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THE Nonprofit QUARTERLY

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Maynard and Grimm: using the whole talent pool

Putnam: putting HR outsourcing to work

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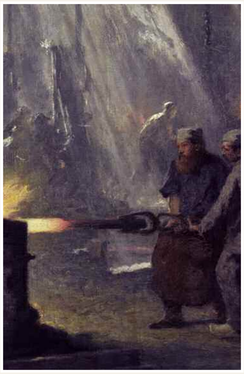
Volume 15, Issue 3 FALL 2008

The Nonprofit Quarterly

Features



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Departments

Conflict

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THE PHOTO OF RISA JAROSLOW & DANCERS © ANJA HITZENBERGER


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The *Nonprofit Quarterly*'s overarching editorial goal is to strengthen the role of nonprofit organizations to activate democracy.

NPQ believes that open societies require venues for individuals to undertake public projects together that are larger than friends and family but smaller than the state and that range from community arts and group homes to environmental advocacy. Nonprofits naturally fill this role, particularly when their efforts engage the ideas, energy, and speech of members of their community. While generating resources encouraged by tax exemption is useful to support this work, *NPQ* believes that in a democratic society the essential role of nonprofit organizations is rooted in the First Amendment and the Universal Declaration of Human Rights, not the tax code or the market economy.

We live in a world that needs more of what nonprofits can achieve. We know that our communities hold untapped courage, compassion, and support and that nonprofits are uniquely positioned to build relationships and understanding. *NPQ* is committed to provide a forum for the critical thinking and exploration needed to help nonprofits stay true to this democratic calling—and to achieve their potential as effective, powerful, and influential organizations in concert with their constituencies.


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Welcome

PEOPLE: THEY ARE OUR GREATEST ASSET. DOES this oft-repeated phrase hold real meaning in the nonprofit sector (where it certainly should), or is it a mere cliché? How do those who spend most of their waking hours in nonprofits feel about the third sector as a workplace? In this issue of the *Nonprofit Quarterly*, we attempt to answer these questions by exploring the motivations, aspirations, and struggles of nonprofit employees and by reviewing trends in the management of our people and our work. As always, we are anxious to hear back from you about the resonance of this coverage and your ideas for other related topics.

NPQ Announces its New Web-based Rapid Response System

As this issue goes to press, we face political and economic shifts that could ripple out powerfully to nonprofits, philanthropy, and the communities that they serve. Some of these developments have taken place quickly, and a quarterly magazine can't provide the kind of real-time response our readers need to interpret these rapid changes and their implications.

In responding to this need, the *NPQ* has worked hard to make its Web site a go-to place on developments in our political and economic environment (www.npqmag.org). Going forward, *NPQ* will make every attempt to ensure that we provide the analysis you need of current events as they happen. We'll work to be your early-warning system. As you may know, *NPQ* has hosted a number of reader sound-offs. Some of the topics include philanthropy and nonprofits, but increasingly we will also host discussions about political shifts that affect our communities more broadly.

NPQ readers tell us that they appreciate the fearlessness and "edge" with which we approach our work, and this will be carried through to our online venue. We want to promote honest, sometimes even uncomfortable, dialogue about the difficult issues of our time. We will rely on the knowledge of experts to seed discussions but also depend deeply on you, our readers, to inform and ground the discussion of topics, including legislative proposals, philanthropic policies, and the bright new ideas that have made their way into the sector.

So make sure and visit us at npqmag.org, and send your feedback to feedback@npqmag.org. We'd love to hear your suggestions for topics and on how we can make the site more useful and provocative.

The Nonprofit Ethicist

by Woods Bowman

Dear Nonprofit Ethicist,

As far as we know, our recently departed executive director did not embezzle funds. But I believe that he "stole" from direct-service program budgets to beef up his administrative budget. Mind you, we add a 13 percent indirect charge to all program budgets for administration purposes. On more than one occasion, the executive director met with foundations that had received proposals from one program or another. And on every occasion of which I am aware, the grant proposal was denied, the relationship was damaged, if not destroyed, and the program's financial position was compromised. Of course, program managers were held responsible. The board of directors awoke to these issues only as the executive was on his way out.

It seems to me that this is wrong. In its commitment to supporting its programs and operating in an ethical and moral manner (did I mention it's a church organization?), the organization has an obligation to programs damaged by this person's unethical leadership.

Innocent Bystander

Dear Innocent Bystander,

You are right about his behavior being wrong, but be careful about using words like steal *to describe it. The difference is between being criminal and being unethical. I think you mean that he did not respect approved program budgets by spending money given for one purpose on something else. Assuming that your grantors pay attention to post-audits and your former executive director could not provide a good explanation for these changes in spending, your organization's relationship with grantors is sure to be damaged. Damaging a reputation is irresponsible and unethical.*

Now that he is gone, what to do? First, if it doesn't have one, your organization needs an ethics policy. But just having a code is insufficient. There must be a well-advertised procedure for employees to file complaints anonymously and a procedure for investigating complaints promptly. A strong ethics culture is important too. The Ethics Center has identified these necessary components for a strong ethics culture: ethical leadership, supervisor reinforcement, peer commitment to ethics, and embedded ethical values. I would also add strong internal controls to reduce opportunity. Your executive director should not have been able to move money around with his signature alone. Weak controls open the door to real stealing.

If it doesn't have one, your organization needs an ethics policy. But just having a code is insufficient. There must be a well-advertised procedure for employees to file complaints anonymously and a procedure for investigating complaints promptly.

Dear Nonprofit Ethicist,

The *New York Times* recently revealed that ACORN, a national community organization, and Dale Rathke, the brother of ACORN co-founder and chief organizer Wade Rathke, had embezzled nearly $1 million. Although they learned about the embezzlement a decade ago, top ACORN managers decided to hide the discovery from the board of directors, never notified law enforcement or the IRS, and accepted a promissory note to be repaid over 30 years. Wade Rathke argued that ACORN is a low-income empowerment organization and that to reveal the problem would hurt the organization's reputation, which would make it vulnerable to outside attack, hurt its mission, and ultimately hurt the people it serves. ACORN retained Dale as a paid staff member until this year, when the situation became public. What should ACORN have done differently? Who has a duty to whom?

Disappointed

Dear Disappointed,

Ah, yes: the old it-would-have-hurt-our-mission gambit, a favorite of nonprofit

miscreants. It is as though a $1 million theft was of no consequence. In Wade's defense, it must be hard to come up with an original reason for covering up an egregious ripoff. His argument is nonsense, and the 30-year note is worthless.

To be sure, a nonprofit's first duty is to the people it serves, and the board has ultimate fiduciary responsibility. Whoever first learned of the theft should have reported it up the chain of command and followed through to ensure that the board was also aware. It should have fired Dale Rathke, filed a police report, and recovered the money from its insurance company. (Let's hope ACORN at least had enough common sense to bond its employees.) It should start by telling its big donors first—before they read about it in the papers. But they have no fiduciary responsibility for ACORN and therefore have no role to play in cleaning up the mess.

If ACORN had been concerned about damage to its reputation, it would have been worth spending a few bucks on a public relations firm to tell its story. I envision something like, "We will not tolerate anything or anyone who stands in the way of our empowering low-income people, and our insurance company replaced the money." It could have emerged from this with an improved reputation.

This is a good example of the dangers of nepotism, especially when practiced by a founder. The Ethicist surmises that ACORN might have handled the situation differently if Joe Schmo had stolen the money.

Dear Nonprofit Ethicist,
We hired an early retiree as a job developer on a part-time contract basis. Her husband was an injured worker and was retraining as an accounting clerk at a local college. He has looked around for a job without success. We suggested he join our board to get volunteer recognition on his résumé. He has been a board member for a year, but he is still unemployed.

We run an annual event that is staffed by a volunteer member of the board and assisted by other board members, volunteers, and staff on their own time. This year his wife coaxed him to take it on. It takes about three months to plan, organize, and implement based on a tried-and-true template set up by previous leaders. To help defray expenses the contracter and his wife might incur, I agreed that we could pay an honorarium of $1,000 into the wife's private business, because we cannot pay a board member and because the wife is involved in activities for the event. Now, three months into the project, he has e-mailed an invoice with a bill for each of three months totaling $2,250. These "arrangements" were not put in writing. Now we have to try to unravel this. We do not plan to pay these invoices.

To help defray expenses the contracter and his wife might incur, I agreed that we could pay an honorarium of $1,000 into the wife's private business, because we cannot pay a board member and because the wife is involved in activities for the event.

I have kept the board chair and our bookkeeper informed. They knew about the $1,000 honorarium. I prepared a history of the event indicating that it had been operated on a volunteer basis and only, on one occasion, by a part-time staff person. No board member involved in the event has ever been paid. I have distributed the information to members of the committee and will share it with both husband and wife. I also plan to acknowledge the agreement to provide the honorarium. Any other discussions must take place with the board chair present. Do you have additional advice for us?

Helpful

Dear Helpful,
Boy, did you blow this one. The Ethicist is reminded of those pictorial children's games that you see on restaurant place mats: "There are six things wrong with this picture, can you find them?"

Here we go: (1) You invited someone to join your board as a favor, not because they would strengthen the organization. (2) You invited someone to join your board who is related to an employee. (3) You paid a board member above and beyond out-of-pocket expenses. Apparently you do not have a written policy that defines an allowable expense. (4) You used semantics (honorarium instead of compensation) as a device for ignoring a long-standing policy to the contrary. (5) You compensated someone indirectly—writing a check to his wife in order to get money into his pocket. (6) You failed to put all economic arrangements in writing.

How do you dig yourself out of this mess? First, you are right not to pay his bill. Good start. Since there is nothing in writing, I suspect he would have a hard time proving that you owe him anything but my advice is: call your lawyer. Don't compound your problems by "winging it."

Sometimes tempering justice with mercy calls for bending a rule, but the lesson here is that bending rules, even with good motives, almost always causes ethical dilemmas. Bending multiple rules is a good way to cause a train wreck.

Woods Bowman is an associate professor of public service management at DePaul University.

To write to the Ethicist with your query, send an e-mail to ethicist@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 150301.

Working:
Nonprofit-Style

by the editors

People working in nonprofits—even in jobs that require specific skill sets—often end up in positions they did not plan to occupy.

THIS ARTICLE IS MEANT AS A KIND OF A collective self-portrait because, as you will see, many of our readers have helped us to shape it. It is a representation of ourselves as nonprofit workers: rural and urban and suburban, older and younger, across the country, and in many different fields of endeavor. The people and places are different, but their experiences are knit together by the common theme of ardor for their work and their communities.

Generally, we have noted that the mainstream media characterizes the nonprofit workforce in two ways; (1) through exposés of exorbitant salaries and bad behavior on the part of a minority of nonprofit leaders and (2) through a kind of "What a saint" lifestyle-page profile. Since most of us are neither saints nor mercenaries, that leaves a lot of us wishing that the cartoonlike caricatures would stop and give way to a more accurate and nuanced view of our hardworking, skilled, and committed workforce.

So here is our effort to bring you "Working: Nonprofit-Style." What follows is a series of interviews not aimed at making any particular point, but rather designed to provide a view of how we develop ourselves and our communities in the context of our jobs. The interviewees here tend to work in smaller or midsize organizations (we hope future coverage can reflect a broader sample of organizational size). Interspersed in this article

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is sometimes surprising information drawn from research about our national nonprofit workforce, its diversity, and its compensation.

This unconventional training for high-skill jobs is not uncommon in nonprofits, which are often resource-stretched environments.

The Zen of the Nonprofit Career Path

People working in nonprofits—even in jobs that require specific skill sets—often end up in positions they did not plan to occupy. Below, two artists discuss the journeys they took to their administrative positions.

Christa Stiner: Rising to the Position—and the Challenges

"I started out in a pit orchestra playing bassoon," says Christa Stiner, "and then I worked in a box office, and then I became the orchestra manager for a musical theater company, and then I became the business manager for the musical theater company, did a little work in public relations and marketing for a small dance company, and then I became the general manager for the musical theater company. Then I jumped to being an administrative assistant for a much, much larger ballet company and worked my way up through the ballet company, from production assistant to accounting assistant to production manager to finance director."

Stiner, who makes $80,000 as the director of finance for the 28-year-old San Jose Repertory Theatre, operating with a $6 million annual budget, readily admits to lacking a degree in accounting. But she clearly has a grip on the complexities of the number-cruncher role in this organization, which has 200 employees. She talks knowledgeably about the challenges of public accountability, internal transparency, and engagement in budget processes as well as how she approaches managing the mix of earned and contributed revenue familiar to many arts organizations. How did she acquire her skills? "I've been working in nonprofit finance for about 15 years. I've learned virtually all my nonprofit accounting on the job, mentored by other finance directors. Anybody who has a love of numbers and an eye for detail and appreciates the structure of justifying one's tax-exempt status can do this job." But she notes that the job requires skills in critical thinking as well, "You have to be able to do a certain amount of analysis and ask good questions and be aware of what's going on around you," she says.

This unconventional training for high-skill jobs is not uncommon in nonprofits, which are often resource-stretched environments. Good managers are often on the lookout for workers whose talent and aptitude might be developed to cover more than one role, and this search sometimes leads to employees finding joy in unexpected roles.

Stiner says that the most fulfilling aspect of her job is "being right in my projections. Doing the modeling and being successful in being able to forecast accurately." This would be music to the ears of most executive directors.

Habib Loriot-Bettaieb: Artist at Work

When asked about his workplace at TITAS, Habib Loriot-Bettaieb is quick to describe the brilliant, multicultural performing-arts tapestry that is the essence of his Dallas-based nonprofit organization's mission. His list of past and forthcoming artists tumbles out enthusiastically: American Ballet Theatre! Steve Reich! Twyla Tharp! Kodo drummers of Japan! China's Shaolin Warriors! Benin's superstar and UNICEF goodwill ambassador Angélique Kidjo! MOMIX! Portugal's fado chanteuse Mariza! Les Grands Ballets Canadiens de Montréal! The Afro-Cuban All Stars! Alonzo King's LINES Ballet! He extols the virtues of each and says, "What we do appeals to all sorts of folks; we have people of all ethnicities, of all ages, and of all economic and educational backgrounds. TITAS audiences provide a pretty good representation of what America is really all about."

Loriot-Bettaieb started as an artist, studying music composition in college. "It's something that remains at the core of who I am," he says. "However, talent alone has never assured anyone a career in a specific field—royal courts are no longer around to support composers, commissioning them to write music, so instead I became a program officer at the Missouri Arts Council, a state arts agency, where I oversaw the music and dance grant programs. Then, I hopped on the other side of the fence, joining my first nonprofit organization as general manager of the St. Louis Ballet, and after that I joined Metro Theater Company, considered by our peers as one of the leading five theater companies in North America that produce original theater pieces for young people and families."

Perhaps because of the realization that good art always needs sponsors—even if they are not

Diversity within Nonprofit Leadership

For good reason, the issues of race and diversity in leadership and staffing have increasingly surfaced within nonprofits and in philanthropy. Despite serving a multihued nation that is rapidly becoming majority-minority, the nonprofit sector is pretty white, especially at the top levels of leadership. In Congress and in state legislatures, lawmakers question whether the tax exemption should be used to support a sector that does not look like it's diversifying rapidly.

What do we know about this issue? Apparently, not as much as we should. Recently foundations in California resisted efforts that would have required these organizations to report on the racial and ethnic makeup and leadership of their grantees. When we talk about specific racial or ethnic minorities, it's not even clear that we all mean the same thing—much less what constitutes a "people-of-color-led organization."

The most recent pertinent data comes from some diverse sources that look at slices of the nonprofit sector:

- According to a 2004 survey of 2,200 nonprofit organizations, conducted for the Annie E. Casey Foundation, if you're a nonprofit executive director, the odds are more than half that you're a middle-age white woman. Of respondents, 84 percent were white, 10 percent African American, and 4 percent Latino, though just about half of the organizations served racially mixed or predominantly African-American communities.
- CompassPoint's 2006 study of nonprofit leadership characterized executives as 82 percent white, 7 percent as African American, 4 percent as Latino, 4 percent as Asian/Pacific Islander, and 3 percent as other. The statistics reflect 1,932 survey responses, based on a national sample focused on five regions.
- Statistics on some nonprofit subsectors also do not look exceptionally diverse. While the nation's nonprofit community development corporations (CDCs), for example, trace their origins in part to civil-rights groups frequently established and led by racial and ethnic minorities, today's community development corporations are led predominantly by nonminorities. A 2005 census of CDCs conducted by the National Congress for Community Economic Development classified 69 percent of CDC executive directors as white, 22 percent as African American, 7 percent as Latino, 1 percent as Asian American, and 2 percent as Native American or Alaskan—a far cry from the neighborhood demographics these CDCs serve.
- Statistics on foundations responding to Council on Foundations surveys show disproportionately few professional foundation jobs held by minorities, a trend that only worsens for higher-level positions. For all full-time paid foundation staff, 76.8 percent were white in 2006, only 11.4 percent were African Americans, Latinos account for 5.7 percent, and Asian/Pacific Islanders account for only 4.8 percent. For program officer positions, only 4.2 percent were black men, compared with 12.8 percent black women, 16.3 percent white men, and 52.4 percent white women, 3.0 percent Hispanic men, 4.3 percent Hispanic women, 3.8 percent Asian/Pacific-Islander women, and less than 1 percent Asian/Pacific-Islander men. For chief executive officers and chief giving officers, 1 percent were black men and 1.8 percent were black women, compared with 41.8 percent white men and 51.8 percent white women. (Source: The Council on Foundations' *Grantmakers Salary and Benefits Report 2005* and the executive summary of the 2006 edition.)

Who's examining this issue? Sporadic "national" surveys—based on relatively small, often less-than-robust samples and studies of nonprofit subsectors, which rely on weak survey numbers themselves—reveal a central truth: while we don't know the specifics, we know that racial and ethnic minorities are underrepresented in the nonprofit sector, even where the target populations are racial and ethnic minority communities.

Where does this take us? This may be the workforce issue of the day. In state legislatures and in Congress, lawmakers have noticed the racial and ethnic asymmetry between the composition of the workforce—and particularly the leadership—and the communities served by the nonprofit sector. The pressure is building—not just for better data, but also for racial and ethnic equity in the tax-exempt sector.

Despite serving a multihued nation that is rapidly becoming majority-minority, the nonprofit sector is pretty white, especially at the top levels of leadership.

For Shimabukuro the diversity of tasks isn't onerous because these tasks are integrated and allow her to monitor the progress of cause through to effect.

royalty—Loriot-Bettaieb ultimately went back to school to hone his fundraising skills and knowledge, attending the Fundraising School at the Center on Philanthropy at Indiana University. And with his broad experience and added education under his belt, he joined the ranks of TITAS as its director of development with a modest salary (in big city terms) of $50,000.

Unfortunately, over his very rich and productive career, Loriot-Bettaieb has not been blessed with much in the way of employer contributions to his retirement. "It's the Bank of Habib financing Habib's retirement!" he says. "None of us go into this field to retire a millionaire. We just do it for the love of it and the joy and hope it brings our fellow man."

Summer Shimabukuro: The Richness of Organic Diversity

Summer Shimabukuro, a member of the local Shimabukuro-Dodge family known for its activism, works for MA'O Organic Farms (a project of Wai'anae Community Re-Development Corporation) in Wai'anae, Hawaii. The endeavor, which engages young people in organic agribusiness, is one of several networked economic development efforts around the Hawaiian Islands. Many of these projects have been established explicitly to help youth learn and develop from a cultural base that is uniquely Hawaiian.

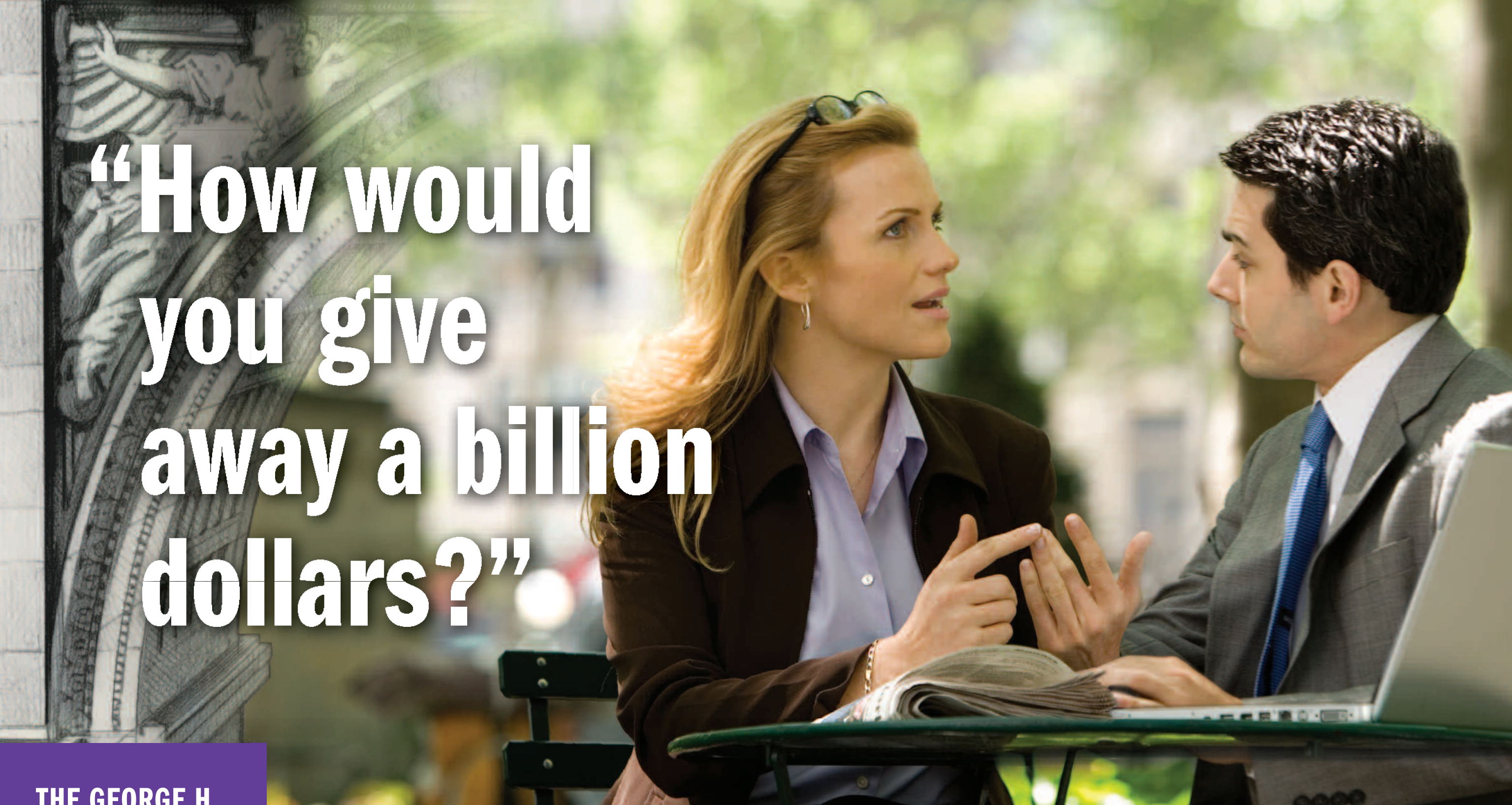
Shimabukuro is 28 years old and makes a bit less than $40,000 a year as the farm's director of education, although she is paid through a local community college. Above a lot of background noise caused by youth in the program getting settled in for the day, Shimabukuro described her job for us.

"I do everything from the front line all the way up to upper administration, so I get a taste of everything," she says. "A typical day would start in the morning at 7:00. I check in with the youth, we usually do a chant. We have about 30 college interns that co-manage the farm and whom we support in college. I help with morning announcements and take the time to check in with as many as I can. I like to see how they're doing, how school is going, and hear about their home lives. I see it as day-to-day counseling and case management, which is great to be able to do, because I get to work on the ground with our interns, hear their concerns, see if there are any changes the program needs to make in order to better empower them, and really get to watch them grow.

"I usually have a few meetings during the day. We do a lot of networking where we work with other organizations and our partner schools on various projects for our education program. So I'll usually have one or two meetings to discuss collaborations, I check in daily with our executive director and also help oversee our education team, which consists of two education resource specialists and myself. One specialist focuses on our college programs, and the other focuses on our high-school and intermediate programs. I check on how things are going with their current activities and how I can best support them in what they're doing. That's pretty much in a day. I do a lot of program designing and evaluation of our programs. A lot of that is just concept stuff on the computer and constant dialogue with MA'O education and farm staff. I also help with special events like fundraisers and am just learning how to write grants."

For Shimabukuro, the diversity of tasks isn't onerous because these tasks are integrated and allow her to monitor the progress of cause through to effect. "Every day I feel like I'm making a change," she says. "Every day I feel like I'm making a difference. We really are on the ground, in the classroom, at the farm, working with them every day. And if I see things that aren't working on the ground level, I have the—I don't know if *power's* the right word—to change things very quickly. So you have a really, really quick feedback loop. It's great."

This is made possible, she says, by a sense of shared leadership. "I think a lot of that has to do with native models of leadership," she says. "We really view leadership as being the person at the bottom of the totem pole that's supporting the workers above you. I think that has a lot to do with the way that Kukui and Gary, the founders, lead. A lot of times it's about supporting us. It's a very democratic working environment, and it's very intellectually rigorous. Every day in the office, for at least an hour, you'll hear us heatedly arguing over stuff: about the education system, about the homeless problem, about how we can better do things. Always talking about numbers, and research, and what was in the news that day. I love it. I really feel like I can be very creative, and I'm surrounded by people who are very intelligent, always asking questions, and who care."



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Small Organizations

Peggy Baker: Small Is Manageable

On the other side of the United States sits the oldest continuously operating museum in the United States, the Pilgrim Society and Pilgrim Hall Museum in Plymouth, Massachusetts. For the past 13 years, 60-year-old Peggy Baker has acted as librarian and director. Making $60,000 a year, she epitomizes the kind of person one might expect to find in this role. She boasts two master's degrees, one in library science and one in Latin. She is a self-professed history buff, and in explaining her choice of workplace, she says, "If you're in Plymouth and you're a history person, you do Pilgrims."

Sleepy image aside, however, most museums are no walk in the park to manage. But Baker points to place and size as factors that make this museum a desirable place to work. First, of course, Plymouth is a big tourist destination, and Pilgrims figure large in visitors' interests. So there is a ready-made audience of 25,000 to 30,000 per year. Second, local supporters make up an active cadre that is attached to the historical traditions and tourism base of the community and that does the necessary committee work. Finally, the museum has stayed at a manageable budget size at just less than $500,000.

Baker credits the size of the institution with making her job manageable. "I thoroughly enjoy the size," she says. "I have worked at much larger institutions where I did not have the variety of challenges that I have now and found that I did get rather bored. And that is something that I have never, ever had to worry about here. At the same time, I'm not operating solo, so I don't feel overwhelmed. There are enough staff people around me that I can afford to go on vacation without worrying myself sick. I can afford—if I have to take a sick day or have jury duty—I can cope with life without feeling that I'm overwhelmed by the job."

Ana Aguirre: When Resources Are Stretched Thin

Not everyone, however, is having a stress-free time working in a small setting. When she came to the United States from Peru, Ana Aguirre had a background in psychology. Since that time, she has worked at United Community Centers Inc. (UCC) in Brooklyn, New York, first as a health educator and then as the executive director. Along the way, she earned a master's degree in public health from Hunter College.

In 1954, tenants in two New York city housing projects formed UCC and built a membership organization that since its inception has involved families and individuals from the community of mixed racial, ethnic, and religious backgrounds in a wide range of programs. UCC's mission is to provide first-rate services that meet the needs of families and to involve adults and youth in campaigns for social change as a vehicle for learning about and resolving community problems.

After listing a truly awesome range of UCC programs, from day care to HIV education, English as a second language, immigration assistance, and organizing to prevent foreclosure, Aguirre notes that what the organization has taken on in reaction to community needs does not often allow members of the 35-strong staff to take a night off.

After listing a truly awesome range of UCC programs, from day care to HIV education, English as a second language, immigration assistance, and organizing to prevent foreclosure, Aguirre notes that what the organization has taken on in reaction to community needs does not often allow members of the 35-strong staff to take a night off. "You stretch, you take a lot of stuff home, and you work from home on weekends, especially when you have to put together proposals," she says. "And sometimes you cannot take all of your vacation at the same time because you cannot be away for too long.

"I think that many smaller organizations are stretched thin and don't have the resources they need. I think that foundations consider us too small and therefore incapable to do a good job, so the money goes to much larger organizations. But small organizations like ours are much closer and more grass roots and more connected to the community than the large ones. Foundations should reconsider small organizations and invest in building capacity. You cannot expect to run a quality program without putting money in less glamorous expenses like overhead costs.

"But it goes back to capacity. You have less, so someone has to do five things that other places might distribute among more staff. A large organization might have a human resource department or even a tech department to fix your computer or someone that will clean your bathroom. Those are luxuries in a small organization. Fortunately we have very dedicated staff."

Aguirre does what's required to keep things moving day to day in this small, complex agency. "Even though I am the director, I do programs, so usually in the winter it might be that early in the morning I'll be with another coworker doing a

A Leadership Crisis

Some in the nonprofit sector have sounded an alarm about an impending nonprofit leadership crisis. By some counts, large proportions of nonprofit CEOs plan to jump ship, are ready to retire, seek better-compensated and better-benefited jobs in the for-profit sector, or feel so burned out that they simply can't take it anymore. By other accounts, too few nonprofit executives have moved on to make way for younger people to move up in the sector and assume leadership positions.

What do we know about this issue? You don't have to look far to find someone writing panicked "sky is falling" warnings-cum-analysis about the depth of the crisis facing the sector. The reality is that the information is limited, the sense of crisis is somewhat viral, and generalizations from the data are dubious.

Having "listened deeply" to the nearly 2,000 survey responses of nonprofit executive directors in eight cities, the authors of *Daring to Lead* sounded the alarm that three-fourths of nonprofit leaders planned to leave their jobs within five years and almost one-tenth were already in the process of doing so. Approximately one-third of surveyed executive directors got their jobs as a result of their predecessors having been fired or otherwise forced out, with the authors' implication that a similar dynamic could befall the current crop of directors. It isn't clear from the study whether the three-fourths planning to leave includes directors who anticipate that they will be fired or forced out. But the authors highlight the characteristic sources of job wanderlust among directors: boards aren't supportive, don't sufficiently value directors' work, and don't understand directors' jobs or their own (particularly in the area of fundraising). These factors combine for a classic recipe of executive director burnout.

In *The Nonprofit Sector's Leadership Deficit,* the Bridgespan Group, a nonprofit consulting firm, issued an analysis of nonprofits with annual revenue greater than $250,000, projected growth rates for nonprofits by size, examined likely turnover in seven staff leadership categories, applied estimated retirement and turnover rates to these nonprofit positions, and reached a highly publicized conclusion: over the next decade, these organizations would have to find as many as 640,000 new managers to replace departing leaders and fill new jobs. That amounts to 2.4 times the number currently employed.

Who's examining this issue? Several entities exploring the leadership deficit question—and the broader issue of nonprofit staff turnover—happen to be consulting firms that provide assistance to nonprofit clients with recruitment and retention. It makes sense for these firms to generate this kind of data, in part to demonstrate their knowledge of the field but also to create a market for their services by invoking the mantra that there's a leadership crisis. Directly and indirectly, these studies and others rely in large part on surveys of leaders who explain what they think they might do in the future, not empirical analyses of actual nonprofit executive director turnover that has taken place.

Where does this take us? The nonprofit leadership shortage jeremiads lead one to think that the nonprofit sector is in freefall and that executive directors have one foot out the door everywhere you look. Perhaps a less frenzied characterization is that nonprofit executive directors have tough jobs and face challenges—particularly in the areas of fundraising and human resources—that create burnout. But after departing their jobs, most nonprofit executive directors stay within the sector. In some instances, perhaps as viewed by younger people, some churn at the director level creates opportunities for new leadership development. Finding ways of dealing with stress and burnout would be a productive arena for inquiry and action.

What we do know is that executive leadership in nonprofits takes special skills and that we are able to home-grow these skills. In their 2007 *Nonprofit Quarterly* article "Peak Performance: Nonprofit Leaders Rate Highest in 360-Degree Reviews," Jean Lobell and Paul Connolly detail comparisons of nonprofit and for-profit leaders using 360-degree evaluations from supervisors, peers, and direct reports. The study found that nonprofit leaders outperformed their for-profit counterparts on several aspects of leadership that correlated with emotional intelligence and the ability to collaborate and negotiate in the face of resource constraints. In his accompanying commentary on the article, management guru Jim Collins, author of *Built to Last* and *Good to Great*, asserts that the aspects of leadership in which nonprofit executives are shown to excel suggest that they have accurately chosen to develop skills that are "legislative." They rightly rely less on concentrated "push" power and more on persuasion, political currency, and shared interests to create the conditions for the right decisions to be made.

This suggests that we may want to stop looking over the fence and attend to our own garden, consciously developing and helping to authorize leaders who know the terrain. As the interviews in the accompanying article suggest, there are numerous talented people ready to work side by side with and ultimately to replace nonprofit leaders.

presentation on women's health in one of the schools," she says. "Coming back, I might meet with an administrator at the day care to go over the budget, write a report for a foundation, struggle with the city to have a contractor fix our heating system, and things like that. Afternoon might be a meeting with other organizations about a joint organizing project or writing a grant or writing our reports." Aguirre, who makes $71,000 a year, says that the agency offers no pension contributions because its budget doesn't allow for them.

Every day, we do problem solving because each domestic violence situation is different.

Eleanor Drewniak: Shuttle Diplomacy

Most of the nonprofits in the United States are small and local. Their budgets tend to be modest, and staff members do multiple jobs as they are needed. Eleanor Drewniak is the poster child for this kind of nonprofit work. With a salary of $30,000 a year, she is the director of the Eastern Shore of Virginia Coalition against Domestic Violence, which serves Northampton and Accomack counties. Drewniak describes the area as a long peninsula and two islands, so her work requires a good deal of travel. The organization is small, with three full-time and one part-time staff position, and she describes all staff as needing cross-training so that they can cover for one another.

Drewniak says she has come to appreciate that diversity of task. "Each day is a new challenge, never the same," she says. "Every day, we do problem solving because each domestic violence situation is different. We assess each situation, and then we discuss what we can try to do about it. And so, although I try to do as much administrative work as I can get in, I can't do the same thing every day, because I work with different people every day: our clients, survivors, conquerors—or whatever they call themselves by the time they leave."

The work, she says, is complicated by its geography. "There is a lack of resources for our clients in such a rural area because there is lack of employment, lack of permanent housing, lack of transportation," she says. "It's a very small area, so you can't just say, 'I'm going to go to my domestic support group,' because probably everybody in the whole county will know what you did last night. So we have to think outside the box to be able to assist. But [with] the lack of resources, it's very difficult to spread ourselves so thin to educate the community, to serve the clients, to be a part of our state alliance, and be actively involved because we're so isolated. We try to be seen or else we're easily forgotten."

There is no doubt that Drewniak and her staff are under constant pressure, with dire consequences for a failure of judgment. But she notes that some of the anxiety is relieved through the culture of the workplace. "We are fortunate that the employees here are like family," she says. "Although we might have our differences, we work very closely together, and it's very rare that you really find a workplace that if something is wrong with you and they talk to another employee about you, a person is not necessarily complaining about you but concerned. 'What do you think is wrong with her today? Do you think she's ill? Do you think she's had a bad night? OK, let's go ask her.'"

From Unpaid to Paid

Constance Vergowven: Groomed Talent

Because nonprofits can engage volunteers in their work, they can recruit from their ranks and develop promising talent. If you really keep this part of your resource base thriving, you can identify tested, knowledgeable, and trustworthy board members among volunteers, and you'll also identify fabulous staff in the making.

When a volunteer gives back for services he or she used, it brings an extra dose of grounding, passion, and commitment to an organization. Constance Vergowven now attends the School of Social Work at Rhode Island College, but she credits a volunteer experience with launching her onto her current path.

"I went to the Women's Resource Center of Newport & Bristol Counties to give back what I had used," she recalls. "I thought I was going to volunteer at the shelter to clean the basement. But when I arrived at the main office, I found myself standing there with this woman who I thought was also a volunteer. She was dressed nice. She had a suit on. I used to call it her Wickford suit; it had leather patches on the elbows. So I'm standing next to this woman, and my old counselor comes out. . . . She said, 'Hi, how are you?' I told her I was doing good and that I came to clean the basement at the shelter, and she asked me to answer the phone instead. I said, 'Yeah, OK how do you do that?'

The Size and Trajectory of the Nonprofit Workforce

Are there reliable estimates of the proportion of the U.S. workforce that receives a paycheck from a nonprofit employer? Increasingly in the sector, organizations sense that working for nonprofits isn't inconsequential. Lots of people not only work in the sector but also see their career futures as bound up with nonprofits. But among the public, is the nonprofit sector's thick slice of the American workforce recognized, appreciated, and accorded its due economic—and political—significance?

What do we know about this issue? Through a combination of national entities, such as Lester Salamon's persistent data collection efforts at the Johns Hopkins Center for Civil Society Studies and surveys conducted by state nonprofit associations, the picture of the dimensions of the nonprofit workforce has begun to come into focus.

Salamon's *Employment in America's Charities: A Profile* used Bureau of Labor Statistics data to estimate nonprofit employment in 2004 at nearly 9.4 million workers, accounting for 7.2 percent of the total paid U.S. workforce. Of course, that isn't necessarily uniform throughout the nation: nonprofit workers were 11.7 percent of the workforce in New England and 11.5 percent in the Middle Atlantic states, but only 6.0 percent in the Southeast, 5.7 percent in the Pacific states, and 5.2 percent in the Mountain states, for example.

State associations of nonprofits and various think tanks have also run the numbers to demonstrate the sector's burgeoning share of the national economy: Indiana University's Center on Philanthropy, for example, says that one out of every 12 employed Hoosiers is paid by the nonprofit sector; and in 2005, using Salamon's BLS data, the Pennsylvania Association on Nonprofit Organizations (PANO) announced that one out of every nine Keystone State employees worked in the nonprofit sector.

Who's examining this issue? Salamon and his colleagues at Johns Hopkins deserve credit for their years of work with the BLS statistics to mine employment data of vital importance to the sector. But such numbers always raise questions about methodology and challenges to interpretation.

So Salamon's estimate that 7.2 percent of the workforce comprises nonprofit workers is challenged by the fact that this same workforce comprises only 6.6 percent ($321.6 billion) in wages. Is this difference attributable to a wage gap across the board or to gaps in certain industries and differences in paid hours worked by nonprofit versus for-profit and government employees?

And despite a shaky economy and a stalling total U.S. workforce, is the nonprofit workforce growing? For the 2002–2004 period, Salamon calculated a 5.1 percent increase in paid nonprofit workers, compared with a -0.2 percent contraction in the nation's total employment during the period of "jobless recovery." His data suggests a robust and somewhat countercyclical nonprofit employment dynamic. But another report from OMB Watch suggests that in 2003 the pace of nonprofit job creation virtually stalled and that between July 2003 and July 2004 it grew only 0.5 percent.

Where does this take us? Sometimes aggregation as "nonprofit" masks differences within the sector. According to Salamon's analysis, hospitals alone account for one-third of all nonprofit sector employment, health care for more than half of nonprofit paid jobs, and education for another 13 percent of jobs. Sixty percent of hospital employees work for ostensibly nonprofit hospitals. Thus the employment trends in the various components of the nonprofit sector may be as or more related to the economics of those industrial sectors (trends in health care, education, arts, museums, etc.) than to broader nonprofit trends.

"Now, I had bleached hair, the roots were coming out, you know, torn jeans. I looked like crap pretty much. So she's telling me how to answer the phone, and I'm trying to memorize it, and this woman Deb is standing right next to me, and she's writing everything down, so I'm thinking she's being the really kiss-ass fancy volunteer, because even though she introduced herself, I didn't know what an executive director was. I thought it meant fancy volunteer.

"So she's writing everything down, and I didn't want to look bad so I looked at her and asked, 'Can I have a piece of paper?' and she's like, 'Yeah, sure.' She gives me some paper, and then she gives me a pen. Now, I couldn't spell back then either, so I scribbled everything because I didn't want anybody to know that I wasn't smart, especially this fancy volunteer.

"Three months go by, and you need to understand I was treating Deb like I'd treat anybody else, which wasn't good back then. When I needed to be professional, I usually used my fake-bitch voice: 'Blah blah blah.' I never used my fake-bitch voice with Deb, because I never had a fear of her, of her being the boss. During this time, the volunteer director pissed me off because she decided that after my three months of dedication (I came to the center every day and answered the phone), she was replacing me with another volunteer. She didn't like me because other staff members liked me, so I left. Funny thing about this is that I didn't cuss her out when I departed. . . . So I started walking home and ended up calling the center from the corner store. I started crying, and I said to the shelter director: 'I'm not coming back there. That bitch is so mean to me all of the time!'

The volunteer director pissed me off because she decided that after my three months of dedication, she was replacing me with another volunteer.

Vergowven's experience as a volunteer and as a staff person provided her with a sense of her own capacities, which are vast. "I will always find passion in my work, no matter what I do."

"The shelter director said: 'You have to come back.'"

"I replied, 'I don't have to do nothing.'"

"She then said, 'You have to come back; Deb just hired you.'"

"I said, 'Deb?'"

"'Yeah,' she said."

"'Deb?'"

"'Yeah, she's the executive director.'"

"'Oh . . . does that mean the boss?' I asked."

"'Uh, yeah,' she said."

"She told me Deb wanted to meet with me the next morning. So I went in, and Deb writes down my salary on a piece of paper and slides it across the desk like on TV. I pick it up, this little piece of paper, and it says $7.50. I thought, 'Oh my God, that's so much money,' I said: 'You're going to pay me that to sit here and answer a phone? Oh my God, I'll do it for five bucks an hour.' And she's like, 'The first thing I'm going to teach you is not to ever say that to anyone; don't ever say you'll work for less than what you deserve.' And I was like, 'OK.' Oh my God, I couldn't believe I was getting $7.50 an hour.

"All along, Deb just believed in me. A couple of months after Deb hired me, she gave me an old Mac that looked like a Barbie computer. She said, 'I want you to take this home and learn how to use it, because you're going to help build a database for keeping statistics on victims of domestic violence, and you're going to hook up with the data team at the Rhode Island Coalition Against Domestic Violence.' So I went home, and I said to my boyfriend; 'I think Deb sits around and gets high and thinks up things for me to do, because she thinks that I can really do this.' I was laughing. I couldn't even type, I didn't even know how to spell but, it didn't matter, I helped build that database because Deb thought I could."

Vergowven's experience as a volunteer and as a staff person provided her with a sense of her own capacities, which are vast. "I will always find passion in my work, no matter what I do," she says, "mostly because I had Deb. She'll deny this, but she taught me everything I know. . . . She did this for me because she believed in me."

Pay Equity

As we go to press, Congress is voting on the $700 billion bailout bill. Sitting smack in the middle of that mess is the appalling fact that the average CEO of an S&P 500 company makes approximately 344 times the salary of the average American worker. This puts the embarrassingly high salaries of even the worst pay-equity offenders in the nonprofit sector in a different, though admittedly completely outlandish, context. Still, because of our public benefit purpose, any overcompensation of leadership causes the public to question the nonprofit sector's integrity. Most leaders in the sector, of course, are paid modestly and the differentials in pay within their workplaces are generally within a realm that most of us would see as reasonable.

Albert Jones and Jennifer Trotter: Shared Commitment

New Directions in Memphis is a 30-bed substance abuse treatment center that serves largely African-American men. Its executive director is Albert Jones, 58, who makes $75,000 a year at the helm of this $1.2 million agency. Jones describes himself as growing up in poverty in a small agrarian town in Mississippi. He has a master's degree in social work from the University of Tennessee. Having assisted the founder in developing the program concept for the agency and eventually becoming executive director in the third year of operation, he is passionate about ensuring that the program remains completely responsive to the cultural community it serves.

But now, as he tries to negotiate a new course while the organization shifts its major funding source, his job has become even more complicated. This change was visited on the whole field and necessitates not only a recalibration of systems but also a reexamination of program fit to ensure the program can adhere to the requirements of the funder and to meet the needs of the community. Jones is enormously busy.

Working directly with Jones is Jennifer Trotter, his executive assistant and the only clerical staff person in this lean organization of 20. Trotter, who is "approximately" 35 and has been at the organization for 10 years, makes $24,960. This salary supports her and her 14-year-old son. The benefits are fairly generous.

Originally in training as a nurse, Trotter has worked in health-care settings for virtually her entire career. After quitting nursing school to have her son, she did temporary work in local hospitals and then came to New Directions through a program run by Bridges, another nonprofit that provides job training. Starting as a

Compensation

In the nonprofit sector, compensation is a loaded topic. The public often cringes at press reports that detail high nonprofit CEO compensation packages. In part, these numbers fly in the face of a sense of moral appropriateness and also prompt nonprofit workers to feel undervalued and tell themselves that they could make far more if they chose instead to work in the business sector.

But in the nonprofit sector, is compensation so much less than it is in the business sector? In a 2002 *NPQ* article, Lester Salamon reviewed employment data from 10 states in fields of work where nonprofits and for-profits compete (see figure 1). Salamon found that those working in the nonprofit sector were generally 18 percent less well paid than those in the for-profit sector. Still, the results may be attributable to those industries in which respondents work rather than to a difference between nonprofit and for-profit pay.

In fact, in some fields (hospitals, education, and child care, for example), Salamon found that compensation in nonprofits was generally higher than in these organizations' for-profit counterparts. In job training, by contrast, nonprofits pay a mere 62 percent of what for-profit institutions pay.

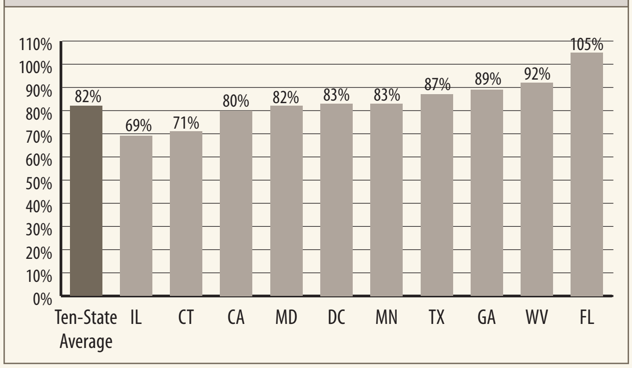
A later study by the Minnesota Department of Employment and Economic Development likewise found a similar variation of salary differentials by field (see Table 1).

These findings provide a very different view of the nonprofit compensation landscape. Complicating the picture a bit more, there are significant variations by state. In Salamon's study, he found that in Illinois, nonprofit workers in general were paid at around 69 percent of the salary of their for-profit counterparts. By contrast, in Florida, nonprofit workers were paid 105 percent of for-profit employees' salary.

Table 1: **Median Hourly Wages for Full-Time Employees in the Twin Cities Metro Area 2006**

Industry	Full-time Median Hourly Wage by Sector: Nonprofit	For-Profit
Arts, entertainment, recreation	$20.01	$16.78
Educational services	$20.52	$21.63
Health care		
Ambulatory health care services	$21.40	$19.71
Hospitals	$25.02	$20.08
Nursing and residential care facilities	$14.09	$13.89
Social asssistance		
Individual and family services	$16.61	$11.56
Community food, housing, emergency and other relief services	$15.99	$18.40
Vocational rehabilitation services	$14.71	$18.93
Child day care services	$12.81	$12.25
Other services		
Religious services	$17.53	$15.73
Grantmaking and giving	$25.03	$26.20
Social-advocacy organizations	$17.97	$17.33
Civil and social organizations	$16.09	$15.23

Figure 1: **Overall Nonprofit Wages as Percentage of For-Profit Wages**



Source: *John Hopkins Nonprofit Employment Data Project based on ES-202 Data*

But What of Those High Nonprofit Executive Salaries?

NPQ has been fascinated by the question of what leads to unusually high compensation for a small group of nonprofit executives. Two studies stand out. In "The Price of Doing Good: Executive Compensation in Nonprofit Organizations," the authors Peter Frumkin and Elizabeth Keating maintain that executive compensation in nonprofits is not related to performance or organizational size but is "significantly higher in organizations where free cash flow is present." Another 2005 study supports these findings. In "Agency Problems of Excess Endowment Holdings in Not-for-Profit Firms," the authors assert not only that CEO and officer pay is greater for firms with excess endowments but that "excess endowments are associated with greater agency problems," including "lower expenditures on charity." The authors posit that in some nonprofits "large endowments [may] proxy for management quality and quality managers receive more pay" but that "firms with excess endowment are less efficient so that the data does not support the conjecture that high-endowment managers are more efficient."

These studies conjure Wall Street, where compensation and results are also poorly aligned, to say the least.

Where does this leave us? The nonprofit sector would do well to think about a collective compensation philosophy that is aligned with the nonprofit public benefit and purpose rather than chance, erroneous assumptions, and faulty frameworks.

Salary ranges are not only a confusing topic in the sector as a whole—where periodic press exposés of the highest paid place everyone else under a kind of free-to-the-public funhouse microscope—but they are often a confusing topic inside organizations where the social values we collectively claim are tested.

receptionist, she quickly moved to administrative assistant. This critical job, as she describes it, is "a little bit of everything." She acts as office manager, helps the financial director with accounting tasks like payroll, which she handles completely, and does medical billing.

This last task is legendarily tricky. "It's a challenge, because when you send the clients to the insurance company, they may find that a little bit of something is wrong, and then I have to resolve it," she says. "You have to figure out whether it's on you or them. And 80 percent of the time, it is on them, but you can't say so. You just have to get to resolution." All aspects of her job, she says, involve making every dot connect. "A big part of my job is making sure that communication is seamless and that everybody that needs to be aware is aware of what is going on so that things that need to happen and go together are done in a timely manner."

Although she isn't directly involved in program delivery, Trotter believes in the effectiveness of New Directions. "Some of the clients come in, and they may have been on the street—homeless—and they weigh 100 or 125 pounds and by the time they leave, they look healthier, their faces are fuller, they have more life," she says. "It's a transformation right in front of our eyes." While she expected that she would be a stay-at-home mom during these years, Trotter is interested in continuing her work in health information systems.

Salary ranges are not only a confusing topic in the sector as a whole—where periodic press exposés of the highest paid place everyone else under a kind of free-to-the-public funhouse microscope—but they are often a confusing topic inside organizations where the social values we collectively claim are tested. In all sectors, compensation fairness is a more serious factor in motivating staff than is salary level. And in nonprofits, expectations are even greater that salaries should be fair. But when the organization avows economic justice as its raison d'être, the appropriateness of salary differentials becomes a particularly acute question. One nonprofit employee who preferred to remain unnamed provided us with her version of the resulting cognitive dissonance.

"It's a very sensitive subject within the organization: who makes how much," she says. "Of course everybody wants to make more, and the organization tries not to discriminate or place more weight on somebody's academic experience or opportunity than somebody else who has experience in the community. Income equity and workplace justice is our work, and so the heartbeat of the organization is the people who are working with community.

"But at the same time, we're all individuals and we all have to do what we have to do to support our own families. And this is just speaking about my personal situation, because I'm a single mom raising two children on one income. At a certain point, I just had to tell the administrator and our general coordinator that I just could not continue making such a low salary. It's a conflict internally, because I'm in a position that is valuable to the organization, and you've got to bring money in to keep the organization going, but what I do is absolutely not more valuable to the community or to the organization on a functioning level as far as the quality of what everybody contributes. I had to look out for my own personal interests.

"The nonprofit that I work for now, almost everybody works more than 80 hours, but we can't afford to pay overtime. People do it because they're dedicated to the issues and because they're loyal to the organization and to the community. I would say that it's a difficult position for me to be in, because I don't feel like I'm underpaid any longer, but that's because I really just got to the point where, even though I wanted to stay with the organization, I could not stay at the salary that I was at because of my personal situation. It's hard to put my name out there identified with this organization and say, 'Oh, this is how much I make,' because I know that coworkers are really underpaid."

Conclusion

We hope that you have enjoyed these stories and that they have helped give life to the other research that we have interspersed in this special section. We want to thank the hundreds of online readers who responded to our request for people willing to be profiled. We also want to thank the interns who contributed to this project, including Claire Gunner, Carolyn Pisarri, and Stephanie Myrie. We were able to provide this rich cross-section because we got such a great response.

Comment on this article at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 150302.

Using the Whole Talent Pool:

An Interview with Shannon Maynard and Robert Grimm

 PHOTOGRAPH © ZAINAL ABD HALIM/REUTERS/CORBIS

Nonprofit Quarterly EDITOR IN CHIEF Ruth McCambridge spoke to Shannon Maynard and Robert Grimm of the Corporation for National and Community Service about their work, the latest research on volunteering, and trends in effective nonprofit staffing management.

The **Nonprofit Quarterly:** *Describe your philosophy about managing staff—paid and unpaid—at nonprofit organizations and why firm distinctions between these categories of staff don't work.*

Shannon Maynard: The nonprofit sector was really founded on the sweat, labor, ideas, and innovations of volunteers, of people who weren't getting paid. And over the last century, as the sector has professionalized, we've created all kinds of divisions for ourselves, particularly around volunteers and paid staff. We're also faced with a whole new set of challenges in terms of human capital, looking at an aging workforce and the possibility that baby boomers are going to retire. And we've got Millennials on the other end who have basically grown up as digital natives, having spent their whole lives connected, plugged in to the Internet, and thinking about social networks in a whole different way.

We're sort of in a state of turmoil, and turmoil and chaos can breed reevaluation and reinvention. I think we have a chance to break down some of the silos and artificial divisions in terms of looking at the labor that goes into achieving societal missions on behalf of nonprofits. We've got to be more resourceful and look at how we achieve some economies of scale.

One way of doing that is to think strategically and more broadly about what are we trying to accomplish, what kind of people power do we need, where does it make sense to have paid positions, and where do we supplement or expand the capacity of paid staff by bringing in volunteers? Many organizations have also gotten into a rut with the way they're using volunteers. Some organizations . . . haven't taken that step back to look at the big picture and . . . see where volunteers could be most useful.

Robert Grimm: The professionalization of the nonprofit sector has maybe gone too far, partly driven by thinking that volunteers can't do a lot of things that they indeed can do. And we also are now dealing with a general stereotype that if you don't pay for it, it's not worth that much. We may really have to change our lexicon and stop using a word like *volunteer*, because sometimes people see volunteers as though they're amateurs and can't do highly skilled activities. We may have to change it to other terms that reflect the role and its potential.

To do that, you have to take a talent management approach and see talent as something that you need to invest in and mobilize, whether it's paid or unpaid. This requires . . . you to ponder the needs of the organization from top to bottom and think about how paid and unpaid staff could together address those needs.

NPQ: *What do you mean by "talent management"? Also, what are good engagement strategies, and how do they overlap between paid and unpaid staff?*

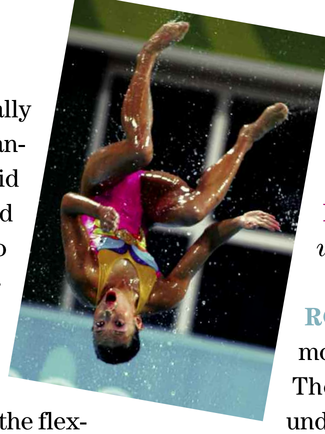
RG: First, recognizing that to get the most out of your paid or unpaid staff, you've got to invest in them. But you've got to have a plan of investment. Part of the problem is a lot of nonprofits suffer from the fact that there's huge staff and volunteer turnover as well as huge burnout. It's a phenomenon in volunteering that I've come to call the "leaky bucket". And an organization that doesn't do a very good job of managing and retaining paid staff is not going to do a good job of managing and retaining volunteers.

So you have to see them as together, and one of the practices of organizations that are doing that well is that they have a person who is an important senior person in the organization and is in charge of talent management, paid and unpaid. They really carefully listen to the skills and interests, for example, that volunteers offer, and then plug them in to where their interests and passions fit with the organization's needs. They provide training for staff and volunteers. They develop an environment where paid staff believe that to be successful they have to work

Many organizations have also gotten into a rut with the way they're using volunteers.

Shannon Maynard is the executive director of the President's Council on Service and Civic Participation and special assistant to the CEO for strategic initiatives. **Robert Grimm** is the director of research and policy development at the Corporation for National and Community Service.

well with unpaid staff. So it's really breaking down some of these standard stereotypes about what a paid staff person can do and an unpaid staff person can do. What's also extremely important is recognizing the achievements of your talent, paid or unpaid.



Talent management captures the flexible approaches that other organizations are taking in terms of working to meet the preferences and the needs of their workforce.

SM: Talent management captures the flexible approaches that other organizations are taking in terms of working to meet the preferences and the needs of their workforce. Most of us, when we talk about the work we're doing, it is work that has been structured around these clear positions, and you have these roles and responsibilities. That's what creates, sometimes, the clear barriers between staff and volunteers, and the whole old construct where nonprofits say, "We've got this volunteer position to fill, we need someone to come in and be present on site from 9:00 to 5:00" when most people with jobs are working. So talent management breaks down those old paradigms and looks at the projects, the skills, and the talents and how to put together a team . . . to accomplish the outcome. Talent management brings with it a flexibility that takes into account how people spend their time and the technology that we have today that makes it a whole lot easier to go out and seek talent.

NPQ: *What are the barriers to changing from a hierarchical, paid workforce-centric organization to a more open system?*

SM: One of the barriers is the way foundations fund staff positions, and often positions are funded based on project and grant proposals, and can spend *x* percentage of their time working on the funded project. There are some barriers there that you can work around, but it requires management and leadership to step back and reevaluate their current human-capital strategy.

RG: Sometimes the stereotype of the volunteer—what is a volunteer job and what isn't—is a strong barrier. Another strong barrier is the fact that a lot of the leadership or the heads of some nonprofit organizations just don't see the valuable role that volunteers could play in their organization. They're willing to invest a lot in fundraising, but they haven't yet recognized the value of investing in volunteering or talent.

NPQ: *How would this investment work in smaller organizations?*

RG: In small organizations, it's even more important to take this approach. These . . . organizations are really under-resourced, infrastructure-wise. Not closing the door on some things, for instance: "We can't really have a great Web site because we just don't have anybody with that knowledge." But there's a lot of people with skills out there who would be willing to do this. And then there are all these other kinds of approaches: there are ways you could use technology to stay in touch with your volunteers that are really low cost and can work well for small organizations.

SM: When you get into smaller organizations I think staff understand the value, but you're put in that position of spending half your time implementing programs and serving the community and half the time fundraising. The fundraising often takes priority over the volunteer resource, and in the smaller organization it's less of a staff versus volunteer and more of a donor versus volunteer. Once again, we've got to break down these silos around how we categorize stakeholders and think more comprehensively about . . . "How do we engage people in the work we're doing?"

For example, I know the Capital Area Food Bank in Austin, Texas—it's part of the Second Harvest Program—they have volunteers who are helping them go online and do online marketing, and explore the world of social networking. There are young people out there who have plenty of time, who would love to . . . put in some volunteer hours. Really creative organizations are tapping into that. And they're also finding ways to recognize their volunteers . . . and give them the same visibility and the same sense of belonging that they do with their donors.

NPQ: *What are the trends in volunteering? How have rates and the demographics of volunteering changed?*

RG: One of the main misconceptions that people have about volunteering is that it is primarily about time, that people who volunteer have time on their hands. Recently, we did some research called time-use analysis. We looked at people who volunteer and how they spent their day versus people who don't volunteer. And what we found is that people who don't volunteer actually watch hundreds and hundreds of additional hours of TV a year compared to people who do volunteer. So one of the things that we're trying to stress is that volunteering is not necessarily about how much time you have. Volunteering is more about creating compelling opportunities that people want to make the time for.

Of the big trends . . . in volunteering one is that the baby-boomer generation is going to double the number of older American volunteers in the coming decades. Many of them—maybe half of them—will continue to work into their seventies . . . further demonstrating the stereotype of volunteers is wrong because people who continue to work are more likely to continue to volunteer. Thinking about ways to take advantage of this experience boom, of baby boomers, is a key opportunity for an organization.

Second, young people are volunteering at much higher rates today. There was recently a 25-year high in entering college students who believed that it was essential or important to help others. The voting rate has gone up the most in the last two presidential elections among the 18-to-24-year-old demographic. So there are a group of young people who are much more interested in service today than in the past.

But overall . . . volunteering has dipped, declined from the kind of a high for this decade in 2005. And part of the reason for that . . . is that there's been an increase in the number of people dropping out of volunteering. They go out and do it, and they aren't satisfied with what they get.

There's been an increase in the number of people dropping out of volunteering.

NPQ: *Why are they dissatisfied?*

RG: We've been doing some focus groups, and what it suggests is many times people show up, it's very disorganized, the work they're doing feels like "make work," they don't really feel like it's that essential or that they really need to be there. Maybe they're standing around for a half-hour or 45 minutes before they're assigned to do something. They don't really see the connection between the work they're doing and the mission of the organization.

The concerning thing for us is twofold. First, I mentioned the fact that there's a leaky bucket, When nonprofits do a really good job of mobilizing volunteer talent, they're not only going to get huge benefits for their organization, they're going to have residual benefits in the community.

and one out of every three people who volunteer in a year aren't volunteering the next, and that trend is growing, and helping create a drop in overall volunteering. The other concern we have is that we've got a group of young people and boomers who appear interested and maybe more enthusiastic in engaging service, but if their initial experiences are bad, they may not come back.

SM: One of the other factors is that volunteers are more social. To Bob's point about people who are working, people who have connections with other people are much more likely to say yes to volunteering. We also find that the relationships the volunteers build with the other volunteers, with the people at the organizations, keep them coming back. That is significant as we think about the social fabric of this country and what it's going to look like in the next 10 years. If we can find more ways to build social networks, the nation as a whole will be stronger in terms of keeping people from being isolated from one another.

RG: More people volunteer through religious organizations than any organization out there. And yet some research we did a couple years ago found that 85 percent of secular organizations say they don't have any partnerships with a religious organization. So, many organizations are kind of missing an opportunity to partner with an organization that could be one of the key suppliers of their volunteer power.

We've seen some really interesting models of this. One, for example, is a local Big Brother–Big Sister that partners with a congregation to get mentors for children of incarcerated parents. Over a third of people volunteer with religious organizations, and half of their volunteering is not with the religious organization necessarily but to do with something out in the community. If you're a secular nonprofit doing some social service and you aren't thinking about and trying to develop a partnership with a religious organization to get some volunteers, you're missing an opportunity to really tap a strong group of volunteers.

NPQ: *How should being a nonprofit contribute to social capital, and what happens when these contributions don't occur?*

RG: Volunteer associations are part of the core, or the building blocks, of the civic tradition of a community. When organizations are doing a good job of engaging the community, you're going to see high levels of citizen engagement. One of the things that we put out just now is this Volunteering in America Web site (www.volunteeringinamerica.gov) that allows you to get under the hood of volunteering and see volunteer trends for more than 160 communities.

Communities that have high levels of citizen engagement are different from communities that don't. In communities that have high levels of engagement, people have greater trust in each other, they know who their neighbors are, more parents are engaged in the schools, more people are paying attention to what government is doing. In a disaster, if I'm in the area where I know my neighbors, I regularly talk to them, I'll know if my neighbor down the street needs assistance with something. If I'm in a community where there's low levels of social capital and neighborhood engagement and if Shannon's down the street and she can't get out of her home without some assistance in a disaster, I won't know it, because we don't even talk to each other. So those are the larger benefits that happen.

There's also a good amount of research that suggests that doing good for the community is good for you. People who regularly volunteer, just like regular exercise, actually get health benefits from it; they live longer, they have lower rates of depression, they recover more quickly from illnesses. *Why Good Things Happen to Good People* [by Stephen Post and Jill Neimark] talks about these rigorous medical studies. When nonprofits do a really good job of mobilizing volunteer talent, they're not only going to get huge benefits for their organization, they're going to have residual benefits in the community.

SM: It's easy, when someone walks through the door, to label them as volunteer and forget that they're also a parent, a neighbor, a congregation member. If you don't recognize the various dimensions, you're missing out on more networks and connections that are going to strengthen your sense of what's happening in your community and how you are relevant to solving an issue and making the community stronger.

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Show Me . . . the Participation!

by Ruth McCambridge

"Most of us have jobs that are too small for our spirit. Jobs are not big enough for people. There's nothing I would enjoy more than a job that was so meaningful to me that I brought it home."

Editors' note: *This adapted article was originally published in the Fall 2003 issue of the* Nonprofit Quarterly. *Five years have passed, but many of the article's original findings concerning workplace engagement continue to hold true.*

In 1974, social documentarian Studs Terkel published *Working*.[1] The core insights in the massive collection of interviews with ordinary people ring as true today as they ever did. In Terkel's words, the book is a monument to workers' continuing "search for daily meaning as well as daily bread, for recognition as well as cash, for astonishment rather than torpor; in short for a life instead of a Monday through Friday sort of dying." This is where the concept of "worthwhile work" begins.

Among the most critical issues for nonprofit managers is the recruitment and retention of good staff. In related discussions, we often express concern about our inability to "compete" in terms of salary, benefits, and even career path. No one can discount these factors, certainly; but is salary the major factor we should worry about, or, as the research suggests, is the central issue for workers having meaningful work?

Research on the for-profit and the nonprofit sectors suggests that nonprofits might do well to consider *other* workplace characteristics for real answers to concerns about attracting and retaining staff—and satisfying organizational mission. We like information that goes straight to the source, asking workers directly what they value in their workplaces. And apparently, over the past 26 years, that answer has changed little.[2]

Norah Watson, an editor in a large publishing concern, was interviewed in Terkel's *Working*. "I think most of us are looking for a calling, not a job," she says. "Most of us have jobs that are too small for our spirit. Jobs are not big enough for people. There's nothing I would enjoy more than a job that was so meaningful to me that I brought it home."

Nonprofits are all about meaning. We are organized around higher purposes—our missions—and we employ those who have their own deeply felt missions that they hope to live out within our organizations. Nonprofits should be the ideal workplaces for those like Watson who want their work to have meaning—to be worthwhile.

But is Watson unusual? Is she the rare altruist in a larger population of workers willing to sell themselves to the highest bidder? Research suggests not—even in the commercial sector where profit is presumably paramount.

Ruth McCambridge is the *Nonprofit Quarterly*'s editor in chief.

PHOTOGRAPH © KRISTY-ANNE GLUBISH/DESIGN PICS/CORBIS

What Is Worthwhile Work In Nonprofits?

In focus groups with nonprofit employees who were asked to discuss their desired workplace characteristics, participants consistently cite the list detailed below.

Mission and meaning. An employee's belief in the purpose of the organization and its ability to serve constituents is vital. Further, workers need to understand the direct connection between their work and organizational mission. And finally, employees need to be recognized for their contribution. By its nature, our sector attracts those with a strong sense of personal mission. Job choices are thus about finding the "fit" between their mission and vision and that of an organization.

Respect for constituents. Because talented employees are mission and results focused, they want direct evidence that what they do matters to constituents. If what constituents want isn't reflected in the end result, most mission- and results-oriented staff question the status quo. If the workplace lacks a culture that supports this kind of questioning and tries to shut it down, talented employees will either leave or create havoc. Organizations need to ask: Do employees have enough direct contact with constituents to see the end result of their work?

Organizational premium on continuous learning and creativity. Most of us work in environments in which the elements are continuously in flux, where the social, political, technological, and economic environment changes regularly. Talented staff members keep up with these changes and have an incentive to look for answers. They share their ideas, and they look at their own mistakes for their learning potential. The sense of excitement that results from a constantly learning workforce creates real engagement in the work. In organizations in which everyone works toward the best possible result, less-motivated or engaged staff tend to fall away.

Employees have a stake in the future. Nonprofit employees want to be included not only in critical decisions that are of immediate consequence in their own work, but also in decisions about the future. This invests workers in the success of the organization and exhibits a measure of confidence in their value, skill, and intentions.

Information is clear; standards are consistent. In too many organizations, employees do not have access to critical information that enables them to make responsible decisions about their work. This results in dependence. No talented and motivated employee will stand for being infantilized for long.

Additionally, employees are excruciatingly aware of inconsistencies in the application of standards. This does not mean that you must fine-tune all your rules and enforce them unstintingly. To the contrary, to the greatest extent possible, employees must be a part of standard making.

Mutual respect, collegiality, and fun. Talented people like to work where they know they are respected and where their working relationships are productive and friendly. No truly talented person thrives in a workplace where he feels threatened or shut down by organizational culture. Atmospheres that include dishonesty, petty jealousies, and gossip argue against open contributions to the whole. This does not mean that conflict is bad—it is vitally necessary for learning and growth—but it does mean that sneakiness and unfettered individualism will eventually shut down and drive out your best folk.

Authentic forms of acknowledgement. Employees want to believe that their efforts are appreciated and acknowledged. Overly constructed exercises such as employee recognition programs don't work half as well as immediate, real feedback when we have exceeded expectations or even just hung in through a difficult stretch. Environments in which acknowledgement comes naturally have a whole different feel from those that recognize employees sparingly or in an overly contrived way.

American workers want more of a say, influence, participation, voice—call it what you will—at the workplace than they now have.

What Workers Want

To update the picture, researchers Richard Freeman and Joel Rogers report in their book *What Workers Want*[3] on what workers long for in their workplaces. Through focus groups and more than 2,400 phone interviews, they found that "American workers want more of a say, influence, participation, voice—call it what you will—at the workplace than they now have." These workers believed that it was primarily management resistance that blocked their influence in the workplace. This type of resistance spans all sectors. The study revealed that workers long for a new "institutional form" that promotes cooperative and equal relations between workers and management in decision making.

"The basic message to decision-makers is clear," state the authors. "A huge opportunity exists for America to increase the representation and participation of workers at their jobs and thereby to improve the quality of working life. Political leaders will find potential votes for such reforms; unions will find scores of potential members; business will find a better and more loyal work force."

Workers from All Sectors Want Meaningful Work

In his book on engagement in the workplace, Tom Terez reports on the results of focus groups and interviews with hundreds of people from all walks of life about which factors made work meaningful.[4] While the study highlights a total of 22 factors contributing to a meaningful workplace, the five most often cited were the following:

- **Purpose.** The mission of an organization must have a larger purpose—something beyond producing goods or services or even being the best. Employees want to feel instinctively that their work makes a positive difference.
- **Ownership.** Employees want to take part in shaping how their work is done.
- **Fit.** When employees know how they and their work fit into an organization's larger mission, they are more willing to put forth their best effort.
- **Oneness.** When there is a shared sense that everyone is in it together, working relationships are more collaborative.
- **Relationship building.** The workplace offers ways to build healthy interpersonal relationships that foster institutional loyalty and loyalty among team members.

Additional Benefits of an Engaged Workplace

There are more reasons to provide the kinds of spirit and intellect-engaging workplaces workers want. In the *Nonprofit Quarterly*, Pat McLagan noted that research indicates productivity and customer satisfaction are much higher in participatory organizations.[5] When our human resource practices do not fully use the creative capacity of staff to do their best for our constituents, people don't receive the quality and responsive service that they expect from public-benefit organizations, and public faith is destroyed.

Additionally, significant research suggests that there is a "positive correlation between effective workplace participation and increased community activism. Specifically, it has been demonstrated that there is a direct relationship between workplace decision making and community participation."[6] In other words, the benefits of adopting more participatory practices reach far beyond the immediate needs of a given workplace and extend to the sector's larger intention of promoting greater civic engagement.

If the arguments cited in this article about workplace engagement are right, nonprofits' values-rich identity should make the third sector the workplace of choice for all kinds of workers. We have mission and purpose at our core, we value the participation and engagement of our staff and constituents highly, we believe in equity and in each person having a voice, and we want to encourage fairness and collaboration—or do we?

In his classic 1992 article "When Management Is the Message,"[7] Thomas Jeavons suggested that nonprofits are legitimately held to higher ethical standards than commercial or government sectors. But at the same time, nonprofits' credibility has been easily eroded by what an interviewee described as "an incredible double standard between . . . the way they want society to be in the external world and what they are willing to tolerate for their own staff."

We would do well to consider carefully the steps that we can take to create the places in which we all long to work and to consider the barriers that stand in the way of our attracting and retaining staff with talent and commitment.

The benefits of adopting more participatory practices reach far beyond the immediate needs of a given workplace and extend to the sector's larger intention of promoting greater civic engagement.

Endnotes

1. Studs Terkel, *Working: People Talk about What They Do All Day and How They Feel about What They Do*. New York: Pantheon Books, 1974.
2. Deborah S. Hildebrand, "Does More Money Mean More Work?" Suite 101 Web site (http://job-satisfaction.suite101.com/article.cfm/does_more_money_mean_more_work), July 11, 2008
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5. Pat McLagan, "The World of Work," the *Nonprofit Quarterly*, vol. 7, no. 3, Winter 2003.
6. See Peter Lazes of "Project for a Working Democracy," New York State School of Industrial and Labor Relations, December 2000, p. 3.
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Volunteering *by the Numbers*

by Rick Cohen

In 2007, Americans volunteered a median amount of 52 hours a year.

VOLUNTEERS HAVE ALWAYS BEEN a part of the workforce of the civic sector, and they have played a powerful central role in some of the most inspired world-changing work nonprofits have accomplished. They are this sector's strategic advantage but what does this component of our workforce look like? Is it getting larger or smaller? Is it more or less diverse than the population at large? What effects are generational and socioeconomic shifts really having? The research does not always provide clear answers but what follows is a summary of its findings.

Who Volunteers and How Much?

The Bureau of Labor Statistics (BLS) conducts its Current Population Survey (CPS) of 60,000 households annually to generate statistics on population changes and demographic dynamics without having to wait for data from the official decennial census. For a few years, the BLS has also incorporated questions from the Corporation for National and Community Service (CNCS) concerning volunteering, which has yielded some interesting results.

The BLS's *Volunteering in the United States, 2007* indicates that, between September 2006 and September 2007, nearly 61 million people volunteered at least once.[1] How many hours do those 61 million Americans put into their volunteer labors? In the BLS study, respondents volunteered a median amount of 52 hours annually, equivalent to one hour a week, for those 16 years of age and older, with equal amounts of time spent by men and women. A closer look at the findings indicates some differences by age, marital status, and race.

- **Volunteering by age**. Boomers age 55 to 64 years old devote a median of 60 hours a year to volunteering; seniors age 65 and older, 96 hours, with nearly 10 percent of seniors reporting more than 500 hours annually of volunteering. Those age 16 to 24 devote approximately 40 hours a year to volunteering, while those age 25 to 34 spend a median of 36 hours volunteering.
- **Volunteering by marital status**. Married people volunteer a median of 59 hours a year, people who are divorced, separated, or widowed 54 hours a year, and those single and never married only 40 hours.
- **Volunteering varies by racial category**. Whites devote a median of 52 hours annually to volunteer activities, Latinos 48 hours, Asians 36, but blacks or African Americans report a median of 60 hours of volunteering annually.

Rick Cohen is the *Nonprofit Quarterly*'s national correspondent.

A CNCS study of volunteerism among baby boomers also confirms that busy people make good volunteer recruits.

Rates of Volunteerism

A statistic of an estimated 60 million volunteers is impressive, but the BLS data suggests that the *rate of volunteering* has declined. Between 2003 and 2005, the rate of volunteering was 28.8 percent, but since 2005, that number has declined to 26.2 percent of the population. But, according to a CNCS publication, the nation's current 26.2 percent volunteering rate still represents a huge increase over the 1989 level of 20.4 percent.[2] Do the recent years of declining rates of volunteerism warrant concern, or are they simply minor statistical "blips" in an otherwise upward trajectory? BLS statistics about volunteerism by age and gender suggest some areas for further inquiry and analysis.

- **Rate of volunteering by gender**. While lower than in previous years, the volunteer rate for women was 29.3 percent, compared with a static 22.9 percent for men.
- **Rate of volunteering by age**. The highest rate of volunteering by age is for those between the ages of 35 and 55 (at 30.3 percent); the lowest for those in their early twenties (17.7 percent).
- **Rate of volunteering by marital status**. Married people are the most inclined toward volunteering: 31.9 percent of married respondents volunteer, compared with 19.2 percent of people never married and 20.9 percent for those with other marital statuses.

Compared with the previous year, the largest proportional decrease for these groups occurred among teens age 16 to 19, declining from 28.8 percent to 26.6 percent for women and from 24.1 percent to 22.5 percent for men. With all the national discussion of community service becoming part of high school and college curriculums, this decline is perplexing and potentially disturbing. Proposals such as the Aspen Institute's—which recommends that a "summer of service"[3] become a requirement for students moving from middle school to high school—seem geared toward instilling a volunteer spirit among America's young people. This may be the locus of part of the volunteerism downturn and the area where policy makers have to focus in order to halt future declines.

The Nature of Volunteering

According to the CNCS data, the distinction between volunteering today and volunteering two decades ago is an increase in "episodic volunteering": that is, short-duration volunteering that totals less than 99 hours a year.

The behavior of older volunteers provides additional insight into the character of those who volunteer. Data from the Urban Institute supports the counterintuitive finding that starting work, caring for a spouse, or providing child care (for grandchildren) actually increases the odds that senior citizens will volunteer. Like volunteers among all age groups, senior volunteers lead busy lives, but being busy is an indication that people will volunteer. Like most volunteers, seniors are less likely to quit volunteer activities if they have volunteered for many years and have spouses or partners who do so as well. The longer a person volunteers and the more volunteerism is part of a family culture or ethic, the lower the volunteer turnover rate.

A CNCS study of volunteerism among baby boomers also confirms that busy people make good volunteer recruits. Like seniors, boomers are more likely to volunteer for organizations if they already volunteer; that is, an organization interested in recruiting baby boomers for volunteer slots will likely do best by inviting those who already volunteer at other organizations.[4] Rather than being a detriment, a busy schedule is a strong predictive factor of potential new volunteer recruits. The more volunteer hours that boomers put in, the more likely it is that they will continue to volunteer. And in concert with the number of volunteer hours, retention rates increase dramatically.

Volunteering for What?

The BLS survey reveals the immense diversity of volunteers' interests and priorities. Religious organizations are the primary beneficiaries of volunteering (35.6 percent), followed by educational or youth service (26.2 percent) and, finally, social or community service (13.1 percent). Higher proportions of women put time into youth activities and health care-related volunteer activities; men apply more time to social or community service and civic, political, or professional volunteer slots. Those age 35 to 44 emphasize youth-oriented and educational service opportunities; for seniors, the focus is religious organizations, and teens participate most heavily in youth-oriented educational opportunities and community service.

Table 1: **Volunteering Rates by Race and Kind of Service**

	Overall Volunteer Rate	Percentage of Volunteers in Civic or Professional	Percentage of Volunteers in Education or Youth Service	Percentage of Volunteers in Health Care Services	Percentage of Volunteers in Environment and Animal Protection	Percentage of Volunteers in Religious Organizations	Percentage of Volunteers in Social or Community Service
White	**27.9**	5.2	26.3	8.1	2.1	34.5	13.1
African American	**18.2**	4.0	24.3	5.1	0.6	47.9	11.6
Asian	**17.7**	3.4	24.9	7.9	0.9	38.3	12.0
Latino	**13.5**	3.1	34.8	6.3	1.4	35.5	10.9

Fundraising is the top activity, involving 10.9 percent of volunteers.

As table 1 demonstrates, distinctive differences arise in volunteering by race and ethnicity. These statistics reflect complex dynamics that may be explained in several possible ways. One might be that the high proportion of African Americans volunteering in religious organizations reflects the important social and institutional roles of churches in the black community. The high proportion of Latinos involved in education or youth services might reflect the larger families than other ethnic and racial groups.[5] As volunteer studies have long shown, the presence of children in a household is a strong indicator of volunteer activity (and often related to children's educational and youth activities). These differences in volunteer interests are probably not simply cumulative totals of individual interests but part and parcel of the family, age, employment, education, and income characteristics of these different racial and ethnic groups.

What kinds of work do volunteers do—functionally—at their desks or elsewhere in organizations? Fundraising is the top activity, involving 10.9 percent of volunteers (and 12.4 percent of women volunteers).[6] Providing management assistance, including serving on boards, involves

Who's a Volunteer?

When you look at data on volunteerism, consider a study's methodology and sample. Consider the research cited here, and you'll find the following definitional challenges:

The Bureau of Labor Statistics (BLS) study *Volunteering in the United States, 2007,* uses this definition: "Volunteers are defined as persons who did unpaid work (except for expenses) through or for an organization." But the BLS survey was presented to respondents this way: "We are interested in volunteer activities, that is, activities for which people are not paid, except perhaps expenses." How might a respondent have interpreted the "perhaps" (noting that 71 percent of BLS respondents were self-reports, so no clarifying questions were possible)?

What kind of work constitutes volunteering? The BLS describes volunteer activities this way: "The count of volunteers only includes persons who volunteered through or for an organization; the figures do not include persons who volunteered in a more informal manner." For example, helping organize Little League games would be considered volunteering, but informally organizing softball games for kids in the neighborhood without the official structure of a sponsoring organization such as the Little League would not be considered volunteering for the purpose of the BLS survey.

Could this distinction between formal and informal volunteering reflect a cultural bias? Perhaps so. This definition, for example, may result in a significant undercount of volunteering among Latinos.[19] As expressed in one summary of the research, "Latino volunteerism occurs first in the context of family and secondarily in the neighborhood and church as opposed to mainstream community-based organizations."[20] The dominant culture's predilection for counting time "volunteered" at only mainstream organizations may well overlook a significant amount of time devoted by particular groups to help their neighbors without recompense.

Two out of five nonvolunteers age 55 and older *don't* volunteer because of an inability to find the right opportunity.

7.6 percent of volunteers, and 9.3 percent of male volunteers. 10.8 percent of volunteers tutor or teach (12.9 percent of female volunteers).

For boomer and older volunteers, a primary motivation for volunteering is to engage one's business or technical skills. But a recent report from VolunteerMatch, an organization devoted to matching potential volunteers with organizations, suggests that two out of five nonvolunteers age 55 and older *don't* volunteer because of an inability to find the right opportunity.[7] Some kind of disconnect has occurred, where 46 percent of the nonprofits in the VolunteerMatch survey say that they have trouble finding people interested in volunteering, and 51 percent are thwarted because potential recruits are too busy to volunteer.

A similar skill-mismatch finding was uncovered in a survey of 250 HR managers of Fortune 500 companies, examining how these organizations encourage employees to volunteer.[8] According to the Deloitte authors, the rate of volunteering among corporate employees increases by level of education (according to the BLS statistics, 21.7 percent of high-school graduates without a college education volunteer, 34.1 percent of people with some college or an associate degree volunteer, and 45.6 percent with a bachelor's degree or higher volunteer), but that does not necessarily mean that those more educated volunteers use their business or technical skills in their volunteer placements. Although corporations are increasingly interested in promoting volunteer opportunities for their employees, only 16 percent of companies "make it a regular practice to intentionally offer *skills-based* volunteer opportunities for employee development" (emphasis added).

For a firm like Deloitte, skills-based volunteering would involve helping organizations with finances and accounting, strengthening nonprofits' business practices. The BLS survey might reveal a corporate bias, since only 13 percent of corporations offer volunteering options to all employees. The others restrict corporate-sponsored volunteer programs to management-level employees and above. That might explain the stunning statistic in the BLS survey that only 1.3 percent of volunteers became involved with a nonprofit because of an invitation or introduction by a boss or employer. Other surveys confirm that only about one-fifth of corporate employers allow most or all employees to do volunteer work during regular work hours. A survey of 1,100 corporations with 50 or more employees conducted by the Families and Work Institute found that for those corporations permitting work-time volunteering, approximately one-half provided no pay for volunteer hours, 23 percent compensated staff up to a maximum of 19 hours, and one-fourth provided some pay for 20 or more hours of volunteer activity.[9]

The CNCS study of baby-boomer volunteers suggests that boomers might not be attracted to volunteering opportunities induced by employers: "Among volunteers who are asked to volunteer, those who are asked by the volunteer organization have the highest retention rates, while those asked by their employer to volunteer have the lowest retention rates (70.5 percent versus 53.9 percent)."[10] That suggests that volunteerism reflects values and beliefs, not orders and expectations from a boss. Much like work-

(For more information on HR Outsourcing see her article on page 51)

Volunteerism flourishes in environments of freedom of choice and potentially suffers where the activity is perceived as part of one's job responsibilities.

place pressures to make payroll-deductible charitable contributions, more or less compulsory corporate-structured volunteer activities may create resentment rather than enthusiasm about charitable activity. Volunteerism flourishes in environments of freedom of choice and potentially suffers where the activity is perceived as part of one's job responsibilities.

Volunteer Screening and Interviewing

Nonprofits have multiple challenges in recruiting, screening, and managing volunteers. Recent studies offer some perspective on integrating volunteers into nonprofit work environments. Turnover among volunteers is no less disruptive than turnover among paid staff. Good management to sustain quality work environments counts for volunteers as well as employees. Like paid employees, volunteers need to be treated well and managed appropriately. While much of the writing on volunteer management in the United States tends toward consultant-marketed bromides, the U.K.-based Institute for Volunteering Research (IVR) conducts robust surveys on volunteer management practices that work. IVR's 2008 survey of more than 1,300 managers of volunteers reveals the following findings:[11]

- One-fourth of the surveyed organizations had no financial resources dedicated to supporting organizations' volunteer operations.
- The average volunteer manager or organizer was responsible for an average of 15 volunteers and a median of 20.
- One-fourth of all volunteer managers were themselves unpaid volunteers.
- Less than 10 percent of respondents identified recruitment or retention as a serious problem for their organization.

Though written about extensively, some of the basic elements of good volunteer management are missing from many of the surveyed U.K. charities: 81 percent of volunteers say that they did not have job descriptions, nearly as many say that they never received training for their volunteer work, and despite reports from volunteer coordinators, an almost equal amount claim never to have been interviewed by a member of the organization before beginning volunteer activity.[12]

British charities lacking volunteer managers or relying on unpaid staff to manage volunteers were typically the smaller nonprofits in IVR's survey sample. Not surprisingly, screening of volunteers was not particularly rigorous: 84 percent reported holding "an interview or chat with volunteers before they start," and only a little more than one-fourth reported holding exit interviews with volunteers who leave.

This is consistent with recent U.S. survey data from the National Center for Victims of Crime (NCVC), whose 2008 study revealed gaps in volunteer screening among many nonprofits.[13] Among the NCVC findings from a survey of 517 human-service providers were the following:

- 12 percent of surveyed organizations don't screen volunteers (typically smaller organizations without the funding to pay for volunteer managers or coordinators).
- While more than 90 percent interview volunteers, only three-fourths contact references, and a similar proportion perform at least one kind of background check.
- The smaller the number of volunteers, the less likely the organization checks references and does background checks: for organizations with less than 10 volunteers, only 63 percent check volunteers' references and 57 percent perform some sort of other background check.
- Even among organizations that conduct interviews, reference checks, and background checks, such practices are not universal, with one in three surveyed nonprofits reporting that some volunteers receive no screening at all.

Typically, volunteers engaged in direct service roles receive more background checks and screening than volunteers assigned to fundraising, financial, and administrative roles, despite the obvious problem that those with criminal records can pose to organizations' finances and donor records. Since the Corporation for National and Community Service requires background checks on its placements, these numbers might be quite different if AmeriCorps and other CNCS participants had been excluded from the NCVC survey sample.

Bolstering Nonprofit Volunteerism

Volunteerism is a mom-and-apple-pie topic in our society. No one opposes it, everyone likes it, but often its proponents—nonprofits in particular—don't pay sufficient attention to how to strengthen and support it.

Volunteerism has been on the national agenda of the past two national administrations, and both Bill Clinton and George Bush put forward new initiatives to promote it. Some early supporters of Bush's vision for "a new culture of responsibility" recently described the initiatives as "sputtering" and "a disappointment," a victim of the administration's intense focus on the Iraq war.[14]

In the current presidential competition, Senator Barack Obama of Illinois has proposed a massive increase in national service. He would increase AmeriCorps to 250,000 slots (from its current level of about 75,000 members[15]), double the size of the Peace Corps (currently around 8,000 volunteers[16]), encourage middle- and high-school kids to engage in community-service programs, offer a tuition tax credit for college students who devote 100 hours of annual service, and create special service opportunities for disadvantaged youth.[17] Senator John McCain's campaign Web site recently inserted a plan for new national service incentive programs as well.[18]

The nonprofit sector is fond of complaining about its lack of visibility in policy arenas but it is the go-to part of the economy on this emerging national initiative. It is important for groups at the local, state, and national levels to look at these kinds of findings and help drive not only better practice but excellent policy on this question. Volunteers are a critical resource for nonprofits—let's begin as a sector to think strategically about them.

Endnotes

1. *Volunteering in the United States, 2007*, Bureau of Labor Statistics, January 23, 2008.
2. *Volunteer Growth in America: A Review of Trends Since 1974*, the Corporation for National & Community Service, December 2006; over the years, the increase was attributable to older teens (16 to 19), midlife adults (45 to 64) and seniors (65 and older).
3. Idea number nine in *Mobilizing Change: 10 Nonprofit Policy Proposals to Strengthen U.S. Communities*.
4. John Foster-Bey, Robert Grimm, Jr., and Nathan Dietz, *Keeping Baby Boomers Volunteering*, Corporation for National and Community Service, March 2007.
5. According to the U.S. Census, 53.6 percent of Hispanic families had four or more persons compared to 31.0 percent of non-Hispanic white families and 38.6 percent of all other non-Hispanic families, cf. *The Hispanic Population of the U.S.: 2004*, U.S. Census Bureau, Table 4.1
6. Among respondents, 7.7 percent of volunteers report that they spend an equal amount of time on all kinds of volunteer tasks, from coaching, tutoring, and mentoring to collecting, preparing, serving, or distributing food.
7. *Great Expectations: Boomers and the Future of Volunteering*, VolunteerMatch.
8. *2008 Executive Summary: Deloitte Volunteer IMPACT Survey*, Deloitte Development LLC, 2008.
9. Ellen Galinsky, James T. Bond, and Kelly Sakai, *2008 National Study of Employers*, Families and Work Institute, May 2008.
10. John Foster-Bey, Robert Grimm, Jr., and Nathan Dietz, *Keeping Baby Boomers Volunteering*, Corporation for National and Community Service, March 2007.
11. Joanna Machin and Angela Ellis Paine, *Management Matters: A National Survey of Volunteer Management Capacity*, Institute for Volunteering Research, April 2008.
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13. *Who's Lending a Hand? A National Survey of Nonprofit Volunteer Screening Practices*, National Center for Victims of Crime, 2008.
14. Sheryl Gay Stolberg, "Bush's 2002 State of the Union Volunteerism Initiative Is Seen as Sputtering," the *New York Times*, January 27, 2008.
15. AmeriCorps Web page, June 2006.
16. Peace Corps Fact Sheet, 2008.
17. *Helping All Americans Serve Their Country: Barack Obama's Plan for Universal Voluntary Citizen Service.*
18. *Renewing America's Civic Purpose*
19. The same undercount has long been noted in measurements of charitable giving among Latinos;. Henry A. J. Ramos, "Latino Philanthropy: Expanding U.S. Models of Giving and Civic Participation," *Cultures of Caring: Philanthropy in Diverse American Communities*, Council on Foundations, June 1999 Walter W. Powell and Richard Steinberg, *The Non-Profit Sector: A Research Handbook*, New Haven: Yale University Press, 2006, p. 553, noting a common research finding that informal giving and remittances are significant though undercounted components of giving among Hispanics.
20. Beverly B. Hobbs, "Diversifying the Volunteer Base: Latinos and Volunteerism," *Journal of Extension*, vol. 39, no. 1, August 2001.

Does your organization use volunteers? What do these numbers show from your perspective? Let us know at *feedback@npqmag.org*. Order reprints from http://store.nonprofitquarterly.org, using code 150305.

It is important for groups at the local, state, and national levels to look at these kinds of findings and help drive not only better practice but excellent policy on this question.

Who Decides? Mapping Power

by Jon Huggett and Caitrin Moran

Even if your organization determines that a particular tool isn't the right choice, the process of making that determination helps clarify how your organization functions.

Editors' note: *This article discusses tools to improve organizational decision making. These tools can identify who should make critical decisions and how participants should make them. The authors explain these tools and offer a case study in how these methods helped diagnose a decision-making challenge, clarify zones of responsibility, and streamline decision making. Decision-making tools of the type discussed here have been in use from at least the 1970's (an early approach to this can be seen in Vroom and Yetton's 1973 piece entitled "Decision Making and the Leadership Process"). The tool discussed in this article, RAPID,[1] is one of several models currently available to help organizations formalize and make conscious choices about how decisions are made.*

How decisions are made can reveal a lot about how an organization performs. Consider some of these decision-making scenarios:

- Without consulting any of those who will actually do the work, an executive director promises an old friend that his organization will take on a complex project, leaving his staff feeling out of the loop and disgruntled.
- Twelve busy staff members spend numerous hours discussing whether their organization should hire a summer intern, but no one

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and Decision Making in Nonprofits

knows who has the final say, and every meeting ends without resolution.

- Several organizations work together to support a single initiative, but none of the participants understand where their responsibilities begin and end. When they disagree, no one has overall authority to decide. In addition, there's overlap in the work done.

Do these situations resonate? If so, you are far from alone. Decision making is difficult for many reasons, including vague reporting structures and the inherent complexities of a growing organization that suddenly has to accommodate new stakeholders sitting at the leadership table.

The result is often wasted time, confusion, and frustration. Individually, everyone's intentions are good, yet the whole performs poorly. And in the worst case, decision-making problems create a climate of mistrust and undermine an organization's mission.

What can be done? One way to address the issue is to diagnose the source of the problem by mapping out how difficult decisions are now made. Another is to map how future decisions can be made. Several tools can facilitate these processes and help people become more thoughtful about how decisions *should* be made.

"We were able to hire higher-quality people for key senior management positions as a result of being transparent about how decisions are made."

—John Fitzpatrick, executive director, the Texas High School Project

The Benefits of Decision-Making Tools

The core purpose of most decision-making tools is to untangle the decision-making process by identifying all activities that must take place for a decision to be made well and within an appropriate time frame. At their best, these tools give real accountability to the right people, enabling power to be shared but also setting useful boundaries. Involving the right people, while minimizing the involvement of tangential players, saves time and creates better decisions.

What's more, by simply providing greater clarity about who is and isn't involved, such tools can generate greater buy-in for decisions; nonprofit leaders who have experience with these tools can attest to this. "Even though there are people who aren't involved, they're ecstatic just to know who is involved and what the decision-making process entails," says Joyce McGee, the executive director of the Justice Project, an advocacy nonprofit. "They feel more engaged just from understanding something that had been opaque to them before."

This clarity can also generate additional indirect benefits. "We were able to hire higher-quality people for key senior management positions as a result of being transparent about how decisions are made," says John Fitzpatrick, the executive director of the Texas High School Project. "I was able to sit down with top-tier candidates and demonstrate the clear lines of authority and responsibility they would have, and it allayed concerns about the chain of command and their scope of decision making."

While most organizations can benefit from decision-making tools, they first need to look hard at how a decision-making tool can address their needs; they also need to understand how the tool they select works and assess whether the timing is right to introduce it.

Finding the Right Time and Place

Is your organization ready for a decision-making tool? To answer this question, you need to ask the following questions. (Even if your organization determines that a particular tool isn't the right choice, the process of making that determination helps clarify how your organization functions.)

Is there is a shared sense of frustration with decision making across the organization? If many staffers believe that their organization's current decision-making process is flawed, tools can add great value. If this concern isn't shared, however, introducing these tools can generate more heat than light. Those who believe that the decision-making process is fine will be resistant.

Is decision making the problem? If the leadership and management team are strong but frustrated with how decisions are made, mapping tools can help. But if the real problem is a lack of leadership alignment on mission or values, decision-making tools won't solve the problem. If an organization is in flux, it may also be the wrong time to introduce a new tool.

In the case of one organization with which we've worked, for example, the management team was in the midst of a massive overhaul. Suddenly, new teams were developed that hadn't worked together previously, and team members were unclear about their roles and authority. Initially, they thought that mapping decision making would help them gain clarity. But once they began the actual process, they realized that they would need a better understanding of the organization's new structure first.

Is the organization's leadership ready for a tool that reveals how decisions are made? If those in power are uncomfortable about making power and roles explicit, they should not use a tool that makes these dynamics public. Many organizations function with the original founder and a familial set of relationships. Mapping the flow of power in this "family" formalizes informal relationships. If the organization isn't ready for these kinds of changes, using a tool may be counterproductive.

Can you allow enough time to decide how to decide? Changing the decision-making process strikes at the heart of how an organization does things. As noted, outlining the decision-making process means making power explicit, which is unsettling. It may mean empowering some and taking others out of the loop. Working through various stakeholder views to get to the right solution takes time.

The RAPID Method

Organizations and teams of various sizes confronting various situations have effectively used the tool RAPID (which stands for recommend, agree, perform, input, and decide); we'll profile that tool here.

RAPID is an acronym for the roles or activities that participants can take on in the decision-making process. Each letter stands for a specific role or activity; but participants can have more than one role assigned to them, depending on the context of the decision and the size of the group. The order of the letters is not important, but the acronym "R-A-P-I-D" is a device to remember these roles. In fact, the reality is iterative, although the roles and activities are likely to appear in the following order during any decision-making process.

- **R stands for *recommend*.** A recommender initiates the decision-making process. A recommender is the go-to person who participates in the process from start to finish, ensures that others understand what they need to do, and keeps things moving until a decision has been made.
- **I stands for *input*.** An I stakeholder must be consulted before a decision can be made. Although an I has the right to be heard, he has no vote or veto power. Including someone as

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Without firm leadership, managing stakeholder inclusion can be tricky, not least because people can feel excluded when they are no longer involved in decisions.

an I says that an organization values her or his opinion.

- **A stands for *agree*.** An A stakeholder must agree to or approve a decision. An A stakeholder is essentially an I, but with vote and veto power (such as a CFO, who needs to approve financial decisions). Generally, the more As who are involved in a decision, the more time a decision takes.
- **D stands for *decide*.** A D stakeholder has final authority and is the only stakeholder who can commit the organization to action, such as hiring someone, spending money, or making a legally binding agreement. Generally, the D role is held by one person. But a board of directors in which each member has voting power can be a collective D as well. (Ultimately, if the committee head is a true D, it's better to be explicit up front. Everyone knows where the power lies, anyway.)
- **P stands for *perform*.** Once a decision has been made, Ps carry it out. Often, those who are Ps are also Is.

The acronym RAPID captures a key benefit of the tool—the ability to make decisions more swiftly—but it's important to note that the name can also suggest that decision-making processes should be rushed, which they should not be.

Side Effects and Tradeoffs

There is no denying that implementing decision-making maps and instruments can be messy. In the short term, the tool will test the resilience of the management team, particularly if it exposes an existing process that is convoluted or sorely imbalanced or reveals a complete lack of process. And its tradeoffs can make people uncomfortable.

Implementing tools like RAPID, for example, can mean trading a highly participatory decision-making culture for a faster and more efficient one. The nature of the decision determines whether the tradeoff is appropriate. Sometimes a decision is better made by consensus (where everyone is an A), or even by voting (such as requiring 51 percent of the board for a D). But most organizational decisions are best made quickly and efficiently, using one D and only a few As. Consider an executive director who needs to select and hire key staff members at his discretion. In this kind of situation, a clear, streamlined decision process is likely the best alternative.

Using decision-making maps also means trading ambiguity for transparency. Some organizations prefer to leave some control issues ambiguous. For example, what constitutes a *strategic* change (that needs to be reviewed by the board) versus a *tactical* decision that is within the purview of the executive director? In reality, each decision requires a judgment call. Someone must decide whether to move a decision into the RAPID process. Once a tool is introduced, ambiguity is no longer an option.

Lessons Learned

What follows are lessons we've learned in our experience with RAPID and from our observation of other organizations using RAPID.

Make the case for the tool before you introduce it. First, act like an R. Outline what you want to do and why, the process, the instrument to be used, and inform stakeholders when they will be involved. Make sure that everyone understands the tool.

Start by carving out a few key decisions. It's great to start by tackling a handful of decisions that cause the most pain. But at the outset, don't put more than a dozen on the list; overloading may cause the process to stall. Your organization will not miss the irony if the exercise you've introduced to improve decision making merely creates analysis paralysis.

Pacing is important. Tool implementation is worth getting right, so lay out a formal work plan for the process. Decisions that result in big changes need managing, so you need to know when you will make key decisions and put them into action.

Stakeholder anxiety and adjustment is part of the process. In the case of RAPID, the process of assigning roles is best done iteratively and expeditiously. But without firm leadership, managing stakeholder inclusion can be tricky, not least because people can feel excluded when they are no longer involved in decisions. Others can be vulnerable because their power is exposed. One executive director described the

The team didn't want to lose the idea that everyone was accountable for *something* (and thus was a stakeholder in Aspire's success).

“This tool was pretty important to us . . . because we were moving from having only a few senior staff who had worked together for a while to becoming a bigger organization with a matrix structure and more senior staff.”

—Aspire CEO Don Shalvey

RAPID in Practice: Aspire Public Schools

Aspire Public Schools, an organization that opens and operates public charter schools in California, initially used the RAPID (recommend, agree, perform, input, and decide) method as a diagnostic tool and then began to use it to plan future decision making. Aspire's experience demonstrates how the tool works in practice.

Founded in 1998, Aspire opened its first school in 1999 and grew quickly; by 2006, it operated 17 schools across California, primarily serving low-income students. One of the hallmarks of Aspire's culture was its mantra that everyone in the organization—teachers, principals, staff at the national level—was accountable for the schools' performance.

As Aspire grew, however, its leadership team—CEO Don Shalvey, Chief Academic Officer (CAO) Elise Darwish, COO Gloria Lee, CFO Mike Barr, and VP of Secondary Education Linda Frost—came to realize that while everyone felt a sense of accountability, allocation of responsibility was unclear.

When it came to making decisions about Aspire's high schools, the confusion was most acute. Aspire originally focused on elementary and middle schools and was successful using an outcome-based and process-driven academic model. The organization had expanded into high schools as more of its middle-school students approached high-school age. But producing top-tier educational outcomes at the high-school level presented a whole new set of challenges. High schools, for example, require curricula for many more subjects than do elementary and middle schools. And Aspire's high school-age students had more issues influencing academic performance than did middle school-age students.

The position of VP of secondary education had been created to guide the holistic development of the high schools. But the addition of a new person to the leadership team blurred already informal boundaries concerning decision making. For example, CAO Darwish, who had created Aspire's successful K–8 academic model and process, believed that a similar classroom model and process could work well at the high-school level. But it was unclear whether her role was to run the classroom model at the high-school level. While Frost agreed about the value of the model, she found herself swamped with school-level issues and responsibilities, such as establishing a college-bound culture, building relationships with local community colleges and businesses, and developing a standard model for the administration of the high schools in Aspire's portfolio. Both Darwish and Frost felt responsible for success and worked extremely hard. But their positions overlapped and also left gaps in responsibility.

The leadership team believed that RAPID could help clarify these positions' roles and responsibilities and create an organization-wide decision-making process for the future. And so, along with other members of Aspire's steering committee, they embarked on a process, in CEO Shalvey's words, to “decide how to decide.”

The process began with several high-level conversations with the CEO, the COO, and the CAO about what makes high schools successful. These initial conversations resulted in a strategic context for Aspire's organizational processes. It became clear that, for Aspire, there were two different levels of success. There was success in the classroom, which included course materials, teaching methods, clear outcomes, and a process of testing and adaptation. And there was success throughout a school, which included the school's culture and operations.

Subsequently, the COO, the CAO, and the VP of secondary education engaged in additional discussion to define the CAO and VP roles more specifically. They realized that being responsible for and making decisions about these two spheres—in the classroom versus throughout the school—required different skill sets and that these two skill sets fit naturally with the CAO and the VP of secondary education roles.

This realization led the larger team to articulate an overall “accountability chain.” The team didn't want to lose the idea that everyone was accountable for *something* (and thus was a stakeholder in Aspire's success). But they needed to create boundaries. Expressed in a chart, this accountability chain gave teachers responsibility for what happened in their classrooms, gave principals responsibility for what happened within their schools, gave the CAO responsibility for what happened within the classrooms throughout the entire network, and gave the VP of secondary education responsibility for what happened outside the classrooms within the high schools (See Figure 1). It also clarified the responsibilities and boundaries that would accompany a new layer of positions—regional vice presidents—going forward.

As a result, it was easy for the CAO and the VP of secondary education to begin using RAPID to make decisions. It was now possible to assign RAPID roles, because it was easier to identify responsibility for decisions. A few areas, such as the professional development of teachers, remained gray and required the RAPID method to clarify what was needed to make a decision and why. But for the most part, decisions fit naturally into either the CAO's or the VP's court.

As CEO Shalvey sees it, RAPID helped Aspire at a critical inflection point in its growth. "This tool was pretty important to us at the time because we were moving from having only a few senior staff who had worked together for a while to becoming a bigger organization with a matrix structure and more senior staff," he says.

The team didn't want to lose the idea that everyone was accountable for *something*.

Figure 1: **Grid of decision-making responsibilities across organization**

Category	Decisions	Home Office						Region		School	
		Board	*CEO*	*CAO*	*VP Sec ED*	*Dir PD*	*COO*	*RVP*	*Coach*	*Principal*	*Lead Teacher*
Classroom	Select course materials		I	**D**				I	I	I	I
	Define instructional guidelines		I	**D**				I	I	I	I
	Decide on approach to assessment		I	**D**				I	I	I	I
	Determine format for report cards			**D**	I					I	
	Decide on PD approach for teachers			**D**		R		I	I	I	I
	Other?										
School-wide culture and management	Develop ECHS policies and procedures re: entering into partnerships with universities	A	**D**	I	R, P		I	I		I	
	Decide on course selection and sequencing (secondary)			I	**D**			I	I	R	
	Develop SAT/ACT prep program			I	**D**			I		I	
	Determine grading policy (secondary)		A		**D**			I		I	I
	Select best practices for school-wide culture		I		I			R		**D**	
	Develop master schedule (secondary)				A			I		**D**	I
	Decide on approach to summer school			I	R			A		**D**	
	Other?										

process at his organization: At the beginning, when employees realized which role they were now expected to play, they expressed anxiety, asking, "So I am responsible for this myself?" And even when reassured that they would in fact be responsible for making the decision, staff members continued to ask, "Are you sure?"

Finalized decisions need to be communicated. Tools such as RAPID offer a simple way to diagnose and prescribe how to make decisions. But they do not tell you how to communicate those decisions. At one Justice Project staff meeting, for example, someone asked, “So who is responsible for communicating the decision to those who aren’t involved in the decision making but still need to know the outcome (i.e., an R, A, P, I, or D)?” The executive director was quick to clarify that none of these roles had been assigned this responsibility; that decision would be made in a separate process.

Once a decision-making instrument has been used, review the whole. Take the time to get distance and see how it all fits together. Does the new way of making key decisions make sense? Do responsibilities and accountabilities match roles? Does the work balance fairly? Do you have buy-in from key leaders?

Decision-making maps and diagnostic tools can be useful even when they are not used in their entirety. As we noted earlier, after introducing a tool, some organizations use it only for problem diagnosis. Others take these ideas and build on them to create their own unique decision-making processes. And some use the tools simply to map out how prior decisions have been made.

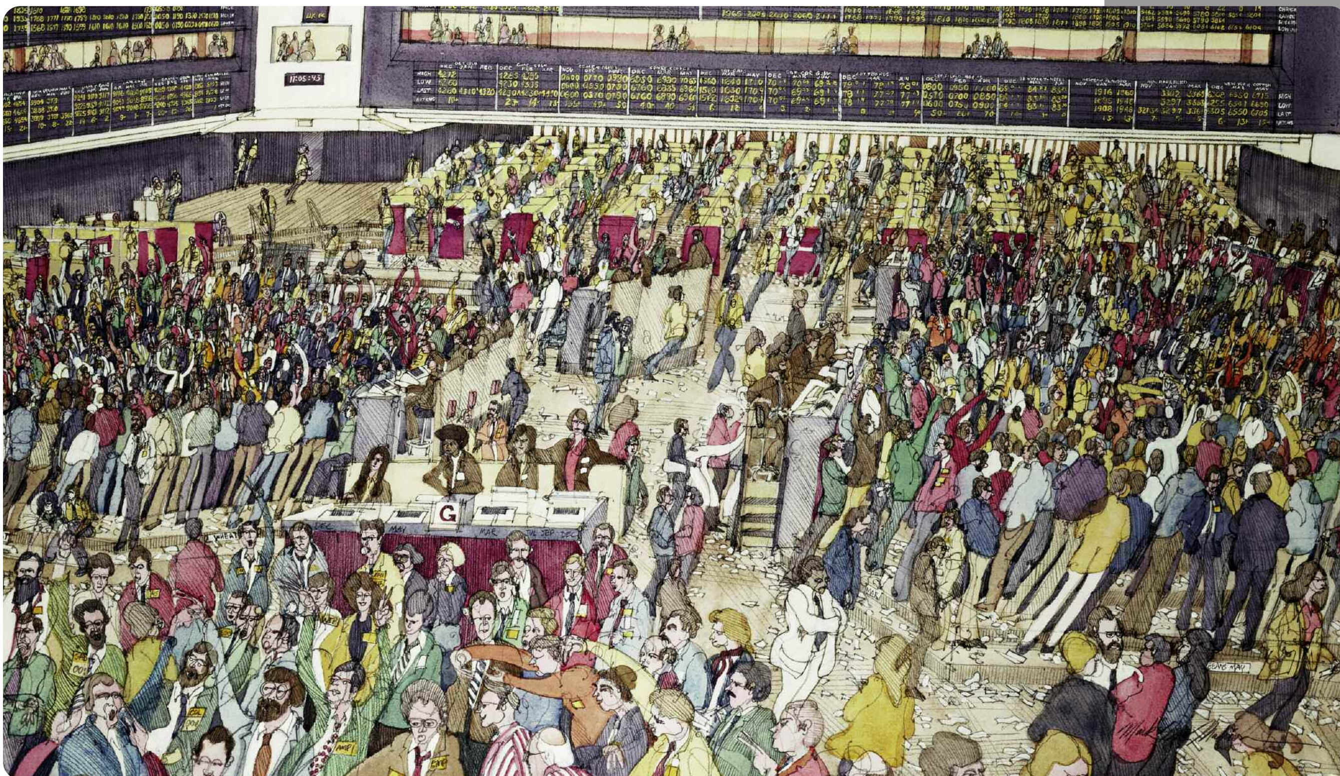
Once any decision-making tool is in use, the genie is out of the bottle. Much of the value comes from unveiling how decisions are made. And once roles are clear, it is hard to put things back under wraps. If your first foray with these tools is successful, however, your team will want to use them again. And if your organization is clear about where the power to make decisions sits, it can grow. Complexity can spark collaboration, not confusion. While some may feel excluded, we bet that the candor about decision making will engender respect. Your team can use its passion to strive for even greater impact.

Once any decision-making tool is in use, the genie is out of the bottle. Much of the value comes from unveiling how decisions are made.

Endnotes

1. RAPID is a service mark of Bain and Company.

If your organization uses a tool like RAPID to improve your decision-making process, we encourage you to share your experience and how you have adapted such methods to fit your organization. Write to the editors at feedback@npqmag.org. Reprints of this article may be ordered from http://store.nonprofitquarterly.org, using code 150306.



When Is HR Outsourcing Right for Your Organization?

by Simone Putnam

Human resources (HR) outsourcing can address some of the staffing and skill-related problems that plague small and budget-strapped nonprofits. For these organizations, staffing an HR department with the right combination of full-time employees who have the right expertise can be a tall order. As a result, these organizations' HR departments may suffer from a dearth of employees or critical skill gaps.

Because of financial or time constraints, many organizations try to get strategic *and* managerial expertise from the same hire. As a result, they may hire a lower-level HR professional who lacks crucial strategic or managerial skills, or they may opt for a high-level professional who isn't interested in managing the day-to-day activities of the HR function. In either case, hiring an inadequately skilled employee only adds to organizational costs and creates greater inefficiency.

But the fact is, some organizations don't need to fill a skill gap or address a pressing HR need by hiring a full-time employee. Instead what they need is help from an external provider. HR outsourcing enables organizations to focus on their core mission while entrusting HR functions to professionals who can devote the right level of expertise at the right number of hours necessary for each organization's particular situation.

Frequently, an off-site model is preferable, because the hiring company stands to save costs on office rent as well as on in-office equipment.

Why Outsource HR?

Organizations that choose to outsource HR functions do so for a variety of reasons, including the following:

- "We hire only programmatic staff, and we outsource all administrative functions, such as HR, accounting, and technology support."
- "Our HR needs have outgrown the expertise of our current HR staff."
- "Our HR department has experienced tremendous turnover, and we don't have the time or resources to create the kind of internal HR department that we need."
- "Our controller/director of finance/CFO is now consumed by finance and accounting functions, so he no longer has time to devote to HR tasks."
- "We don't have the financial resources for a full-time staff member devoted to HR responsibilities."

But perhaps the most important reason that organizations outsource HR functions is because of the need to comply with employment laws and regulations. Even small organizations can face heavy fines if they fail to comply with them. For organizations with employees in multiple states, the employment laws and regulations governing these organizations are even more daunting, because regulations vary from state to state. Outsourcing the concern about all these variables can relieve a great deal of headache. After beginning an HR outsourcing engagement, for example, one organization's executive director said that he sleeps better knowing that he has reduced his organization's risk of noncompliance by outsourcing all employment-related compliance requirements.

How Does HR Outsourcing Work?

Organizations may use HR outsourcing as a long-term solution to meet all HR needs or to supplement existing HR staff. Other organizations may use HR outsourcing on an interim basis to replace HR staffers who are out on leave or to fill in until HR positions have been occupied by new hires.

In some cases, outsourcing provides a solid interim solution in which systems and infrastructure can be implemented or updated while an outsourcing team fulfills its daily responsibilities and better positions an organization if these functions are brought back in-house. With this infrastructure in place, an organization can hire a less-experienced (and lower salaried) HR professional to take over daily functions rather than having to establish such infrastructure from scratch and internally.

An HR outsourcing arrangement can involve performing work on site at a client's office, off site at an HR outsourcing provider's office, or both. But frequently, an off-site model is preferable, because the hiring company stands to save costs on office rent as well as on in-office equipment. And contrary to popular wisdom, when a consultant performs HR tasks off site, as opposed to a rigidly adhering to a fixed on-site schedule, it often works better. At my company, for example, clients with a time-sensitive issue are often more comfortable being able to call an off-site consultant anytime rather than having to wait for him to arrive at the office. Of course, in-person meetings are still necessary for new-employee orientation, termination, annual performance evaluations, and the like. And of course, no matter where offices are located, the bottom line is that a good HR outsourcing group makes itself available at the client's convenience.

Cases of Outsourcing Success

Take, for example, an organization with a fully staffed HR department that sought recruiting assistance. The department's recruiting needs were substantial, and its various unfilled positions required specific skills. The organization had determined that the best arrangement would be for an outsourced HR staff member to work on site at the organization's office to ensure that he would interact heavily with hiring managers. An outsourced HR staff member committed 24 hours a week on site to work specifically on the organization's HR recruiting needs. The organization anticipated that the assignment would last a few months until it hired a new recruiter. But its outsourced arrangement worked out so well that it continued the relationship for years.

Another organization with a fully staffed HR department needed help creating documentation for payroll processing and internal controls. To become familiar with the current policies and procedures to perform the payroll function, an outsourced staff member interviewed the organization's HR director and payroll processor. The outsourced HR staff member then created a document to detail the internal controls necessary to ensure best practices and to appropriately separate duties and supervisory controls. This organization also had no backup staff member to complete payroll. In the event that an outsider needed to step in and process payroll, having documented payroll procedures was essential. To document the process, outsourced HR staff also observed the organization's payroll processor as she completed payroll and then created a document outlining the process from start to finish.

From inception, several organizations have outsourced HR-related tasks. These organizations contacted HR outsourcing staff when they first formed a nonprofit organization and then worked together to establish a complete HR program, which included creating all the organization's employment-related policies and procedures; setting up a payroll account with an outside service bureau; applying for unemployment insurance identification numbers, state tax withholding numbers, and workers' compensation insurance; creating a new-hire orientation package, an exit interview questionnaire, and a termination checklist; creating personnel files and job descriptions; benchmarking salaries; working with a broker to obtain quotes for medical, dental, and vision insurance as well as disability and group-term life insurance; and setting up a flexible-spending account plan.

Once these initial HR functions had been established, the outsourced HR team began performing day-to-day payroll functions and became the organization's full-time HR department. As this example indicates, as long as outsourced staff members are appropriately assigned to various HR functions, an organization can have access to the right level of expertise.

Many organizations initially outsource accounting functions. As this typically includes processing payroll, many firms use an HR generalist to perform this function with oversight from an accounting manager assigned to the account. Often, especially in organizations in which an internal accountant was previously responsible for managing HR functions, a nonprofit will eventually begin outsourcing other HR functions as well. Several organizations have outsourced all back-office functions (HR, accounting, technology support, and investments) on a permanent basis. And an executive director gains peace of mind by knowing that these functions comply with applicable rules and regulations. With confidence that infrastructure is in good hands, he and his staff can then concentrate on program and program only. They can stop worrying about employee turnover, and the organization can stop incurring the cost of supporting infrastructure for in-house administrative staff positions.

Several organizations request audits of their HR functions from an HR outsourcing firm. These kinds of requests generally follow high turnover in an HR department, financial audit comments regarding the HR function, or perceived inefficiency in the HR department. In some cases, an HR audit is part of an organizational assessment whereby multiple departments are assessed for recommendations for staffing levels and process improvements.

For those organizations that outsource HR on an ongoing basis, the most common outsourced functions include: compliance, employee relations, compensation management, performance management, benefits administration, payroll, and recruiting.

What to Look for from Outsourcing Services

There are many individual HR consultants available. But other than for a onetime project or for a specific task, hiring an individual consultant may not get you what you need. Most organizations need HR help at various levels and with various HR tasks (i.e., for both strategic and managerial tasks), so a firm with diverse staff and skills that can handle the diversity of HR tasks at the level of expertise required for each task may be the best choice. There is no need to pay a high-level individual consultant to audit personnel files, and there is a danger in employing a consultant who lacks the expertise to handle various state compliance issues. And employing a firm with numerous staff with varying years of experience and unique skill sets should also minimize fees.

Still, whether you hire a sole consultant or a firm, you should expect the candidate to gain an understanding of your needs before the consultant or firm quotes a fee. To do so, the candidate typically reviews your current records, systems, and processes and interviews staff members about their needs and wants from the engagement. Once this assessment is complete and gaps and redundancies have been identified, a formal letter of engagement should be expected.

Formalizing the engagement can also be broken into various phases. The first phase should

You should expect the candidate to gain an understanding of your needs before the consultant or firm quotes a fee.

Staffing an HR department with outsourced help requires attention to organizational culture to ensure a good fit.

outline the services necessary to bring HR functions in line with best practices (e.g., an update or creation of a personnel policy manual, an effective performance system, a benefit review, etc.) Then in phases two and three, monthly (e.g., day-to-day activities) and annual (e.g., end-of-year tasks) services can be defined and priced. Typically if systems can be improved to conform with best practices by the initial phase, an organization can reduce its monthly costs.

To determine what your organization can afford to do from both a budgetary and a compliance standpoint, you and the consultant or firm should estimate fees for each task. Although some issues may be intentionally delayed, a schedule should be drafted to ensure implementation over an established period of time. A good firm should establish fee estimates based on its experience with the process and based on an understanding of an organization's needs and environment. An annual agreement might prove best so that costs can be revisited based on efficiencies achieved in the process or changes in an organization's staffing. A good outsourcing firm honors the fees quoted even if that requires it to spend more labor-hours than estimated. And if the hours the firm or consultant incurs are less than anticipated, you should expect fees to be reduced.

Smaller organizations may prefer to make monthly requests about the number of hours that will be allocated to an engagement. By evaluating the number of labor-hours required for an engagement on a monthly basis, a small organization can better ensure that it is responsible to pay only for the hours it uses.

When to Consider HR Outsourcing

If your human resources (HR) department lacks experience with employment law, that's certainly a reason to consider outsourcing HR tasks. But there are other arguments for outsourcing HR tasks as well. From the need for simple process improvement to more serious legal and compliance concerns, here are some example scenarios that might prompt an organization to consider HR outsourcing:

- a lack of trained HR professionals in-house;
- an outdated employee handbook;
- an ineffective performance management system;
- a need for training in such areas as providing effective employee feedback, motivating employees, and appropriate recruiting methods;
- a lack of written policies and procedures and/or effective processes for an organization's major HR functions;
- high benefit costs;
- questions concerning the competitiveness of employee salaries and/or benefits;
- concerns about compliance with employment laws and regulations;
- difficulty in retaining or hiring employees;
- management concerns about an HR department during the course of an annual financial audit;
- an increase in employee complaints;
- one or more outstanding employee lawsuits; and
- assessment of fines for noncompliance with wage and hour laws, inadequate workers compensation insurance, improper classification of employees, and so on.

Ensuring Success

HR departments no longer have to settle for in-house employees that lack expertise or to forgo additional staffing because they lack the resources for a full-time hire. With HR outsourcing arrangements, these departments can get the flexibility, staffing, and skills they need to perform day-to-day functions and comply with all-important regulations. And to boot, an outsourcing arrangement may ultimately save organizations time and money.

Still, staffing an HR department with outsourced help requires attention to organizational culture to ensure a good fit. Further, outsourced work requires solid agreements about fees, hours to be worked and so forth to ensure that the work gets done properly and at competitive rates. With the choice of an appropriate HR provider and with solid agreements in place, an organization can pave the way to a long-lasting and mutually beneficial relationship.

With more than 18 years of experience, Simone Putnam is a partner who heads the human resources division at RAFFA PC., a consulting, accounting, and technology services firm. Since its inception in 1984, RAFFA has worked to build the capacity and sustainability of thousands of nonprofit organizations. Putnam can be reached at sputnam@raffa.com.

The *Nonprofit Quarterly* Outsourcing Providers Directory 2008

Many nonprofits subcontract aspects of their business to external vendors. What follows is a small selection of organizations that offer a variety of outsourcing services to the nonprofit sector.

Accenture
(877) 889-9009, (312) 737-8842, www.accenture.com

Arts Consulting Group
Bruce D. Thibodeau, President, 1601 Hi Point Street, Los Angeles, CA 90035-4503; (323) 936-0626, fax (323) 936-1196, www.artsconsulting.com

Bridgestar
535 Boylston Street, 10th Floor, Boston, MA 02116; (617) 527-2833, info@bridgestar.org, www.bridgestar.org

CPS Human Resource Services
Amy Day, Business Development Director, 241 Lathrop Way, Sacramento, CA 95815; (916) 471-3146, aday@cps.ca.gov
Gib Johnson, Managing Director, Client Services East, gib@cps.ca.gov, (202) 355-7300; 444 North Capitol Street, Suite 544, Washington, DC 20001, www.cps.ca.gov

Energize Inc
5450 Wissahickon Ave., Philadelphia, PA 19144; (215) 438-8342, fax (215) 438-0434, www.energizeinc.com

EquaTerra
Glenn Davidson, Public Sector; (202) 904-2311, Glenn.Davidson@EquaTerra.com, www.equaterra.com

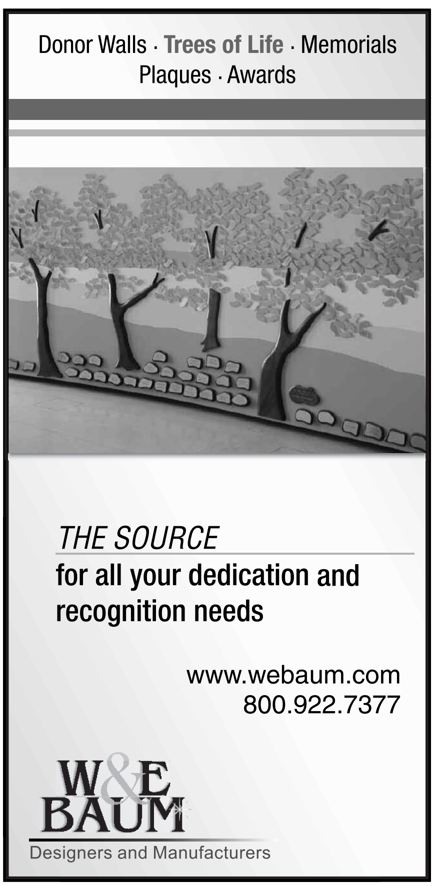
Fiscal Management Services
Sue Southgate, 70 W. 36th Street, 15th Floor, New York, NY 10018; www.fmaonline.net

HR Dynamics, Inc
345 Hudson Street, New York, NY 10014; (212) 366-8544, shusney@hr-dynamics.com, www.hr-dynamics.com

HR XCEL, LLC
3436 Toringdon Way, Suite 300, Charlotte, NC 28277; (888) 477-4310, (704) 357-6008, fax (704) 357-1688, www.hrxcel.com/

James E. Rocco Associates, Inc.
250 West 57th Street, Suite 901, New York, NY 10107; (212) 710-0560, fax 212-710-0561, www.jeroccoassociates.com/

Larry Wayne Associates
35 West 43rd Street, Suite 1408, New York, NY 10038; (212) 382-1577, fax (212) 382-1771, larrywayneassociates.com



MBL, LLC
Strategic Human Resources Solutions
111 SW Columbia, Suite 1010, Portland, OR 97201; (503) 224-7249, fax (503) 224-6707, info@mblgroup.com, www.mblgroup.com

Nonprofit Capital Management, LLC
400 West Cummings Park, Suite 5250, Woburn, MA 01801; (781) 933-6726, fax (781) 451-6734, info@npcm.com, www.ncpm.com

Nonprofit HR Solutions
1712 I Street, NW, Suite 306, Washington, DC 20006; (202) 785-2060, fax (202) 785-2064, info@nonprofithr.com, www.nonprofithr.com/

Northpoint Human Resource Consulting
Fred Ritzau, President and principal consultant, 139A Charles Street, Suite 315, Boston, MA 02114; (617) 670-0545, info@northpointhrconsulting.com, www.northpointhrconsulting.com

Offsite Operations Management
Emily Goldfarb, PO Box 778, Sudbury, MA 01776; (508) 525-5625; emily@offsiteoperations.com, info@offsiteoperations.com, www.offsiteoperations.com

Pacific Training and Resources
3040 Revere Avenue, Oakland, CA 94605; (510) 520-3825, www.pactrainingresources.com

PGHR Consulting
Phyllis G. Hartman, SPHR, PO Box 63, Ingomar, PA 15127; (412) 367-7775, fax (412) 496-2429, pghr@pghrconsulting.com, www.pghrconsulting.com

Raffa, PC
1899 L Street NW, Suite 900, Washington, DC 20036; (202) 822-5000, info@raffa.com, www.raffa.com

Rita Casey, Ph.D.
Serving Clients in the San Francisco Bay Area and Nationwide; (415) 461-2023, rita@RitaCasey.com, Ritacasey.com

Steinberg Advisors, Ltd.
Certified Public Accountants, 5 Revere Drive, Suite 120, Northbrook, IL 60062; (847) 205-4700, fax (847) 205-4477, www.steinbergadvisors.com/

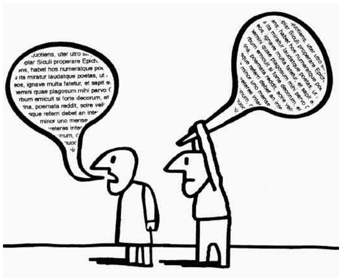
Sage Management Consulting, Inc.
Susan McKeone, Principal, Harleysville, PA 19438; (215) 256-7830, fax (215) 256-1036, smckeone@sagemanagementconsulting.com, Sagemanagementconsulting.com

Sageview Consulting
11 Pennsylvania Plz Fl 5, New York, NY 10001; (212) 201-0729, fax (212) 239-4092, info@sageviewconsulting.com

The Human Resource Department, Inc.
Four Commerce Park Square, 23240 Chagrin Blvd, Suite 845, Cleveland, OH 44122-5403; (216) 292-6996, fax (216) 292-6336, info@thrd.com, www.thrd.com/

Corrections to this directory should be sent to info@npqmag.org.

OUTSOURCING EMPORIUM



Dr. Conflict

by Mark Light

DEAR DR. CONFLICT,

I am a new leader in a mostly volunteer-based nonprofit corporation. I inherited a board that is accustomed to micro-managing from a distance. Board members spend two to three hours a week at the organization, while those who do the bulk of the work spend many more. There are only six paid employees and nearly 100 volunteers. The board is elected by the body, which is part of the constitution. The organization has been in decline for more than a decade, and the board has blamed the previous three leaders for its problems—and now it has begun to blame me. Even though I'm the leader, I lead with a straightjacket because of this micromanagement style of leadership that has become the culture of the group.

How can I change the culture without causing a civil war? How do I create a climate in which volunteers willingly risk creativity when in the past they have paid a price for failure? How do I force the establishment to accept the fact that its leadership style is the problem? The previous three leaders quit and have had great success in their new roles, but I would like to enact change before moving on. What do you suggest?

Searching for an answer

Dear Searching,

Micromanagement has roots in power. Although your position as the executive director conveys legitimate power, newness in the job blunts your ability to get things done. You must instead use personal power that is built on the trust people invest in you willingly. And the key ingredient for building your base of support is communication—lots and lots of it.

How can I change the culture without causing a civil war? How do I force the establishment to accept the fact that its leadership style is the problem?

Like the new sheriff in town without a trusty six-shooter, the only way to get the townsfolk to respect you is to jaw with them. And that's where you should start. Begin by addressing your micro-managing board members. Get to know them in person, break bread with each of them, and establish a relationship. Ask about their hopes for the future and what they'd like to see happen. Ask them about the problems within the organization and its decline and what they think should be done.

At the same time, talk with them about starting a more formal process for thinking about the future, including looking at the role of the board and the standards of conduct that should govern board members' behavior. The process should include a solid examination of the position of the organization in the context of the past decade. Often planning processes overlook this because the lure of new programs is so much more interesting, but don't be seduced.

Dr. Conflict recalls an executive like you who rode into town with a mandate of change. The first thing he did was talk to everyone with a stake in the future of the agency. He discovered that it was better for all stakeholders to meet him in person than to hear about him through the grapevine. And instead of waiting for the chair of the board to call him, the newbie executive director visited with the chair almost every day for the first year and shared all the news, good and bad. The director became a seasoned veteran who turned the agency around and stayed a healthy 15 years. You do the same.

DR. CONFLICT is the nom de plume of Mark Light. In addition to his work with First Light Group (www.firstlightgroup.com), he teaches at Case Western Reserve University and Antioch University McGregor. Along with his stimulating home life, he gets regular doses of conflict with the Dayton Mediation Center.

What conflicts are vexing you? Send your questions to Dr. Conflict at conflict@npqmag.org. The doctor will respond discreetly, and your questions will help others who face similar situations. Reprints of this article may be ordered from http://store.nonprofitquarterly.org, using code 150308.

Business Planning on a Dime: An Interview with David Brown and Pamela Brown

RECENTLY, THE *Nonprofit Quarterly* sat down with veteran nonprofit business planners David Brown and Pamela Brown to get insight on what distinguishes business plans from other kinds of plans and what nonprofits need to know to create an effective plan.

Nonprofit Quarterly: *Can you give us a quick-and-dirty definition of a nonprofit business plan?*

David Brown: A nonprofit business plan should be done in conjunction with a strategic plan; it is an operating plan, but at a high level. Business planning focuses on the must-haves. It aligns with a financial lens a series of component parts: target markets, key goals, and success measures. It also includes monitoring mechanisms—metrics, if you will—to monitor performance against the plan.

NPQ: *What motivates nonprofits to develop a business plan?*

DB: Well, market forces are changing all the time. It's just a very rigorous environment. Within this context, nonprofits are, as always, motivated to do as much as possible for their constituencies. At the same time, they may face complicated market forces, limitations on resources, competition, and funding shifts. That means that choices have to be made, and they are often difficult. So organizations need a well-reasoned rationale that explores all the avenues for financing and accomplishing the most critical things they must do. And it's as important to be clear about what you will *not* do as it is to be clear about what you will do to succeed in your mission. Business planning is a tool to help institutions make these choices in an informed way.

Business planning does not require a fundamental rethinking of the organization's vision, mission, and strategy. It builds on them, and it forces organizations to make financial decisions best suited to their goals.

Pamela Brown: There is also often a precipitating event motivating the development of a business plan: maybe the primary source of funding that an organization enjoyed disappears or there is a change in management or a new leader who wants to reexamine the organization's financial structure and prospects. Sometimes they're growing rapidly or leaking money or thinking about a merger.

DB: Again, this type of planning must fit in with higher-level strategic planning. Business planning does not require a fundamental rethinking of the organization's vision, mission, and strategy. It builds on them, and it forces organizations to make financial decisions best suited to their goals. Among the things we may end up with is an economic strategy or a capitalization strategy. It all depends on the nonprofit's needs.

PB: Of course, as with any type of planning, we are doing more than just creating a plan. We are also building consensus within the board and among the staff. So the planning process itself has, typically, other objectives besides creating a plan document.

NPQ: *What surprises people about the ways in which the process can be helpful?*

DB: People are surprised to learn that the process helps them with the allocation of resources and alignment with aspirations. It's very common for organizations to have solid missions, solid programs, significant aspirations—sometimes they're articulated better than others—but the disconnect occurs in terms of the resources they need to get from here to there and the hard choices they need to make. They tend to be constrained, or handcuffed, by their current practices and existing experience. What we try to do is come in and raise the conversation to a higher level and help them see the benefits and risks of various alternatives.

PB: Nonprofits don't think of themselves as being in the business of competition, but they are competing for resources, for volunteers, for funding, for board members, for staffing, and perhaps also for constituents. In order to compete effectively, you must differentiate yourself, your organization, and your programs or services. We call that your "value proposition": what is the value that you deliver that's distinct from the value that other organizations deliver? The better a nonprofit can define its distinct value proposition, the more effective it's going to be in generating resources. The business planning process helps with defining this as well.

NPQ: What are some of the new concepts that you help nonprofits to understand?

DB: With any organization, operational practices tend to be cumulative over time, so the act of taking a step back to look at why it does what it does in the way that it does it, and whether it still makes sense, is important.

Additionally, many nonprofits do not think about their capitalization strategies. They fail to ask critical questions: "What are our goals in terms of keeping sufficient operating reserves? What's our strategy for operating reserves? How does that measure up against immediate programmatic needs or our drive to buy a building? What's our strategy for strategic reserves: having the funds to take advantage of innovation opportunities or to purchase new equipment?" And then, "What's our strategy for long-term sustainability?" The general misconception is that acceptable, annual financial performance and operating performance equals sustainability, and it doesn't. It's great to have acceptable financial performance on an annual basis, but that doesn't make an organization sustainable. And so the capitalization strategy must be addressed.

NPQ: How about pricing? How aware are organizations of the relative costs and benefits of their behavior and the relationship with their value proposition and mission?

DB: Pricing is a topic unto itself, I think. First of all, pricing by nonprofits tends to be haphazard. It's often an emotional decision based on anecdotal information rather than part of a strategy. Second, pricing is oftentimes not aligned with the value proposition and mission. An organization can have a very powerful value proposition and can dominate its market but, for some reason or other, is charging either way too much to accomplish its mission or way too little in recognition of its value. The organization doesn't really have an understanding of the implications of pricing on its value proposition, mission, and sustainability.

NPQ: Can you give an example of this lack of understanding?

DB: Yes. In fact, I'll use a classic example: An organization we work with is trying to improve its visibility in the community and to establish a reputation for excellence in its service. It has been largely grant funded but wishes to—and in fact must—move to a fee-for-service model to diversify its funding and survive long term. It has been giving its services away for free or charging nominal fees arbitrarily set at what it considers to be "reasonable." It is gaining visibility and getting better known. But it has not considered whether it is undermining its value proposition and, quite simply, training its market to expect everything for free, keeping it dependent on grant funding and making it more and more difficult to change its pricing practices in the future.

PB: We can give another example of an organization that provides services to schools. Its pricing strategy was set at what it perceived the market would bear, resulting in net operating deficits that were "plugged" by a few primary grant funders.

The longer-term implications of that practice became apparent as the organization grew. When the organization was relatively small, it could fairly easily plug the hole with contributed money, but as it expanded, the deficits represented larger and larger dollar amounts that exceeded its fundraising capacity. It was a major aha moment when we told the organization that it was pursuing a risky financial strategy and needed to reduce its dependence on contributed funds from the current 70 percent of total revenues. As a result of that insight, the organization did some hard work to develop a pricing strategy that made sense relative to the value delivered and that it could rationalize to its clients.

NPQ: What's the most broken business plan or financial model you've ever seen?

DB: "The most broken financial model I've seen was created by an institution's inability to understand the causes of poor financial performance. This was exacerbated by a lack of accountability at the leadership level and the board's willingness to use endowment to offset operating deficits. Eventually, the auditors raised the possibility that the institution would not pass the "going concern" test and this is what finally forced the board to confront reality. The institution has made great progress since then but remains financially fragile despite its substantial endowment."

NPQ: How would a small organization take on this business planning work?

DB: The smaller the organization, the more difficult it is to spend time on strategy and business planning, because it's a one-armed paper hanger: it's doing everything. The questions are, How much is enough? How much strategy and planning work is enough to meet the needs of the organization?

PB: Even the smallest nonprofits can benefit by thinking strategically, defining their goals, and planning how they are going to implement and measure their success. However, strategic and business plans don't have to be long, elaborate documents or projects. For many clients, we do plans in the form of PowerPoint presentations that clearly depict the priorities and focus. The better you do the strategic and business thinking, the more successful you're likely to be in generating the resources you need.

NPQ: *What should organizations expect to pay for business planning? We've heard that some firms charge up to $250,000 for a plan.*

DB: There is no right price, because every institution is different, every organization has different needs. My sense is that most organizations can do this planning on their own. Most might benefit from a little bit of outside assistance or facilitation, but the thought of paying $250,000 for assistance with a strategic plan is laughable in my view. Those organizations that have a broader need—where there is a need for alignment of strategy, business planning, and financial planning—are those for whom outside help is particularly helpful. If an organization needs significant work in all three areas, it is definitely better to go outside, find somebody you're comfortable with, bring them in, and assign them to the task. It just gets done faster that way. And the good news is that once you do this, you have a template that you simply have to update and revise over time.

David Brown and **Pamela Brown** are the principals of Brown Performance Group, a firm with more than 30 years of senior management and consulting experience working with nonprofit and for-profit organizations.

Comment on this article at feedback@npqmag.org. Order reprints from http://store.nonprofitquarterly.org, using code 150309.

Business Planning: What's in Your Toolbox?

by Richard Brewster

When nonprofits embark on planning exercises, they have myriad tools at their disposal. But often, nonprofits stick to the familiar rather than looking for the appropriate tool for the job. To this end, the Nonprofit Business Planning Project—a joint project of the National Center on Nonprofit Enterprise (NCNE) and the Center for Nonprofit Excellence, in Akron, Ohio and funded by the Kellogg Foundation—decided it would be a useful service to collect these in one place and offer simple explanations of each tool. Nonprofits might want to take a morning and "browse the aisles" for the tools that suit their particular situation. While the following discussion provides basic descriptions of the tools, the Additional Resources section at the conclusion of this article provides readers with a list of sources on how to use the right tools for the greatest impact (see page 65).

The Planning Process

You need to plan to plan. Planning ensures that all participants understand their responsibilities, and those who are not directly affected understand what will happen and how they can help.

Planning process agreement. This stage of planning requires that those who lead the planning process engage with those who are going to take part, secure an agreement about what success looks like, identify the short- and long-term questions to be answered, and categorize these questions under various headings (such as program impact, financial health, organization, and relations with outside groups). Agreement can be formalized with specific "job descriptions" for key players.

Planning process map/flow chart. With this form of analysis, you need to create a visual picture that supports the planning process and to communicate about the process with relevant stakeholders. The end result should be a diagram depicting who will do what when.

Looking Outside the Organization

In part, planning involves matching the abilities of the nonprofit to opportunities that exist in the world around it to make a difference. Therefore, exploring your environment is extremely important. Accordingly, there are numerous ways to assess aspects of your nonprofit's external world. Unfortunately, "jargonauts" have flattened the language in the field, so be especially careful to understand what each tool entails.

Multiple-cause analysis. Originally used to manage complex change, multiple-cause analysis involves identifying and weighing the causes of a challenge that a nonprofit attempts to address. In the case of planning, it helps a nonprofit determine the most critical point of intervention and make program selections. Staff members at a substance abuse organization, for example, could identify causes of client alcoholism as unemployment, family breakdown, and peer pressure. Staff can then determine where in this web of causes the nonprofit is best equipped to intervene to prevent clients' substance abuse (see the section on the theory of change as well).

Stakeholder analysis. Using this tool, organizations can identify each stakeholder group, the nature of their stake, and their potential impact on the nonprofit. In some cases, the principal beneficiaries are included in this analysis; in others, identified stakeholders may cause an organization to deflect its focus from its constituents or mission. In both cases, stakeholder interests must be taken into account.

Gap analysis. In this kind of analysis, organizations assess service users' needs in a given field of service compared with services currently available. This helps to establish the scale of organizational opportunity for the nonprofit. A homelessness group, for example, can use this approach to identify the number of homeless people in hostels and compare that with the number of homeless candidates for whom current providers, including itself, could find a home. The disparity between these two numbers is the "gap" an organization can fill if it has the resources to do so.

PEST analysis. In this kind of analysis, organizations assess the political, environmental, social, and technological, or PEST, factors that may affect a nonprofit's activities and its ability to achieve its goals. An organization uses this kind of analysis to identify opportunities and risks and then develop plans to take opportunities and guard against threats associated with its activities. It is important to focus on only those factors that affect a nonprofit. So while it may be interesting, for example, that the Democrats will increase their majorities in Congress this year, decreases in local property tax revenues are likely to have a greater impact on a nonprofit's prospects.

Nonprofit industry analysis and the six-force chart. This kind of analysis requires an understanding of the key external factors that determine whether a nonprofit can flourish in its service area. By creating a chart, an organization identifies (1) other organizations in its field and their relationships with one another; (2) suppliers; (3) possible new entrants; (4) potential substitutes for the nonprofit's service; (5) users, customers, and client groups; and (6) funding sources. The tool is especially helpful for nonprofits that face stiff competition, such as day-care providers.

Competitor analysis. In this kind of analysis, an organization assesses other organizations with which a nonprofit competes. The activities for which such an analysis is most useful are those in which there is genuine competition: services that are delivered through markets (such as higher education, theater ticket sales, and health care); activities whose funding is secured through competitive bids to government agencies; and fundraising sources. During planning, an organization should prepare strengths, weaknesses, opportunities, and threats (SWOT) analyses for each of its major competitors (see more on SWOT analysis later in this article). Sophisticated competitor analysis also addresses substitute competition (such as watching DVDs at home instead of attending a theater performance) and can be used to explore program interventions. In the case of a drug addiction prevention program, for example, "competition" may be identified as those who sell drugs to the potential addict.

Analysis of other players. This form of competitor analysis has been developed specifically for the nonprofit sector. A nonprofit identifies the other players in its realm of service as well as their objectives and strategies, their performance, and their strengths and weaknesses. Analysis should focus on whether each player is an actual or potential competitor, collaborator, or both; and its level of influence relative to other organizations in the field and, in particular, to the nonprofit engaged in planning. As with the six-force chart and competitor analysis, this tool helps a nonprofit identify its niche, how it can compete (or whether it has to compete), and whether there are opportunities for collaboration.

Benchmarking. With this dimension of competitor and other-player analysis, a nonprofit can compare measures of its performance with those of other players. A community center, for example, can compare its prices for the use of its facilities and the levels of user satisfaction it achieves with prices and satisfaction levels of other nonprofit centers.

Key success factor analysis. This involves identification of factors that determine success in a given market or field of activity. Examples include securing funding, particular skills or knowledge, and influence with local and national government. Understanding these factors enables a nonprofit to judge how well equipped it is to enter a new field or to identify needed improvement in existing services.

Sources of resources analysis. Based on NCNE's recent work on income strategy, this kind of analysis assesses the most likely sources of support given a nonprofit's mission, assets, and activities. A nonprofit identifies the benefits that each of its programs creates and for whom. These benefits fall into several categories, each of which is associated with a form of nonprofit income: (1) activities that generate private benefits for individuals that attract fees, like those for counseling; (2) activities that benefit an entire community or that are politically mandated and that are public benefits paid for with tax dollars (through Medicaid, for example); (3) activities that benefit a group of people, like those with a rare medical condition that are paid for by donations from those with a particular affinity for that group; and (4) nonprofit services that benefit other organizations if they provide something in return, such as corporate sponsorships.

By undertaking this analysis, a nonprofit can construct a potential portfolio of support on the basis of its programs. This approach is useful when a nonprofit seeks to diversify its revenue sources or intends to develop a new service and needs to identify funding sources.

Assessing the Nonprofit

In planning its future, a nonprofit also needs to identify the characteristics of its own operations that provide the potential for the greatest impact.

Theory of change, or social-impact theory. This form of analysis outlines how a nonprofit's programs lead to concrete and measurable change. This requires understanding the causes of a nonprofit's challenges and opportunities and relevant technical knowledge that links program activity to these causes. Organizations can use informal discussion to identify their theory of change; they can also use structured frameworks. The principle here is known as the *logic chain*. Understanding a nonprofit's theory of change is crucial if it wants to have the greatest impact and put its available resources to best use.

An organizational audit. This is a collective term for various approaches to the assessment of a nonprofit's performance and assets. These approaches generally differ only in terms of terminology and level of detail. Almost all are designed to identify the organization's strengths and weaknesses that will become key features of a SWOT analysis. Structured versions of this approach involve two main elements:

An audit of resources. First, an organization should systematically list all resources under its control, including staff members and their skills and knowledge, financial resources, physical assets, organizational culture, and intangible assets such as organizational reputation.

Analysis of current use of resources. This analysis is often multidimensional and encompasses a nonprofit's programs, human resources, finances, physical assets, and intangible assets. In each case, it is possible to analyze the potential impact, strengths, and weaknesses of (1) each resource itself; (2) the configuration of resources; (3) how this configuration, or "value chain," creates competitive advantage; and (4) the efficiency with which each resource is used.

In the case of programs, for example, analysis would include an evaluation of units of service, cost per unit, and measures of impact. But analysis could also include how these results are achieved and the relative contributions of, for example, staff knowledge and techniques, the quality of the building in which the program is delivered, and the systems to determine the level of efficiency of this program. The results of this analysis can be compared with a benchmark or ideal level of performance.

A specific example is the McKinsey Capacity Assessment Grid, which is adapted from McKinsey's original 7-S model. The framework for an organizational audit covers aspirations, strategy, organizational skills, human resources, systems and infrastructure, organizational structure, and culture. It enables a nonprofit to rate its relative strength or weakness in these seven areas.

Identification of core competencies. This process involves establishing a shared view of what a nonprofit does well. A nonprofit can establish consensus on core competencies by identifying those activities at which it excels in its field as well as activities that consistently produce outstanding results. The critical idea here is that only by exploiting these competencies will a nonprofit achieve optimum impact relative to its internal challenges and to its competition. For many nonprofits, the outcome of this process can be difficult: that is, nonprofits need to accept that they should withdraw from services that they do not deliver well. A mental health nonprofit, for example, may have added mediocre residential services to its outstanding day and outreach programs because of client demand. But it may be better for this organization to transfer its residential services to a specialist residential provider.

Portfolio analysis. Organizations with a range of services and/or products often use this approach, but portfolio analysis can also be helpful for an organization with a small number of programs. This method involves placing each nonprofit activity and product in a matrix and enables a nonprofit to get a clear view of how its activities contribute to its organizational mission and its financial health.

Some kinds of portfolio analysis have been adapted specifically for nonprofit use. The best-known example is the Product Portfolio Map, which compares an organization's contribution to its mission with its contribution to economic viability.[1] The ideal is a blend that optimizes mission impact while building the financial sustainability of a nonprofit.

High mission contribution/low financial contribution	High mission contribution/high financial contribution
Low mission contribution/low financial contribution	Low mission contribution/high financial contribution

Generating Strategies

Having scanned and analyzed the environment in which it operates and assessed its own strengths and weaknesses, the nonprofit's next step in planning is to find the best match between what it does very well (that is, its core competencies, opportunities to have the greatest impact) and available financial resources and other forms of support. To achieve such a match, a nonprofit has these options:

- to modify the nature of a program, particularly to improve its quality;
- to add new programs;
- to withdraw from programs;
- to increase the number of people to whom programs are delivered; and
- to secure more resources.

There are various methods through which a nonprofit can generate options that match what it does well with its opportunities.

Scenario planning. This form of analysis paints pictures of assumptions about the future environment, enabling a nonprofit to identify factors with a high level of uncertainty that may have an impact on its work and to explore potential responses. This approach is most useful for a nonprofit that tackles a particular dilemma. For example, a theater group is considering whether to provide only avant-garde productions (which are its specialty) or to add mainstream material to its program. It can envision how each option would play out with audiences, funders, and other supporters and also plan its responses to their reactions.

SWOT analysis. For nonprofits, this is the most popular planning tool and is used at all levels of planning. The tool is sometimes used on its own but more often in conjunction with the previous forms of analysis. Its essential purpose is not primarily to generate lists of strengths, weaknesses, opportunities, and threats, which is as far as many nonprofits go with this tool, but to link strengths and weaknesses with opportunities and threats *to identify action*. For example, if a nonprofit wants to exploit its particular program expertise (a strength) and secure the funding to meet the needs of more people, it may first have to improve its poor reporting system (an identified weakness). And a strong fundraising department is only a useful strength if there is a new funding source (an opportunity) that it has the specific expertise to exploit.

The Ansoff Matrix. While this may sound like the title of a bad sci-fi movie, it is, in fact, a tool. The matrix is generally used in commercial marketing but can be adapted to help a nonprofit clarify strategy, particularly when it wants to determine its optimum mix of programs. The matrix enables planners to define options in terms of users served and type of program intervention.

	Current Program	New Program
Current Users	Extending program to same types of users	New type of program intervention for existing users
New Users	Bringing benefits of program to new types of users	New type of program intervention for new types of users

For example, a local nonprofit whose mission is to rehabilitate ex-felons and that runs a life-skills training program can offer its program to additional ex-felons in the local community; offer the same program to ex-felons in additional communities; or develop a different program, such as business skills training, and offer it to current clients or to people in other communities.

Nonprofits can also use the Ansoff Matrix to evaluate levels of risk and likely cost: new services and new kinds of customers require higher costs and higher risks.

Fundraisers can also use the matrix in analogous ways.

	Current Method (e.g., Conducting Mailings)	New Method (e.g., Placing Telephone Calls)
Current Individual Donors	Mailing more frequently to existing donors	Placing telephone calls to existing donors
New Donors	Mailing potential new donors not previously contacted	Placing telephone calls to potential new donors

Evaluating Options and Making Decisions

After generating likely options for development and action, how does a nonprofit decide which to pursue? There are several tools and approaches from which to choose.

Assessment of proposed strategies based on agreed-upon criteria. This is the simplest and most commonly used approach to assess a nonprofit's choices. These strategies can include the extent of the opportunity; the extent to which a given option builds on an organization's assets, capabilities, and knowledge; competitive position; the probability of securing funding; the likelihood that a strategy will enhance other programs; consistency with mission; various measures of feasibility; level of risk, and so on. It helps to have all the key decision-makers agree on these criteria *before* options are generated; it's natural for individuals with a preference for particular strategies to choose criteria that produce their desired outcome.

Cost-benefit analysis (CBA). This form of analysis provides a framework to assess the benefits and costs over time of investment in a program or combination of programs. The results can be compared with those for another investment option. CBA was originally designed to quantify—often in dollar terms—difficult-to-measure outcomes (quality of life, for example) and integrate them with conventional financial benefits and costs. This approach is not always valid, and for many nonprofits it is easiest to quantify as much as possible but also to judiciously account for benefits and costs that are not quantifiable. For example, a substance abuse treatment nonprofit can quantify the benefits of its clients' recovery in terms of health-care costs saved, reductions in crime, and taxes generated (if recovery includes securing new employment). In deciding which programs to pursue, this nonprofit should identify a program in which it excels and that maximizes benefits at the lowest program cost.

Stakeholder CBA. This form of analysis assesses the benefits and disadvantages of a program or strategy for key stakeholders. This can be done by involving the various stakeholder groups and testing various options with them. The principles of CBA apply here as well, but analysis of various stakeholders enables a more comprehensive accounting of benefits: many nonprofit activities can benefit groups other than clients, such as the parents of those affected by substance abuse.

Organized abandonment. This form of analysis is the Institute for Social Entrepreneurs' structured version of portfolio analysis. After programs are assessed in relation to mission and financial contributions, a nonprofit should move away from programs that fail to produce either strong mission impact or a surplus.

Tools from microeconomics. For decisions that concern how to modify or enhance a program or how to choose between different delivery methods, economic tools can be helpful. They are particularly powerful when a nonprofit can quantify in monetary terms an activity's mission-related benefits. The tools include opportunity cost analysis, thinking at the margin, market analysis, and transaction-cost analysis.

Risk analysis. This form of analysis assesses different kinds and levels of risk. The aim is to identify and quantify the most significant risks to the achievement of a nonprofit's goals. Risks can be identified by analyzing the threats from a SWOT analysis or generated as a separate exercise. The key factors are the *probability* of a given risk and the *level of impact* that the risk would have on an organization. Together, they provide a measure of the seriousness of a risk. A nonprofit can also consider worst-case scenarios and sensitivity analysis (see below). The job of the nonprofit is then to identify, assess, and adopt strategies to minimize the most significant risks.

Sensitivity analysis. This form of analysis involves testing the robustness of a particular choice of program or strategic direction by asking what-if questions about, for example, the effects of different levels of funding. A museum, for example, can run the numbers on a range of different attendance levels and admission prices to determine whether a new exhibit with higher-than-average costs is sustainable.

Implementation

To prevent a nonprofit's plan from gathering dust on a shelf, there are two necessary devices: a planning document and a monitoring process.

A planning document that emphasizes action. It's useless to draft a strategic plan that articulates vision, environment, and future direction but that fails to specify who will do what and when. A useful planning document should include the following elements:

- a clear statement of goals and how they will be achieved;
- reasons for choosing these goals;
- clearly defined objectives at all levels and for each phase of the plan;
- a definition of tasks required to achieve objectives and expected outcomes from these tasks;
- a description of the allocation of resources to each of these tasks;
- clear allocation of individual responsibility for each set of tasks;
- identification of risks and how these will be mitigated;
- measures and milestones; and
- budgets.

A monitoring and review process. This second device involves planned and structured arrangements through which a nonprofit assesses progress against objectives and milestones, outcomes and goals, and takes action accordingly. These objectives can be built into the plan document itself or be negotiated and communicated separately. The phrase *monitoring and review* sounds deadly boring, but assessing what a nonprofit has achieved and using the plan to understand how it has accomplished its goals is a motivating and enlightening experience for executive directors, board members, staff, and volunteers. And review meetings need not be staid events. A mental health nonprofit, for example, asked each departmental team to select a song that conveyed its progress or lack thereof and to act out the lyrics.

With tools of analysis in hand, organizations can better assess their risks, opportunities, and the environment around them. Whether the goal is to improve program performance, to jettison an underperforming service, or to take on new clients, these tools enable organizations to make more informed decisions in the context in which they operate and in light of the many factors that influence their activities.

Additional Resources

Michael Allison and Jude Kaye, *Strategic Planning for Nonprofit Organizations*, 2nd. edition. Wiley, 2005.

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National Center on Nonprofit Enterprise Web site (www.nationalcne.org).

Sharon Oster, *Strategic Management for Nonprofit Organizations*. Oxford University Press, 1995.

Dennis R. Young (ed.), *Financing Nonprofits: Putting Theory into Practice*. Alta Mira Press, 2007 (for sources of resources).

Dennis R. Young and Richard Steinberg, *Economics for Nonprofit Managers*. The Foundation Center, 1995 (for tools from microeconomics).

Endnotes

1. See the list of additional references for more on the Product Portfolio Map.

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In its planning process, has your nonprofit used these tools? Share your lessons and experience at feedback@npqmag.org. Reprints of this article may be ordered from http://store.nonprofitquarterly.org, using code 150310.

The Age-Old Problem: Leasing versus Buying

by Gabriella DiFilippo and Tanya Vartivarian

Facility-intensive nonprofit organizations face a perennial dilemma: whether to lease or purchase facilities. Leasing a facility allows nonprofits to stay flexible, hedge their bets, and potentially minimize financial risk. But constant rental fees can drain finite financial resources and undermine program investment. On the other hand, while purchasing property enables nonprofits to build equity and establish a community presence, purchasing a facility can lock fast-growing or unstable nonprofits into a location and saddle them with financial risk. How can an organization decide whether to rent or buy, and which factors are most important in the decision-making process? This article discusses the various factors in the lease-versus-buy decision and helps organizations make informed decisions based on their financial picture and particular context.

Consider the experience of a Chicago-based nonprofit that provides comprehensive mental health and substance abuse counseling to low-income residents. Over the past 10 years, the organization rented space. At the scheduled lease end, the owner put up the building for sale. This stable agency suddenly confronted the prospect of moving, renewing its lease, or buying the building. Following careful consideration, the agency made the decision to purchase the property. After its purchase, the agency realized net asset growth, more consistent operating surpluses, and a mortgage payment lower than the rent previously paid. After the organization applied for tax-exempt status (a one-year process), the acquisition also enabled the agency to save approximately $60,000 a year in property taxes. The agency also estimated that rent expenses would have increased 3 percent to 5 percent annually in future years. Ownership was the right decision for this agency, but it's by no means the universal right choice.

After 20 years of working with facility-intensive nonprofits, IFF, formerly known as the Illinois Facilities Fund, has developed considerable expertise in providing real estate decision-making tools for nonprofit executive directors. Many resources on owning real estate paint the picture with a broad brush. But in IFF's experience, the issues vary dramatically for nonprofits of different ages, sizes, and program types. And all decisions must be made in the context of each agency's vision and plans. The needs of a primary health-care clinic in a rapidly growing immigrant neighborhood are quite different from those of a small child-care center in a mixed-income housing development. In terms of lease-versus-buy considerations for nonprofits, IFF has found the following to hold true:

- No organization should own real estate that is not affordable under a conservative revenue projection of at least five years. "Affordable" means that an organization operates at a healthy surplus; IFF encourages about 5 percent. But just because an organization can afford to own the building doesn't mean that it should. The chosen location may not be right for its mission or clients, or buying property may bring distractions, such as maintenance issues.
- If an organization has experienced rapid growth, expects to grow significantly over the subsequent five-year period, or remains uncertain about the concentration of its client base in the future, it's best to lease space until operations are stable and planning for the future involves fewer unknowns.
- If an organization has stable programs and funding, has occupied the same space for several years, has an excellent planning track record, and understands its space needs and budget, it may be a good time to consider owning real estate.

In addition to these kinds of considerations, nonprofits often choose or decline to own property given their philosophical approach to risk and reward. And in many cases, building ownership reduces stress, stabilizes programs, and strengthens an organization as it builds assets. Others lease if owning means incurring debt, though in fact resistance to long-term debt often hinders financial stability. Factors such as convenience, efficiency, appetite for risk, and control often play into each side of the rent-versus-buy debate

Rising rent costs create just as much financial pain as unplanned maintenance costs. In both cases, careful and realistic financial and program planning are an absolute must. Owning property in the city may differ from owning in the suburbs because of the quality and commitment of landlords, local practices, regulations, and laws that favor either tenants or landlords.

Thus, the decision to lease or buy depends on various organizational factors, and these factors aren't static. And while an organization may have made the appropriate decision at the time and for a given set of circumstances, the factors influencing the decision—such as the environment, the economy, or the neighborhood surrounding a facility—may change and require new decisions about renting or purchasing facilities.

Assessing the Situation: IFF's Experience

With few exceptions, new nonprofit organizations should not focus on real estate ownership. Instead they should establish the organization and its value to the community. In some cases, wealthy donors may back the agency and raise funds for capital investment in property ownership, but these situations are the exception. It may be challenging to lease, where an organization must find space to rent and then improve the space to meet the needs of the program, but it's effort well spent while the agency is young. The following questions provide a guide for organizations of any age that lease or rent space.

- Can the organization survive events that require a change or relocation (e.g., rising rents, redevelopment, or sale of the property)? If rents escalate dramatically, an agency in a gentrified neighborhood, for example, may experience a disconnect with its clients.
- Does the current location provide access to the target client base? If clients do not have access, an organization's fees and income may decline. An agency dedicated to improving health among the Latino population, for example, should be accessible to the community.
- Is the agency committed to a single community? A community-specific service focus may restrict relocation options and favor a long-term lease or ownership.
- Does the organization have enough control of the space to accomplish its goals over the next five years? Control starts with good landlord relations, the ability to secure a long-term lease with options to renew, and a clear grasp of potential rent increases and building operating costs. Moreover, nonprofits often overlook attention to detailed lease negotiations. Some landlords finance build-out of special use space and handle construction.
- Will improving or changing current space be affordable and cost-effective? Whether it is owned or leased, new space frequently costs less than renovating existing space.
- Can the organization cover regular maintenance costs? As a building ages, it is important to assess ongoing energy and upkeep costs. If energy-efficient systems are not installed in leased space, energy costs may rise at a higher rate than revenue.
- Does the space provide for future specialized needs (e.g., a playground, private offices, and soundproofing)? As organizations grow and adapt, their facilities must grow and adapt as well. If existing space cannot accommodate the need for future change, program quality may suffer.

If the answer to most of these questions is no, it is likely time for an organization to consider relocation and ownership. Further, any responsible board of directors should consider the various factors discussed here.

Steps in the Buy-versus-Lease Decision-Making Process

In the buy-versus-lease decision-making process, many nonprofits make mistakes, but thousands more get it right. They do so by thoughtfully analyzing their situation and priorities. The first step in the buy-versus-lease decision-making process is to examine organizational needs and those of the organization's clients. Programs must dictate facilities needs and not the other way around. Allowing a facility to drive programs can lead to trouble and even financial failure.

It's also crucial to understand an agency's goals over the next three to five years. This examination must include program goals, space, growth needs, revenue streams, and financial stability. For agencies that rely on government payments, examining revenue streams is particularly important. Rarely do government payments increase at the rate of inflation, which means that there will be a gap between cost of services and payment. Before it makes any decisions about a facility, an organization must be in a stable financial position and have a strategic vision for programs. If you know that existing space cannot accommodate program objectives and if you have clear goals, unanimous board support, and identified revenue, you can get even further in the process.

Once these factors are clear, an organization should examine the cost of new operations and monthly cash flow. Projecting the first year of monthly revenues and expenses helps determine whether a new facility makes sense. A five-year projection predicts success further and helps inform other decisions. A nonprofit's year-end figures should be positive numbers.

The next step is to identify sources for up-front capital investment. There are five common sources to pay for a real estate project: agency cash (net assets), foundation grants, a capital fundraising campaign, government funds, and debt. Many capital projects include all these sources. Foundations,

Table 1: **Leasing vs. Buying**

Costs	
Buying	**Leasing**
Up front	
Acquisition and down payment	Renovations (hard and soft costs)
Appraisal and inspection fees	Financing fees
Environmental report	Legal/closing costs
Renovations (hard and soft costs)	Furnishings
Financing fees	
Legal and closing costs	
Title insurance	
Survey	
Furnishings	
Ongoing	
Mortgage payments	Rent payments
Utilities	Utilities (may be in rent payment)
Maintenance	Property insurance
Property insurance	Property taxes (exemption unlikely)
Property management	
Property taxes (exemption possible)	
Benefits	
Buying	**Leasing**
Building equity and assets	Less responsibility for property management
Flexibility (if relocation needed)	More budget certainty if landlord is responsible and long-term lease
Long-term strategy for property control	No large up-front capital needed
Potential property appreciation	Flexibility
Better control of occupancy costs	
Asset can be used as collateral	
Savings from property tax exemption	

capital campaigns, and government funds can take months or years to secure, making cash flow planning a critical component of a building project.

Nonprofits that deliver services should avoid pre-development loans unless they have funding commitments in hand to repay if there is a required construction start date and a timing problem concerning the funds. Part of any comprehensive financial plan includes consideration of construction loans structured—short-term loans, usually interest-only, that cover the costs during construction and get refinanced to fully amortizing loans once construction is complete—or converting to a long-term mortgage.

Leasing versus Buying

In deciding whether to buy or to lease, the two primary factors are the costs and the benefits. Table 1 helps frame these issues.

Renovation versus New Construction

If an organization decides to relocate and purchase a property, the next part of the equation is whether to renovate existing space or build anew. This decision may ultimately come down to cost. In some instances, and depending on local building codes and other variables, renovation and new construction may cost the same. For example, an older, well-cared-for building that can be obtained cheaply given its condition may cost more to update and reconfigure. Older buildings often contain asbestos and lead paint, which requires remediation and adds to up-front costs. It is more costly to update older systems. In addition to up-front costs, older, renovated buildings may be more costly to operate in the long run. Current building materials are more energy efficient and can be easier to maintain. A detailed comparison of costs for an old versus a new building is a necessity. The availability of land or property varies widely by community, which may affect the decision.

The other factor is space needs. The footprint of an existing property may limit an organization's ability to meet all its space needs. Sometimes a facility's use is so specialized it's hard to retrofit existing buildings. Before acquisition, an organization should work with an architect to confirm that an existing property can meet its needs. New construction allows an organization to design its space specifically to meet its current and future needs.

A Case Study on Buy-versus-Lease Considerations

A recent case study helps highlight the various considerations in an organization's decision to move or stay, buy or lease, renovate or build anew.

A well-established, small nonprofit contacted IFF to analyze whether it should move and whether it made more sense to buy or lease a new facility. The agency was founded more than 30 years ago as a community-based agency serving residents of a nearby public-housing development. Over the years, the agency expanded to provide services to low-income residents throughout Chicago. The services are in the areas of housing, family, and criminal law. In the most recent year for which statistics are available, the agency served nearly 1,000 clients with approximately 15 full-time and five part-time employees.

The initial location of the agency was suitable when its focus was more community based. The agency owned its space in an office building, but as it grew, the location became less desirable. The space wasn't near its client base, the building was dilapidated, and facilities issues drained staff attention. The agency also recognized that, while the amount of space was adequate, it needed additional private offices to handle client meetings in which personal and confidential information was exchanged. Because of these changes, a desire to offer more services to more clients in the future, and a need to reside in a well-maintained property, the organization called on IFF to devise a plan to meet its space needs and best serve its clients. IFF first conducted a space-needs analysis, evaluating administrative space, meeting and program space, and circulation. The review determined that, with some change, the agency's existing space could support current and future programs.

The second part of the plan involved a financial analysis. The two analyses resulted in three options to move forward:

- **Option one:** Retain and renovate current offices.
- **Option two:** Sell the existing office and purchase a new facility.
- **Option three:** Sell the existing office and lease a new facility.

Next, IFF reviewed the organization's finances to determine what the agency could afford for up-front costs and ongoing expenses, such as debt service. The agency had a strong financial history with an annual operating budget of $875,000 and net assets of $300,000. The agency's revenue had grown steadily, at an average of $80,000 annually. Through this analysis, IFF determined that the agency could support approximately $750,000 in debt to finance new space. This calculation was based on a standard IFF loan with a 20-year term and an interest rate of between 6 percent and 7 percent. Up-front costs would depend on the chosen option; option one is based on 6,655 square feet, and options two and three are based on 5,650 square feet. The analysis determined that the total development costs for options two and three assumed a sale price of $1.7 million for the existing office (which had appreciated significantly).

Option one. The estimate to retain and renovate the existing space was nearly $1 million (see table 2). This included removal and replacement of the roof, plumbing repairs, replacement of mechanical systems to enable more efficient service, and reconfiguration of existing space to better meet agency needs. In addition, there would likely be upgrades to meet building codes, such as adding a sprinkler system and improving accessibility. To pursue this option, the agency would need to raise or finance $600,000 (see table 3).

Option two. The second option would cost $1.9 million (see table 4). More than half of the cost involved acquisition, with other project costs of $500,000. The costs were based on a location that would provide maximum access for the agency's client base. For this option, the agency would have enough equity available from the sale of its existing property and supportable debt to cover 100 percent of development costs (see table 5).

Option three. The third option was the least expensive, at a cost of $390,000 (see table 6). Similar to option two, the agency would have enough equity available from the sale of its existing property and supportable debt to cover 100 percent of the development costs and save some of the proceeds. At the same time, reviewing the resulting financing scenario indicated that the agency would

Table 2: **Estimated Costs for Renovation of Existing Facility (Option One)**

Construction/hard costs		$720,000
Maintenance, systems, and code issues	$506,000	
Reconfigure space and upgrade finishes	$184,000	
Replace windows	$30,000	
Soft costs (25%)		$180,000
Project contingency (10%)		$90,000
Total development costs		$990,000

Table 3: **Financing Scenario (Option One)**

	Three-Year Averages
Total available to support all debt service	$70,000
Less existing debt service	($35,000)
Available for new debt service	$35,000
Total supportable new loan amount	$376,000
Funding gap	$614,000

Table 4: **Estimated Costs for Purchase and Renovation of a New Facility (Option Two)**

Acquisition	$1,130,000
Construction/hard costs	
Building renovations	$565,000
Soft costs (25%)	$141,000
Project contingency (10%)	$71,000
Total development costs	$1,907,000

Table 5: **Financing Scenario (Option Two)**

Total available to support all debt service	$70,000
Total supportable new loan amount	$758,000
Proceeds from sale of existing property	$1,700,000
Less payoff of existing loan	($286,000)
Total available for purchase/renovation	$2,242,000
Funding gap	$0

Table 6: **Estimated Costs for Renovating a Leased Facility (Option Three)**

Construction/hard costs	
Reconfigure/build-out space	$283,000
Soft costs (25%)	$71,000
Project contingency (10%)	$35,400
Total development costs	$389,400

Table 7: **Financing Scenario for Leasing a New Facility (Option Three)**

Proceeds from sale of existing property	$1,700,000
Less payoff of existing loan	($286,000)
Less renovation costs	($389,000)
Total available for investment	$1,025,000
Annual lease payment (year one)	$102,000
Annual amount of supportable lease payment	$70,000
Annual amount needed from investment or other income to cover lease balance	$32,000

need another $32,000 in annual revenue to meet lease payments (see table 7).

To assess the impact of each option on the agency's operating budget, IFF reviewed the organization's 10-year operating pro forma. IFF estimated facility operating costs and included debt service payments assuming a typical IFF financing structure, as noted previously. To determine revenues and expenses, IFF took the most recent actual numbers and escalated costs and expenses by an inflation factor of 2 percent a year. Based on these projections, it appears that the agency can operate the current or a newly purchased facility with approximate annual surpluses of $12,700 and $16,600, respectively, increasing by 2 percent annually.

The addition of lease and property tax payments under option three leaves the agency with projected deficits. But the agency will have approximately $1 million in equity available from the sale of its existing building. IFF estimated the potential income the agency could derive from the investment of the sale proceeds. Assuming a conservative interest rate of 4.5 percent, it is estimated that the agency could fund 100 percent of its projected deficit with interest income by investing the $1 million.

As part of its recommendations, IFF projected the organization's cash flow over the upcoming 10 years. Under option 1, the agency's cash flow would go from

$13,000 in year one, to $20,000 in year two and $31,000 in year 10. Option two shows these figures as $17,000, $25,000, and $36,000, respectively. Option three, the lease option, resulted in negative cash flows of $26,000 in year one, $28,000 in year five, and $31,000 in year 10.

In sum, option two presented the opportunity to exploit existing assets to achieve the agency's goal of moving into a less gentrified neighborhood without requiring the agency to engage in a capital campaign or having an adverse effect on its operating budget. During a board meeting, the options of remaining in the current location as-is or phasing in improvements were discussed. IFF recommended that, unless major maintenance issues were addressed in the near term, the agency move from its existing facility to better meet program goals and maintain the financial viability of the asset.

The agency recognized that it was time to consider a move, but its work with IFF enabled the agency to develop a strategic direction. After reviewing all options and working with its board, the organization decided to follow the advice of IFF and sell its existing space and purchase an office condominium (option two). In making the decision, the organization considered its need to extract itself from a poorly maintained building, its desire to move to a more accessible location for its clients, and its ability to sell its property for a good price. The space will be affordable and allows for privacy during client interaction. For any organization considering a move, an analysis of space needs, client needs, and location, along with a review of estimated up-front and long-term financial costs, is necessary.

Conclusion

Nonprofits want to ensure that they have the facilities needed to accomplish their goals and the ability to serve their clients. And as the previous case study indicates, purchasing new facilities can be the right decision for an organization with stable finances and a relatively certain future. But the decision to lease or buy depends on many factors specific to a nonprofit's situation. Financial considerations play a critical role, but so do less quantifiable factors such as presence in the community, an organization's five-year goals, appetite for risk, and more. Before making this important decision, a nonprofit must conduct a thorough analysis of its needs. Only after it examines all relevant factors should an agency decide to lease or buy.

Gabriella DiFilippo is the vice president of real estate services at IFF, a nonprofit community development financial institution working in the Midwest. **Tanya Vartivarian** is the director of real estate consulting. **Trinita Logue** and **John Kuhnen** also contributed to this article.

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Nonprofit Taglines: The Art of Effective Brevity

by Nancy E. Schwartz

Editors' note: *This article is adapted from a longer report by the author based on more than 1,800 responses to an in-depth survey of nonprofit organizations' use of taglines.*

Nothing's more central to your nonprofit marketing impact than your brand: that is, your organization's unique focus and impact as perceived by your base and others. Branding communicates your organization's unique identity and value via consistent messaging and "look and feel" so your audiences recognize that it's your nonprofit reaching them in an e-mail, on Facebook, or on a walkathon sign in a walker's front yard. Most important, strong branding integrates promises of quality, consistency, and authenticity, so donors, volunteers, and other key audiences become more engaged than ever. Your organization's tagline is hands down the briefest, easiest, and most effective way to communicate your brand.

A tagline is the heart of your organization's brand, so it should be designed strategically, conveyed artfully, and delivered passionately and consistently. Most essentially, it should be such a natural outgrowth of your nonprofit's name that the two are inextricably linked.

These characteristics make your tagline the most frequently heard and read aspect of your organization. Make sure it is represented: feature it prominently in all print collateral and stationery; online communications (from e-newsletters and Web sites to e-mail signatures); signage, conversations, and presentations, and in some cases, your main voicemail. The American Liver Foundation puts its tagline front and center in its organizational voicemail, which is very useful, especially for those calling after hours.

When your tagline works, it has the potential to become a perennial icon of your organization, lifting your brand from the commonplace to the unforgettable. Think "A mind is a terrible thing to waste" from the United Negro College Fund.

Your tagline should also work well as a lead-in to your positioning statement (that is, the one to three sentences you'd use as a reply when asked what your organization does). In the broader picture, tagline development also serves as a way to quickly and inexpensively refresh or revise your brand. It serves as an anchor for subsequent branding work if your organization doesn't have the bandwidth or budget for an all-new or all-revised brand initiative. Of course, the more complex your organization's focus and programming, the more challenging it is to craft a powerful, accessible brand and tagline.

Who Has Them, Who Doesn't

Some 73 percent of the nonprofit organizations responding to a survey of more than 1,800 organizations for *The Nonprofit Tagline Report* have taglines.[1] Human-service organizations (75 percent) and grantmaking organizations (74 percent) have the highest incidence of tagline use, while religious and spiritual organizations register somewhat lower (56 percent). Perhaps more interesting, however, is that, among respondents to the survey, 72 percent either don't have a tagline or rate their taglines as poor, while only 32 percent rate their taglines as effective and 10 percent as very effective. Such dismal responses are unfortunate and unnecessary.

Ready for a Change?

As you create or revise your organization's tagline, consider the following.

Your tagline must convey your nonprofit's or program's impact or value. Here are some examples:

- "Increasing physical activity through community design" (from the organization Active Living by Design)
- "Protecting your retirement. Securing your benefits" (from the organization RetireSafe)
- "Informing grantmakers, improving our community" (from the organization Association of Baltimore Area Grantmakers)

Use your tagline for all it's worth. If your tagline doesn't have "positioning value," it's a bust. Mere descriptors don't make the grade.

Make your tagline broadly accessible and memorable; avoid jargon and acronyms. Here are two examples.

- "Starve fear. Feed hope" (from the National Eating Disorders Association)
- "A passion to help. The ability to deliver" (from AmeriCares)

Your tagline must be unique and specific to your organization. A tagline should not be easily transferable to another nonprofit; otherwise, it's just a me-too phrase. Differentiation is tough, but it's also the name of the game.

- "People who change the world need the tools to do it!" (NTEN)
- "Equal play" (Women's Sports Foundation)
- "Smart policy. Sound science. Stronger communities" (Indiana University School of Public and Environmental Affairs)

Your tagline must be eight words or less, which is all you have of your audience's attention. Here are some examples.

- "We help neighborhoods play" (Silken's ActiveKids Movement)
- "Where volunteering begins" (VolunteerMatch)

Your tagline must be highly visible and integrated into all print, online, and multimedia and into most verbal communications. For example, when audiences hear your organization's name and tagline announced as a sponsor of NPR's *Morning Edition*, it's imperative for them to be able to go to your Web site and see that tagline front and center to affirm they're in the right place.

The American Psychological Association (APA) sponsors *Morning Edition*, for example, and its name and tagline are broadcast to a huge audience. Unfortunately, the tagline is nowhere to be found on APA's home page. Invisibility and lack of integration among channels undermines your tagline power and overall marketing impact.

Your tagline should make an emotional connection. Here are a couple of examples.

- "Helping preserve the places you cherish" (LandChoices)
- "When you can't do it alone" (Jewish Family & Children's Service of Sarasota-Manatee Inc.)

Your tagline should capture the spirit or promise of your organization. Here are a couple of examples.

- "Finding the ways that work" (the Environmental Defense Fund, which is committed to taking on environmental issues with persistence and innovation)
- "Grounded in tradition . . . open to the spirit" (Memphis Theological Seminary)

Your tagline should clearly complement and clarify your organization's name without duplicating it. Examples include the following:

- "It's a moving experience" (the Museum of Transportation, Missouri)
- "Explore, enjoy and protect the planet" (Sierra Club)

The Sierra Club's tagline relates to the broad range of work done by the organization and balances the seemingly narrow focus that one might conclude is associated with California's Sierra Nevada mountain range. You can't presume your audience brings any particular context to digesting the tagline.

Your tagline should be authentic. Your organization must be able to stand behind its tagline 100 percent. When you do, you build credibility. When you don't, you lose any credibility you may have.

Achieving Impact

To have impact, your organization's tagline needs to be distinctive and powerful. The more fully you incorporate the following elements, the more likely your tagline will convey your brand effectively.

Use surprising or unexpected imagery, perspective, or approach. Here are some examples.

- "Improving life, one breath at a time" (American Lung Association, which uses imagery)
- "The art of active aging" (EngAGE, which uses perspective)
- "Cancer support for the whole family—the whole time" (Gilda's Club Nashville, which uses approach)

Motivate the reader to action. Here is an example.

- "Help us feed the hungry" (Food Pantries for the Capital District)

Use verbs. Action words are more engaging.

- "Building careers through confidence, discipline, and professionalism" (Opportunities for a Better Tomorrow)
- "Advancing immunology. Conquering cancer" (Cancer Research Institute)

Make your audience want to know more.

- "Rise above your expectations" (Sisters Acquiring Financial Empowerment)
- "From dependence to independence" (First Occupational Center of New Jersey)

When your tagline stands alone, ensure consistent meaning. That way, you can use it in conversation or other situations when your listeners don't have your organization's name or logo right in front of them.

- "Helping victims become children again" (Memphis Child Advocacy Center)

What to Avoid

Second only to your organization's name, your tagline is the most remembered, repeated message you have at your disposal, so make sure it's right. A tagline is a terrible thing to waste. As challenging as it is to create a strong tagline, it's all too easy to craft one that fails. When that happens, your organization loses a potent tool and, even worse, may confuse or annoy audiences. Beware these pitfalls that can sink your tagline.

Don't be generic. Be specific and as emotive as possible to highlight a connection between an individual and your organization. Warning: don't use generic language, which is a common error.

An example of a weak tagline is "Building a better New York" from an organization that provides legal services to other nonprofits. This tagline is easily confused and could represent a construction firm or the mayor's office.

TAGLINE AWARD WINNERS FOR 2008

Congratulations to these 12 award-winning organizations that were voted best in class by 3,062 nonprofit professionals and others who participated in an online poll as reported in *The Nonprofit Tagline Report*. All the winning taglines have been in use for four years or less. The organizations that created these taglines—which range from a new organization run by a part-time volunteer (LandChoices) to the well-established and global (UNICEF)—have done an admirable job of putting eight words or less to work to build their brands.

1. **Arts and culture.** "Where actors find their space" (NYC Theatre Spaces). This clearinghouse for NYC rehearsal and performance spaces uses a double entendre to go beyond a description of its services and highlight the value of its work.
2. **Civic benefit (civil rights, community, advocacy, social science).** "Stand up for a child" (CASA of Southwest Missouri). CASA's tagline provokes anger, compassion, and the desire to help—in just five words.
3. **Education.** "Stay close. . . . Go far" (East Stroudsburg University of Pennsylvania). This simple yet distinctive tagline from East Stroudsburg cuts through the clutter. Its straightforward character mirrors that of the school.
4. **Environment and animals.** "Helping preserve the places you cherish" (LandChoices). LandChoices' tagline thoroughly communicates the value of its work while evoking pleasant memories of walks in the woods, wildflower meadows, and childhood camping trips. There's a real emotional connection here.
5. **Grantmaking.** "Make the most of your giving." (The Greater Cincinnati Foundation). This clear tagline articulates the value of the foundation for donors in considering an alternative way to give.
6. **Health and sciences.** "Improving life, one breath at a time" (American Lung Association). This unexpected focus on the breath—a core element of life—gets attention and understanding.
7. **Human services (including children, youth, and families).** "When you can't do it alone" (Jewish Family & Children's Service of Sarasota-Manatee Inc.). This tagline tells the story succinctly and powerfully: it's all about getting help when life becomes overwhelming. It makes a strong emotional connection.
8. **International, foreign affairs and national security.** "Whatever it takes to save a child" (U.S. Fund for UNICEF). UNICEF engages hearts and minds with its passionate focus on helping children. Who could turn down a request for a donation?
9. **Jobs and workforce development.** "All building starts with a foundation" (Building Future Builders). Voters enjoyed the word play here: It adds depth of understanding without being glib.
10. **Religion and spiritual development.** "Grounded in tradition . . . open to the spirit" (Memphis Theological Seminary, or MTS). MTS conveys the two equally important halves of its values and curriculum in a way that makes you think about the connection.
11. **Other.** "The art of active aging" (EngAGE). EngAGE surprises with the imagery of active aging and the use of the term "art" to describe the way it does its work.
12. **Other.** "Because facts matter" (Oregon Center for Public Policy (OCPP). This tagline introduces the nature of OCPP's impact in Oregon and entices the reader or listener to find out more. Its value proposition—the truth—is particularly compelling at a time when facts are frequently disregarded in public debate.

An example of a powerful tagline is "Connecting lawyers and communities" from the same kind of nonprofit in another city. Here are other generic taglines that raise more questions than they answer.

- "We're more than you think!" (a women's health care provider). What are the unexpected services, and why are they important?
- "There is a difference!" (a hospice organization). Articulate what that difference is.
- "Discover!" (a camp). What is to be discovered here?

Don't veer off focus. The following tagline draws attention to the organization's location, a detail not central to the organization's services or value:

- "Produced in Boston, shared with the world" (a public-service media producer; PBS and public radio)

Don't use analogies that don't hold water. You'll only confuse your audience. Here are two examples.

- "Life is a team sport" (Marrow donor organization)
- "Find your edge" (a university). An "edge" is not what most students or parents seek.

Don't plant uneasiness. Don't introduce ambiguity into your tagline. Consider these examples:

- "Protecting, strengthening, and promoting nonprofits" (a state association of nonprofits). Why do nonprofits need protection? This is bound to make audiences wonder.

Avoid poor word choices. They take an audience in the wrong direction. Consider this example:

- "Potential made possible" (an agency

serving children with special needs). An improvement would be "Potential brought to life."

Don't put two or more taglines to work. If you do, you're doing everything you can to undermine your organization's brand. As a result, your audience won't get to know your organization and reinforce its brand among others. Instead, the audience will be annoyed and confused. One survey respondent notes this problem: "Various staff and board members and volunteers use different ones."

Research, Review, Test

Before you start your own organization's tagline brainstorming session, review taglines of colleague and competitive organizations (within and outside your field). Don't launch your tagline before trying it out. Before committing yourself to your top choice, get feedback from at least 10 members of key external audiences. You may discover one of two things: They just don't get the proposed tagline, or you don't feel 100 percent comfortable with it yourself. Before you launch, be sure that you love your tagline and will be satisfied using it for at least five years. If it remains relevant and powerful, a longer life span is possible.

Recognition is priceless. Unless your nonprofit changes its programs and services drastically or the environment in which you work shifts dramatically, there's significant value in your tried-and-true tagline. But remember, there are good reasons to change your tagline even when your name or other brand elements remain the same. A tagline-only change can freshen your message, confirm your promise, and rejuvenate your organization's brand.

Recognition is priceless. Unless your nonprofit changes its programs and services drastically . . . there's significant value in your tried-and-true tagline.

Endnotes

1. Nancy E. Schwartz, The Nonprofit Tagline Report, September 2008.

Nancy E. Schwartz helps nonprofits succeed through effective marketing and communications as the publisher of the Getting Attention blog and e-newsletter (www.gettingattention.org), and as the president of Nancy Schwartz & Company (www.nancyschwartz.com). The complete Nonprofit Tagline Report, from which this article was adapted, is available free of charge at www.gettingattention.org/nonprofit_tagline_report.html.

In the Next Issue

Infrastructure or propellant? The organizations that support nonprofits in doing their work form a vital but often unrecognized infrastructure. Where are they going? Are they up to the job? How can your organization use them?

The Take-Away

by the editors

Working: Nonprofit-Style
by the editors
What enables nonprofit workers to persist through adversity and tough economic conditions? A portrait of the resilient nonprofit spirit comes through loud and clear in the *Nonprofit Quarterly*'s interviews with 10 nonprofit workers in different fields and parts of the country. The desire to help, to create change, and to improve people's lives confirms other findings in this issue: that money is not the only, or perhaps even the most important, motivator for engaging the nonprofit workforce. But it sure does help.


Working: Nonprofit-Style

by the editors

Using the Whole Talent Pool: An Interview with Shannon Maynard and Robert Grimm
Paid staff and volunteers contribute to nonprofits' social missions in myriad ways, but many nonprofit HR professionals don't manage volunteers with the care they devote to managing paid staff.

Volunteerism experts Robert Grimm and Shannon Maynard of the Corporation for National and Community


Using the Whole Talent Pool:
An Interview with Shannon Maynard and Robert Grimm

Service offer a different HR lens that considers paid staff and volunteers in a "talent management" framework that breaks down the silos between paid and volunteer workers. They envision nonprofits looking at staff and volunteers as components of a human capital team propelling nonprofits to achieve their social goals.Their model might not only yield better nonprofit results but also stave off volunteer burnout and increase volunteer retention rates.

Show Me . . . the Participation!
by Ruth McCambridge
What would it take to create the kind of workplace that ensures high productivity and satisfaction and low turnover? The key is meaningful participation. In


Show Me . . . the Participation!

by Ruth McCambridge

studies on worker motivation and satisfaction, workers reveal that what really gets—and keeps—them going is meaningful work, including participation in workplace decision making. For nonprofits, there is an additional bonus: workplace participation correlates strongly with greater community participation.


Volunteering *by the Numbers*

by Rick Cohen

Volunteering by the Numbers
by Rick Cohen
For all the talk about the importance of volunteering in the nonprofit sector, we know less than we should about the composition of the volunteer labor force. In this piece, Rick Cohen examines the past two years of volunteer research to challenge the conventional wisdom about who volunteers, the reasons for volunteering, and what volunteers do. Cohen's breakdown reveals some notable declines in volunteerism, especially among teens, and makes the case for putting resources into programs for national service.


Who Decides? Mapping Power and Decision Making in Nonprofits
by Jon Huggett and Caitrin Moran

Who Decides? Mapping Power and Decision Making in Nonprofits
by Jon Huggett and Caitrin Moran
Does decision making frequently grind to a halt in your organization? Do employees sometimes wonder who has the authority to make decisions?

By being explicit about who provides input and who has final decision-making authority, nonprofits can streamline decision-making processes and empower staff. But, the authors warn, introducing these processes is not for the faint of heart. As employees' roles and clout are affected by these new frameworks, the change can challenge an organization's current distribution of power .

When Is HR Outsourcing Right for Your Organization?
by Simone Putnam
"We're too small to afford a full time HR person." This is a familiar lament for many small organizations, but it need not be, according to the author. Even for organizations with more generous budgets, a good HR service provider can provide highly specialized professional input in areas where organizations can least afford to make mistakes, such as regulatory compliance. As with hiring any consultants, contracting requires care and diligence, but once a good relationship is established, it can yield greater security and efficiency for a nonprofit.

Doctor Conflict
by Mark Light
As a new executive director, what's the key to building a base of support in a troubled organization: communication and lot's of it, according to Dr. Conflict. "It is the only way to establish a strong identity in an organization that has been running without you," he advises. By opening up a dialogue with board members and employees, a new executive may develop the influence that provides an opportunity to address recurring problems that started long before she arrived.

Business Planning on a Dime: An Interview with David Brown and Pamela Brown
For most nonprofits, a business plan is as essential as a strategic plan. Often conducted in conjunction with a strategic plan, a business plan is a high-level document that aligns an organization's financial needs and its mission intentions. In doing so, it helps a nonprofit examine a series of component parts: target markets, key goals, and success measures. The authors, who are veteran advisers on many nonprofit business plans, help readers understand why they need a business plan and what it takes to create a successful one.

Business Planning: What's in Your Toolbox?
by Richard Brewster
Every business plan needs a different approach, and each nonprofit situation dictates which business planning tools are appropriate. By the director of the National Council on Nonprofit Enterprise, this article reviews a wide range of options: multiple-cause analysis, PEST analysis, benchmarking, the Ansoff Matrix, a product portfolio map, and more. You might not need all the tools described here, but you may find that perfect one for the job you need to do.

The Age-Old Problem: Leasing Versus Buying
by Gabriella DiFilippo and Tanya Vartivarian
In addition to the discomfort many nonprofit leaders feel about finances, decisions about real estate—whether, for example, to rent a facility, buy a building, or build something new—can be even more confounding. The nonprofit technical assistance leader in the field is IFF, whose online checklists have been the go-to resource for many organizations facing this question. Here IFF walks through the necessary steps nonprofits should take before they buy a building, renew a lease, or build a facility anew.

Nonprofit Taglines: The Art of Effective Brevity
by Nancy E. Schwartz
Some taglines convey an organization's mission with ease and brevity. A good tagline can enhance an organization's public recognition and ultimately lead to greater organizational impact. But in a recent survey of 1,800 organizations, some 73 percent said that their organization's tagline wasn't effective or that they didn't have one. Illustrated with examples of successful and ineffective taglines, the article explores what makes a tagline electric: connecting people to an organization and its cause.

Next-Generation Riff: Schism Raised by Consciousness
by Phil Anthrop
Tutor for America (TFA) was poised for major growth. The 18-year-old nonprofit had undergone three venture philanthropy placements and had a charismatic young CEO. As it launched into its next phase, it entered a debate about how the organization could address its generational differences. Soon the organization discovered its major barrier to progress was the combustible combination of its four generational groups, each with different mental frames of reference.

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NONPROFIT RESOURCES

Impacting Social Policy: Understanding Advocacy
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had been discounted or overlooked.

The traditionalists and the boomers met separately, but both groups mostly laughed and joked about Social Security and shared stories about their efforts to get young staffers to stop texting long enough to show them how to get onto Facebook or YouTube.

Generation Xers shared their frustration with waiting for boomers to retire and the desire to get on with life but also their fear that Millennials might leapfrog over them for leadership positions.

The Millennials quickly left their meeting room, facilitator, and flip chart paper behind to have a candid conversation around the fire pit.

This youngest group spent an hour swapping stories about upper management, funders, and other organizations treating them as expendable hired help. The Millennials then homed in on their key gripe: the gap they experienced between TFA's self-pronouncements and inspirational public image as compared to their limited options in the lower ranks.

Daniel Duran, who had come to TFA after two years in the Peace Corps in rural New Guinea, was one of the most outspoken. "You know, I'm five years older than Vanessa was when she started TFA, and we are constantly reminded that TFA was started by young people. Now look at who's on the board and who's in senior management. Holy crap! I can't believe I let them rip me off for three years!"

"We should have been the first organization to Twitter, not the last," said Hua Que Foung. "This place talks innovation but just delays decisions or pleads poverty. I am so ready to be a program director. That job would be perfect for me, and I would really enjoy it," Foung said, "But these managers in their forties act like they're going to stay in their jobs forever!"

"This may be our only chance to change this," said Aubrey Gentry, who, after four years of employment at TFA, had the longest tenure among the group. "We need to be very specific about what should happen. The way things go, most of us will be gone in a year."

The ultimatum generated by the TFA Millennial Generation caucus was brief and to the point:

> We demand an end to the authoritarian and patriarchal relationships at TFA—and will not participate further until senior management agrees to authentically egalitarian and reciprocal patterns of mutual respect among generations. The only acceptable evidence is equal sharing of budget and promotion authority, with equal representation from each of the four generations.

When they reconvened, Harrison tried to dilute the antagonism by saying, "Let's take a step back and analyze what's going on here."

Aubrey Gentry shot back, "Let's not. We want an actual response, not more process and analysis."

As he tried to bring the meeting back together, Harrison proved a better thinker than facilitator and was clearly in over his head. As the heated discussion went downhill fast, Ellen Farkus suggested a recess until the next morning, At this point, the Millennials piled into their small cars and scooters and headed for the city.

The following Monday would have been the monthly organization-wide TFA staff meeting, comprising a series of updates from the top and some motivational sharing of success stories. Fifteen minutes after the meeting began, the large meeting room was only half full. Then CEO Rothman got a text message telling her that the rest of the staff was meeting off site.

Six Months Later

After 18 years running TFA, first as a youthful rising star and later as an accomplished leader of a growing organization, Vanessa Rothman saw no small irony in the latest development. Her first funding proposal for TFA made the case that existing arrangements weren't meeting the needs of the new generation of high-school students. Now she faced rebellion in the ranks—including several children of TFA's first students. Suddenly, TFA had two new competitor organizations launched by former staff, both pursuing TFA's funders with vigor—and with some early success.

Suddenly having to replace another chunk of staff was a disruption, but actually not that difficult for TFA, as is the case with many employers. TFA always seemed to be surrounded by hungry young prospects: bright, highly motivated idealists from the same places the last group came from. Rothman explained away their departures to the new recruits as "good people committed to social change, but they were simply not well suited to the dynamics of TFA's going to scale."

The prospect that some might split off had always occurred to Rothman, but she was unprepared for the bitterness and vitriol. And now the attempt to mend fences and bring generations together had only driven them further apart.

Another e-mail arrived from Ellen Farkus, this time with a quote, as featured on *Oprah*, from a new expert who decried generational divisiveness.

> The erosion of respect for elders by the younger generations is a greater threat to destroy Athens than any of the enemies at our gate. Youth that fail to honor what came before, and expect quick advancement without labor or sacrifice, will in their own time visit regret.
>
> —Unknown Greek philosopher
> 431 B.C.– 355 B.C.

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Next-Generation Riff: Schism Raised by Consciousness

by Phil Anthrop

Editors' note: *If you were born sometime around 1980, you will know what this is about. As a member of the Millennial Generation, you seek meaning and engagement, and if you don't find it where you work, you are soon ready to move on. And if you're an aging boomer, maybe it's time to hang it up and pass the torch to a new generation.*

Tutor for America (TFA) was poised for major growth. The 18-year-old nonprofit had been through three venture philanthropy placements—and had extraordinary press, a charismatic young founder and CEO in Vanessa Rothman, and what could best be described as either intensely creative or extremely difficult internal dynamics. TFA was innovative and courageous, and initially the organization accepted episodic discord as a natural growth stage or, alternatively, the need to work out the bugs (and the buggers). "Getting the right people off the bus," they sometimes joked.

But when dysfunction and mass turnover came around for the fourth time, TFA and its advisers realized that something else, something more troublesome, was at work. Underneath the disharmony were an inability to discern root causes and a failure to communicate that were based not simply on age differences but also on distinct age groupings that see the world differently.

A perceptive board member who watched the daytime talk show *Dr. Phil* realized what was going on: four generational groups that were all members of the same organization had completely different mental frames of reference. Ellen Farkus (the wife of investment banker Peter Farkus) convinced the rest of the board. "After we had a chance to talk, the executive committee agreed that until TFA came to terms with that underlying generational disconnect, its leadership team would never attain the alignment and self-awareness needed to take the TFA model to scale," Farkus said.

TFA already had the reputation of a daring organization willing to confront the truth.

TFA already had the reputation of a daring organization willing to confront the truth, digging deep into race and class differences, regardless of the consequences—so the organization knew it could deal with the issue head-on.

Farkus agreed to find the best possible consultant who would take the board and management through a three-day retreat to explore root causes. The rural setting would provide a safe place with enough time to clear the air and get a sense of the big picture.

Frank Harrison, an organizational development consultant and author of *Generation Connections*, was Farkus's first choice—and fortunately, he was available and intrigued.

"As we explore what holds organizations back, a recurring problem is the failure to make the most of the people involved in the organization—to create conditions that allow each distinct generation to achieve its potential," Harrison wrote. "That is the essence of generational determinism. The new realization sweeping the country . . . is the recognition that the generation you belong to is as immutable a fact as your blood type, Myers-Briggs score, or Social Security number."

The retreat itself began with high hopes, a board-versus-staff softball game, and about 50 TFA trustees and managers between the ages of 20 and 67.

After describing the group's opening exercise, Harrison divided retreat attendees into four groups:

- Traditionalists (silent generation) ,
- Boomers,
- Generation Xers,
- and Millennials.

Each group had a facilitator. The assignment: to thrash out the stereotypes associated with it and to document specific incidents where the group

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