HOW TO
Ignite
ENTREPRENEURIAL SPIRIT IN YOUR ORGANIZATION

Purpose
The Society for Nonprofit Organizations is a 501 (c) (3) nonprofit organization. Through *Nonprofit World* and other communications with its members, the Society is dedicated to bringing together those who serve the nonprofit world in order to build a strong network of professionals throughout the country.

This logo symbolizes the goal of the Society, which is to unify diverse segments of the nonprofit world, to draw them together, and to create a dynamic whole without losing their individuality.

on the cover

Debbie Gisonni channeled her passion for life into a business that makes money for nonprofits while helping people reinvent themselves. On page 23, she explains how you can use the same spirit to transform your organization.

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As the Bamboo Grows

*T*he Shoalin Masters of China could jump from a standing position to three times their own height, a Goal Planner report (www.goalplanner.net) tells us. That's close to 20 feet in the air, the report points out. How is that possible?

The secret is simple. The Shoalin Masters began training at a very young age. At the start of training, bamboo was planted, and each

Unreasonable thinking doesn't mean un-thinking.

student jumped over a bamboo plant every day. As the bamboo grew, the students were forced to jump a little higher. They couldn't quit for the day till they had reached the goal. Eventually they could leap to incredible heights.

This story has two morals: Set your goals high. And work toward them every day.

Too often people become overwhelmed by lofty goals and give up.

The problem may not be that the goals are too high. Instead, the trouble may be just the opposite. The goals may be too predictable, too cautious, as Paul Lemberg suggests in "Seven Ways to Be Unreasonable" (page 29). The only way to create breakthrough results, he assures us, is to set goals that are unreasonable.

There's nothing wrong with being reasonable, he says, except that it's a poor guide when designing actions to push the future. Being reasonable will help you feel safe in the sense of knowing that your actions will turn out pretty much as you expect. But what is predictable has, by definition, been done before. And what has been done before is unlikely to make much of a difference in the future.

Unreasonable thinking doesn't mean un-thinking, Lemberg makes clear. It means exploring, pushing the envelope, taking a chance. Instead of starting to build a bridge

from where you are now, why not decide where you want to go and then worry about creating that bridge?

That's what Debbie Gisonni, the woman on our cover, did. At the peak of a high-paying, prestigious career, Debbie left it all behind to follow her dream and make a real difference in the world, as she explains in "How to Ignite Entrepreneurial Spirit in Your Organization" (page 23). What emerged was Real Life Lessons (www.reallifelessons.com), dedicated to helping people change their lives.

You can harness the same entrepreneurial zest to make breakthroughs in your organization. Take a recess from day-to-day details, and do some dreaming. As Andrew Swanson observes (page 15), "Leaders of organizations need to spend a good bit of their time looking out of the window." Such big-picture thinking is the only way you'll break free of old ways of doing things and make that creative leap into the future.

Most people look to what they know they *can* do as a guide to what they *will* do. Instead, decide what you really *want* to do. Ask: What would make work worth working at and life worth living? Then figure out how to do it. ∎

Jill Muehrcke

Jill Muehrcke
Editor, *Nonprofit World*

What Every Nonprofit Director and Manager Should Know about Effective Governance for Nonprofits

Nonprofit Governance Library

2002   7 x 10   Paperback   Product Code: 5070392P
$99.95 (1-9 copies); $89.95 (10 - 25 copies)

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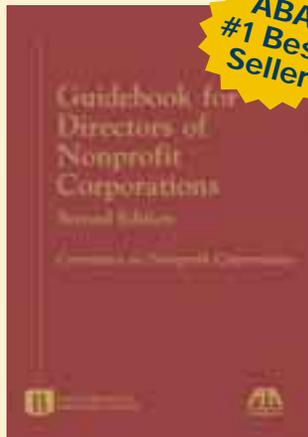
This *Library*, including three publications, *Guidebook for the Directors of Nonprofit Corporations, Second Edition*; *Nonprofit Governance and Management*; *Nonprofit Resources: A Companion to Nonprofit Governance*, offers legal guidance on directors' duties, rights, risks and obligations; practical how-to-commentary; sample forms and letters; handy checklists; and pointers for both nonprofit directors and staff. Also, the third title in this *Library* is a reference listing books, handbooks, professional journals, government publications, foundation reports, case and statutory citations, and Internet sites related to nonprofit governance. **The Three publication titles within the *Library* are described as:**

1) Guidebook for Directors of Nonprofit Corporations, Second Edition
By the Committee on Nonprofit Corporations, ABA Section of Business Law
2002 280 pages 7 x 10   Paperback

A new edition of the ABA's most popular title, this accessible guidebook is designed for directors and prospective directors of all types of nonprofit corporations. The Guidebook, written in plain-English commentary, addresses general legal principles and corporate governance issues to provide nonprofit directors with a comprehensive understanding of their roles. The new **Second Edition** adds full-length chapters covering today's changed political and legal environment for nonprofits; tax ramifications of profit and joint ventures; employee relationships, laws, and policies; duties of directors in special circumstances such as change-of-control events and bankruptcy.

2) Nonprofit Governance and Management
Edited by Victor Futter, Judith A. Cion and George V. Overton
2002   744 pages   7 x 10   Paperback

This updated edition of *Nonprofit Governance-The Executive's Guide* expands the scope of its popular predecessor to address issues relevant to both directors and managers of nonprofits. Drawing on the expertise of nonprofit executives, directors, lawyers, and other professionals experienced in organization and management, this new edition offers step-by-step guidelines, sample forms and letters, handy checklists and pointers to additional resources. Topics include accounting, board and committee operations, grant writing, Internet laws, liability, membership, mission statements, state regulations, and much more.

3) Nonprofit Resources: A Companion to Nonprofit Governance
Edited by Victor Futter
2002   80 pages   7 x 10   Paperback
A reference containing hundreds of helpful up-to-date listings of books, handbooks, professional journals, government publications, foundation reports, case and statutory cites, and Internet sites.

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six

Six Things to Do Next Monday

Here are a few concrete things you can do right now to begin transforming your organization.

1   **Ask your board members** to name the board's three critical purposes. Then give them copies of "What Are the Board's Three Essential Functions?" on page 15. At the next board meeting, have board members discuss what they learned.

2   **Check your hiring practices** to be sure you aren't risking employment-related lawsuits. See the legal advice in "How to Hire the Best People without Breaking the Law" (page 17). Also see "Failure to Post Job Supports Case of Bias" (page 8).

3   **Get in touch with your inner entrepreneur,** and help your staff and board do the same. Together, consider new ways to make and save money. See "How to Ignite Entrepreneurial Spirit in Your Organization" (page 23).

4   **Scrutinize the safety training** you provide for your staff—both paid and volunteer—-so that you don't open yourself up to expensive lawsuits. See "No Good Deed Goes Unpunished" on page 36.

5   **Make a big breakthrough** by thinking beyond the usual. For inspiration, see "As the Bamboo Grows" (page 2) and "Seven Ways to Be Unreasonable" (page 29).

6   **If you're considering a big purchase,** decide whether the expense makes sense in the long run. See "Is That Expense Justified?" on page 26. ■

LETTERS *to the editor*
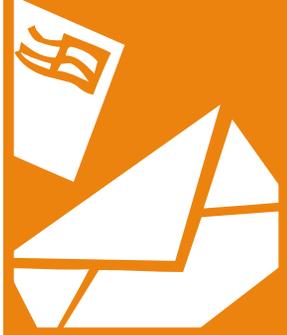
Proud of
Poor Enterprise Score

I am shocked by a number of utterances in your article "Nine Entrepreneurial Mistakes that Can Kill Your Organization" (Vol. 20, No. 3). The idea that nonprofit organizations should start businesses just to attract funding doesn't sit well with me. Since when is earning money more important than benefiting the community? "Money comes first" seemed to be the main thrust of the article, although I also learned some other "lessons," most notably:

- Nonprofits should concentrate on being "businesslike" rather than serving others.

- Instead of writing grants, just start a business, and it will solve all your organization's problems.

- Be willing to risk everything, including people's jobs and the well-being of the people your organization was meant to serve.

- Your clients are no longer your clients but are now your "customers," and it's more important to get their money than to help them.

- When pricing your services, set the prices as high as possible, even if your clients will no longer be able to afford your help.

- If you're unsure about starting a business, just go ahead anyway, and let the chips fall where they may.

I am proud of the poor score I got when I took your "test"! My organization, thankfully, isn't into entrepreneurial ventures. We still run our organization the old-fashioned way: Our clients come first.

Arden Fitch via e-mail

Beyond the Day Job

A recent comment in the *Minneapolis StarTribune* should have raised a red flag and a few eyebrows in the nonprofit world. Noting the looming decline of corporate philanthropy, Ron James wrote:

We are witnessing the retirement of yet another generation of civic-minded corporate leaders who are being replaced by talented leaders lacking the same community memory.

As one of these memory-challenged leaders of a younger generation (and of a company recently completing a major acquisition), I take issue with this statement–not because it's untrue but because it's incomplete. It fails to offer the WIIFM to inspire younger leaders to develop a community memory in the first place.

WIIFM (pronounced "whiff-em") is one of those annoying acronyms I vowed I'd never use, but the "What's In It For Me?" question is the perfect segue to turn Mr. James' cynical observation into positive action. When emerging leaders realize how philanthropy develops leadership skills not learned through their craft of widget-making, a commitment to nonprofit efforts will follow. In my 10 years of volunteerism, I've seen WIIFM manifest itself in two ways:

1. Philanthropy builds credibility. As a young manager at General Mills, I was eager to demonstrate my ability to lead, despite my age. I sought out and joined a local theater's board of directors, where I had the opportunity to work with entirely new projects, issues, and people, reaching well beyond my day-job duties. I discovered new leadership abilities, deeper empathy, and greater creativity.

But more important than the type of work done at the theater was the *permission* to do the work. Many nonprofit organizations are grateful for anybody to step up and contribute, regardless of formal title, size of bank account, or age. This permission to exercise immediate leadership translated into a confidence I would have spent years, instead of months, developing.

In addition to building confidence, working for a cause defined me in my company. Nonprofit work lets others differentiate you among your peer group. And compared to other distinguishing characteristics (the triathelete, the one with the bad hair, etc.), a person who volunteers is universally appreciated.

2. Philanthropy provides a common mission. The second benefit of commitment to service is organizational in nature. At General Mills, it's sometimes difficult to rally everyone around an organizational self. Recently, we experienced a powerful surge of purpose when we established a philanthropic relationship with a community-based school. We helped promote the school and provided mentoring and fundraising support through our corporate "Boxtops for Education" program.

The outpouring of energy and commitment from all levels of our company has been tremendous as our now-unified team members apply their talents to a common mission. In this case, the WIFFM is our new sense of solidarity, which we can use to drive change throughout our company.

It's true, as Mr. James suggests, that something's missing in many of our new leaders. Too often people are promoted into leadership positions because of their business results rather than their ability to motivate others. We've thus created a generation of leaders fully equipped to "do" best, but less equipped to lead best. Philanthropy and corporate citizenship provide the missing pieces. Leaders blessed with a better "community memory" need to remind their successors "what's in it for them."

Jeff Peterson
Director of Promotion Marketing
New Ventures & Loyalty
General Mills, Inc.
Minneapolis, Minnesota

ComingUp
IN NONPROFIT WORLD

- Managers Must Become Multicultural
- How Responsible Is Your Investing?
- A Creative Way to Save Money: Step Paying State Unemployment Taxes
- Your To-Do List for the Coming Year
- CEO Or President? Which Has More Impact?
- How Big Should Your Board Be?
- Beware of Faux Fundraising Consultants!
- Reviewing the CEO: A Guide for Nonprofit Boards
- Hire the Best, But Hire with Care
- Farewell to the "Client Worker"
- Driving Traffic to Your Web Site
- Classify Workers with Caution
- Time to Change Jobs?
- And Much, Much More!

Fear of Fundraising

As a board member, should you push for that large gift?

Q: I know that my obligation as a board member includes raising funds for my organization. But I have a hard time pushing people to give a large gift. I'm worried that the next time they ask me for a large gift for some other cause, I won't be able to respond favorably.

A: Suppose someone doesn't respond favorably to your request. Would you think less of that person? No, because you've done your job. You have presented the cause and offered the opportunity. The cause may not be a priority for the donor.

Remember, too, that few gifts are major. A wise asker can nurture a small gift into a large gift. A major gift is rarely made on the first visit. Recognize that the objective isn't to obtain a donation but to develop a donor.

Nobody likes to be rejected. But what really happens if someone chooses not to give? Will the organization cease to exist? No. The organization will go on. If we have numerous people to solicit, we don't expect a home run with each. A "no" is an opportunity to deal with the objections and begin negotiations.

Ebbe Marquardsen, Fundraiser
2407 Woodward Ave., Unit 13
Burlington, Ontario, Canada L7R 4J2

Ebbe Marquardsen is the author of A Practical Guide on How to Raise a Pile of Money for a Good Cause. *To order, contact him at the above address or at 905-336-6499 (phone) or 905-336-6495 (fax).*

Credit Cards for Conferences

Q: Each year we hold an annual conference at which we have many attendees who "pay at the door." Since we're a nonprofit organization, we've been told by local banks that we can't obtain an account to accept credit cards for registration fees.

As our organization grows, accepting only cash or checks at the conference site is both cumbersome and potentially risky. Many attendees are also inconvenienced by the restriction of no credit cards.

My question is: How do other organizations handle this problem, and are there ways to obtain a temporary account once a year for the conference?

Thank you for helping us prepare for future conferences.

Judith Howell, Assistant Director
Travel & Tourism Research Association, Salt Lake City, Utah

A: We've checked with a number of organizations that hold annual conferences to see how they handle the credit card problem. What works best, they say, is to talk directly to the credit card company and arrange with the company to set up an account for your event. It may also be possible to set up an account through the hotel at which you hold the conference, but this is much more of a hassle. The best bet is to work directly with the credit card company of your choice.

FIRST *alert*

◼ *Failure to Post Job Supports Case of Bias*

Because her employer didn't post a job, an employee can sue for age discrimination, a federal district court in Philadelphia has ruled (*Keen v. D.P.T. Business School,* E.D. PA, No. 00-3758). A 50-year-old woman claimed she was discriminated against when the school for which she worked picked younger people for two positions instead of promoting her.

The school admitted that it didn't post the positions and that the claimant was unaware of the openings until others were selected. The school had no formal procedures for promotions. The Court said that "such informal and secretive procedures are suspect" and allowed the woman to sue the school, even though she never applied for either job.

This case highlights the importance of having written employment policies, including formal procedures for hiring and promoting people. For more information, see www.nonprofitissues.com. Also see "How to Avoid Age-Discrimination Lawsuits" (Vol. 15, No. 6) and "Is Your Organization Lawsuit-Proof?" (Vol. 20, No. 1), available from the Society's Resource Center, www.snpo.org, 734-451-3582. ◼

◼ *Arbitrate, Don't Litigate*

Two recent rulings uphold the legality of arbitration agreements, even when employees resist. In both cases (*Microstrategy, Inc. v. Lauricia,* No. 00-2297, 4th Circuit, and *Hightower v. GMRI, Inc.,* No. 01-1302, 4th Circuit), the employees had signed agreements containing mandatory arbitration clauses. Thus, the court ruled that they must arbitrate, rather than litigate, their discrimination complaints.

These judgments highlight the importance of having your employees sign arbitration agreements. Arbitration saves time and money and is an effective way to resolve conflicts. See "Arbitrate, Don't Litigate," available from npa@gandglaw.com. Also see "Eight Steps to Managing Conflict," *Nonprofit World,* Vol. 20, No. 4. ◼

◼ *Get with the Lingo*

Workplace lingo has changed as the meaning of employment evolves. Lest you be caught behind the times, add these New Economy terms to your dictionary:

Independent contractor: It was a legal term that essentially meant "not an employee." But job duration is much shorter these days, and more people work independently by choice, chance, or circumstance. All workers today are, in a sense, independent contractors.

Consultant: It once meant an unemployed white-collar worker. It's now a common term referring to independent workers.

Permalancer: This is someone who begins as a contract worker and decides to maintain that status even when offered a traditional job.

Techno-cowboy: This is one of many Wild-West labels for IT and new-media freelancers. Other such terms include lone ranger, information backpacker, and even 1099er (for tax status).

Corporate yentas: These are New Economy agents who connect people to projects.

COBRA babies: This term refers to children born during the 18-month window when their parents are still covered by their former employer's health insurance. ◼

—adapted from Monster.com

◼ *E-Mail OK to Acknowledge Gifts*

A nonprofit may acknowledge a contribution via e-mail, the IRS has confirmed (IRS Publication 1771, "Charitable Contributions—Substantiation and Disclosure Requirements"). For gifts of $250 or more, the nonprofit must also send the donor a written receipt. ◼

◣ *Nonprofit Saves Itself with Subsidiary*

A nonprofit Internet service provider (ISP) has regained its exempt status by reorganizing itself. The ISP lost its exemption in 1998 when the IRS ruled that its primary activity didn't further its exempt purpose of providing free or affordable Internet service to low-income users.

To correct the problems, the ISP established a subsidiary and transferred all nonexempt functions to it. The IRS reinstated the ISP's exempt status and even relieved the ISP of unrelated income taxes applied during the years it carried on non-exempt activities (IRS TAM 200203069).

"Here's an excellent example of what can be accomplished with subsidiaries," according to a Gammon & Grange legal adviser. "Through a well planned and executed reorganization, this ISP managed to save itself, plus all its exempt *and* nonexempt functions."

If your organization conducts any activities that don't further your mission, consider spinning them into a subsidiary. See "Subsidiaries and Nonprofit Affiliates," available for $20 from Gammon & Grange Law Offices, 8280 Greensboro Drive, 7th Floor, McLean, Virginia 22102, 703-761-5000, npa@gandglaw.com. ◣

◣ *Form 990 Inadequate, Says GAO Report*

In a report requested by the Senate Finance Committee, the General Accounting Office has reviewed oversight of charities and made recommendations for improvement. The report ("Tax-Exempt Organizations: Improvements Possible in Public, IRS and State Oversight of Charities," Report GAO-02-526) finds that Form 990, the annual return filed by charities, doesn't provide enough information for oversight and advises caution in using data derived from it. It also finds that the IRS lacks "results-oriented goals and strategies for its oversight of charities" and that inadequate data sharing between the IRS and state charity officials is a problem.

The report recommends that the IRS develop results-oriented goals and measures for oversight as well as procedures for sharing data with the states. It also suggests that the IRS improve the reliability of the data it collects from the charitable community. ◣

◣ *Organization Not a Charity, Says Court*

In a judgment that could lead to more scrutiny by the IRS, the U.S. District Court for the District of Columbia has ruled that an organization that helps donors make gifts to charities doesn't qualify as a charity itself. The Fund for Anonymous Gifts isn't a charity because it doesn't have broad public support, the Court ruled. Instead, the group relies on a small list of people who are known personally to its trustee. The ruling could make it more difficult for other organizations to achieve charity status. ◣

Fundraising Foundations: What Are They, & How Are Nonprofits Using Them?

A groundbreaking study sheds light on the nonprofit world's best-kept secret.

BY EUGENE H. FRAM

Nonprofits that have established—or want to establish—their own fundraising foundations have little information to help them. Although thousands of such nonprofit offsprings exist, virtually nothing is known about why they succeed or fail.

The author searched the literature and turned up just one article on the topic, written for a Canadian publication in the mid-1990s. In the article, the writer referred to connected nonprofit organizations with funding responsibilities as "parallel foundations."[1] For example, a nonprofit hospital that sets up a foundation to solicit funds and conduct fundraising events is creating a parallel foundation. These foundations are distinct from subsidiary corporations operated by nonprofit organizations, often for profit-making purposes, such as Salvation Army retail stores.

To develop much-needed information on these foundations, the author conducted a field study in the Rochester and Buffalo, New York, metropolitan regions. A total of 47 parallel foundations were identified in these two regions, and personnel in 26 of the organizations agreed to be interviewed.[2] The interviews were designed to answer four important questions:

Question I: What are the characteristics of parallel foundations?

The study included foundations for a variety of nonprofit parent organizations—hospitals, universities, nursing homes, human service agencies, and one trade association. Nearly half (12 of 26) were established since 1990, indicating a recent and growing interest in this organizational format. The oldest was created in 1955.

The median (middle) foundation in the study had the following profile: $1 million to $5 million in assets and annual allocations of $400,000 to $500,000 to the parent nonprofit. On average, allocations to the parent nonprofit amounted to less than 2% of the parent's operating budget. Five organizations made allocations amounting to more than 4% of the parent's operating budget, with two of these five providing support of 15% and 25%. The remaining seven parallel foundations allocated nearly all their funds to parent capital expenditures or special programs.

The majority (18 of 26) had five or fewer full-time personnel. The largest professional staffs (six and eight-person staffs were the biggest reported) were employed by higher-education institutions.

The data show a strong 10-year trend for establishing parallel foundations, with most providing only modest support for parent operating budgets. Many of these foundations (about one-quarter) earmarked all their allocations for capital expenditures and special programs.

Question II: Why are parallel foundations developed?

The only article in the literature lists nine reasons why a nonprofit might establish a parallel foundation.[3] In the field study, interviewees were asked to respond to each of the nine reasons. Their replies follow. The numbers in parentheses show how many agreed with the statements.

Reason 1: The parent nonprofit wants a different group to manage its private funds to keep them separate from government funds. (16)

Nearly all the public institutions in the study were concerned that funds raised through the parent organization would be viewed as earned income, which would result in decreased funding from public sources. New York State law, for example, prohibits public colleges from combining government funds with monies generated through outside fundraising. In addition, one public university indicated it couldn't directly accept gifts greater than $25,000, an unusual restraint that was perhaps placed by a local governing board. Thus, for these institutions, separate organizations were needed to deal with outside funds. Also, state regulations restrict the way funds can be invested, and having a separate foundation provides more latitude for investment risk.

Respondents from health-care organizations stressed that, for them, parallel foundations are virtually a requirement. Otherwise, any money raised by the parent organization from outside sources would result in a decrease in Medicaid reimbursements. An added benefit is that parallel foundations let donors target their gifts to specific causes.

Reason 2: The parallel foundation is an affirmation to donors that the nonprofit will have longevity. (12)

Of the dozen respondents who agreed with this statement, three said longevity was a minor reason for establishing their foundations. A fourth said that longevity was not initially a reason, but the concept later became a part of the foundation's philosophy and a benefit described to donors. A fifth respondent identified his parallel foundation as the "new kid on the block," and said staff members use its existence to assure donors the foundation and its parent are here for the long term. Others reported that parallel foundations have the following benefits:

- **They give a sense of security to donors** hesitant to give to a small organization.
- **They provide a way** to recruit larger donors.
- **They help the parent institution** gain recognition as a "sacred cow" in the community.
- **They develop respect for the parent** because it has established a separate entity to manage its funds.
- **They serve to symbolize** that the organization is legitimate.

Reason 3: Members of the parent board don't view fundraising as a priority. (12)

Almost half of respondents said they established parallel foundations because the parent board was unable to raise funds, based on two scenarios. In the first, "Given the stringent regulations of the health-care unit, board members were busy bringing everything up to code." In the second, "According to their charter, board members aren't allowed to do fundraising."

Reason 4: The nonprofit wants to launch a capital campaign, and the foundation can recruit volunteers experienced in developing capital funds and assets. (11)

Almost half of respondents said special skills were needed for capital campaigns or special projects. They concluded that the foundation format was essential to recruiting professionals with the fundraising expertise required. In two cases, local chapters were asked by their national group to establish parallel foundations because such foundations can more easily promote community involvement. In another case, a nonprofit

wanted to establish a planned-giving campaign and needed a foundation to attract a planned-giving professional.

Reason 5: Assets of the nonprofit can be protected if a legal suit is brought against the parent organization. (11)

Isolating parent assets from legal suits is a major reason to create parallel foundations for nine of the 11

respondents. The other two indicated that legal suits weren't a great concern but that the foundation provides a welcome safety feature.

Reason 6: Board members don't have the time or expertise to raise and manage funds. (10)

In nine of the 10 situations, board time was a core motivation for forming parallel foundations. A typical

response was that board members of the parent were too busy running the organization to deal with fundraising.

Reason 7: The foundation board can manage financial resources better than the parent board. (9)

There was no equivocation from the nine respondents about this issue. One commented, "The only job of the foundation is to raise and manage funds. Such a focused job allows them to manage assets more efficiently than the parent."

Reason 8: The parent nonprofit is capable of raising operating funds but not capital or endowment funds. (8)

Nearly one-third said using a parallel foundation to focus on capital and endowment dollars was a major motivating factor. In all eight cases, the foundation was established after the parent board had some experience with raising operational funds.

Reason 9: Miscellaneous. (3)

One organization said it established a foundation so that it could hire fundraising specialists at higher salaries than it paid employees in the parent nonprofit. Another reason cited by respondents is flexibility in being able to conduct fundraising events.

Main Reasons to Start a Parallel Foundation

In summary, it appears from interviewees' responses that parallel foundations are developed when:
- **Privately donated funds and public funds** can't be commingled.
- **There is a community perception** that the parent nonprofit organization might not be stable over a long period.
- **Parent board members are unable or unwilling** to be involved with fundraising.

- **The parent nonprofit needs to raise** capital or special program funds.
- **Assets may need to be protected** from legal suits.
- **Funds must be more effectively used** or managed.

Question III: What challenges do parallel foundations face?

1. Recruiting board members is the most pervasive challenge facing parallel foundations. Sixteen of 26 interviewees listed it as their top challenge. Their main concern is to achieve a diverse board. Diversity means more than race, age, and gender, interviewees noted. Diversity also means having board members with the right mix of contacts, wealth, wisdom, and fundraising skills.

One parallel foundation pointed out that its parent's bylaws make recruiting foundation board members difficult. Any new member has to be approved by a majority of both boards. Also, any increase in the foundation board's size requires an increase in the size of the parent board.

2. The second major challenge is that foundation board decisions may not be congruent with those of the parent board. This problem was reported by half of the 26 respondents. Their comments, paraphrased below, show that conflict between a parent and its offspring develops in myriad ways:

- **The foundation board feels** the parent board doesn't spend funds wisely.
- **Because volunteers on both boards** try to avoid conflict, fast-

talking "bullies" control how money is spent, which may not be the best way to use the funds.
- **The boards disagree** on whether to emphasize short-term spending or long-term asset growth.
- **Some of the foundation's fundraising events** may be considered too "low brow" by the parent board.
- **The parent organization pays the foundation staff.** When the foundation needs more staff, the parent won't provide funds to hire additional personnel. Issues involving physical space allocations can also lead to conflict.
- **Foundation employees have trouble understanding** how their efforts benefit the parent organization because they aren't involved in governing the parent.
- **Seven of the 16 respondents** said they face challenges in translating decisions from the parent organization to the foundation. In larger organizations (such as health-care systems), foundation staff may have trouble deciding the level at which decisions should be made. One foundation head noted that she sometimes had to serve as a "filter to ensure the credibility of the donors." For example, the parent sometimes placed pharmaceutical donations in a doctor's account, which she considered an abuse of the donors' intent.

3. A third challenge, a dozen respondents said, is to keep up morale for both parallel board members and staff personnel. Several concerns were cited. One respondent observed that foundation board members seek "fame and glory," but she can't implement every project

individuals want. She called it a "struggle" to keep everyone happy.

Respondents also noted that for foundation board members to be effective fundraisers they must be integrated into the operations of a campaign. If that doesn't happen, and it can be difficult to make it happen, board members' motivation declines. In some cases their parent organizations decide how foundation money will be spent without seeking parallel board advice. Such scenarios lead to poor board morale.

At times, several interviewees commented, staff personnel can feel overworked and underappreciated. Foundation managers faced with this issue said they found job rotation could be helpful in improving sagging motivation.

4. A fourth challenge is foundation accounting procedures. It was mentioned by 10 of the 26 respondents. The biggest concern was keeping abreast of changing regulations, especially FASB (Financial Accounting Standards Board) rules that foundations must follow. One foundation head reported that the changing regulations contribute to day-to-day hassles she considers part of her job. However, another respondent hired a full-time officer to deal with all financial issues.

5. A fifth challenge is that communication between the two boards is not always good. Often, no one is responsible for improving communication, even though there is usually overlap in board personnel between the groups.

Question IV: What are the future challenges?

According to respondents, there are three major challenges for parallel foundations in the future:

CREATIVE FUNDRAISING IDEAS

Ring! Ring!

If telephone solicitation gets such a bad rap (deservedly or not), why do so many people do it? Because it works! It's an inexpensive way to reach a lot of people in a short time. Have your board members and other volunteers call people they know with a time-specific offer (donate $100 and get a pair of free tickets, for example). The response will be terrific.

Know Why People Give

Consider holding a focus group to discover why people give to your organization. Get some donors together, perhaps over a simple lunch. Ask, "Why do you give to our organization?" and capture the answers you get. You're sure to discover a few things you didn't know. See "How to Conduct Focus Groups," *Nonprofit World,* Vol. 17, No. 5 (734-451-3582, www.snpo.org).

Dear Donor

When sending direct-mail letters, seek out a famous well-known person to write the letter or supply a quote. Or think of people in your area who would enhance the credibility of the pieces you send out. For more ideas, see *Fundraising for Dummies,* IDG Books, Foster City, California, www.idgbooks.com.

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1. The most important future challenge is raising money and finding new donors. Some said they may have exhausted their donor lists. One respondent commented, "There are always more projects needing money than can be funded."

2. The second future challenge is to develop public awareness of the parent and the foundation. One health-care foundation head noted, for example, that the public needs to realize that health insurance doesn't pay for everything.

3. The third future challenge is the faltering economy. Not only will a weak economy make it harder to raise money, but it will increase competition for existing dollars.

Meeting these three challenges requires both marketing and advocacy. One person observed that "baby boomers" (those born from 1946-1964) don't appreciate the need to donate to charitable causes. Consequently, there is a strong need for more public relations, community education, and relationship building.

One Final Question: Is it time to create your own parallel foundation?

This study uncovered aspects of parallel foundations that should lead nonprofit boards to examine their organizations' operations. There are good reasons for funding foundations to exist, and many nonprofits could benefit from such an arrangement. The study suggests that interest in parallel foundations is growing for two reasons:

- **Nonprofits want a separate organization to act as custodian** for long-term endowment dollars.
- **Nonprofits find parallel foundations useful in raising money** for capital and other special programs.

If these concerns are paramount in your organization, it's time to consider a parallel foundation. It may be your best solution. ∎

Footnotes

[1]See Allan Arlett, "Parallel Foundations—Too Many, Too Trendy and Too Hasty," *The Canadian Fundraiser,* November 27, 1996.

[2]Rochester is well known for charitable giving with a 1999 per capita United Way record of $45.41, second only to the national leader, Wilmington, Delaware. Buffalo's per capita donation figure is $19.60. Most of those interviewed were executive directors of parallel foundations or board chairs. The other participants were executive directors of parent nonprofits who also sit on the boards of the corresponding fundraising foundations.

[3]Arlett, op cit.

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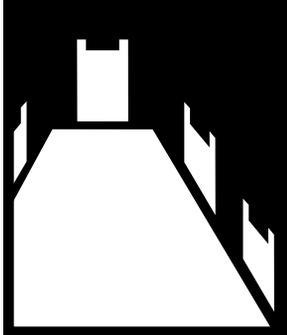
What Are the Board's Three Essential Functions?

A surprising number of board members can't answer this vital question. Make sure your board can!

BY ANDREW SWANSON

*T*here are three bedrock functions of any nonprofit board of directors:

1. Establish the purpose, mission, and mission-related goals for the organization.

- The ***purpose*** tells why the organization exists and what ultimate result is expected because it does exist. Example: The purpose of the Ghengis County Literacy Program is to eliminate illiteracy in Ghengis County.
- The ***mission,*** derived from the purpose, tells us what the organization will do to achieve the purpose. Example: In pursuit of its purpose, the mission of the Ghengis County Literacy Program shall consist of the following mission-related goals.
- ***Mission-related goals*** are an explication of the mission. Bearing in mind that determining results is the board's responsibility and using methods to achieve those results is the CEO's and staff's responsibility, we call these "mission-related goals" to distinguish them from method-related goals, which the staff might establish. Example:

- A cadre of volunteer tutors shall be recruited and trained in the techniques of teaching illiterate individuals to read.
- The preferred ratio of tutor to student shall be one to one.
- Fees for tutoring services shall be consistent with the ability to pay. No one shall be turned away due to a lack of ability to pay.

When the board has set these mission-related goals, it has established its results expectations of staff. These results expectations will be the primary criteria by which the board will monitor and evaluate organizational and staff performance.

Once the board has formulated purpose, mission, and mission-related goals, it has made its contribution to the planning process. The completion of the plan, being methods-oriented, will be the staff's responsibility.

2. Assure that purpose, mission, and mission-related goals are achieved.

To do the work that results in achieving the purpose, mission, and mission-related goals is the responsibility of staff. The board assigns accountability and then, throughout the year, monitors performance. It can do so in several ways:

- **Examine regular reports** from the CEO.
- **Review financial policies** against whatever control policies the board has established in the financial area (such as a floor under the current ratio, income arriving as planned, tracking of the budget, and so forth). Avoid becoming bogged down in minutia, however.
- **Initiate an annual audit,** not only of accounting practices but also of the CEO's compliance with the board's control policies.
- **Review the CEO's policies and activities** against the board's control policies. These control policies might include the following types of statements, for example: The CEO's personnel policies will be humane, fair, and in compliance with local, state, and federal statutes and regulations. The CEO's compensation plans shall not significantly exceed competitive and applicable local, regional, or national levels.
- **Keep eyes and ears open,** and observe what takes place around you. Note how the phone is answered. Observe staff morale and turnover. Don't take this suggestion, however, as an invitation to meddle. Quizzing of employees

by board members about the CEO's performance is out of order at any time.

• **Formally review the CEO's** performance through an annual evaluation. You need such a formal record on file for protection of both the board and CEO.

3. Think creatively—dream—about the future of the organization, and lead the organization into that better future.

As a former colleague was fond of saying, "Leaders of organizations need to spend a good bit of their time looking out of the window." He meant that reflecting and thinking deeply about the organization's future is a primary concern of leadership. Yet few boards seem to find the time for this kind of creative reflection. The primary reason is that too many boards get bogged down in details, involving themselves in activities such as developing budgets (the CEO's responsibility), involving themselves in personnel policies (again, the CEO's responsibility), and so forth. Their view is directed inward rather than outward toward the communities they serve.

Also, too many boards are what might be called inbred. Arts boards are often made up solely of devotees of the particular art form involved. Many mental retardation boards are over-loaded with parents or guardians of people who are mentally retarded. There is a real danger in any board being made up of too many of the same kinds of people. A healthy diversity is central to good creative thinking.

Here are some ideas to help you get a start on the creative thinking process:

• **Strive for broad** community representation. Such a mix fosters a more outward view of the world and promotes networking with other organizations with whom collaborative efforts might prove mutually beneficial. By opening your doors to the world, you may be pleasantly surprised by the ideas that come in.

• **Hold occasional joint meetings** with boards that have mutual interests—or even boards whose interests just might possibly be similar to yours. It's more than likely that you will learn at least something! Many successful CEOs have developed networking into an art form that their boards would do well to emulate.

• **Get to know** the community you serve. One board has a practice of meeting every other month in a different section of its rather large service area. These meetings are open and, while some board business is done, most of the time is spent in learning about the needs of the immediate area and seeing how their organization might better serve those needs.

• **Send board members out to speak** at organizations such as the Rotary, Kiwanis, Lions, and Junior League. Be sure that in their talk they allow time for questions and suggestions.

These and other techniques ought to provide a lot of information that you can mull over when reviewing your vision for the future. You will learn much that will help you build a better organization in the future. And, a collateral benefit, it will certainly give a boost to your fundraising efforts. ■

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How to Hire the Best People without Breaking the Law

Keep abreast of new employment laws by following these guidelines.

BY HUONG T. PHAN & BRIAN H. KLEINER

The field of employment law is rapidly changing. To accommodate these changes, sidestep lawsuits, and avoid hiring problem employees, follow these guidelines:

Rethink Your Hiring Practices.

The movement today is toward dismantling the traditional organization in which employment was well-defined and secure. "Jobs" will soon cease to exist. In their place will be employees completing tasks on a project-by-project basis. Old forms of hiring, compensation, and hierarchy will be gone. The organization that fails to rethink its compensation, hiring practices, evaluations, and structure will be in serious trouble. The people who do the work for today's and tomorrow's organizations are contractors, not employees. The benefits of de-jobbing and outsourcing are greater quality, flexibility, and a greater pool of talent than any organization can have in-house.[1]

At the same time, finding the right people is the only way you can assure your organization's success. When hiring people, you must go beyond checking their education, experience, training, and basic skills.

You must also consider the characteristics that make individuals what they are. Recent research found that *attributes* such as trustworthiness and commitment are at least as important as *skills,* such as conflict management, in predicting job performance in nonprofit organizations.[2]

Screen Applicants Thoroughly.

One of the biggest mistakes employers make is insufficient screening. Courts are holding employers liable for negligent hiring if they don't adequately screen applicants. Staggering numbers of employment-related claims are being filed in state and federal courts. Such claims often result in tremendous employer liability and expense, causing employers to settle cases that may seem frivolous in order to avoid the risks and costs of litigation.[3]

Screening will alert you to applicants who may become problem employees. Effective screening predicts behavior in one of two ways— by evaluating the applicant's past behavior or by making inferences based on psychological assessments. A polygraph examination, for example, analyzes past behavior. Pre-employment screening procedures

> "Jobs" will soon cease to exist.

elicit information either directly from the applicant or indirectly through reference or record checks. Background checks can verify people's reliability and honesty—crucial predictors of successful employment.

Update Your Interview Procedures.

In one study, researchers found that a computerized interview of applicants was more likely to develop accurate information than traditional interview methods.[4] Interviewing via computer assures that all applicants are asked the same questions in the same way. In case of a lawsuit, such techniques will weigh in your favor.

Useful as it is, however, the computerized interview shouldn't stand alone. Follow it up with a face-to-face meeting. Take careful notes during the interview and document the factors influencing a decision. You mustn't decide on the basis of emotional feelings. Under the law, instincts and

favorable impressions aren't sufficient reasons for selecting one candidate over another.

The hiring decision must be based on how well a person can perform now. You can't reject qualified people for fear they'll become too ill to work in the future. Likewise, you can't decide not to hire qualified people with HIV or AIDS for fear of higher medical insurance costs, worker compensation costs, or absenteeism.

Create Application Forms with Care.

Application forms are more than papers for the personnel file; they're important legal documents. Every application form should ask for the following information:

- full name, address, social security number, and residence addresses for the past five years
- employment history, names and addresses of previous employers, job titles, dates of employment, supervisor references, and reasons for leaving
- whether the individual has ever been convicted of a felony or serious criminal offence that may bear upon the application; if so, the date, place, and nature of the crime; and a statement that an affirmative answer will not automatically disqualify the applicant from consideration for employment
- request for the applicant's written consent for you to investigate their employment, educational, and personal references and for third parties to release such information to you; if the applicant refuses such consent, you should ask why and you may wish to decline further consideration of any such applicant
- request for the applicant's written consent to a credit report, criminal background check, and investigative consumer report.

You may require fingerprints and photographs of applicants if you use them solely for internal investigations and legitimate business purposes.

Test with Caution.

You may not conduct a medical examination until after a job offer is made and then only if you give the same exam to all recipients of offers for that job. While the offer can be conditioned on passage of a physical examination, the Americans with Disabilities Act (ADA) prohibits the exclusion of disabled applicants based on non-job-related physical criteria that are not consistent with business necessity. You may, however, ask questions about the ability to perform specific job functions. The application form may contain a broad authorization for you to seek information from doctors, hospitals, and others about the employee's prior medical record. Any medical information obtained through medical-related inquiries or examinations must be kept confidential and may be disclosed only to supervisors, managers, first-aid personnel (if emergency treatment may be required), and government officials investigating compliance with the ADA.[5]

Testing to detect illegal drugs isn't considered a medical examination and isn't prohibited by the ADA. Therefore, you may conduct such testing and make employment decisions based on the results. But you must avoid unnecessary surprise. Let applicants know at the very start of the application process that a drug test is required. Note this requirement clearly on the employment application and at the employment office.

Seek Help.

There are many agencies that match people and jobs. According to Barry Shammis, president of Selecting Winners, Inc., many employers are unprepared to make hiring decisions. They lack a systematic approach and make mistakes based on behavior patterns that affect their ability to make clear decisions. Also, they often lack enough information about the candidate due to mishandling the interview. Employment agencies offer a systematic approach based on objective data. ∎

Footnotes

[1]See "Outsourcing in the Nonprofit Sector," "Here Comes Your 21st Century Workforce!", and "Brave New Workers in a Brave New Workplace," *Nonprofit World,* (Vol. 15, No. 5, Vol. 17, No. 4, Vol. 18, No. 6).

[2]See "Study Shows Gaps in Nonprofit Management—and Ways to Improve," *Nonprofit World,* Vol. 19, No. 3.

[3]See "Recent Developments in Employment Law," *Tort and Insurance Law Journal,* Winter 1995.

[4]Christopher Martin, College of Business Administration at Louisiana State University, and Dennis Nagao, College of Management, Georgia Institute of Technology, performed this study.

[5]See "Nonprofits & the Americans with Disabilities Act," "Do Your Job Descriptions Comply with ADA?" and "How to Accommodate Disabilities under ADA," *Nonprofit World,* (Vol. 11, No. 2, Vol. 11, No. 3, Vol. 18, No. 5).

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How to Ignite Entrepreneurial Spirit in Your Organization

A WORLD-CLASS ENTREPRENEUR SHARES HER TIPS.

BY DEBBIE GISONNI

Sometimes it seems as if the nonprofit sector is another planet, separated from the real world of business, guided by its own set of rules.

But I don't think it needs to be that way. After 15 years in the high-tech publishing industry in Silicon Valley, I came to realize that the nonprofit and for-profit sectors have much in common and a great deal to teach each other. In 1998 I left my six-figure income and stock options behind to create a company that bridges the gap between nonprofits and for-profits. The result is Real Life Lessons, a company dedicated to producing informational projects that help people change their lives at work or at home. I donate 10% of my proceeds to nonprofits. My first product is a book, *Vita's Will,* about some of the life lessons I've learned from personal tragedy and professional success.

One lesson I learned in business is the importance of entrepreneurial spirit in both nonprofit and for-profit realms. Most nonprofits are started by people with a passion for a cause–a definite, instinctual entrepreneurial spirit. Somewhere down the road, however, this spirit is too often lost under a sea of legalities, financial struggles, and separation from the characteristics that drive successful businesses.

It's never too late to re-ignite the passion. Just as corporate America constantly reinvents itself, repositions its products, and reorganizes its staff, nonprofits should be no different. Evaluating how things are done and how they could be improved should be an ongoing process for any kind of business. That's what entrepreneurship is all about. It's about constantly seeking and implementing change. It's about sticking your neck out just a little farther than the rest and taking a risk. Nowhere is this kind of attitude needed more than in the nonprofit sector. Here are 10 ways to rekindle that entrepreneurial spirit in your organization.

1. Stay in touch with former colleagues.

If you're one of the many people who have crossed over from for-profit to nonprofit work, you may be suffering from the "I'm not part of that world anymore" syndrome, which leads your old colleagues to talk about you in the past tense as if you didn't exist any more. Keeping connections with your for-profit buddies is important. You never know how they may be able to help. I recently met up with a former business acquaintance and found out she volunteers for a nonprofit that I've selected to receive a portion of revenues from my book, *Vita's Will.* She's now helping me get exposure within her organization, which will not only help book sales but increase the donation amount as well.

With e-mail and voice mail, it's easy to stay in touch with your former colleagues. Keep them on your mailing list and let them know what's going on with your life and job. Something you're doing might just strike a chord with one of them and lead to opportunities for your organization.

2. Network with friends and family.

If you can't count on them, who can you count on? Your friends and family have networks that can help you with staffing needs, finances, and marketing opportunities.

Being nonprofit gives you an unwritten privilege to talk about your cause. Tell your friends and family what you're doing. Put them on your organization's mailing list. Invite them to your organization's events as your guests. Ask them to volunteer.

When my book was published, I sent all my friends and family a letter, suggesting ways they could spread the word and create a buzz in the market. One suggestion was for them and their friends to order the book during a specific week. As a result, it became the publisher's number-one best seller for that month.

3. Propose "win-win" partnerships with corporate America.

Don't put this idea on the back burner because of the time involved to cultivate such relationships. Remember the first two suggestions above and this could be an easier task. There is a theory in sales called the "funnel concept." The more you put in the funnel in the way of connections, phone calls, and meetings, the more you'll get trickling out the bottom in the way of sales. It's truly a numbers game. Once you get the contacts, the next step is to develop creative ideas that benefit both parties. Sometimes, all you need to do is show up.

Ellen Scheetz started a nonprofit called Sisters for Success to teach teenage girls about career options and business. One day she noticed a newspaper ad about a contest run by an antiperspirant company. She entered the contest in the "helping others" category and wrote an essay about Sisters for Success. She won $25,000 for her organization and a myriad of free cosmetic products to give to her teens. Ellen says, "Entering a national contest could have been intimidating to a one-woman organization with a handful of volunteers, but I figured why not try all the avenues. I had nothing to lose."

4. Drop the "I can't because we're nonprofit" attitude.

Remember when you were a child and thought you could do just about anything? Then somewhere along the line, the words "I can't" crept into your vocabulary and you started believing in your own limitations. Don't make excuses. Don't think of nonprofit as handicapped in any way because if you do, so will your potential backers. Hold your head up high and you'll get the respect and response you want from people inside and outside your organization. Where there's a will, there's a way!

5. Act like a real company.

Don't forget that a business is a business is a business. Act like one. While you may not have the millions of dollars on the bottom line that some companies have, you still have a P&L statement, complete with income, loss, assets, and debts. The objective is to have more income than loss. Don't lose sight of that. Nonprofit doesn't equate to "non income." Many people join the nonprofit sector because they think they don't have to worry about business issues. Eleanor Jacobs, who has worked in the nonprofit social services sector for 25 years, says, "That's called denial, fear, and insecurity. Just doing good work is not enough. If you are truly passionate about your cause, you don't have the luxury of not attending to the business side. You need to get out of the ivory tower and show results."

6. Get noticed (publicity, publicity, publicity).

Make sure you're constantly "working the press" and developing relationships with the local media. There's always something, even the slightest thing, to announce about your organization or someone in it. If you don't have a new press release going out at least once a month, take a closer look. You can get on the local newspaper calendar by creating a monthly idea input meeting for the community. You may even sign up some volunteers. You can start a work-study program for local students. You can have your volunteers and employees hand out flyers about your organization or events where they work and live. As Ellen Scheetz from Sisters for Success says, "You can't get anywhere unless you get the word out."

7. Create events.

In addition to the usual fundraising activities, think of other events that could increase your visibility. Brainstorm with your staff to come up with ideas. Get demographic information on your community residents to create events that meet their needs and desires. Many times, you can piggyback on existing programs or events. For example, a local community group or church may give you free space at their bazaar. If your neighborhood is predominately Spanish speaking, distribute information in Spanish. Contests are a great way to get people's juices flowing, including the media. Maybe you could sell raffle tickets at that church bazaar or sponsor an essay contest pertinent to your cause in the local schools.

8. Conduct research (then promote or sell it).

The media and the public love statistics. What can you do as an organization to educate the public on an issue? You can keep costs low by teaming up with a college, university, or marketing firm. Get help from students in the marketing department, or ask a market research firm for a discount in exchange for using their name in the study results. Ask yourself what kind of data would be

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The Secrets of Entrepreneurial Leadership

In today's unpredictable nonprofit environment, nonprofit leaders need to operate like risk-taking entrepreneurs. To be an entrepreneurial leader, you must do the following:

1. **Take responsibility for the uncertain outcome of new projects.** You must be able to say to employees, "If I'm wrong, it's my problem, not yours." This allows employees to operate under uncertainty without worrying about the repercussions should the project fail.

2. **Outline challenges that push employees to their limits.** But know when a challenge may push workers beyond their abilities.

3. **Get support from key stakeholders inside and outside your organization.** To operate as an entrepreneurial manager, you'll need to convince decision-makers to back you up when things go wrong or right.

4. **Build commitment from employees.** You must foster a willingness among employees to work toward a common goal. You need to motivate and cultivate effective teams.

5. **Make the most of people resources.** Break down team members' perceptions and stereotypes of what can and can't be done. You'll need a sense of how people resources have been undervalued.

—adapted from Knowledge@Wharton

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most useful to your membership, constituency, or the public, and form a study around it. If it's something controversial, even better. The media will love it! It could also serve a dual purpose in obtaining government or private funding. Is there research you're planning on conducting for your own internal use that you can tweak to contain more marketable data for public consumption? Are there parts of the data that you can maintain and then sell to other organizations?

9. Save Money.

Entrepreneurial spirit lies in creating ways not only to raise money but also to save money. Sometimes we do things the same way for so long we don't realize there are new, more cost-effective processes. For the Women's National Book Association, rising postal costs were the catalyst for creating a new renewal form with e-mail addresses. Reminders about renewing memberships and attending meetings, once sent via regular mail, are now sent via a group e-mail box. The group reduced its costs by hundreds of dollars.

10. Spread the Spirit.

The entrepreneurial spirit is an infectious one. If you have it, others in your organization will, too. The way to create an environment that breeds good entrepreneurs is just a matter of having good management skills. That means motivating people to stay positive, bringing them in the loop on ideas, and asking for their advice and opinions. Don't assume that you and upper management have all the answers. Give others in your organization responsibility, and encourage them to think beyond the box. Let them know it's OK to make mistakes. Some of the best ideas come from failure. Remember, without the people, there is no organization! Respect them. Value them. Trust them. ∎

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Is That Expense Justified?

Here's a concrete way to answer this question to your board's satisfaction.

BY DANIEL BAUER & KEITH RICHARDSON

As a nonprofit manager, you need to spend money to acquire equipment and other assets. But when is a long-term expense warranted? How do you decide if a large expenditure will pay off in the long run?

A Useful Technique

Educators and professionals have recommended the Net Present Value technique for both for-profit and nonprofit organizations.

Here's a rundown of the concepts involved and an example of how it works:

• *Capital Budgeting* **is the process** of planning to purchase assets whose cash flows are expected to continue beyond one year.

• **A** *Net Investment* **is the amount of money** spent to purchase a long-term asset, such as a piece of equipment. This cash outlay is expected to result in a flow of future cash benefits extending beyond one year.

• **The** *Net Present Value (NPV)* **of an expenditure** is the present value of the stream of expected cash flows from the project minus the net expenditure.

• **A project is acceptable** if its NPV is greater than or equal to zero. If the NPV of an expenditure is positive, then the project's rate of return is greater than the cost of capital.

Example: A firm is considering a $25,000 investment in a new computerized tracking system. The system is expected to generate the following savings over the next four years:

Year 1	$11,000
Year 2	$ 6,000
Year 3	$ 6,000
Year 4	$ 6,000

If the firm requires a 10% return on invested capital, it won't make this investment because of its negative $2,400 Net Present Value (the investment does not create value for its owners).

The Added Ingredient

The question for nonprofit managers is how to adapt this model for their use. Brigham and Gapenski (see "References") show how to make this adjustment:

• **Nonprofit organizations should consider an expenditure's** *Total Net Present Value,* which equals the Net Present Value plus the *Net Present Social Value.*

• **The** *Net Present Social Value* **is the return to the nonprofit** in the form of social dividends. To arrive at this figure, ask yourself: To what extent does this expenditure help meet the goals and objectives outlined in the organization's mission statement?

Example: Imagine that your organization is considering the same $25,000 investment in a computerized tracking system as discussed above. In addition to the cash flow benefits, you estimate that the system will help you meet your objective of tracking job opportunities for your clients. You consider this objective so important that you place a non-monetary social value of $5,000 on the new system.

Should you spend the $25,000? To make this decision, first calculate the Net Present Value of the purchase as described above. To the Net Present Value (-$2,400), add the Net Present Social Value of $5,000. Thus, the Total Net Present Value of the tracking system is $2,600.

Remember, an expense is acceptable if its Total Net Present Value is greater than or equal to zero. According to this technique, then, you would be wise to make the purchase.

A Note of Caution

This approach to making purchasing decisions can be very helpful. It's vital to remember, however, that its success depends on having a clear idea of your organization's mission. Be sure that you, your employees, and your board members all understand and agree on your mission statement. A shared, powerful mission is the best framework for making good financial decisions. ∎

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The Withering Volunteers:
Bring Them Back Alive

Does your organization really need volunteers? Is there a way to assure their success?

BY NICK LEVINSON

Do you wonder why you lose volunteers?

When you don't want volunteers, your paid staff members readily cooperate; you get no volunteers. When you do want volunteers, your paid staff members undercut you. Their economic security is at stake. They're being paid what you agreed their work was worth. They in turn determine that volunteers, being paid nothing, are worth nothing. They find something wrong with all volunteers, except those who present no threat to their jobs.

Paid staff want no competition. Is that a surprise?

To solve this problem, follow these steps.

Commit to Using Volunteers.

First, dedicate yourself to the idea of integrating volunteers into your organization. If you think volunteers aren't worth the trouble, think again.

Work worth doing needs resources. Ideas are vital. Time is crucial. Space is handy. Knowledge keeps you on top. Judgment puts you out front. People supply all that and more.

People bring judgment, knowledge, space, time, ideas, and money. Often, they have it. Often, they know where to get it. When they don't know, they'll find out.

Get people. Get infinitely more done than you ever could without people.

Win Staff to Your Side.

Once you've dedicated yourself to the idea of using volunteers, communicate your hunger to your staff members. First, alleviate their fear that volunteers will threaten their jobs. Make it explicit that you won't ever replace your paid staff with unpaid volunteers, and explain why.

That means you'll have to analyze your own reasons. Why do you pay any staff at all? What are you getting in return for a check? It's not just skill. Accountants volunteer. Lawyers volunteer. Skill alone isn't your reason.

You pay staff to get what they wouldn't give you for free—their time, obedience, and dedication. Volunteers may have limited hours to give you; they often have surprising work styles and unpredictable, independent reasons for pitching in. They work hard, yes, but not like staff. They have different relationships with you than your paid staff do.

Paid staff, precisely because they are paid, deliver what volunteers don't. Once they understand this, much of their resistance to volunteers will dissipate.

Screen Applicants: Plan to Accept Them All.

When you hire, you're spare with the budget. You hire exactly one. The rest you send home, with your regrets.

Volunteers you can take in hordes. You'll usually reject none.

Don't try to get just the right type. You'll be wasting time with your search. Later, you can refine how each volunteer is integrated. All mature businesses refine details later.

Be sure all potential volunteers know your mission. As long as they're comfortable with it, they're okay. They have abilities. You have needs. Match them up. Get more done.

When staff complain that volunteers don't want to do what's needed, make lists of what's needed. Ask volunteers what they'd like to choose. They'll perform better with what they select. I've stuffed envelopes. A judge did, too. Some work is dull. If it's important, we'll do it anyway. We'll do it because we're in sync with the organization's mission.

Coordinators Are Nearly Useless— Promote Them to Use Them.

Absolutely do not get a volunteer coordinator.

The volunteer coordinator pleads with the staff, "The volunteers are coming at 2:00; doesn't anyone have anything for them to do? They'll be bored!"

This does not inspire.

Can you blame the coordinator? If staff members don't come up with ideas, the coordinator won't have anything to coordinate. That looks bad. The volunteer coordinator is at the mercy of employees who object to using volunteers.

Revamp the role entirely, and fast. Every department is to use volunteers directly. Tell them that. Force the issue, with no way out, and continue building expectations.

Volunteers don't need agents. There's no need for an interpreter.

Change the coordinator's title to deputy to make your intent as clear as a rainbow and to provide audible clout. Have your deputy walk into every department, create new jobs in each one, and drop new volunteers onto the staff's shoulders. Make it impossible for the staff to say no. Once the point is made, they can bargain over the particulars, but they can't refuse an expanded workload or the personnel to complete it.

Expect Success To Get It.

If you expect failure, that's what you'll get.

Don't lower standards for volunteers. The paycheck doesn't alter whether someone has skills and good judgment. Use them.

Don't praise an extraordinary volunteer as a star. People prefer common examples as models. Focus instead on raising productivity at the median. Organize the work in different ways. Ask volunteers for their suggestions. Some things they don't know; some things they know well. Allow personal variations that still fit your needs.

Don't Compete Against Your Own Volunteers.

Competition creates a win-lose situation. No one can win unless someone else loses. A volunteer looking like a winner scares too many people. Staff can't afford to be losers in front of you. So they set out to win. To win, they defeat the volunteers.

Don't let this happen. Instead, create a win-win situation by rewarding the staff for gaining volunteer productivity.

Let Insecure Staff Test New Methods.

Give your staff learning room. Experimentation is healthy. More than one menu will feed a cat.

Cut your employees extra slack when they're learning to incorporate volunteers into their work. Be particularly demanding when your staff do the work themselves. They'll get the idea.

Change the Hands-On Methods.

Be up front about your needs when you recruit. Don't understate the commitments just to get a "yes" from a prospect. You don't need drop-outs, and you don't need a bad reputation.

Not a drop of busywork is to be allowed. There's no time for that.

Encourage staff to do the same drudge work they give to volunteers, at the same time, together with them. Don't leave volunteers feeling they got schnookered into garbage that the better people wouldn't touch. Either the work's not vital or it is. Project leaders should do the work, too. They can continue to supervise and support. The morale pays off in productivity all around the table.

Good volunteers can manage each other. That'll extend your management infrastructure. And it'll be a great example for staff.

Invent Every Way You Can.

Forget that you're closing for the night. If volunteers can offer two more hours, take advantage of it. Give them something to do at home. Or stay open longer. Special time slots are a good convenience to those whose own hours are limited, but don't restrict volunteering to just those slots.

What if No One's Volunteering?

If there aren't any volunteers knocking at your door, should you put the idea of volunteers out of your mind? No, there's still something you can do—you can dream!

If seven volunteers walked in right now, what would you ask them to do? Come up with half a dozen projects, simple to complex. Do it again tomorrow. It's excellent practice. Then, when real volunteers show up, you'll have tons of concrete tasks to shell out.

Remember, It Pays.

Donors pay for accomplishments. They'll pay for your ability to harness volunteers' energy to solve the world's problems.

And you know what more revenue means. ■

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Seven Ways
To Be Unreasonable

Here's how to get results beyond your wildest dreams.

BY PAUL LEMBERG

Reasonable people, to paraphrase George Bernard Shaw, adapt themselves to the world; unreasonable ones persist in trying to adapt the world to themselves. Therefore, all progress depends on unreasonable people.

The very idea of "being reasonable" prescribes something restrictive. It exhorts us to remain "within the box," to do what sensible people would do: not to over-commit ourselves, to be cautious, to avoid risks, to hold our trump cards.

What is the alternative? To be unreasonable, of course. Here are seven applications of being unreasonable.

1 Think beyond what's normal, proper, and appropriate.

Typically, one of the first things prospective clients say to me is, "But you're not from our industry. How can you understand our problems, much less provide solutions?" My response: "The last thing you need is someone from your industry advising you. You already have plenty of people thinking similar and over-used ideas." What you need is thinking un-bounded by the traditional logic of your industry—ideas that can bring an un-reasoning perspective.

> ## Remove the excuse option.

2 Eliminate the reasons why.

There are reasons why people do things a certain way. Challenge those reasons, and ask, "What if we did it this other way? What would happen then? What would work better? What would really rock you?"

3 Get rid of the reasons why not.

When people in your organization don't produce the desired results—results to which they've committed themselves—they usually have reasons why not. They act as if those reasons are almost as good as the results. They say, "Well, it didn't work, but here's why not," or "We didn't get it done, because..." Or, worse still, "We didn't even try because..."

Remove the excuse option. Your whole organization will shift once people know that they can't make excuses —that all they can do is produce the desired result or try another way to get the desired result, or try again in yet another way until they get the desired result.

4 Set unreasonable expectations.

Ask people to reach farther than they think is reasonable or normal. Ask them to go beyond cautious commitments that hedge their bets. Let them make risky pronouncements that exhilarate them but might threaten the natural order of things.

Place giant stakes in the ground; then ask people to turn those unreasonable expectations into reality. This strategy will dramatically increase effectiveness and productivity. Why should you settle—why should your clients settle—for what is reasonable and predictable? Why accept the norm, the average, the median? Apply unreasonable thinking. Set unreasonable expectations. Then reward people when they deliver.

5 Make unreasonable requests.

This approach will aid every executive when working with vendors and employees. Keep asking for more, better, sooner. Up the ante. Ask people to perform beyond their best.

This is not a negotiating tactic. It is not "nibbling." It is asking people to perform beyond their own sense of what is reasonable. Sometimes people will fail to meet these unreasonable commitments; don't beat them up for it. Sometimes you'll get stellar results you wouldn't have dreamed of previously.

6 Devise unreasonable plans.

Does this sound like an oxymoron? Most nonprofit organizations plan to achieve reasonable results relative to past successes and failures or, even worse, relative to questionable nonprofit lore. Instead, begin with a more profound question: What would make a really big difference? What would cause a breakthrough for the organization? What would dramatically improve your clients' lives? What would be "worth doing"? The answers may not be reasonable; they may instead take you down a path toward huge success.

7 Forecast unreasonable futures.

Most nonprofit organizations forecast their results—revenues, growth rates, and so on—based on prior years' results. They call this reasonable. Similarly, they assume nonprofit norms and consider them reasonable. But in the twenty-first century, driven by the incredible rate of change in all aspects of our culture, our sector, our workforce, available technology—to think that anything dating from last year remains the same in this one—that's unreasonable.

A better approach is to bring together everything you know about the situation to date. Take all factors, internal and external, into account, and add all the future changes you can imagine. Then, use those results to forecast unreasonable results and make unreasonable plans.

What's next?

So, what to do? Should you give up all pretense of rationality and logic? Should you step outside the norms and ignore the accumulated wisdom of the nonprofit world? "That would be great if it works out," you say, "but if it doesn't, my job is on the line." Right? Well, yes, but...

Unreasonable thinking doesn't mean un-thinking. Unreasonable thinking is about exploring. Pushing the envelope. Cross pollinating. Intuitive inventing. It may be that the line separating unreasonable ideas from ridiculous ideas lies where thinking is left behind. Or perhaps the line lies only in hindsight.

The fear of failing, the fear of jeopardizing your future, is the biggest obstacle to creating great results. The only way to create breakthrough results is to take the road less traveled—to create ideas and programs that are unreasonable—and go for it. If you fail people will—with perfect hindsight—call your idea ridiculous. But if you succeed. . .wow! ∎

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The End of Philanthropy: A New Model for Globalization

Can social responsibility go hand in hand with profits? Can a corporation become a vital member of the global community? Its not as hard as we all might think.

BY MARC R. BENIOFF

*I*n the new world economy, corporate CEOs must answer not only to shareholders, investors, and governments but also to the global community in which they operate. I recently joined 3,000 other CEOs at the World Economic Forum (WEF) in New York City to discuss globalization and its consequences on local economies, welfare, and the environment.

While few would dispute the economic benefits that large corporations bring to the international marketplace, there has yet to emerge a consensus on what it means for a corporation to be part of the global economy, what responsibilities this role brings with it, or the best way to fulfill those obligations. This uncertainty has bred suspicion among those on the receiving end of globalization and inspired fierce protests wherever the world's economic and financial leaders meet—-opposition that often falls on deaf ears.

While 10,000 protesters lined the streets outside the WEF, presenter Zaki Laïdi, a senior research fellow at France's Centre d'Etudes et de Researches Internationales, put the problem succinctly: "Global-ization is not providing a collective purpose. There is a lack of tolerance for an alternative perspective."

Still, even the world's richest man can see the validity of the protests. Bill Gates, presenting at the WEF, said, "It's a healthy thing there are demonstrators in the streets.

We need a discussion about whether the rich world is giving back what it should in the developing world. I think there is a legitimate question whether we are." Gates has backed up his words by becoming the world's largest philanthropist since the inception of his corporation.

The question is: How can corporations move beyond isolated acts of philanthropy to integrate corporate responsibility more fully into the new global system?

The Disenfranchised Globalized Corporation

The protestors in New York, and attendees of the World Social Forum held concurrently in Porto Alegre, Brazil, feel that globalization is destroying the native cultures, economies, and environments of the poor, undeveloped, and unrepresented billions. Lacking mindfulness of the social and physical environment, globalization is fostering the creation of a new global consciousness based on capitalism alone. Sadly, this view is supported by many examples of corporations acting without a sense of corporate responsibility, from child labor and sweatshop practices to deforestation, job displacement, and relocation. In a business culture that values profits above all else, the typical globalized corporation is completely disenfranchised from the communities in which it operates.

> No business should remain at odds with its community, whether that community is a small town or the entire world.

In previous generations of business, it was a different story. Local businesses served local communities, and their value stayed in the community. Profits were reinvested locally, and business owners heard and responded to local feedback. As corporations prospered and grew, stakeholders throughout the community—-not merely the stockholders who owned the company—-shared in the rise. The system was hardly perfect, but it was far more equitable than under today's globalized corporations.

Consider Starbucks, a poster child for the rapidly expanding globalized brand—-and a favorite target for protesters. As the company moves into new markets, it replaces local establishments owned by community stakeholders with corporate-owned stores staffed with minimum-wage workers. Profits and equity are returned to corporate headquarters, rather than to the local economy formerly supported by the businesses it has displaced. This has worked out well for the Seattle/Tacoma region, where Starbucks has been an active supporter of the arts, education, health care, and human rights; but what about the rest of the world that provides the revenue?

The End of Philanthropy

No business should remain at odds with its community, whether that community is a small town or the entire world. The questions facing today's modern corporations are: How can we address the valid issues raised by the protesters while still doing business? How can we establish that the corporation is not disenfranchised from its community, but a vital member? How can we develop a model that integrates a commitment to all our stakeholders, not solely our shareholders? And how can we accomplish all this while preserving the concept and the economic benefits of a globalized corporation?

Businesses often turn to corporate philanthropy as a way to demonstrate their goodwill toward society while serving the greater good. During my last years of service at Oracle Corporation, I was asked to oversee the donation of $100 million worth of computers to schools. The resulting program, Oracle's Promise, placed computers and training in hundreds of schools worldwide in under two years. It was the success of this venture that led me to ask a fundamental question: "Is there a better way to leverage a global corporation's assets for good than charity in a silo?"

The problem is that such acts of goodwill happen in isolation, separate from the forces that created them, and are the exception rather than the rule. What is needed is a new architecture for globalization developed with full awareness of the constraints of the current system—what *Fortune Magazine*'s David Kirkpatrick,

summarizing the work of a small group of social entrepreneurs and new-age corporate leaders, has called "the end of philanthropy."

I often ask my peers in Silicon Valley, "What if Sequoia Capital, or a similar high-quality venture capital firm, required the companies it invested in to put one percent of their equity into a public charity serving the communities in which they do business?" The answer is that Cisco, Oracle, Yahoo, and other Silicon Valley companies would have built up one of the largest public charities in the world, amassing billions of dollars to help fund multi-dimensional solutions to the very problems the WEF protesters have cited. This simple idea points to a powerful new way to make doing good an integral part of doing business.

The Integrated Corporation

The integrated corporation creates value for its shareholders and its stakeholders alike. Its size and the location of its headquarters don't dictate a centralized return of its value; rather, its value is fully distributed not only to its leadership, but to the communities in which it operates, and the global community as a whole. It is a new architecture for globalization.

The Move from Philanthropy to the Integrated Corporation

Past Model	Present Model	Future Model
Proprietors	Shareholders	Stakeholders
Local Supporters	Global Protestors	Corporate Advocates
Charities	Corporate Philanthropy	Integrated Corporation

Under this architecture, globalized corporations can leverage employees, equity, products, alliances, and relationships to support stakeholders in a way that smaller, local companies could not, demonstrating the company's value to the community while turning protestors into advocates. But it will take leadership, creativity, innovation, and the investment of resources to make this vision a reality.

CEOs can look at their corporations and ask, "Where do I have the most leverage to serve?" Three areas come immediately to mind: corporate value, corporate time, and corporate profits. Accordingly, three models have emerged:

> But imagine: What if this had been done 25 years ago, upon Microsoft's founding, rather than at the culmination of a lifetime's achievement?

1. Place a percentage of corporate equity into a public charity.

When I launched salesforce.com, a company dedicated to delivering enterprise applications over the Internet, I also created salesforce.com/foundation, a 501(c)(3) public charity, independently financed, with the mission to bridge the digital divide in the communities salesforce.com serves. Alongside private funding sources, salesforce.com placed more than one percent of the new corporation's stock into this foundation. The dream has been that as the company grows, the foundation grows proportionately and is fully integrated into the company that powers it.

The foundation has built 17 technology centers in this country and 20 in other countries. It encourages employees to donate time to these projects, resulting so far in 1,700 hours of community service—-well on the way to our goal of one percent of the company's time. The foundation has leveraged the corporation's relationships with global companies to provide many technical and social pieces beyond its own resources. Salesforce.com also provides its service without charge to over 50 charities, NGOs, and universities worldwide, accounting for approximately one percent of its users. The result is one of the most successful implementations of a foundation within a corporation.

The impact on employees and communities has enriched everyone involved. One staffer spends his Mondays at a salesforce.com/foundation technology lab, sharing his professional skills with the local youths he mentors. A volunteer from sales support gives time to a tutoring program, providing support, positive influence, and communication to an at-risk student. The vice president of product marketing works with adults with no previous computer experience, helping them add skills to land a new job or prepare marketing materials for their small businesses. Meanwhile, groups from the foundation centers regularly visit the salesforce.com offices for career days, with some even signing on as interns who help with everything from finance to marketing to sales. Providing a vehicle for volunteerism helps employees make community involvement a central part of their lives.

Salesforce.com/foundation's work seems insignificant compared to the Bill and Melinda Gates Foundation.

Gates's contribution of more than $24 billion dollars of Microsoft stock gave his foundation the largest endowment in the world. Engaged in a highly focused effort to combat the developing world's most serious illnesses, the foundation is led by a top Microsoft lieutenant, Patty Stonesifer. The foundation represents one of the most significant acts ever from a captain of corporate industry, an inspiration for all entrepreneurs big and small.

Who would criticize this incredible act of charity? But imagine: What if this had been done 25 years ago, upon Microsoft's founding, rather than at the culmination of a lifetime's achievement? What if Gates also donated one percent of his company's time to the communities served, unleashing a true "Army of Compassion" of tens of thousands of smart, capable people around the world? What if Gates led the foundation from within Microsoft as a key corporate function? How could his company use its relationships with the world's largest corporations to advance other social causes? Why does the foundation's work have to be separate from the tangible and intangible assets of the corporation that generated its funds?

Is it too late to integrate the two?

2. Encourage a percentage of employee time to be used for community service.

Alan Hassenfeld attended the World Economic Forum to see how far corporations have come in doing social work. Hassenfeld, CEO of Habsro, has pioneered many concepts of the integrated corporation. One of his goals is to have one percent of corporate time available for service to local communities. His Team Hasbro program serves its communities with a corporate foundation and a mission to "make our community smile." He offers employees four hours of paid time-off per month to volunteer with children. They simply log onto the company's Web site, which is both a resource for employees and a posting site for nonprofit organizations to announce needs.

Timberland, one of the world's largest outdoor-apparel companies, provides another excellent example of volunteerism. In 1992, the company created the Path of Service program, dedicating 16 hours of paid service for each employee to work for their community. Just five years later, the program's success led it to be expanded

to 40 hours donated per employee. The fully integrated program has now grown to give more than 200,000 hours of service through more than 200 social service agencies in communities in 73 American cities spanning 30 states, as well as in 18 foreign countries.

3. Return a percentage of profits to the global communities served.

Ben and Jerry's has taken the idea of integrated service furthest of all, integrating philanthropy into its products, marketing, and human resource practices. Giving away 7.5 percent of its pre-tax earnings, Ben and Jerry's delivers funds in three ways: through the Ben & Jerry's Foundation (http://www.benandjerrys.com/foundation/index.html); through employee Community Action Teams at five Vermont sites; and through corporate grants made by the director of social mission development. No other company has such an explicit program for donating profits and time. The Foundation is managed by a nine-member employee board and considers proposals relating to children and families, disadvantaged groups, and the environment.

Merck is one of the most successful pharmaceutical companies in the world today, generating profits through proprietary designs on many of the world's most important drugs. Several years ago it decided to donate Mectizan, one of its premier products and the key to controlling river blindness, to African villages. Working with the World Health Organization, the World Bank, dozens of NGOs, and local ministries, Merck provides a valuable resource to more than 25 million people annually. This donation of a product and the profit that goes with it has a global impact on social health.

Research verifies time and again that companies can make a major difference with relatively small investments. In tandem with the United Nations, the world's salt manufacturers have made sure that all salt manufactured for human consumption contains iodine. As a result, more than 90 million newborn children every year are protected against iodine deficiency and thus against a major cause of mental retardation.

The True Goal

Through the development of an integrated corporation, those within the company will themselves be transformed. Former President Clinton said, "The only path through today's global problems is a higher consciousness." However, it is not enough to speak on it, pray on it, or write about it. We have to do the work and convert our rhetoric into practice.

Kofi Anan has said, "Those who have the power and means, governments and businesses, must show that economics, properly applied, and profits, wisely invested, can bring social benefits within reach not only for the few, but for the many, and eventually for all." Work done by Harvard Professor Jeffrey Sachs and his peers has shown that helping others through a corporate structure returns untold benefits. But it cannot be done for that reason alone. It has to be done because it is the right thing to do. It is our responsibility, not just our obligation.

While we will be able to measure the benefit of programs like these on society, we should also be conscious of the effects on the organizations involved. Employees seeking greater fulfillment in their lives need look no further than their workplace. Complaints of working only for the good of the corporation will be replaced by satisfaction with how their work has improved the world itself.

We are on the threshold of a new world. The horrific events of September 11, 2001, make it clear that we must listen to—not just act upon—the rest of the world. Are we creating a world where we can all participate in value creation and at the same time provide value to those who are serving us? We can come forward and use our hard-earned leadership skills for a higher purpose: to integrate our globalized companies into the systems of which we are already a part. ∎

Marc R. Benioff founded salesforce.com in 1999 with a vision of catalyzing "the end of software." A 20-year software industry veteran, Benioff pioneered the concept using a simple Web site to deliver enterprise applications, demonstrating how Web services would render conventional enterprise software obsolete. He also founded salesforce.com/foundation (http://www.salesforcefoundation.org), a multi-million-dollar philanthropic initiative focused on bridging the digital divide. He has received the "Promise for Peace" award for his work in using information technology to foster the peace process and the "Bridge Award" for his work connecting underserved youth to the Internet.

No Good Deed Goes Unpunished

What happens when staff ignore your rules and requirements?

BY MELANIE L. HERMAN

Helping Hands[1] is a community-based organization that helps people with disabilities by providing transportation to shopping areas and social events. The organization also sends volunteers to its clients' homes to help with house cleaning, errands, and chores.

Twice a year, the organization conducts an extensive training program for its new and veteran volunteers. During these sessions, volunteers learn how to help clients safely, how to protect themselves when visiting unfamiliar neighborhoods, and how to report incidents and accidents. The director of volunteers explains the safety features of the organization's equipment, including its wheelchair-equipped, multipassenger vans.

The Case

One day, volunteer Doug Good took two clients home in the wheelchair-equipped van after a volunteer recognition banquet. As he helped them into the van, they congratulated Doug on being chosen Volunteer of the Month. They also commented on his long record of driving for the organization, during which he had never been involved in an accident.

Over the years Doug had heard countless complaints from wheelchair-bound clients about the discomfort of the van's seatbelts. As a result, he made it a practice to help clients buckle their seatbelts only when they asked him to do so. If they didn't request help with the van seatbelt, he used the seatbelts attached to the passenger's wheelchair. These seatbelts—waist belts with a D-ring and Velcro closure—caused little if any discomfort.

The drive home was uneventful until Doug reached a highway onramp. He inched forward to get a clear view of oncoming traffic. Seeing a tractor-trailer heading in his direction in the slow lane, he tapped the brakes to wait until the lane was clear. The anxious driver of an SUV behind the van didn't wait. He hit the gas pedal, hoping to make a speedy entrance onto the freeway. Instead, he rear-ended the Helping Hands van.

Although the accident was minor in terms of damage to the van (the bumper was dented), one of the wheelchair-bound passengers tumbled to the floor when the Velcro seatbelt on her wheelchair failed to restrain her. Her face and right arm broke the fall. Due to severe osteo-porosis, her forearm shattered into more than a hundred fragments and required extensive surgery. In addition, she suffered a broken jaw and several broken teeth.

Risk Management Lessons

In this case, Helping Hands had taken many steps to protect its clients' safety. These measures included extensive training to ensure that volunteers understood how to use the organization's equipment. The organization also took the time to explain its rules and procedures to volunteers. Yet a long-time, trusted volunteer deliberately disregarded an important safeguard—the van's seatbelt restraint system—and a disastrous injury resulted. Ironically, the injury was caused by a relatively minor accident—one the driver may have been powerless to avoid. This case points up the need for the following risk management activities:

1. Don't just teach; teach why. When instructing volunteers and paid

> Safety measures that are routinely ignored could be a smoking gun in litigation.

staff about safety equipment, explain the role this equipment plays in preventing injuries. It isn't enough to remind staff that clients should be buckled in. Also explain that the vehicle's seatbelt and airbag restraint systems won't protect occupants unless they're used according to the manufacturer's instructions. Period.

2. Experiment with training techniques to find an approach that works. Consider adding a role-playing component to your staff training program. For example, one person might pretend to be a client who doesn't want safety measures used on her behalf. Another employee might practice explaining, "I'm sorry, ma'am, but if I don't secure the van seatbelt around you I'm not authorized to put the van in gear and leave this parking lot. I could be fired for doing so."

3. Measure the effectiveness of your safety and risk management techniques. Solicit feedback from staff and clients.[2] Ask clients whether staff members consistently adhere to safety rules. Ask volunteers and paid staff whether clients are cooperative or uncooperative in following the rules. Find out if clients do anything that undermines the equipment's effectiveness, such as unbuckling seatbelts once the vehicle sets off. Ask volunteers what might be done to address these client actions. For example, a driver might suggest that the organization install lambs-wool seatbelt covers between the belt and passenger to reduce discomfort. Another driver might recommend that the vans be checked out by a safety specialist. Such a specialist could determine whether the

belts are positioned correctly and explain what to do if the seatbelt falls on the wrong spot on the passenger's body. For certain vehicles a clip may be available to reposition the seatbelt properly.

4. Enforce measures that keep your clients and other personnel safe. Safety measures that are routinely ignored are more than useless; they could be a smoking gun in litigation. The widespread knowledge that safety rules aren't followed could prove that your nonprofit had knowledge of possible danger (evidenced by the existence of the rule in the first place) but chose to ignore enforcement (possible evidence of negligence).

5. If it's broken, fix it. If rules are ineffective or equipment doesn't perform as intended, find new ways to keep people safe while in your care. Look for equipment and techniques that improve safety without bankrupting your nonprofit. For some organizations this means "unlearning" methods that have been repeated in countless handbooks. Nonprofits are dynamic organizations that must continually look at what they do and how they do it in order to meet the standard of care required by society.

The Lesson

The risk management lesson described here can be applied to any nonprofit committed to protecting its clients from harm. Whether you're training home health-care aides, after-school math tutors, or coaches for a recreational program, you need to pay attention to the safety training

you provide for your staff—both paid and volunteer.

It's never enough to go through the motions. You need to make sure your employees understand the reasons for your rules. And be sure your procedures are updated as necessary to meet the needs of those you serve. ■

Footnotes

[1] The name of this organization is fictional, but the factual description of the claim is based on an actual NIAC claim.

[2] For information on gleaning feedback from employees and clients, see Fisher, Lauer, and Young in "Resources."

Resources

Fisher, Allan H., Jr., "Testing the Waters: How to Predict Response to Your New Idea," *Nonprofit World,* Vol. 8, No. 5.

Herman, Melanie, "A Perfect Safety Record Slip Slides Away," *Nonprofit World,* Vol. 19, No. 5.

Lauer, Larry, "Are You Using the Power of Focus Groups?", *Nonprofit World,* Vol. 14, No. 5.

Young, Dennis, "What Does Feedback Have to Do with Governance?", *Nonprofit World,* Vol. 14, No. 6.

These resources are available from the Society's Resource Center, 734-451-3582, www.snpo.org.

This column is dedicated to helping readers understand typical claims filed against nonprofit organizations and the risk management steps that could have made a difference in each instance. The scenarios featured in this column are adapted from actual claims files at the Nonprofits' Insurance Alliance of California (NIAC) and the Alliance of Nonprofits for Insurance, Risk Retention Group (ANI-RRG). NIAC and ANI-RRG are part of a group of 501(c)(3) insurers owned and governed by nonprofits. For more information, visit www.insurancefornonprofits.org or call 800-359-6422.

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Baby Boomer Volunteers

Are you taking advantage of this new influx of talented volunteers?

BY TERRENCE FERNSLER

*I*n this forward-thinking book, Marc Freedman describes a new reality of volunteerism. As baby boomers retire, they are catapulting their energy and talents into their communities, transforming the nonprofit world. This book, better than any other, can help us confront this new reality.

Both family and community have suffered devastating blows in recent years. Neither will be wholly reinstated in its old form. But it is time to face reality and move forward in pragmatic and innovative ways.

Many nonprofits are doing just that. One example is Troops to Teachers, in which retired military officers help in school classrooms. In another program, working-class retirees mentor high-risk youth, giving the older people a sense of importance and showing the teens that someone cares. The key to these programs' success, Freedman explains, is matching retirees' skills with community needs.

Freedman extols the benefits of making use of what older Americans have to offer. Civic involvement in retirement offers a concept of a whole life. It elevates civic life. It rebalances responsibilities from over-worked middle-agers. It promises a better future.

Retired people are living healthier, longer lives and doing so sooner than most of us are prepared for. Baby boomers can look forward to 20 to 30 healthy retirement years—a new third age of their lives.

Many see this new third age as an opportunity to give back to the society that helped them reach this age of leisure. What this means for nonprofits is a huge influx of retirees who want to decide how they will help.

Retirees tend to know their strengths from years of experience. Successful organizations will play to those strengths. ■

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NONPROFIT *briefs*

❏ *Trends in Nonprofit Enterprise*

A new survey paints a vivid picture of the nonprofit earned-income landscape. For example:

- **Of the 519 organizations** that responded to the survey, 42% operate a commercial enterprise, while 23% would like to start one.

- **Nonprofits that operate business ventures** tend to be more established and have larger staffs and budgets than organizations without such ventures.

- **Nearly 90% of respondents with for-profit ventures** report that their venture's objectives relate to their nonprofit mission, while 39% say their for-profit enterprises provide jobs and training to their constituents and 34% say the ventures contribute to positive community relations.

- **The report highlights sound business planning** as one of the most important factors in a successful earned-income venture. Yet only half of those operating for-profit ventures wrote business plans before launching their venture.

- **Top management** is a critical force in initiating and championing the venture.

- **Nonprofits operating ventures** see a bottom-line benefit. On average, their ventures generate 12% of annual net revenue.

- **While financial return** is the main reason nonprofits start businesses, such ventures also have a positive impact on the organization's reputation, mission, programs, culture, self-sufficiency, and ability to attract and retain donors and staff.

The report points to a need to support nonprofits interested in building new ventures, especially by providing sound business planning. To meet this need, the Partnership on Nonprofit Ventures has been formed. See www.ventures.yale.edu/factsfigures.asp. ❏

❏ *New Group Rates Charities*

A new watchdog group has put charity ratings online, measuring nonprofits' financial health based on their short-term spending and long-term viability. Each charity is given stars, from zero to four, to compare it with other nonprofits. See www.charitynavigator.org. ❏

❏ *So You're a Family-Friendly Organization?*

Do you practice what you preach? Answer the following questions to see how family-friendly you really are:

Do you schedule meetings early in the morning? It's great that you provide flextime for working parents. But are you leaving them out of the loop by scheduling early morning or late afternoon meetings—the times when many parents are trying to get the kids to or from school and daycare?

Do you send employees on trips that run into the weekend? Make sure that trips are conducted during the workweek. Sending people out on a Friday sends a message that work takes precedence over their personal time.

Do you hold up workaholics as good examples? While it's good to reward hard-working employees, you send a negative message when you encourage marathon workers. Doing so can have the same psychological effect as punishing people who leave at 5:00 p.m. to have dinner with their families. ❏

—adapted from MyPrimetime.com Web site

❏ *Manager-Employee Communication Requires Three Things*

Research indicates that managers spend 50-80% of their time communicating. But how can you be sure that communication is effective? Here are three keys:

1. All players must have the appropriate communication skills. This may mean that you and your staff need formal training, or it may mean that you coach staff and provide feedback so they can improve.

2. The organization must foster a culture of trust, openness, and shared responsibility. Without it, all the skills in the world will be wasted. You play a critical role in nurturing such a climate.

3. Effective communication requires attention. It doesn't just happen but develops as a result of an intentional effort on the part of management and staff. If you make the effort to improve communication, your staff will recognize that it is important. If you ignore it, so will your staff. ❏

—adapted from the Institute for Conflict Prevention

❏ *Tips to Take Back Your Time*

Are you working more hours to get the same or even less done? Use these tips by Jan Jasper (www.businessknowhow.com) to take back your time:

• **Cleaning off your desk can actually interfere with efficiency.** It's more important to have a good system for getting work done than it is to have a clean desk.

• **"Handle each piece of paper only once" is bad advice.** But *do* make a decision or take an action each time you handle a paper.

• **Avoid binders.** If you don't have time to file, where will you find the time to hole-punch?

• **Filing alphabetically is rarely a good idea.** You're better off filing by category or purpose—placing related items together, regardless of where they fall in the alphabet.

• **The way to clear your desktop without losing track of current work is to create Action Files for works-in-progress.** As a back-up, note important deadlines in your planner. This conquers the "out of sight, out of mind" worry.

• **Stop making notes on paper—type them into your computer instead.** It's easy if you place the phone next to your computer and use a telephone headset. You'll save hours upon hours every week by eliminating paper!

• **Leaving a voice mail message is more efficient than sending an e-mail.** Not only is it faster, but recipients who are away from the office will get a voice mail message sooner. E-mail is best for non-urgent communications or when you must keep a detailed record of what was discussed.

• **Never file a newsletter intact.** Note any events you plan to attend in your appointment book, tear out useful articles and file them by topic, then throw away the rest of the newsletter. ❏

❏ *Fundraising Outlook Good, Survey Says*

Most charities saw an increase in donations last year, according to a survey by the Association of Fundraising Professionals (AFP) (800-666-3863, www.afpnet.org). The survey revealed:

• **Nearly 60% of respondents raised more money** in 2001 than 2000, while 10% raised the same amount.
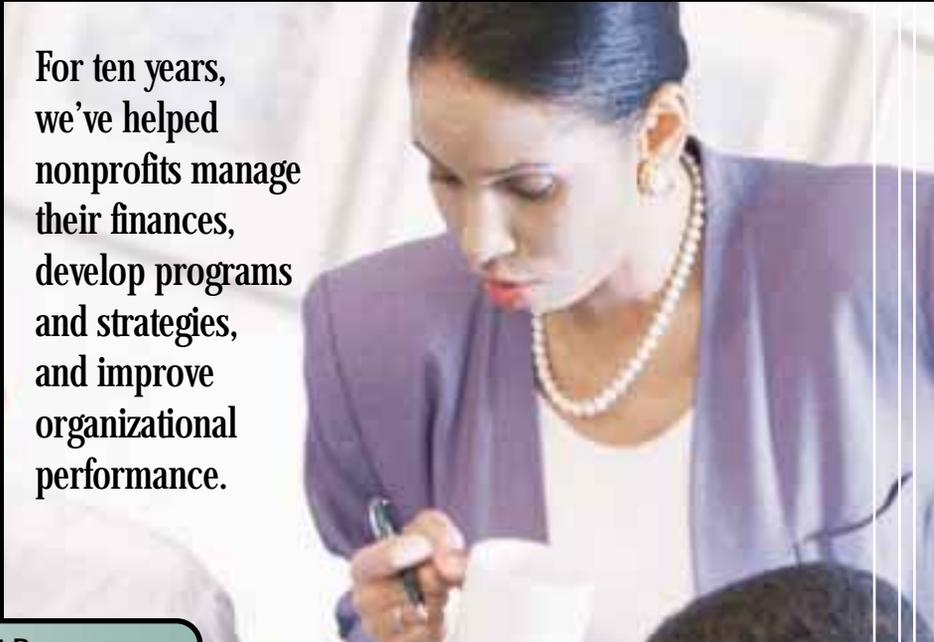
• **Giving increased** in nearly all subsectors, especially among social service and religious organizations, and in all organizations regardless of size or budget.

• **The economy and the September 11 tragedies** were the biggest challenges to raising funds, though many respondents noted that September 11 did not affect their organizations and that its impact on charities has been overstated.

• **Nearly 60% of respondents believe that giving** to their organizations will be even greater this year, and 28% feel it will stay about the same. ❏

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