discussed at further length later, Executive Directors and
board members were asked about critical event outcomes within their
organizations. In events with successful outcomes, all participants, including
Executive Directors, board presidents and staff, credited the ED with contributing
the most, but recognized the achievements of the board and staff, as well. In
events with less than successful outcomes, all concerned (most especially the ED)
saw the Executive Director as being *the* responsible party. In other words, those
throughout the organization, including the Executive Directors themselves, see the

ED as centrally responsible for what happens in nonprofit organizations. As Heimovics and Hermann succinctly summarize: the ED is looked to as the person who will "integrate the realms of mission, resource acquisition, and strategy" (137). To those within the organization, the ED must assume the role as the most dominant living, walking, and talking visage of the organizational message. It is the ED's responsibility to oversee a process that builds what M. Sue Sturgeon refers to in *Finding and Keeping the Right Employees*, as "the right chemistry" among employees, volunteers, implementation of organizational policy, and the nonprofit's mission to its environment (536).

In addition to this vital role inside the nonprofit organization, the ED must work hard toward enhancing what Heimovics and Herman call "external impact". They specifically address the need of the ED to effectively communicate with those in government agencies, foundations, accrediting bodies, professional associations and similar nonprofit organizations, by attending meetings and lunches, breakfasts and legislative sessions. By effectively representing the nonprofit in this way, the ED ties the organizational mission to the community environment in which it will provide its services (143).

Obviously, these responsibilities put the Executive Director at the forefront of everything a nonprofit organization does both internally and externally. Where then does the board of directors fit into in the nonprofit recipe? As Heimovics and Herman point out, this concept of the psychological centrality of the ED

could potentially point toward either of two possible ED perspectives (140).

First, if in fact, the ED is going to be held dominantly responsible for the success

or failure of the nonprofit anyway, he should simply seize full control, and run

the organization as he sees best. In this scenario the board would amount to

nothing more than a rubber stamp for the more knowledgeable ED's agenda. If

this involves manipulation of the board on the ED's part, then so be it, for after

all, he knows what he is doing and has the best intentions for the organization

anyway. But this perspective has dangerous implications because, for one, no

organization can ever fall into the trap of being a "one person show", and besides,

it is the board that is legally accountable to the public good in the first place, not

the ED.

The other possible perspective of psychological centrality, and the one that

will be placed at the forefront of this writing, would be what Heimovics and

Herman refer to as a "board centered" ED. In this scenario, the Executive Director

would come up alongside the board and mentor them in matters involving mission,

resource acquisition and strategy, with the ultimate goal that they make intelligent,

well informed decisions on matters of importance. In other words, it would be the

ED's responsibility to ensure that the board know and understand relevant,

encompassing information on relevant issues and concerns that would allow them

to fulfill their legal, organizational and public roles. (140). There would be

constant open communication between the ED and the board and they would

work as a team to fulfill the organization's mission.

This ideal situation, of course, would assume that the board recognizes their own need for group development. In *The Effective Board of Trustees*, Chait, Holland and Taylor point out that one competency of strong boards is the recognition of the importance of education. They conclude: "Effective boards take the necessary steps to ensure that trustees are well informed about the institution and about the board's roles, responsibilities and performance. As self directed learners, strong boards consciously create opportunities for trustee education; regularly seek feedback on the board's performance; and pause periodically for self reflection, especially to examine the board's mistakes" (26). But what exactly does the nonprofit board need to learn and apply? The two words that continue to surface in a study of research about nonprofit boards are *accountability and appraisal.* The board itself has as their chief responsibility to be the body that holds the organization accountable to the public it serves for performance and ethical behavior. Nancy Axelrod, the president and founding executive of the National Center for Nonprofit Boards headquartered in Washington D. C., states that "nothing can do more to restore waning confidence than actions governing boards can take to assure the public that they understand their role as stewards and guardians and that they are committed to holding their organizations accountable" (120).

In his 1992 volume, *Board Assessment of the Organization: How Are We*

Doing? Peter Szanton asks five key questions of board members who are

assessing programs and services:

1. If we were starting today, would we do it this way?
2. Do our actions match our mission statement?
3. How are we like and unlike the best in our field?
4. What do our intended beneficiaries think of our performance?
5. How are the next five years likely to be different? (11)

In making this assessment, the board obviously needs to start from the top

down and ask some questions about its own performance, and that of the ED.

Richard Ingram, author of *Ten Basic Responsibilities of Nonprofit Boards*, states

that boards should occasionally "stand back from their usual preoccupations and

reflect on how the board is meeting its responsibilities. This process should look

at how its membership composition, member process, organization or structure,

and overall performance can be strengthened" (13). In addition, the board must

develop a valid and qualitative method appraising the ED. Similarly, John Nason

suggests in his volume *Board Assessment of the Chief Executive; A Responsibility*

To Good Governance, that "one of the most important responsibilities of the

board is to assess the progress and health of the organization, which requires an

appraisal of the performance of the chief executive and of the board itself" (2).

This need for development of knowledge among the board members so that

they can realistically and effectively perform their responsibilities of appraisal

and accountability is very interesting combined with the concept of the

psychological centrality of the Executive Director. These two ideas together form

the basis for Middleton's comment about "strange loops and tangled hierarchies".

The ED, because of his expert knowledge of the day to day workings of the organization, must essentially take on the role of mentor and advisor to the board, who in turn will hold him or her accountable, and appraise him or her for his work as ED.

The following case study, which involves an organization that operates group homes for the mentally ill, illustrates this concept in action. The organization's original facility, called "Tracy House", was an old decrepit building, in great need of a total face lift. To make matters worse, operations at the house did not break even. Surpluses from the operation of other, newer facilities covered the shortfall. The ED, based on what he was hearing from the network of licensing, funding, and accrediting bodies, believed that new standards would require modifications that, combined with no growth in state daily rates, would mean operating the old facility at an increasing deficit. But he faced another dilemma as well. He knew that a few of the organization's board members had a strong emotional attachment to Tracy House; they had personally painted it and made repairs to meet licensing standards. The ED realized that he had an education job to do with those board members. He began to provide an update on state funding prospects, noting the financial implications for each facility, which made the burden of carrying the Tracy House deficit obvious. Some time later, he mentioned the possibility of federal housing funds becoming available for group home construction, observing

that this would permit the organization to "get out from under Tracy House". In this way, when the decision was finally made to sell the house, it was done unanimously because the board had all of the facts it needed to make the right decision (Heimovics and Herman, 145).

In a recent article in the publication *Leader to Leader*, editor Frances Hesselbein elegantly stated the need for enlightened nonprofit Executive leadership:

> We now see leaders of the future who know that leadership has little to do with power and everything to do with responsibility. The dispersed leadership that marks a great organization starts with a shared commitment to mission and purpose. It is based on the clear delegation of tasks, and clear accountability for results. The energy, synergy, and productivity we count on to move the enterprise forward are determined by how people work together, by the example that we set every day. We have to demonstrate that attitude for ourselves before we can expect it in others.

In subsequent chapters it will be suggested that this "energy synergy, and productivity" of which Ms. Hesselbein speaks, can be realized in the cooperative relationship between a "board centered" ED who fulfills the responsibilities of "psychological centrality", and a board that recognizes its need for self development in the knowledge and understanding of how the organization works, and what it needs to accomplish its mission.

II. Thinking Strategically

The purpose of this section is to demonstrate that broad research links the formulation of a sound strategic plan in a nonprofit organization with the concept of the organizational staff (including paid and volunteer staff) "buying into" the mission of the organization on both a professional and emotional level. The

strategic plan, which would be initiated by the non profit ED and board, must receive major input from all of the organization's stakeholders for this "buy in" to become a reality.

First, it is necessary to establish the need for a strategic plan in the nonprofit organization. In the "real world" of private sector companies, the main organizational goal is obviously to sell enough of brand x or y to make a profit that is acceptable to stockholders. (And enough is usually more than is actually sold). In most cases, the strategic plan is formulated within these companies to support that profit making goal. But in the nonprofit organization there are no stockholders, and no drive to make a profit on the service provided. The mission of the organization is already at least somewhat defined by the service that is being provided. Why, then, would it be necessary to formulate a strategic plan for a nonprofit? In his volume titled _Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening And Sustaining Organizational Achievement_, John Bryson defines strategic planning as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it (5). The purpose of this process, according to Bryson, is to help key decision makers to _think_ and _act_ wisely. One need only contemplate the alternatives to thinking and acting wisely to understand the urgency for the nonprofit board and the ED to begin jointly developing the framework for a strategic plan of the organization. In

case studies offered by several experts in the field, it is strongly suggested that

strategic planning can accomplish a great deal as long as leadership really want it

to work, are willing to invest the necessary time, resources and attention to

actually do it, and allow the plan to break out of the board room into the everyday

reality of the organization (see Bryson, 1988; Bryson and Einsweiler, 1988; Stone

and Brush, 1992).

In their book, *Plan or Die!*, Nolan, Goodstein, and Pfeiffer, suggest that any

organization embarking on strategic planning must face a number of important

questions:

1. What business is our organization really in?

2. What business should it be in?

3. How will the organization achieve its long term
   objectives?

4. How much commitment to those objectives do our mid-
   level managers have?

5. How much commitment to the long term objectives do
   rank and file employees have?

6. How credible is our top management team? (116)

Nolan, Goodstein and Pfeiffer caution that most of the time strategic planning

is seen as only a top level management function which has very little to do with

the actual everyday running of the organization. They maintain that, although

formulating a vision is vital to an organization, there exists a gap between that

vision and everyday reality. That gap is covered by the strategic plan which takes

into account the needs and responsibilities of *everyone* within the organization (34). In order for such a plan to work, and to be caught and implemented by the entire nonprofit organization, the entire work force, from managers to paid staff to volunteers to beneficiaries should be brought in to share ideas, feelings, and concerns. A dynamic strategic plan which includes stakeholder input from all levels of the nonprofit will provide direction for the organization's mission, objectives, and strategies, and lays the groundwork for the development of plans for each of the organization's functional areas. Ideally, a completed strategic plan would guide each of these areas in the direction the organization wishes to go (Donnelly, Gibson and Ivancevich, 197). This kind of road map can be invaluable in getting leadership and staff on the same wave length, and in exciting everyone about the mission of the organization.

In their internet volume on strategic planning in a nonprofit organization, the Support Center suggests that a planning process that is designed to include all board, staff, and other individuals vested in the success of an organization would:

> •help to build both internal and external enthusiasm and commitment to the organization and its strategies. Individuals take on ownership of the goals and efforts to achieve the stated outcomes
>
> •ensure that an organization's informational data base reflects the needs and perceptions of internal individuals and external constituents
>
> •incorporate a level of objectivity into the process. "Outsiders" can

identify

      jargon or ask critical questions around which "insiders" might make

      assumptions

      •develop foundations for future working relationships

      •develop uniformity of purpose among all stakeholders

      •establish a continual information exchange among staff, management,

      customers, and other key stakeholders.

Strategic planning provides an organization with a doable process for deriving

specific goals and objectives from their missions. In this way, the strategic plan

structures the Executive Director's work, and provides the board with rational

criteria for determining accountability standards for the ED and the rest of the

organization (Huff 1985). The strategic plan also accomplishes two very

important objectives for paid and volunteer staff. First, it shows them there is, in

fact, a specifically conceived program to take the organization mission from

philosophy to practice in the exterior environment. Second, it offers a clear

context within which to place the efforts and work of the individual and

department in carrying out the mission of the organization. For example, members

of the accounting department of an adoptive agency may never actually see the

joy of a displaced child when he or she is placed in a loving home, but they can

look at the strategic plan and see in writing how their individual work plays a vital

role in the machinery which places that child. If used in this manner, the strategic

plan certainly carries its weight as part of the equation that fuels organizational

passion. Just how the Executive Director and the board of directors can, in

conjunction with the paid and volunteer staff, work to formulate such a strategic

plan will be addressed in the next chapters.

III. An Element of Trust

The functional aspects of the vision equation account for only a part of the

leadership element. Indeed, if all of the members of the nonprofit board and the

ED were fulfilling their functional responsibilities there would still be an excellent

chance that the paid staff and volunteers would still not be fully impassioned in

the everyday activities that actually carry out the mission of the organization.

That missing element which accompanies the two more widely known factors on

the left side of the equation (functional leadership and the strategic plan) could

very well be the key in unlocking staff passion for that mission.

But before there can be a discussion of actual individual leadership qualities

which help light the organizational fire, there is a very basic question which needs

to be answered about the legitimacy of even including these issues in considering

organizational effectiveness. That question is: Are there really any credible links

between good, sound, hard business practice and the "softer" issues like

sensitivity of the soul, openness, care and concern for others, and so on? Do

"cuddly" issues merely get in the way, or do they have a profound effect on the

way workers respond to authority and the way they approach their job? In other

words, are they really valid business issues to talk about alongside productivity, marketing, and bottom lines?

Author Steven Covey certainly thinks so. In his best-selling books *The Seven Habits of Highly Successful People* and *Principle Centered Leadership*, Covey expounds on the differences between what he calls the "outside-- in approach" to living versus the "inside out approach". The "outside in approach" is Covey's way of describing the leader who constantly responds (usually negatively) to the outer circumstances of life and business, letting those circumstances basically create them as a person. Covey states that "in all of my experience, I have never seen lasting solutions to problems, lasting happiness and success, come from the outside in. Outside in approaches result in unhappy people who feel victimized and immobilized, who focus on the weakness of other people, and the circumstances they feel are responsible for their own stagnant situation" (Covey, 1990, 63). The "inside-out" approach, on the other hand, is the process of building into one's heart and soul (or perhaps allowing to be built) character qualities such as personal strength, integrity, openness, and compassion and letting those qualities reflect in words, actions, and general attitude toward life and others, both in business and non-business areas of life. Again Covey states, "The deep, fundamental problems we face cannot be solved on the superficial level on which they were created. We need a new level of thinking--based on principles of effective management--to solve these deep concerns. We need a principle-

centered, character based, "inside--out" approach" (1990, 63).

Covey's model of "outside-in" vs. "inside-out" roughly parallels Dennis McGregor's Theory X and Y managers respectively. McGregor believed that the attitudes managers hold about the nature of people greatly influence their behavior. He concluded that managers who viewed their subordinates as being lazy, uncooperative and possessing poor work ethics treat them accordingly (Theory X). On the other hand, managers who view their workers as being cooperative, hard working, and possessing positive work habits treat them with respect and good will (Theory Y). On a practical level, the two attitudes would react in divergent ways in looking at a worker who, for instance, was having a hard time meeting standard output levels. Under a Theory X manager, this employee would be viewed as lazy and needing constant supervision; under Theory Y, he would be viewed as perhaps needing further training. What is interesting is that McGregor found each manager paradigm to be a self fulfilled prophecy. Theory X management creates workers who need close supervision, while Theory Y management creates workers who are imaginative, productive, and self starting (Ivancevich, 381, 82). In other words, like the "inside-out" and transformational leadership approach of Covey, Theory Y management leads to a level of trust that is dynamic for a work environment.

In 1971, Dale E. Zand presented a paper to the 17th International Congress of Applied Psychology concerning trust and managerial problem solving. It

presented a model of trust and its interaction with information flow, influence, and control, and reported on an experiment based on the model to test hypothesis about effectiveness in problem solving. A group of sixteen managers were the subjects and the independent variable was the manager's initial level of trust. The managers were given identical scenarios which depicted a tough business decision involving a manufacturing-marketing policy problem. But half of them were introduced to the scenario with a paragraph that described the work atmosphere as one with trust, openness and encouragement, while the other half were introduced to the same scenario with a paragraph which described the work atmosphere in terms of low-trust, extremely competitive, and adversarial. In other words, eight of the managers went into the problem solving scenario with a prejudgement of group trust, the other eight with a prejudgement that the members of their group distrusted each other and the manager himself. The results of the experiment were very revealing. First, it was found that when a group works on a problem there are two concerns: the problem itself, and how the workers relate to each other as they work on the problem. In low trust groups, interpersonal relationships interfere with and even distort perceptions of a given situation. Finding comprehensive and realistic solutions in these kinds of settings is difficult because group members tend to use the problem as an instrument to minimize their own vulnerability as opposed to funneling energy and creativity into problem solving. In high trust groups, on the other hand, there is less social ambiguity to hinder

effective problem solving. But what seems even more startling is that this study confirmed the "spiral-reinforcement" model of organizational behavior, which states that mutual trust (or mistrust) among members of a group are likely to be reinforced unless there is a marked or prolonged *disconfirming* behavior (Zand 182-196).

In his brilliant and inspiring book, *Learning to Lead*, businessman, consultant, and lecturer Fred Smith says, "Leaders get out in front and stay there by raising the standards by which they judge themselves, and by which they are willing to be judged" (13). Chapter Three will discuss what present day organizational theorists suggest about what nonprofit leadership (and other leadership) can do to raise those standards.

Chapter 3

SELECTIVE REVIEW AND EVALUATION OF RESEARCH

The Dynamics of Effective Leadership

This chapter will focus on a more defined presentation of the Leadership

Equation concept of nonprofit leadership. The ideas of this chapter will center

around *how* the ED establishes and maintains his centrality, *how* the nonprofit

board can effectively function with and use that ED centrality, *how* together with

thorough input from everyone in the organization, the ED and board can develop

a dynamic strategic plan, and *how* the STEP model works to make that plan, and

the vision behind it, come passionately alive to the paid and volunteer staff of the

organization.

I. The Dynamic of the Centrality of Executive Leadership

In the film *The Ten Commandments*, Moses leads the people of Israel to the

banks of the Red Sea, with Pharaoh's army in hot pursuit. The crowd begins to

panic as they realize that they are trapped between the Egyptian chariots and the

tumultuous waters that lay before them. They know in the back of their minds

that Moses has claimed to be God's Deliverer, and indeed he had somehow pulled

off a plan to get Pharaoh to let them go to try to find their "Promised Land". But

all they see now are the circumstances in front of them, and they do not like what

they see. They begin to murmur among themselves, and question if it might not have been better if they had stayed back in Egypt. After all, slavery is better than death. Suddenly, Moses raises his rod to the skies, calls out to the God of Israel, and a tremendous wind blows upon the sea, lifting a column of waves darting across to the other side. As the waves work their way from one side of the Red Sea to the other, they leave a path wide enough for the hundreds of thousands of Hebrews to follow Moses and walk across. But the people in the middle and in the back of what must have been a line literally miles long, felt alone and scared to cross, because Moses was so far ahead of them. They had lost their direct physical and emotional link to him. And so, when Moses finally makes it to the other side, his second in command, Joshua, suggests to him that he stand on a giant rock and lift his arms high in the air so the people can, in his words, "see you and have hope". Moses takes the suggestion and the people are able to make it through the raging sea, keeping their eyes on their leader. Hours and hours pass, and at times Moses' arms get weary from the constant work of holding them high in the air. In fact, several men take turns propping his arms up so that the people can still see him, and derive the strength to go on. In the end, all make it safely across due in large part to the fact that their leader was willing to become the central focus of their journey through the raging waters.

Although this may be an exaggerated example, the story of Moses is a beautiful illustration of the *centrality* of the Executive Leader as suggested by Robert

Herman and Dick Heimovics. As long as the people felt that emotional bond with their leader, and as long as they felt as if someone were in control, that someone was guiding and directing, they were able to believe in the vision and plan to escape from the Egyptians and find the promised land. This is the way it is in nonprofit organizations, primarily because of their commitment to a visible, service oriented mission. When members of that organization are able to see strong executive leadership as a visible manifestation of that mission, they are more fully able to become passionately committed to the mission themselves. As was stated in chapter Two of this writing, Herman and Heimovics have concluded that everyone in the organization (including the EDs themselves) sees the executive as centrally responsible for what happens in nonprofit organizations (140).

But how does the Executive Director become effective in carrying out this centrality for the ultimate good of the organization? Herman and Heimovics suggest that there are four specific priorities that the ED must key on to effectively utilize his centrality:

1: Developing board centered leadership skills

2: Developing a dynamic inner organization

3: Developing leadership across the boundaries

4: Learning to use a multiple frames mindset (141-150)

A discussion of each of these important areas follows.

ED Priority #1: Developing Board Centered Leadership Skills

The research conducted by Herman and Heimovics involved determining what behaviors or skills distinguished especially effective nonprofit EDs from others. They did this by asking several knowledgeable participants (such as heads of foundations, federally funded agencies, technical assistance providers, etc.) in a metropolitan nonprofit sector to identify those executives they judged to be highly effective. Executive Directors that received at least two nominations were included in the effective sample. A comparison sample was selected from among those executives that received no nominations, but had held their position for at least eighteen months. Executives from both samples were interviewed using the critical event approach described in chapter Two. (The interviewers themselves were not aware of the sample distinctions.) The single most important finding was that *the effective executive provided significantly more leadership to their boards,* which is to say that they took responsibility for supporting and facilitating their board's work. In other words, effective EDs saw the board as the center of their work.

Herman and Heimovics found this principle to be specifically evident in several areas of the effective ED's work:

1) The effective ED works toward *facilitating interaction in board relationships.* He or she is aware of and works to see that board members engage in satisfying and productive interaction with each other and himself. He or she does this

through skilled listening, and through helping the board resolve differences (141).

2) *He or she shows consideration and respect toward board members* by seeking to be aware of the needs of individual board members, and by finding assignments to meet those needs (142).

3) *He or she envisions change and innovation for the organization with the board.* Effective EDs understand that board members need to be apprised of the trends, forces, and unexpected occurrences that could call for adaption or innovation, and he or she encourages the board to look for better ways of doing things and doing better things. He or she constantly challenges the board to think and re-think the connections among mission, resources (such as money), and strategy.

4) *He or she provides useful and helpful information to the board.* This means that the effective ED shares *all* the information, both good and bad, that is relevant to the board making the wisest decisions for the organization.

5) *He or she initiates and maintains structure for the board.* Like other work groups, the board requires the materials, schedules, and work plans necessary to achieve their tasks. Effective EDs take the responsibility (along with the board president) to develop and maintain consistent procedures and to meet the objectives the board has set for itself.

6) *He or she promotes board accomplishments and productivity.* The effective ED helps to set and maintain high standards in areas such as attendance, effort, and giving. He or she encourages board members to complete tasks and meet

deadlines.

Herman and Heimovics found that Executive Directors that learn these board centered leadership skills have hardworking, effective boards who are able to adapt to and affect the opportunities within the operating environment of the organization.

ED Priority #2: Developing a Dynamic Inner Organization

It should be emphasized that no organization should ever look to one man or woman as the "cure all", or the magician that will wave a wand and suddenly bring decency and order to everything within which he or she comes into contact. And it must be remembered that every success and failure in an organization cannot be laid at the feet of the Executive Director. However, it cannot be denied that in a nonprofit organization, it is the ED who must lay the groundwork for success in every department, and who must make it his or her business to evaluate the efficiency of those departments and hold them accountable to realize excellence in everything they do. In other words, the ED must be the organization's Moses, the one who stands tall on the rock and raises his arms for all to "see and have hope".

The problem that the ED faces is that, like Moses, his or her arms may get weary and sometimes there are not enough other arms available to keep them propped up. Many nonprofits do not have the kinds of resources available to them to hire an elite support staff to help the ED as do private sector companies.

And in many nonprofit scenarios, paid staff work alongside volunteers, many of whom are not experienced in the type of work they are doing. The challenge for the ED, then, is to get the very most he or she can out of the resources, both paid and volunteer, that he or she has. The purpose of the following section is to discuss the need for the ED to supervise the successful operation of six key inner organizational functions. Each of these functions will be viewed from the nonprofit perspective and suggestions will be offered on how the ED can both offer the right leadership and hold the various departments accountable for success. If the ED can keep his or her finger on the pulses of these functions, they will truly be a Moses to the organization, and create an atmosphere of loyalty, trust and security among the stakeholders of the organization. These are not presented in any particular order of importance.

1) Marketing and Promotion of Services

According to Mel S. Moyer, author of the article, *Marketing for Nonprofit Managers*, one of the reasons that marketing has entered rather slowly into nonprofit thinking is because it has been perceived by most managers and directors as being inherently aggressive and even manipulative, qualities that do not seem to go hand in hand in a field where nurturing, educating, healing, and other cherished values are prominent. Advertising, selling, and public relations, and all that go with them, are seen as tools of the private, money making sector. But if R. P. Bagozzi's definition of marketing as *facilitation of exchange* is correct,

then it should be viewed as a vital process that links an organization, whether corporate or nonprofit, with key elements in its environment (39). As already discussed, that environment for the nonprofit includes such key elements as donors, governments, media, service collaborators and potential clients. According to Moyer, this conception of marketing affords three powerful implications to the ED. First, it makes marketing a vital management function, since the success or failure of the nonprofit depends on this transfer of information and mission to the key elements of its environment. Second, it means that marketing, even in the smallest of nonprofits, is not optional. It may be conducted professionally or amateurishly, explicitly or implicitly, but it must take place. Third, marketing is much more than just promotion, as it requires more than the mere communication of ideas from one party to another. Rather, as Moyer puts it, it requires that an organization "tailor its products and services, adjust its prices (both monetary and non-monetary), and shape its service delivery systems in ways that truly serve the end user" (251). To accomplish this daunting task, the nonprofit must have a handle on the client's demographics, motivations, attitudes, needs, wants, and behavior. In today's complex environment, that kind of information is going to come more from assimilated, marketing research than from casual observation. Whether this is handled by a separate marketing department, or a group of nonprofessionals sitting around a table discussing what to do next, the ED must make sure that it does get done.

2). Designing and Managing the Fundraising Program

For most nonprofit organizations, fund raising is an essential function of operating survival. According to the 1992 *Nonprofit Almanac*, in 1989 private contributions accounted for 27.2 percent of total annual funds for the nonprofit sector (Hodgkinson, Witzman, Toppe, and Noga, 9). In many cases, it is looked upon as a "necessary evil", something that must be done to keep the organization alive. But in addition to this very important sustaining purpose of fundraising, Robert E. Fogal, editor in chief of *New Directions for Philanthropic Fund Raising*, suggests that the success or failure of fund raising programs is also the clearest possible measurement of the degree to which an organization's purpose is affirmed in its environment. According to Fogal, through their contributions, donors show their acceptance of an organization's mission and respect for the organization's leadership (370). In this way, fund raising should be viewed as a natural result of a good marketing plan! Get the name and mission of the organization in front of as many people as possible, and the chances of raising money increases.

But Fogal suggests in his article titled *Designing and Managing the Fundraising Program*, the five practices that make up classic management practice, including analysis, planning, execution, control, and evaluation, should be monitored by the ED in order to ensure that fundraising program is being run effectively. In addition, Fogal asserts that fundraising cannot be an isolated

activity in a successful nonprofit organization. Instead his experience suggests it must be:

* reflective of what an organization is; in other words, the values, style and commitment that characterize the rest of the organization's work must undergird the fundraising practices.

* mission driven; that is the funds are sought to enable a nonprofit to serve the community good the organization addresses.

* volunteer driven; over the long term, involvement of volunteers in governance, advocacy and giving is essential to healthy non profits.

* the result of disciplined management in obtaining funds and accountability of their use. The ED must ensure that the organization uses contributed income for purposes for which it was sought (380).

3). Program Evaluation and Program Development

Program evaluation can be looked at in two ways. In one sense it can be a very formal program taken on by a group of scientific experts who objectively analyze how effective and efficient an organization is carrying out its mission. This is sometimes a necessary, if not painful process. But in another sense, the process of evaluation should be an ongoing part of leadership responsibility. Because serving a public need is the purpose of any nonprofit organization, the ED should constantly be asking himself and the stakeholders (staff, contributors, and clients) questions about how the program is working, and what kinds of information might

be useful for future decision-making about the programs.

According to John Clayton Thomas, professor and director of the School of Public Administration and Urban Studies and author of the article _Program Evaluation and Program Development_, there are four possible purposes of program evaluation (346). A _summative_ purpose implies a principal interest in program outcomes, in "summing up" a program's overall achievements (or lack of them). A _formative_ purpose means the objective is in forming or "re-forming" the program by focusing the evaluation on how well the program's processes are functioning. Evaluations designed mainly for program staff are likely to have principally formative purposes to help them modify the program for better results (347). _Implementation_ assessments are designed for new programs being put into operation. If a program has only recently been implemented it is likely to be a poor candidate for either a summative or formative evaluation because most programs require time to produce an observable impact. Thomas asserts that EDs must also be alert to the possibility of _covert_ purposes for evaluation, in which unvoiced, hidden motivations exist for assessing a program (347). For example, program managers sometimes have an unspoken goal of "whitewashing" a program by producing a favorable evaluation. Leadership must be convinced that evaluations are being done solely for the purpose of producing programs which fulfill the mission of the organization.

Thomas goes on to suggest that the Executive Director (because of the

centrality of his position) is the one person capable of:

* implementing and encouraging an ongoing evaluation process that will

  meet organization needs.

* insisting on involvement of program staff in that evaluation,

* providing the leadership for implementing evaluation recommendations.

  Without this leadership, program evaluation, if it even exists, is unlikely

  to produce real change (366).

4). *Accounting, Financial and Risk Management*

In talking about nonprofit leadership it is sometimes easy to emphasize the

mission oriented aspects of an ED's responsibilities; how he or she represents the

organization to the public, how he or she encourages and inspires his or her staff

and potential contributors and supporters, and how he or she leads and guides the

board into the proper wisdom and knowledge to make right choices. But when it

comes right down to it, no one area of nonprofit dealings is as scrutinized and

judged as how that organization is perceived to be taking care of their financial

affairs; and rightfully so. Perhaps no other area of business says so much about

the character of the organization and the individuals who are heading it up, than

the way they handle the hard earned money which people contribute, either

directly or indirectly through tax support. And, conversely, no other topic is as

predominant in alleged wrongdoing on the part of the ED, board or other staff, as

is the way the money is handled. In fact, all of the recent controversies that have

buzzed about the nonprofits involved in scandals over the last decade have involved, to some degree or another, how the leadership of that organization may have misused donated funds. A case study of how this has affected one of America's largest nonprofit organizations, the United Way, will be presented in the next chapter.

According to Robert N. Anthony and David Young, authors of an offering titled *Management Control in Nonprofit Organizations*, in many respects the principles of accounting and finance in nonprofits are the same as those in for profit organizations. The Financial Accounting Standards board has stated that, unless another treatment is specifically required, nonprofit entries should account for transactions according to standards that apply to all organizations (Anthony and Young 406). Clearly delineated financial statements, including updated balance sheets, operating statements, and statements of cash flow, should be made available to leadership and contributors on a regular basis. These statements should show revenues, expenditures, obligations such as debt service, long-lived assets and depreciation, and so forth. Nonprofits are expected to operate under the same *matching* concept as do for-profit enterprises, which requires a business to show both the revenue aspect and expense aspect of an event in the same accounting period.

But there are some substantial differences as well; differences that mean a great deal to those who support nonprofit organizations. These differences most often

center around the concepts of *operating capital, contributed capital and fund accounting* (Anthony and Young 414). In for-profit organizations, managers are dealing with capital from two main sources: investors and the profitable operation of the entity. Some nonprofits bring in money from their operations (a private education institution, for example), and others do not (for instance, a home for battered children). A nonprofit on the other hand, has no investors, therefore, instead of a balance sheet item for either *paid in capital* (an amount provided by investors), it must report *operating capital or contributed capital* (or money donated by individuals or groups for use by the organization). Operating capital refers to revenues acquired through the provision of a service (school tuition) or a donation from a supporter who stipulates that their money can be used for normal operating expenses. This capital is used by the nonprofit to support its current and ongoing daily business. It is the ED's responsibility, either directly or indirectly through supervision of an accounting team, to audit the organization's ability to keep operating expenses within the realm of operating capital. If revenues do not at least equal expenses-that is if the organization does not at least break even-there is a danger signal. If the situation persists, the organization eventually will go bankrupt. This idea is frequently referred to as *generational equity*, the principle that each generation of an organization should provide enough revenue to meet the expenses of the service it uses from that entity. On the other hand, if revenues consistently exceed expenses by too wide a margin, the

organization may not be providing as much service as it should with the funds available to it. Both of these extremes, not enough revenue or not enough service, are of concern to potential donors. Someone who is considering supporting an entity, certainly wants to put their money into an organization that will manage it properly and is not constantly playing "catch up" with suppliers, utilities, creditors and staff payroll. Conversely, they want to make sure that their donations are actually helping the cause that the organization purports to provide for, and not used for excessive administrative, or even personal expenses. This can be a difficult balance for the ED and his accounting staff to achieve in the kind of competitive and costly environment in which nonprofits operate today. In fact, this pressure squeezes many an ED or manager out of the nonprofit world.

But many nonprofits have financial transactions that are not necessarily associated with operating performance. They are not associated with assets, liabilities, and equity that are pertinent to everyday operations. Instead, they are reported in separate funds and require a reporting process known as *fund accounting*. These funds usually flow into the organization in the form of *contributed capital*. While operating capital is considered revenue, because it adds to the resources available for use in operations, capital contributions are not revenues, they are direct additions to an organization's equity that have been given with specific directives from those who have made the donation. According to Anthony and Young, there are two general types of capital contributions:

contributions for *endowment* and contributions for *plant*. When a contributor donates to an organization's endowment, the organization invests the amount received, and only the earnings on that amount are available for operating purposes. This restriction is a matter of law; the entity has a fiduciary duty not to use the principal of donor restricted endowment funds of operations. Similarly, when a contributor donates money for facility acquisition, for example, or other items of plant, this donation must be used for the specified purpose; it is not available to finance operating activities. Sometimes an entity will borrow from a non-operating fund to obtain cash for its operating fund, but this can only be done on a temporary basis. Like any other loan, it must be repaid.

This area of fund balances, contributed capital and operating expenses can be a veritable mine field for an ED, the board and accounting staff to maneuver through. Obviously, for most nonprofits, donations are the lifeblood of the financial operations. But contributors, both current and potential, want to make very sure that an organization is being run ethically, soundly, and in a way that the donor's requests and stipulations are being honored. The organization that cannot demonstrate these attributes clearly on paper, and in everyday operations will quickly lose that lifeblood.

There is one more aspect of financial management that must be addressed, especially in the legal environment of the nineties. Many nonprofit EDs and managers are coming to realize that the concept of *risk management* must be

addressed or their organizations could be open to devastation. Nonprofit

managers, boards, paid staff and volunteers are capable of causing harm, and could

be subject to lawsuits if they do. (Imagine, for instance, the physical liabilities of

a well meaning but inexperienced Boy Scout leader using a chain saw to cut down

firewood.) And though some states afford a measure of protection from liability.

the rules vary widely and none provides complete immunity. Charles Tremper.

founding director of the Nonprofit Risk Management Center in Washington D. C.

, offers the following five step systematic method for EDs to monitor the

nonprofit's responsibilities in risk management:

> Step 1. Identify risks: recognize what risks the organization faces and acknowledge risks when making decisions.
>
> Step 2. Evaluate risks: use a frequency/severity model that directs appropriate risk treatment.
>
> Step 3. Reduce risks: eliminate those risks that are too costly, limit those that the organization decides to accept, and transfer as much risk as possible to other organizations.
>
> Step 4. Obtain insurance or make other financial arrangements as needed: purchase appropriate insurance policies and budge to accept small losses.
>
> Step 5. Monitor and revise: know that risk management is not an event but an ongoing process; see the potential hazards in every endeavor, and revise risk management strategies in light of changing circumstances (507).

Tremper goes on to say that "organizations armed with a basic knowledge of

available insurance policies, their coverage and exclusions, and the most effective

ways to complete insurance applications can better ensure that they are and will

remain covered" (508). It is the ED's responsibility, together with the board, to make sure that these responsibilities are covered, or all of the good that the organization has accomplished in the past, or could potentially accomplish, could be blown away in a single incident.

5). *Designing and Developing an Effective Volunteer Program*

Using 1989 figures, if all of those who volunteered their precious time and effort to nonprofit organizations would suddenly have to be paid for their work, it would end up costing one part or another of the economic system about $170 million a year in additional wages (Hodgkinson, Weitzman, Toppe, and Noga 46-47). That is a pretty impressive figure. And considering the fact that, at least in a good deal of what nonprofits provide, there is no paying customer in the sense that there is in the world of the private sector, that savings in wages means the difference between having a service or not. Therefore, finding and effectively utilizing a solid volunteer force is a top priority for a nonprofit.

Unfortunately, in many organizations there is no congruent plan in place to effectively train volunteers, communicate what is expected of them, and then give them the "on the job" support that they need to sustain both their performance and their emotional commitment to the organization. The ED and the board must work together to make sure that this all important area is not overlooked. Jeffrey L. Brudney, professor of political science and author of several articles and reports on volunteer programs, has developed the following eight point program

for designing and managing a successful organizationally based volunteer effort:

*The program should begin with the establishment of a rationale or policy

to guide volunteer involvement (298).

Brudney suggests that any nonprofit must resist the temptation to "call in volunteers" until the groundwork for their sustained involvement has been put in place (281). In other words, the organization must ask themselves: why are volunteers being sought in the first place? It could be purely for financial reasons; then, again, it could be that the leadership decides that it wants to interject more enthusiasm into the organization, or establish closer ties with the community, or to reach clients that might be inaccessible through normal channels, or to provide certain professional skills, such as computer programming or accounting experience and so on. If the organization has the ends their leadership intend to achieve clearly in mind before the call for help goes out, it will eliminate wasted time, confusion, and help to keep volunteers interested and excited.

* Paid staff must have a central role in designing the volunteer program and

creating guidelines governing its operation.

To a large degree, volunteers are coming in to assist the paid staff in meeting organizational goals. If this is truly going to be accomplished, Brudney asserts that participation of paid staff in formulating the policies and standards that will ultimately guide volunteers is essential (282). The paid staff are normally the ones who know what needs to happen, why it needs to happen, the most efficient

way of making it happen. and making it happen in a way that will not have to be done over again by the employee himself. One of the main reasons paid staff members tend to bemoan volunteer efforts is that usually there is not the same kind of accountability governing volunteer work as there is for paid staff. In fact, Brudney believes that the standards for performance and attitude among volunteers in areas such as attendance. performance review. grievance procedures, suspension and termination. and other areas, should be as comparable as possible to pertinent guidelines for employees (283). This expectation solidifies what Brudney calls the "psychological" contract" linking volunteers to the agency (283). It also helps to maintain employee morale. since they understand that not only will the volunteer be held accountable for the job that is being done, but the volunteer work will truly help them in accomplishing their job. This is more likely to happen with input from paid staff on the purpose. structure, policies and responsibilities of the job that will be done before the volunteers are actually brought in.

* The volunteer program must be integrated structurally into the nonprofit organization.

In Brudney's opinion. the volunteer program must be organized to respond to the motivations, needs and requirements of the leadership. employees and staff of the nonprofit. In order for this to happen, the program must be linked to the structure of the nonprofit organization. This, in fact, may mean that the

organization will have to consider what Brudney calls "alternative structural adaptations" to be able to fully integrate volunteers into its system. One of these adaptations might be an ad hoc type of arrangement in which volunteers were brought in to meet the nonprofit's needs as they arise, especially on a short term basis (284). Or the organization might rely on an established nonprofit agency, such as the United Way, to assist in recruitment of volunteers, while still maintaining all other managerial functions. It is important in exercising this option, however, that the nonprofit makes sure that such agencies are in touch with the mission and goals of the organization, so that the right match can be made for all concerned parties. According to Brudney, the volunteer program could also be decentralized in individual departments within a larger nonprofit organization (286). In this way the departments would have the flexibility to introduce volunteers where support for them would be the greatest. However there is always the possibility of duplication of efforts and problems with coordination in using this system. Finally, the organization could adopt a centralized volunteer system which would serve the entire agency. Using this approach, a single office or department is responsible for management and coordination for the program, while the volunteers themselves are supervised by specific departments. The advantages of this system are considerable, including less duplication of activity, creating a better match between the needs and skills of the volunteers and the needs of the organization, and producing efficient and effective volunteer efforts

throughout the organization. However, Brudney warns that if there is not considerable broad support across the organization for this system, especially in management, it would serve the agency better to use one of the other suggested systems (286).

> * The program must have designated leadership positions to provide
>
> direction and accountability.

Whichever structural arrangement the nonprofit uses to integrate the volunteer program into operations, Brudney believes that a visible, recognized leader is a must (286). This Director of Volunteer Services should participate in relevant decision and policy making, and have appropriate access to superiors. He should have overall responsibility for recruitment, orientation, education, management and representation of the volunteers. Additionally, the DVS would act as a liaison between volunteers and their concerns, and management and paid staff.

> * The agency must prepare job descriptions for the positions to be held by
>
> volunteers, as well as see to the related functions of screening, orienting,
>
> placement, and training.

As mentioned earlier, it is best for both the volunteers themselves, and the paid staff which they support, that there be standards and accountability for the volunteer program. And the place where accountability starts is in a clearly defined job description. In fact, Brudney calls the job description "the essential building block of a successful volunteer program" (288). According to Harriet N.

Naylor, a pioneer in the field of volunteer worker development, "most of the universally recognized principles of administration for employed personnel are even more valid for volunteer workers who *give* their talents and time" (Naylor 173).

What needs to be included in the job description for a volunteer worker? Studies initiated by the International City/County Management Association on volunteer programs have found that there are essentially no differences in job descriptions for volunteers and paid positions (Manchester and Bogart 59). Specifications for volunteer positions should include: job title and purpose, benefits to the worker, qualifications for the position, the time requirement, proposed starting and ending dates, job responsibilities and activities, authority vested in the position, and reporting relationships and supervision (Brudney, 289, 290). And, as is the case for paid positions, the job description is a helpful tool for the organization in screening, interviewing and training volunteer workers, in addition to being the basis for evaluation.

* The volunteer program must attend to the motivations that inspire

volunteers and attempt to respond to them, with the goal of meeting
both

the individual's needs and those of the organization.

So far, discussion has been limited to how an organization can meet its own needs through the successful development of a volunteer program. But that is

only half of the equation. Brudney asserts that the effective volunteer program joins organizational concern for productive labor with the multi-leveled motivations that people have for donating their time and skills (290). Research indicates that people choose to volunteer for diverse reasons, such as values, increased understanding, the fulfillment of protective dimensions (parents getting involved in their child's school or scout troop, for instance) and the meeting of career, social and esteem needs (Clary, Snyder, and Ridge 1992).

According to data from the *1992 NonProfit Almanac*, the most common initial motivation for volunteering is to provide some helpful service to those who need it (Hodgkinson, Weitzman, Toppe, and Noga 47). But J. L. Pearce discovered that for volunteers who stated that they joined organizations for mainly service reasons, friendships and social interaction became more predominant in their decision over time to remain with them (Pearce 148). That conclusion was reaffirmed by Sundeen, who found that volunteers for a local government who originally found it important to do something useful for the community, gradually shifted in their chief motivating factor to interest in or enjoyment of the work (Sundeen 1). According to Brudney, nonprofit organizations must anticipate and provide for this shift in motivation or they may experience painful volunteer turnover.

Brudney suggests that to reinforce volunteers' initial emphasis on service motivations, they might be placed in positions where they can contribute directly

to organizational goals through direct contact with clients or participation in policy formulation and implementation. In order to retain those volunteers in future years, however, it might become necessary for the organization to sit down with the individual volunteer and review performance, growth, and aspirations, and design a program that suits those individual needs. This might include steps toward greater responsibility, participation in problem solving and decision making, or opportunities to train other volunteers (293).

        * Managing volunteers for best results typically requires adaptations of more traditional hierarchical approaches toward teamwork and collaboration.

Because of the nature of the beast, there is not much that an organization can do to coerce a volunteer worker to remain if he or she becomes dissatisfied. Volunteers are not in the same position as paid staff, who are usually much more dependent on their connection (for livelihood) with the company than are volunteers. Therefore, Brudney believes that it is incumbent upon management to build trust, cooperation, challenge, growth, and excitement into the volunteer culture (294). (Truth be told, this needs to happen with paid staff, as well.) Based on a careful study of a volunteer program for a large public library system, Virginia Walter found that administrators that embraced a "management by partnership" style in working with volunteers enjoyed much greater success in meeting objectives than did those working with a more traditional approach (31).

This approach, together with the structure of the aforementioned specific and well defined job descriptions, will result in an environment where volunteers can put, as Brudney states it, their strongest motivations and best skills to work (295).

* All components of volunteer effort, citizens, employees, and the program

itself, benefit from evaluation and recognition activities.

Even when they do occur, volunteer program evaluations are often reduced to a "numbers" analysis of how many volunteers an organization was able to recruit, the hours they contributed, and the amount of client contacts they made. While this information is useful, Brudney contends that no amount of statistical information can replace an honest and effective evaluation of how the volunteer program is actually helping the organization meet its stated goals and mission. He suggests evaluations should be geared in two directions. First, an honest assessment of how volunteers are actually contributing to assist clients, address community problems, expedite agency operation, and meet other objectives is essential (299). Second, an evaluation of program processes and volunteer satisfaction is extremely helpful. The program should be weighed in light of the previously mentioned characteristics, and to monitor any alarming tendencies in volunteer recruitment and turnover (Brudney, 299).

According to Brudney, this eight point plan, adjusted to the size and makeup of the particular nonprofit, would greatly benefit the management, the paid staff,

and the volunteers themselves, in getting excited about and fulfilling the organization's mission.

6) *Human Resource Development Among Paid Staff and Volunteers*

Nonprofit organizations are beginning to wake up to the fact that they must compete effectively for the services of highly qualified, professional workers if they are to see their missions and objectives accomplished with any degree of success. This means that as the 21st century dawns it is imperative that nonprofits which have a staff of any substantial size effectively manage their precious human resources. Nancy Dey, assistant professor of Human Resources and Organizational Behavior at the University of Missouri in Kansas City, suggests a four point plan in her article titled *Designing and Managing Compensation and Benefits Programs*.

First, nonprofit organizations must design fair, up to date salary and benefits policies and communicate them to employees. Both environmental and market demands will have a significant impact on these policies. As these policies are being developed, it is imperative that the pay system is aligned with the nonprofit's mission and strategic plan. This means that HR professionals must carefully evaluate the organization's goals, values, culture, and strategy to ensure that compensation plays a key role in organizational goals (559). Second, these plans should include a comprehensively researched, fair base compensation schedule which considers both external competition and internal equity. This can

be accomplished through effective job analysis, job slotting, proper evaluations, salary surveys, salary grades and ranges and other well known HRM compensation tools (561-577). Third, management must decide how it should encourage key needed behaviors which accomplish strategic goals. This can be accomplished through incentive plans for individuals or teams, merit pay programs, and other plans. Fourth, successful nonprofits will conscientiously and consistently evaluate necessary benefits levels. Frustration and anger will result if the organization does not continue to prioritize salary and benefits plans that are consistently, equitably, and effectively delivered to employees (613).

Another aspect of HRM that is vital to the nonprofit is the issue of training and development. According to Nancy Macduff, training consultant and author, training must be a regular activity for nonprofit organizations. Many of these training and development issues that apply to regular business, such as developing needs assessments and creating the proper delivery systems, establishing learning objectives and evaluating learner performance, are also important for nonprofits as well. One important distinction in nonprofits is the need for training among paid staff and volunteers to work together as a team. This presents unique challenges in itself, because, as has already been stated, the two groups sometimes operate with distinct agendas which may cause rifts if there is not proper education and encouragement. Both groups need to hear and understand where the other is coming from, where their motives are, and how they can both work to satisfy

those motives while accomplishing organizational objectives (Macduff 604-613).

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These vital areas of interior organization development, Human Resource Development among paid staff and volunteers, designing and developing an effective volunteer program, accounting, financial and risk management, designing and managing the fundraising program, and marketing and promotion of services are all areas which the Executive Director must be on top of and hold the appropriate members of the organization accountable for, if the nonprofit is to be rune soundly. Depending on the size and scope of the organization itself, each agency may or may not have a separate department for all of these functions. Obviously, some of the larger and better known nonprofit institutions in the United States, such as the American Red Cross, the United Way, the large universities, and other giant entities, are able to afford the best professionals available for their marketing, accounting, and development departments. But for every large, billion dollar nonprofit, there are hundreds and hundreds who struggle each month to pay their facility, office, utility and staff expenses. And there are those in the middle that are growing and who want to expand their sphere of influence, but who may have to pick and choose the departments where they have a full staff of paid employees, and where they must assign volunteer workers to fill the void. Yet it is still the responsibility of the ED to make sure that those functions which are germane to the efficiency of their particular organization are

being properly attended to.

ED Priority #3: Developing Leadership Across the Boundaries

Herman and Heimovics define leadership across the boundaries as that which pro-actively affects an *organization's standing in its environment*. The challenges of integrating mission, resource allocation and strategy make it imperative that the ED work toward effectively enhancing their own external impact. Herman and Heimovics have found in their research that four specific strategies will aid the ED who wants to accomplish this:

1) *An effective ED will spend time on external relations*. According to the authors, both evidence and experience reveal that tackling routine activities and day to day office problems can easily absorb all of an executive's time. The ED must learn to delegate as much of the day to day activities of the organization as is possible and focus on the external. Studies show that small business owners/managers that spend more time on boundary spanning or external activities were more successful (Dollinger 351).

2) *He or she will learn to develop an informal information network*. As mentioned in chapter 2, an effective ED will be in constant communication with government agencies, foundations, accrediting bodies, professional associations, similar nonprofits, and so on, to gain the kind of information that they need to completely understand their external environment. According to Herman and

Heimovics, as the ED develops these relationships he or she builds an informal network that can be invaluable in assuring the organization's success. These networks operate on reciprocal credibility and trust (143). In other words, the ED who is interested in building a network understands that sometimes he or she has to furnish information on the other side of the network without violating confidentiality. The different parties of these networks give the ED all different perspectives and slants as he or she evaluates how to steer the organization through the waters of its external environment.

3) *He or she will know his agenda.* An ED should have a specific agenda for external relations, derived directly from the strategic plan and his or her own ideas, that provides a short list of goals or outcomes that he or she sees as crucial (Herman and Heimovics 145). A clear agenda helps the ED use his or her time outside of the organization wisely, as well as bring simple order and direction to a complex and rapidly changing environment. It also allows him or her to use the information networks he or she has formed to advance his or her goals.

4) *He or she will improvise and accept multiple, partial solutions.* Many times an ED will find that he or she cannot reach a goal in the outside environment in exactly the way he or she first imagined. This is especially true when organizations have several differing goals, say acquiring a facility or expanding a program, whose solutions each lie on different paths. Herman and Heimovics state that, in some instances, the path that leads to goal fulfillment in one external

area may even make it more difficult to find a solution to another equally important goal (146). In these situations, the ED must look for the best paths that will satisfy the highest rewards of each external goal, without sacrificing the others. That is why, according to the authors, an action that leads to movement on paths to two or three places at once is particularly useful. Flexibility and patience are essential to make this balancing act work.

Leadership that reaches across the boundaries of an organization is such a crucial part of the Executive Director's responsibilities for the simple reason that it is so often ignored. In order to garner the support needed in providing mission, acquiring resources, and implementing strategy, the ED must not only build relationships with the outside environment, but he or she must also know how to position the organization within the social, political, economic and spiritual worlds that make up that environment. As Herman and Heimovics put it: "Effective executives boundary span to seek and act upon opportunities in the environment to help shape the future health and direction of the organization" (147).

ED Priority #4: Learning to Use Multiple Frames

In their 1991 volume, *Reframing Organizations: Artistry, Choice, and Organizations*, Bolman and Deal developed a multiple frame analysis for understanding organizations and leadership. Knowledge of these frames and their various strengths can help the Executive Director to understand and intervene in

their organizations more effectively. In the *structural* frame, clarity in goal setting and role expectations provides order and continuity in organizations. Form and logic are the keys to this frame. Leaders see effectiveness as largely the product of clear administrative procedures and goals. On the other hand, in *the human resource frame*, leaders see people as the most valuable resource of any organization. The ED searches for the balance between the goals of the organization and the hopes, aspirations and goals of the employee or volunteer. This frame encourages open communication, team building and collaboration.

The *political* frame sees ongoing conflict or tension over the allocation of scarce resources or the resolution of differences. It becomes necessary then to build alliances and networks, utilize compromise, and satisfy coalitions and special interest groups in order to meet the goals of the organization. According to the *symbolic* frame the realities of the organization are socially defined. This frame views organizations as cultural and historical systems of shared meaning. Leaders see it as their responsibility to use ceremonies, rituals and tradition to create a unifying vision.

Herman and Heimovics found that effective executives integrate and employ *multiple frames* and do not rely on any one single mind set to direct their organization. This use of multiple frames by the ED, depending on who is doing what and why at the board, internal or external level of the organization, actually contributes to a deeper understanding of the complexities and volatility of the

challenges faced in nonprofit organizations. Obviously it takes a certain amount of wisdom and experience to begin to understand when these different frames are more effective in different situations than others. For example, when a policy and a person conflict, does a leader choose the structural frame or the human resource frame? Twenty-first century organizations will be desperately in need of an Executive Director who can look at such situations and know how to choose between the frames.

<p style="text-align:center">*********</p>

This section has attempted to discuss the enormous responsibilities that the centrality of Executive Leadership suggests. The obvious implications are that this is not a job for everyone, and that the daunting task of leading a nonprofit organization is one that takes massive doses of time, wisdom, energy, and the ability to keep one's priorities, plans, and not the very least, one's personal and family life in proper perspective.

II. *The Responsibilities of the Board of Directors*

The lengthy discussion above was placed under the section covering the responsibilities of the Executive Director to illustrate that the centrality of that role is such that his or her presence, innovation, leadership, and direction in those areas are absolutely vital to the success of the nonprofit organization. But to say that all of the functions of the nonprofit are solely the responsibility of the ED would be to negate the tremendous accountability and potential of the role of the

Board of Directors. In fact, their importance cannot be emphasized enough.
According to Nancy Axelrod, president and founder of the National Center for
Nonprofit Boards, it is the board that is ultimately responsible for ensuring that
the organization it governs realizes the mission for which it was formed (120). As
was stated earlier, the board primarily fills a fiduciary role, meaning that it is
acting for the good of others. And while, in that sense, all boards really "do" the
same thing, (that is, act wisely on behalf of their organization), a specific board's
obligations will vary depending on the size and scope of the organization, its stage
of development, the organization's method of board selection, and whether the
organization is managed primarily by a paid, professional staff or by volunteers
(Axelrod 121). The board of a neighborhood association, for example, will be run
differently than that of the American Red Cross, which in turn will be run
differently than the board of a local, religious hospital. However, according to
Axelrod, the majority of nonprofit boards do share the following nine key
responsibilities:

1) *To Determine the organization's mission and main purpose.* One of the
nonprofit board's most basic, but also more neglected responsibilities is to
establish and maintain a clear sense of focus on why the organization exists and
what it seeks to accomplish within its environment. Axelrod suggests that a board
must continually gauge whether its own decisions and the programs and services
which the organization provides reflect the mission. This is not to say that the

mission statement has to be a static document. Axelrod notes that the board should review the organization's mission periodically to determine whether the statement should be revised, updated or reaffirmed based on changing social, demographic, or environmental conditions.

2) *To select and support the chief executive.* It is rather obvious after the discussion of the centrality of the Executive Director, that one of most important responsibilities that a nonprofit board has is to attract and retain a leader who will be able to accept and fulfill that role of centrality. An incompetent search for an executive can not only reflect poorly on the image of the organization, it can scare away qualified candidates as well. Axelrod believes that the board's success in hiring the best person will hinge on their understanding of the organization's current strengths, needs, and goals for the future along with a clear description of the duties of the ED. This may not be an easy, or a very quick process, according to Axelrod, but a systematic search that casts a wide net will eventually draw the best candidates (121).

Axelrod maintains that once the right person is picked for the ED position, the board has the responsibility of supporting and retaining its leader by creating a climate of trust and cooperation. This can only be accomplished when, as Axerod herself puts it, "the board outlines its expectations of the (ED), takes at least some responsibility for the difficult and unpopular decisions that have to be made, and stays attuned to the executive's need for renewal and professional

development".

3) *To review the executive's performance.* Once the ED is selected the board has the responsibility to review his or her performance on a regular basis and to offer constructive and supportive feedback on areas of strength and weakness. This aids the ED and the organization in three ways:

1. It helps to assess the progress and health of the organization itself;

2. It more clearly delineates the ED's role from the role of the Board,

3. It reduces the likelihood that evaluation will be conducted only when problems or crises occur.

Axelrod suggests that the best time to establish clear cut evaluation procedures is when the new ED is hired (122).

4) *To Plan for the future.* To be effective, a nonprofit board must resist the temptation of devoting most of its time to administrative and operational issues instead of addressing the more profound, strategic issues that will affect the organization's growth and success. In other words, it must take the time to consider where the organization is and where it is going. According to Axelrod, one of the board's most important responsibilities is to ensure that the nonprofit engages in multi-year planning that looks beyond the present (122). This concept will be more fully developed in the strategic planning section of this chapter.

5) *To approve and monitor the organization's programs and services.* Axelrod believes that while the board must delegate the responsibility for administering programs to the ED and staff, it cannot shuck its responsibility for seeing to it that existing programs operate effectively and efficiently, and advance the mission of the organization. This involves asking the right kinds of questions that evaluate the strengths and weaknesses of existing programs to find out if they should be modified or discontinued, and if necessary, if new programs should be adopted.

6) *To provide sound financial management.* One of the most important ways that a board can fulfill its fiduciary role is to ensure that income is managed properly, that assets are guarded, and that adequate financial resources are secured to support the organization. In his article titled *Understanding Nonprofit Financial Statements: A Primer for Board Members,* John Paul Dalsimer notes, "even though one board member is usually elected treasurer, and many boards have a finance committee (and staff that maintain records), each board member must receive financial statements, review them, and ask questions about anything that is unclear. Reviewing financial statements is an integral part of fulfilling board financial responsibility" (2).

Other ways in which the board can fulfill its financial responsibilities include developing and approving the annual operating budget, implementing sound financial controls, and requiring an annual audit by an independent accountant (Axelrod 123).

7) *To enlist financial resources.* The board has the responsibility to make sure that the organization has the finances that will allow it to carry out its mission. Axelrod believes that board members need to take an active role as fund raisers for nonprofit organizations that depend on private contributions from individuals, corporations and foundations. Through their network of business, social and other relationships, board members can provide names of key prospects, help with donor cultivation, and even accompany a staff member when soliciting a corporate or foundation donor. Axelrod believes that as a board is considering its annual budget, it should simultaneously be considering a financing strategy (124). They should be asking themselves the question: how will the organization derive its revenue? Possible sources include voluntary contributions, government contracts, earned income from its services, or grants from corporate or foundations sources. Whatever the source, Axelrod maintains, it is ultimately the board's responsibility to ensure that the organization has the required finances to support its programs (124).

8) *To advance the organization's public image.* Axelrod believes that the nonprofit board has two responsibilities in providing public relations support for an organization. First, it should ensure that the organization has a strategy in place to communicate its purposes and accomplishments, and to enlist support for its activities. This strategy should also include contingencies to handle crises that may hoist a spotlight on the organization in ways it had not intended. In these

cases, according to Axelrod, a wide array of decisions may have to be made, such as who would serve as spokesperson for the organization, how the board can protect the public interest during any transition periods, and whether interim leadership must be put into place in the event of a sudden resignation.

The other board responsibility in public relations is for each member to act as a PR spokesperson for the organization. Axelrod believes that since nonprofit board members are often composed of individuals from the community the organization serves, its members can act as the bridge between the organization and its external environment. Many times they are in the ideal position to communicate to others why that organization exists and how it serves the community, and can listen to what the community says about the role and the effectiveness of the organization (124).

9) *To strengthen its own effectiveness and development as a board.* According to Richard T. Ingram, author of *Ten Basic Responsibilities of Nonprofit Boards,* boards should occasionally "stand back from their usual preoccupations and reflect on how the board is meeting its responsibilities. This process should look at how its membership composition, member selection process, organization or structure, and overall performance can be strengthened" (13).

Axelrod suggests that the results of such an evaluation should lead to a significant, meaningful, and ongoing board development program. This development program would be characterized by:

1. Recognizing that it is a continual process rather than a single event;

2. The board chairperson and the ED are committed to it;

3. The board is willing to invest in its own development; that is, they create opportunities for their own education through orientation, retreats, workshops, and conferences; they regularly seek feedback on the board's performance; and pause periodically for self reflection, especially to examine their own shortcomings (126).

All of this can tend to be a little frightening and daunting to current and prospective board members. But it is better that those desiring to fulfill this vitally important role for an organization be well informed and challenged about the responsibilities that go with the fiduciary nature of board membership, than to think that such a position is merely for show or to fulfill a personal agenda. The organization, then, that has an Executive Director who recognizes his or her centrality and a board that is willing to fulfill its fiduciary responsibilities, can move on to the important task of strategic planning.

III. Formulating the Strategic Plan

In Chapter Two it was suggested that the strategic plan fills the gap that sometimes exists between the mission of the organization and its everyday reality. It is the link between philosophy and practice and it offers the constituencies of the nonprofit the opportunity to see a specific, doable plan which connects the two. It was further postulated that in order for the strategic plan to be truly

effective the organization needs to solicit input from a wide variety of members whose experiences and concerns reach across all functions of the agency. But just how does a nonprofit go about the process of developing a strategic plan?

In their 1989 volume, *The Design and Use of Strategic Planning* John Bryson and B. C. Crosby assert that "the fundamental technology of strategic planning is talk" (32). And this talk, as Bryson puts it, needs to come from all different directions within the organization. Discussion groups, question and answer periods, gripe sessions, and suggestion boxes are just some of the ways that management can hear from various groups within the agency. With that in mind, Bryson suggests in his *Strategic Planning and Action Planning,* that this initial bout with strategic planning involves an eight step process (156):

1) *Development of an Initial Agreement.* This initial stage of discussion involves negotiating agreement between the key internal decision makers and/or opinion leaders concerning the overall strategic planning effort and key planning steps. Bryson suggests that it is essential to gain the support of these people, some who will have official rank within the organization, others who will not. It may also be desirable to gain input from key decision makers outside the organization, especially if implementation of the plan depends on their attitude or actions (156). The board and the ED must first identify just who these key people are and which of them would be most valuable to get involved in the strategic effort.

Bryson suggests that the agreement itself must cover the purpose of the effort,

what steps will be necessary in the strategic process, the nature and frequency of reports, who will oversee the effort and what guidelines they should follow, what resources are needed to make the plan become reality, and the nature of the relationship among the strategic planning team (156-157). Another very important feature of the preliminary discussion, according to Bryson, is to identify the "given"; or what is not up for discussion. These givens could include bylaws or charter articles which cannot be changed, or certain products or services that the organization would rather not tamper with. What this discussion should yield most importantly, is a clearly focused strategic planning team (SPT) that knows where it is going and who to elicit help from to get there.

2) *Identification and Clarification of Mandates.* Bryson explains that the purpose of this step is to identify both the formal and informal mandates with which the organization is charged. Formal mandates are those which are dictated by externally imposed legislation, guidelines, regulations, contracts, ordinances and so on, or by internal dictates such as constitutions, bylaws, or governing board directives. Informal mandates are usually political in nature and are part of the expectations of shareholders, whether they be internal or external. These are usually the product of what is tolerated or not tolerated by key members of the organization (157). Because most organizations have never actually gone through the exercise of identifying their formal and informal mandates, Bryson believes that most make one or both of two fundamental errors. They believe that they are

too tightly constrained in what they can or cannot do, or they assume that if they are not explicitly told to do something, they are not allowed to do it (157). Both mistakes can cost the organization dearly.

3) *Development and Clarification of Mission and Values.* The organization's mission and values, together with its mandates, provide the mission with what Bryon calls "the social justification for its existence" (160). This means, of course, that there must be identifiable social or political needs that the organization seeks to fill. In other words, the nonprofit organization is "externally justified"(160). This mission to serve does not merely justify the organization's existence, however. Bryson contends that it should also fuel the stakeholders, particularly employees and active volunteers, with the energy, enthusiasm and inspiration to achieve greatness in its field.

But first things first. Bryson suggests that prior to the development of a mission statement, the organization should complete a stakeholder analysis. This analysis requires the SPT to identify who the organization's stakeholders are, what their "stake" is, what their criteria are for judging the performance of the organization, how well the organization performs given that criteria, how the stakeholders influence the organization, and how important the particular stakeholder is (160). This analysis will help the team to know whether the organization needs to have different strategies, perhaps even different missions, for its different stakeholders.

After completing the stakeholder analysis, Bryson says the SPT can then proceed to develop a mission statement by responding to the following six questions:

* Who are we as an organization?

* What are the basic social or political needs we exist to fill?

* How do we respond to those needs?

* How should we respond to our key stakeholders?

* What is our philosophy and what are our core values?

* What makes us distinctive or unique? (160-161)

Bryson believes that the development of a mission statement will come out of lengthy discussions in response to these six questions.

4) *External Environmental Assessment.* In this step, the SPT explores the political, economic, social, and technological (PEST) threats and opportunities which the organization faces in its external environment. Bryson believes that the organization should rely on a relatively formal three part external assessment process, as proposed by Pflaum and Delmont in their 1987 offering, *External Scanning: A Tool For Planners*:

* Identification of key issues and trends that pose actual or potential threats or opportunities;

* Analysis and interpretation of the issues and trends;

* Creation of information that is useful for decision making.

including reports, discussion papers, presentations, and decision packages (56, 57).

Bryson believes that most organizations do neither a systematic nor effective job of external scanning. As a result, they are, in his words, " often like ships trying to navigate troubled or treacherous waters without benefit of human lookouts, radar, or sonar equipment" (162).

5) *Internal Environmental Assessment.* Bryson states that to identify internal strengths and weaknesses, the organization should look at three different types of information:

* resources or inputs, which include salaries, supplies, physical facilities, and full time equivalent personnel.

* present strategy or processes, or how the programs are delivered to the client or customer.

* performance or outputs, or how effective the program or service is in meeting the needs of the community and its constituents (162).

Bryson cautions that the lack of relevant information, particularly performance information, presents problems for the typical nonprofit organization and its stakeholders. If the organization cannot effectively demonstrate its effectiveness in meeting the needs its mission dictates, then it will ultimately lose the financial and philosophical support of key community supporters (163).

6) *Strategic Issue Identification.* Bryson suggests that the effectual working of the first five elements of the process lead to the sixth, the identification of strategic issues. Strategic issues, as Bryson defines them, are fundamental policy questions affecting the organization's mandates, mission and values, product or service level and mix, clients, cost, management or design (163). Usually how the organization deals with strategic issues will determine how well it will survive and prosper within its environment. Bryson is convinced that a statement of strategic issues should contain three elements:

* it should be described succinctly, preferably in question form in a single paragraph. The question should raise an issue that the organization can do something about.

* The factors that make the issue a fundamental policy question should be listed. What is it about mandates, mission, values, internal strengths or weaknesses and external opportunities and threats that make this a strategic issue?

* The planning team should prepare a statement of the consequences of failure to address the issue. This draws

attention

to the fact that the strategic issue identification step is aimed at focusing organizational attention on what is truly important for survival, prosperity and effectiveness (165).

7) *Strategy Development.* Bryson defines strategy as "a pattern of purposes, policies, actions, decisions, and or resource allocations that define what an organization is, what it does, and why it does it" (169). In other words, strategy deals with issues. In developing strategy, then, Bryson suggests a five part process:

> * Identify both practical alternatives and dreams and visions for
>
> resolving strategic issues. (Bryson believes that if an

organization

> > is unwilling to at least entertain some dreams or visions, it
> >
> > probably is wasting its time in the strategic planning process.)
>
> * the SPT should spell out the barriers to achieving those
>
> alternatives, dreams and visions.
>
> * Next, the team develops major proposals for achieving the
>
> alternatives, dreams and visions through overcoming the barriers.
>
> * Actions need to be taken over a 3-5 year period to implement the
>
> major proposals.
>
> * A detailed work program to implement the actions must be
>
> spelled out for the next six months to a year (170, 171).

Bryson believes that for a strategy to be effective it must be technically workable, politically acceptable to stakeholders, and it must align with the philosophy and core values of the organization. If strategy does not meet these

criteria, it is basically useless (171).

8) *Description of the Organization in the Future.* The final step in the process is for the SPT to develop a description of what the organization should look like if it successfully implements its strategies and reaches its full potential. According to Bryson, this description would include the organization's mission, its basic strategies, its performance criteria, how decisions are arrived at, and the ethical standards expected of all employees and volunteers (172).

These descriptions allow members to know what is expected of them without constant, direct supervision, while directing their energy toward pursuit of the organization's purposes. They should be short, focus on a better future, encourage hopes and dreams, state positive outcomes, and communicate enthusiasm and excitement (172).

Bryson wholeheartedly believes that the strategic planning process deals with important organizational issues in ways that benefit the nonprofit and its key stakeholders, and thereby enhances, in his words, "prospects... for improved organizational achievement and the pursuit of the public purposes that must justify the existence of any nonprofit organization" (182).

A STEP Toward Building Trust

As was stated in chapter Two, it is becoming more and more recognized by organizational theorists, practitioners, and HR people, that the functional aspects of leading an organization, such as those listed so far in this chapter, are, while

being extremely crucial, still not enough to inspire an organization to greatness. There is yet a missing link in the equation. That missing link was at the heart of Dale E. Zand's persuasive case (see chapter Two) there is a clear, demonstrable connection between maintaining a high degree of trust, openness and non-competitiveness among co-workers and management and effectiveness in problem solving. This section will address the issue of what a manager can do (or perhaps, better put, *be*) in order to create that atmosphere of trust and openness.

There is much in modern business literature which suggests that there is a definite connection between creating that atmosphere and the approach, techniques, and persona of the leadership itself. To describe the kind of leadership which will nurture the kinds of intangibles among a workforce which result in tangible success in any one word, such as *ethics* or *character*. would be oversimplification. Rather, in boiling down the current literature by organizational theorists, consultants and other "experts", it could be suggested that this missing link of the equation is more about four fundamental aspects of character that apply in the staff's perception of the organization's leadership, at both the ED and board levels. These four character qualities can be best summarized in the four letters of the word *STEP*, or Strength, Transparency, Ethics, and Personal connection with workers and volunteers. Executive Directors and board members of nonprofit organizations who learn these four very basic characteristics, and apprehend them in their leadership package (and hold the entire management team

accountable in apprehending them) will go a long way toward eliciting a "healthy buy-in" into the organization's mission from everyone concerned. A discussion of each of these qualities, and their importance to this "buy-in" follows.

Strength

It may be more helpful to begin any treatise on leader strength by discussing what it is not, or perhaps what it *should not be*. Effective organizational and leadership strength is not bullying, or taking advantage, or throwing one's weight around. It does not mean picking on, or picking apart, as so many leaders seem to think. It is not the "tough guy" management, which Gareth Gardiner so astutely describes in *Tough Minded Management* (35-38), or the over-reactive manager he describes in *21ˢᵗ Century Manager* (70-75). In fact, true strength very rarely has to call on what is known in management as *positional power* (Hersey and Blanchard, 231). As Stephen Covey so eloquently suggests in *Principle Centered Leadership*, borrowing strength from a position or authority reinforces the leader's own dependence upon external factors to get things done in the future (83).

Rather, effective leadership requires and generously employs strength of a different kind. It is, again according to Covey, a strength that comes from "the internal capacity to deal with whatever the situation calls for" (84). What nonprofit staff members, whether they are paid or volunteer, are truly looking for are leaders who possess the emotional, moral, physical and spiritual strength to

make the right decisions, from the right heart, using the right methods, at the right time. These are not leaders who wilt under pressure. They do not give in to stress. They do not constantly complain about the market conditions or the people around them, or the competition, their headache or sinus infection, or the general "unfairness" of life. These people are upbeat in front of their staff, not because they are "pie in the sky", or ignorant of critical environmental factors that close in on all organizations, but because they, themselves, believe passionately in the mission of their nonprofit organization, and because they are confident in their own inner character and personal integrity. They can be counted on to resolve conflicts quickly, face to face, and with the goal of maintaining calm and clear direction within the organization. As Covey states in *The Seven Highly Effective Habits of Effective People*: "Creating the unity necessary to run an effective business or a family or a marriage requires great personal strength and courage. No amount of technical administrative skill in laboring for the masses can make up for lack of nobility of personal character in developing relationships" (202).

Transparency

Transparency, as a personal quality, is defined in *Webster's Collegiate Dictionary* as "free from pretense or deceit; easily detected or seen through". A transparent leader, then, is one in which a staff can be sure that what they see on the outside is the same that is on the inside. No walls, no facades, no double talk or double standards. As Susan and Thomas Kuczmarski state in their book,

Values-Based Leadership, "this means communicating your true feelings--being open with an employee so that positive praise, neutral dialogue, or constructive criticism can be conveyed openly" (200). Once a leader begins the habit of communicating on the outside something different than he is feeling on the inside the trust he enjoys with his staff begins to fade away. As Covey puts it: "Without trust the best we can do is compromise, without trust, we lack the credibility for open, mutual learning and communication and real creativity" (Covey 1989: 221).

So much is made of the term "open communication systems" today in business, and rightfully so. The positive effects that open communication can have in an organization are considerable. According to Charles Conrad in *Strategic Organization Communication,* it increases employees' job satisfaction, which in turn, reduces costly absenteeism and turnover, and the need to unionize. It is essential to those employees that perform boundary roles and to those who are in complex task positions (210). It almost seems that the mere use of the term "open communications" results in some sort of magic formula for building stronger organizational relationships, forming teams and partnerships, and solving difficult human relations problems. But there is nothing magic about open communication. It is found only in the hard work, courage and risk of being totally transparent. In fact, transparency on the part of the ED, his management team, and by members of the board, is the cornerstone to effective and open

communications. According to Conrad, staff members tend to mirror their supervisors' communication with clients, suppliers, and other outsiders. If they do not see the ED as warm, supportive and open with them, they will not treat those in the outside environment that way (211). This reinforcing communication style will be discussed further in the next chapter.

Ethical Behavior

In their volume titled *Values and Ethics in Organizations and Human Systems Development,* Gellerman, Frankel and Ladenson define ethics as a "set of rules that apply to human beings over a totality of their interrelationships with one another, and that take precedence over all other rules" (41). Although some of those rules may differ from organization to organization, it is commonly thought there are certain ethical considerations, such as honesty and integrity, that are universal. Further, there seem to be prevailing attitudes that suggest that ethics are much more expected in certain types of organizations than in others. (This at one time included government occupations and agencies, but that, unfortunately, seems to be rather naive thinking at this point in time). One example of this sort of expectation would be in regards to the medical field, where the stakes are potentially so high that doctors, nurses and others are held extremely accountable to high standards of ethical behavior. This can be said to be true of most nonprofit organizations, as well. In *Ethics in Nonprofit Management,* Thomas Jeavons argues that because they are usually created specifically to provide

services where the trust factor is of paramount concern, "the dominant value that should define the practice of management of nonprofit , especially philanthropic. organizations is 'morally responsible service'".

There are, then, ethical values that are cardinal in the behavior and character of nonprofit organizations. Integrity, openness, accountability, service and a caring attitude, are all expected to be evident. And, as Jeavons points out, what is expected of the ED and board of these organizations is that they give special attention to seeing that these ethical values are reflected in every aspect of the their organization. It is incumbent upon the leadership team that they model ethical qualities in their own behavior, as well as enunciate and nurture them as ideals in others (192). A closer look at organizational culture, and how ethical considerations fit into that culture, will follow in subsequent chapters. Also included will be case studies which demonstrate both the positive and negative side of ethics in nonprofit management.

<u>Personal Connection</u>

In his book, _The Toxic Executive_, consultant Stanley Foster Reed comments: "In my research I seem to be dealing more and more with people who have lived out their business lives in a humorless atmosphere of mistrust and conflict. Many cannot conceive of a business milieu where progress and profits are created in an atmosphere of goodwill, where interpersonal conflict is the exception and not the norm, where a sense of humor is looked on not as an aberration but as necessary

ingredient"(5). Little wonder that most people, then, feel any sort of passion for the work that they do, or for the mission that their organization is trying to accomplish.

Research in the last quarter century has indicated that if an organization is truly going to become a place where its staff is intrinsically connected to the mission, then the leadership, starting with the Executive Director, must be intrinsically and personally connected to them. This belies Emerson's functional roots of business theory, which was built on the notion that if management could properly plan, organize, lead and control jobs and organizations, productivity would increase, and everyone would live happily ever after (Donnelly, Gibson and Ivancevich 9). Subsequently, the research and literature have edged closer and closer to a "human relations" approach to managing. According to this approach, in addition to successfully implementing the functional aspects of management, the manager was encouraged to work on human "skills", such as being trustworthy, being interested in creating a pleasant work environment , and being willing to listen to what employees have to say. (Being "willing" to listen to employees sounds like a begrudgingly technical way to approach such a fundamental human need.)

It is hard, however, to conceive "trustworthiness" as a "skill" which one learns as if they were learning welding, or even marketing, for that matter. A student can enter Harvard Business School and come out a better marketer; however it is difficult to envision him or her coming out a more "trusting" person unless some

sort of change has occurred on the inside. This, then, is the dilemma that many business professors face: they recognize that research shows that employees and volunteer staff desperately need something beyond the functional in management (though there is much evidence to show that they do need that). They need management that is also simultaneously empathetic, stimulating, motivating, expectant, forgiving, encouraging, stretching and caring; in other words they need leaders who can personally connect the mission of the organization to themselves as individual staff members. And yet those are not textbook type attributes. They are more *spiritual* than functional in nature.

This concept has been explored and explained in many different ways in literature over the last decade. In fact, lately it is hard to distinguish the business section in a bookstore from philosophy or even religious sections. Covey suggests that there is a thread missing that would tie together the essential elements of some of the leading managerial thinking in today's business literature. He states that "only through sincere, genuine, and accurate two way empathetic dialog" can the organization and its members at all levels fully realize the principles of TQM, MBO, and other valuable philosophies (Covey 1991; 273). In their bestselling book, *The Master Motivator*, Mark Vincent Hansen and Joe Batten use the G.R.O.W.T. H acronym, which states:

> Goals, vision, mission, and dreams
> Realistic assessment of strengths
> Openness and vulnerability
> Wonder, a sense of

Tough minded expectations
Hope (56)

According to the authors, goals "provide lift, pull and focus, and they stimulate" the individuals under one's leadership. Leaders who provide workers with a realistic assessment of strengths can help their workers gain insight into what they are capable of doing, and what they could do if they used their full potential. Creating an atmosphere of openness and vulnerability to new challenges and possibilities can nurture strength, confidence and mental toughness. Cultivating a sense of wonder can drown cynicism, negativism and lack of motivation. At the same time, Hansen and Batten suggest that tough minded expectations can help ensure that each worker is always reaching, stretching and achieving rather than simply reacting to what the authors call "the pressure of push and drive". And, they add that hope (the expectation that organizational success will have personal ramifications) is the universal nourishment that keeps the work life's blood pumping.

In their dynamic book, *Values Based Leadership*, Kuczmarksi and Kuczmarski sum up the importance of a personal style of leadership when they state: "when an employee becomes attached to a leader, that employee is a stronger, more participative member of the workplace. Ironically, becoming attached creates employees who are more secure, independent, and liberated thinkers. Unattached employees spend their time trying to play politics, hunted by insecurities of organizational hierarchy" (287).

These four dynamic leadership qualities, then, can take the effective Executive Director who accepts and utilizes his centrality and the correctly focused board into new realms of productive and meaningful relationship with the paid and volunteer staff of the nonprofit. If, after much participation and input from their constituency, they have carefully crafted a viable strategic plan and they connect the organization to that plan with the STEP quality of leadership, then the people will, as Joshua so aptly put it concerning Moses, "see them and have hope". They will have achieved the equation of

Centrality of Executive Director + Effective Board + STEP Leadership
= A staff of workers and volunteers who buy into the organization's mission.

Chapter 4 will take a look at a renowned, worldwide nonprofit that has made this equation a reality in their organizational life.

Chapter IV

Results

Executive Centrality in Action

In August of 1992, Hurricane Andrew unleashed the worst that nature had to offer as it pummeled the southern sections of the Florida Coast with winds in excess of 100 miles per hour. As the storm raged, thousands of Red Cross volunteers, like Deborah and Greg, displayed the best that humankind had to offer as they busily worked to open a temporary shelter inside the Miami-Dade Community College. Deborah and Greg were using their training as Red Cross "mass care workers" to help the displaced and homeless refugees of Andrew's wrath. And when the storm threatened to blow off the roof of the College gym where all the victims had gathered, Deborah and Greg ventured out into the peak rage of the storm to secure safer quarters for their flock. The couple left the shelter open for several days following the storm, not even returning home to check on their own belongings, as area residents tried to pick up the pieces which Andrew had scattered all over Dade County. A week after the hurricane, Deborah and Greg arrived back at their own home on Homestead Air Force Base, only to discover that it also had been destroyed by the hurricane (Augustine 86).

Deborah and Greg were just two of thousands of American Red Cross
volunteers, both individual and corporate, that unselfishly helped out in Florida
and Louisiana after Andrew hit. In response to the storm, the ARC sheltered
more than 140,000 people and served more than 5.5 million meals (Augustine 87).
Incredibly, local ARC chapters in Florida are still dealing today with the aftermath
of that one isolated disaster. Whenever a disaster hits, whether it be on a local,
national, or even global scale, the ARC stands ready to respond, and respond
quickly.

As the very symbol and embodiment of the American tradition of helping
people in trouble, the Red Cross seems to be preserving that essence, while
turning purposively professional in its definition of its role and organizing
institutionally to meet very precise goals. For example, _Money Magazine_ recently
ranked the ARC as the top charity in the nation in the way that it runs its
spending program. According to the magazine's survey, an incredible 91.5% of
the organization's income for the three year period ending 1995 went to actual
programs which would benefit targeted populations. The average for a U. S.
charitable operation was 78.4% (100-104). Consider the organization's size, and
those numbers seem even more incredible. The organization staffs more than
32,000 full time workers and has a volunteer roster of over 1.4 billion, and an
annual budget of $1.8 billion (Staroba 63- 64). Many organizations of the same

size would get trapped in their own blue tape, operating expenses, and webs of hierarchal and local jealousies and entanglements. And yet the ARC seems poised to enter the new century with both its operations and reputation untainted. How is the organization able to achieve and maintain this incredible track record?

Many believe that the ARC renaissance can be directly tied to its president, Elizabeth Dole. Ms. Dole appears to be instilling vigor and vision into this venerable institution by encouraging changes at the highest levels. When Dole took over in 1991 the organization was immersed in a blood tainting controversy which threatened to shut down one of its most important services. The ARC had grossly underestimated the effect of the AIDS epidemic on the national blood supply, and it was doing shockingly little to make sure that tainted blood did not reach its constituency. When Ms. Dole took over she immediately began working in conjunction with the FDA to set up a five year reform plan which included opening a new training center, building nine central testing laboratories, and beginning a costly centralization of the organization's computer systems.

Dole's new vision also included a plan to actually leave more money locally with the chapters that raise it, to build fuller relationships with corporate America (for money and service), and to emphasize management skills in practice and personnel on the highest levels (Augustine 87). It appears that her vast experience in politics and diplomacy have paid off in the nonprofit world. James Jones,

president of the American Stock Exchange, says, "she has brought in sound management principles that allow us to plan ahead with some assurance-not just a year at a time, or a disaster at a time" (Augustine 87).

A 1988 Gallup Poll listed Elizabeth Hanford Dole among the world's ten most admired women, and with good reason. She began her long and distinguished public service career as a staff assistant in the Department of Health, Education and Welfare in the 1960s and has since served six presidents, dedicating her career to public safety. A native of Salisbury, North Carolina, Dole graduated with distinction from Duke University. She received her law degree from Harvard Law School, and also holds a Master's degree in Education and Government from Harvard. Dole headed the White House Office of Consumer Affairs under Presidents Johnson and Nixon. Her resume includes five years as a member of the Federal Trade Commission, and two years as assistant to President Reagan for Public Liaison. In 1983, she joined President Reagan's Cabinet as Secretary of Transportation, the first woman to hold that position. During her four years as Secretary of Transportation, Dole was a driving force in proposing and implementing safety initiatives that included requiring air bags and automatic safety belts in new cars, and raising the drinking age to twenty-one. In January 1989, President Bush named her Secretary of Labor, where she served as the President's chief advisor on labor and work force issues. She has worked to help

shatter the "glass ceiling" for America's working women and minorities, increase safety and health in the workplace, upgrade the skills of the American workforce, and improve relations between labor and management (President 2000).

Dole's accomplishments have been widely recognized. She received the National Safety Council's Distinguished Service Award in 1989. In 1993, Women Executives in State Government honored her with their Lifetime Achievement Award for her achievements in helping women and minorities break through the "glass ceiling." That year she was also selected for induction into the Safety and Health Hall of Fame International for her numerous transportation, workplace and blood safety accomplishments, and was named the first "North Carolinian of the Year" by the North Carolina Press Association (President 2000).

Dole says that "by putting technology to work, by using good business sense to design our future, and by supporting our dedicated volunteers and employees, the American Red Cross will continue to uphold its tradition of trust" (Dole 97).

By working to build and achieve that trust among paid staff, volunteers and board members alike, Elizabeth Dole is an example of what the ED of an organization who accepts and utilizes their centrality can mean to the vision, goals, and operation of the nonprofit.

Chapter 5

CONCLUSION

The Integrated Nonprofit Organization

This paper has used expert opinion and case study to support the conclusion that there is an effective formula for instilling and cultivating passion for the mission of an organization among the volunteer and paid staff of a nonprofit organization. Through both postulation and research, leading thinkers in the study of organizational behavior have proven that it is a combination of both functional and behavioral positioning and strength among Executive and Board leadership that most prominently affects the attitudes and the work of a nonprofit staff. This idea sets the stage for an equation which succinctly and adequately encapsulates the issue of staff involvement with organization mission.

Executive
    Centrality   +   +   +   = Staff Excitement and
                                                                Buy in of
                                                                Organization Mission

Hermann and Heimovics have demonstrated that the centrality of the Executive Director is essential as the basis for strong leadership in a non profit organization. That centrality is important in two ways. First, the ED must be perceived to be

the true leader among the board and staff, that is it must *seem* as if the ED is in charge. To those both within and outside of the organization, the ED must be the most identifiable personification of what the organization is about. Second, the ED must be the true leader in reality, meaning that he is connected to the major functions of the nonprofit, either personally or through clear and open communication with a delegated manager. In other words, even though there may be a personnel manager, accounting manager, development director or director of volunteers, it is the ED who ultimately is responsible for the day to day operations of the organization, and he must be alert and focused on the major issues of those and other departments.

Further, the centrality of the ED assumes that the ED is involved in helping his or her board of directors reach their potential. He or the she keeps them involved with the purpose and status of the organization through regular and thorough reports on the day to day activities, challenges, opportunities and problems that the nonprofit faces. The truly effective ED uses his or her centrality for the benefit of the board and their directives, not any personal agenda. Finally, he or she uses centrality prodigiously in guiding the organization's relationship to the external environment in which the nonprofit operates. The first element of the nonprofit equation assumes that the Executive Director is growing towards and committed to becoming everything that defines the centrality of the ED.

$$\text{Executive Centrality} + \text{Strong Board Leadership} + \quad + \quad = \text{Staff Excitement and Buy in of Organization Mission}$$

The second element of the equation, strong board leadership, encompasses a certain set of paradigms and behaviors, as well. Nancy Axelrod presented a challenging list of responsibilities which could act as a standard for the nonprofit board of directors. It is the board's responsibility to determine the organization's mission and purpose, select, support and review the performance of the ED, plan for the future, provide sound financial management, secure financial resources, and advance the organization's public image. In addition, the nonprofit board has the responsibility to strengthen its own effectiveness through an organized pursuit of development and growth through attendance at seminars, conferences, reading relevant material, and thoughtful exchange with the ED and other members of the organization.

The actual responsibilities of the board will be influenced by the organization's age, size, and scope, the method of choosing board members, and the leadership style of the ED as he works with the board. Enough cannot be said about the cooperation and partnership that exists between the ED and the board of directors. This working relationship (or lack of it) will inevitably leave its mark on the entire organization, and play a major role in whether or not the organization

achieves unity of purpose and effective fulfillment of the organization's mission.

| Executive | | Strong Board | A Balanced | | Staff Excitement and Buy in of |
| Centrality | + | Leadership | + Strategic Plan + | = | Organization Mission |

John Bryson has suggested that the strategic plan can be the vital link between

the philosophy and stated purpose of the nonprofit organization and its everyday

practice. This can only happen, however, if the plan is more than just a passing

whim, and if the process which goes into the development of the plan is

generously infused with input from all levels of the organization. Many

important factors should be weighed in order to successfully develop and

implement a dynamic strategic plan. Both the formal and informal mandates of

the organization must be taken into account, there must be a clear conceptual

agreement on specific organizational mission and values, an accurate assessment of

the organization's internal and external environment, identification of strategic

issues, a logical development of strategy, and a working description of key

elements of the organization's future.

There is a strong relationship between a successful, cohesive, strategic plan and

a vibrant, functional leadership team consisting of an Executive Director who

recognizes and utilizes his centrality and a growing and priority centered board of

directors. An organization stands little chance of developing a strategic plan that

will go beyond the "idea" stage if there is not that strong leadership team to

nurture it into reality. It takes both discipline and patience to put such a plan through the necessary steps. and subsequently sell it and maintain it to the staff and constituents of the organization. But it is evident that the time and energy spent are well worth it.

Executive Centrality + Mission	Strong Board Leadership +	A Balanced Strategic Plan +	STEP Model	Staff Excitement and Buy in of = Organization

There is a great deal of recent OD literature that would suggest that the functional aspects of leading an organization. such as planning. organizing, delegating. and evaluating. make up only a piece of the management puzzle. There is what might be called the spiritual side of leadership. as well. Authors the likes of Stephen Covey. Peter Drucker. and Mark Victor Hansen firmly believe in this concept. which implies that in order for the constituency of an organization to truly take hold of vision. they must see worthy stewards guiding and protecting it. They must be able to look up and see their Moses standing on the rock "that they might find hope".

This paper has attempted to tie these various spiritual aspects of organizational leadership into a package of five important leadership qualities or traits to form the STEP model of organizational leadership:

STRENGTH: that aspect of leadership which promotes confidence in a leader on a professional, emotional and spiritual basis. The constituent can depend on the

leader to remain consistent, no matter what the current environment or conditions.

TRANSPARENCY: the ability and willingness of a leader to be completely real with his staff and other constituents. The organization members can be sure that when they are talking to the leader that they are getting a response based on conviction and that the leader will not shift responses to flow with the wind of the environment.

ETHICAL: the member of the organization can be sure that the leader's decisions and actions are based on solid convictions of right and wrong, and that those convictions will not be swayed by situation, convenience, opportunity or profit.

PERSONAL: the organization member feels a personal connection with the leader and is confident in the fact that they are appreciated on an individual basis. A personal leader is one who has the ability to make the vision of an organization come alive to each one of its members.

It is obviously the rare person who has achieved maturity in each of these areas. And, of course, perfection is out of the question. But these are worthy goals for anyone who aspires to true leadership, and could be used as standards against which to measure the greatness of a leader. It should be added that a leader who has very strong spiritual attributes cannot be expected to throw the functional aspects of management out the window. Both must be working in concert for the leader to be able to gain full support and excitement of the organization's mission.

STAFF MISSION BUY-IN: WHAT DOES IT LOOK LIKE?

This paper has made the case for tying together the functional and spiritual aspects of leading and managing into one cohesive package which will stimulate,

motivate and energize the nonprofit work force. One idea that has been woven through this presentation is that mission buy-in is crucial for the nonprofit because:

1) There is very often a volunteer system involved in carrying out the service provided, and volunteers are, for the most part, "mission driven", that is, they are going to give more of themselves and their resources for something they really perceive as being helpful and meaningful to the community, or at least a constituency within the community; and

2) In a great many cases, nonprofits are not able to compensate a paid staff to the same level that a private sector organization would for the same services rendered; therefore, mission buy-in is extremely important in retention and satisfaction of quality employees.

Kuczmarksi and Kuczmarski have observed that as organizations move into the 21st century they "must begin to take on a spiritual dimension. The workplace must help individuals use their personal resources to define their spiritual lives" (287). But what would this kind of heart and soul buy-in look like in an organization? What would its characteristics be? Some of the authors already quoted in previous chapters have some ideas on the nature of such an organization.   In *Principle Centered Leadership*, Stephen Covey suggests that it could be likened to the difference between a swamp and an oasis. The putrid,

stale, disease filled waters of a swamp represent the adversity, legalism,

protectionism and politics of the organization who does things by the old

corporate code (279). But Covey argues that these decaying environments can be

completely transformed by a leadership that is characterized by personal and

moral strength, honesty (read transparency), ethical behavior, and a commitment

to each stakeholder on a personal basis. Covey refers to the dynamo that would

lead to such an environment as "Transformational Leadership" (1991: 281, 282),

and he claims that the results are in the *inner security* that is evident in the lives all

those on staff, both paid and volunteer, when "Transformational Leadership" is

occurring. This inner security will be characterized by high trust, teamwork, hard

work, and a commitment to quality and innovation from top to bottom in an

organization (1991:280). Covey believes that while many organizations try to

capture and harness those individual characteristics and instill them in their

employees and volunteers, that "we may study their methods and try to imprint

them into our culture, but if the foundation isn't there, we're still stuck in the

swamp" (1991:280).

In *The Master Motivator*, Hansen and Batten argue that the work environment

that is built on the functional and spiritual leadership model creates and fosters

relationships in which people understand their significance , possibilities and

strengths. They are a staff that have a clear understanding of their responsibility,

accountability and valued role on the team, and such an environment builds true autonomy. Hansen and Batten maintain that "only then are we able to perceive, relate to and further build on the strengths of the people" (62). And because the leadership personally delivers the mission to both paid and volunteer staff, everyone feels a part of the process.

In their book, *Values Based Leadership*, Kuczmarski and Kuczmarski, state that this functional and spiritual approach will lead to organization settings which will be infused with "energy, insight and spirit" (286). In such an organization, leadership lets the staff, both paid and volunteer, know how they are performing, and acknowledges the contributions of each staff member through feedback, descriptive praise, and performance based monetary recognition. Mentoring and professional growth are both encouraged in this environment, and employees will tie their personal goals to the workplace (290).

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It says in the Hebrew text of Psalms that "the people perisheth for a lack of vision". This is true for all organizations, both large and small, but especially for nonprofit agencies. These very special entities have been formed to serve the public without thought to profit or personal gain. As was stated at the beginning of this work, millions of people across this country and around the world give countless hours of time and energy to make these organizations work. Many

literally pour their heart and soul into their work. The very least that the

nonprofit organization and its leadership can do is return the favor.

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