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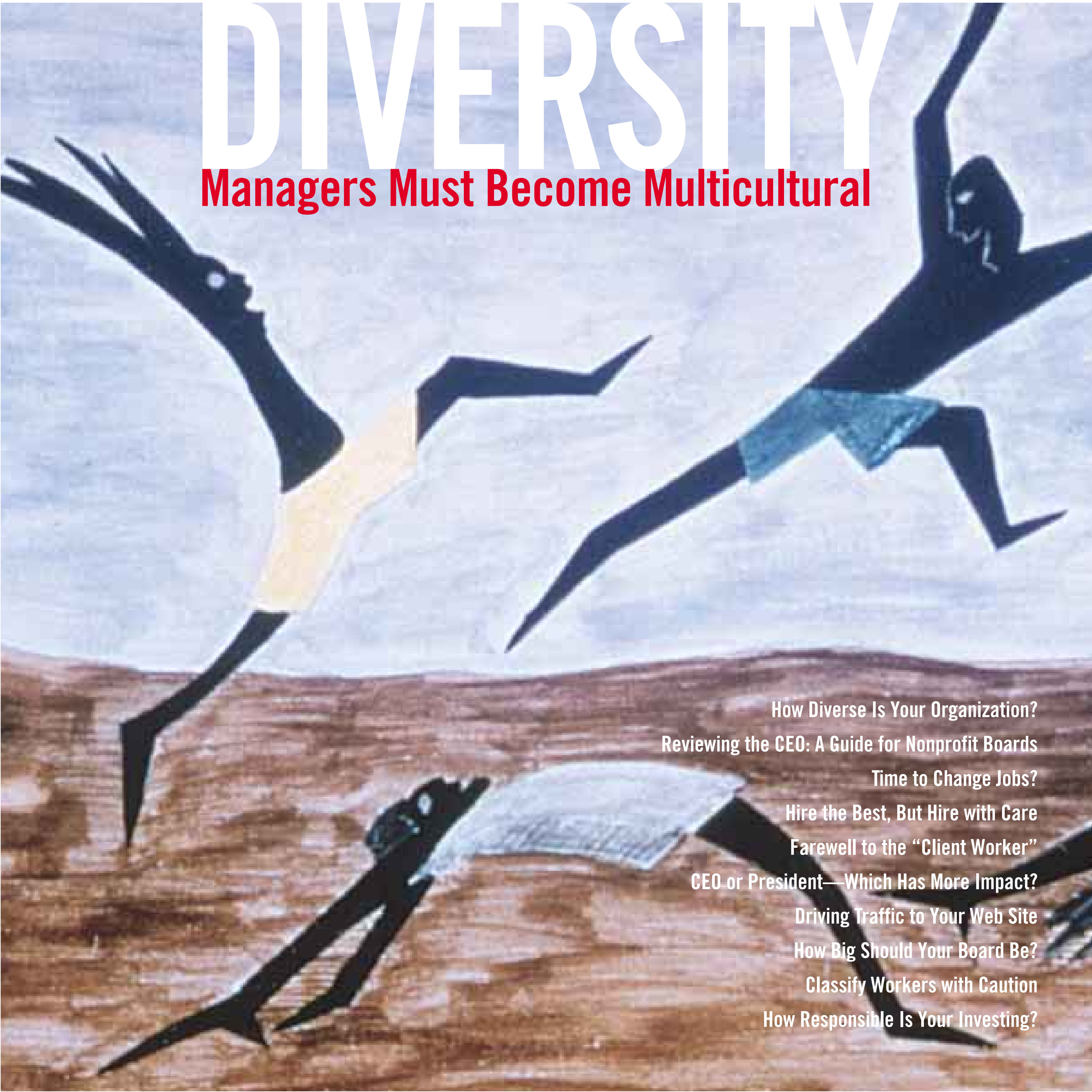

DIVERSITY

Managers Must Become Multicultural

NONPROFIT WORLD

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SOCIETY FOR NONPROFIT ORGANIZATIONS

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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

This painting from Jacob Lawrence's Harriet Tubman series celebrates diversity and the quest for freedom and human dignity that transcends racial lines. In 1942, Jacob Lawrence, at the age of 23, was the first African American artist to cross the color barrier and be represented by a major New York gallery. Part of a national tour organized by the Phillips Collection (1600 21st Street, N.W., Washington, D.C. 20009), this painting reminds us of the need to understand and embrace different cultures in our organizations. See "Managers Must Become Multicultural" on page 23 and "How Diverse Is Your Organization?" on page 25.

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EDITOR'S *page*

A Question of Balance

What skills do you need to lead a nonprofit organization? In *From Making a Profit to Making a Difference* (reviewed on page 38), Richard King pinpoints the following keys: You must care about people. You must personify leadership, effectively *becoming* your organization in the eyes of your employees and the community. You must exemplify your organization's values. And you must be adaptable, flexible, open to change.

Flexibility may be what separates the effective nonprofit leader from all the rest. Top nonprofit leaders anticipate changes and accommodate many different people's needs while always adhering to the organization's mission.

This agility is especially crucial when managing employees. Research shows that successful nonprofit leaders have an unusual command of four leadership styles–directing, guiding, supporting, and delegating. These are all people-first ways of leading that respect what is unique about each employee.

Integral to such leadership is an appreciation for diversity and the ability to manage an increasingly multicultural workforce. (See "Managers Must Become Multicultural" on page 23).

"When we change the way we see the world, we change the world."

Unless you're careful, however, your organization may be diverse in name only. True diversity isn't about counting how many women, gays, or people of color you hire. It goes far beyond affirmative action. It's more than a matter of representation. It's an organizational mindset that embraces teamwork, shared power, collaboration, innovation, and continuous learning at every level. It's an ability to appreciate not just different ethnic types and cultures but diverse types of behavior. It is, ultimately, a question of balance.

Take the test on page 25 to see how diverse your organization is. See "Rewriting the Language of Diversity" (page 39) to check whether you have the skills necessary to manage a diverse workforce.

When hiring new employees, remember to test for that all-important trait of adaptability (but be sure you follow the law and document everything you do, as detailed in "Hire the Best, But Hire with Care" on page 9). Also be sure to offer your employees training in diversity and in communications. "When we change the way we see the world, we change the world," as noted in "Putting Things in Perspective" (page 39).

A diverse workforce is tension-producing, change-provoking, and difficult to manage. It requires an agile, collaborative leader with a heartfelt appreciation of people and their differences. It overturns traditional ways of doing things and forces a new perspective. That is its greatest challenge. It is also its deepest strength. ■

Jill Muehrcke
Editor, *Nonprofit World*

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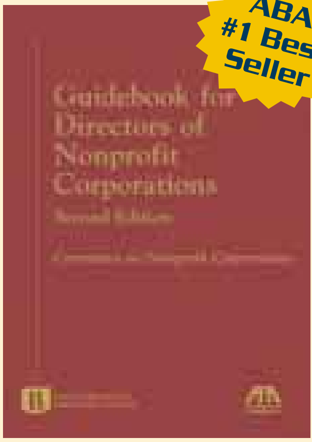
What Every Nonprofit Director and Manager Should Know about Effective Governance for Nonprofits



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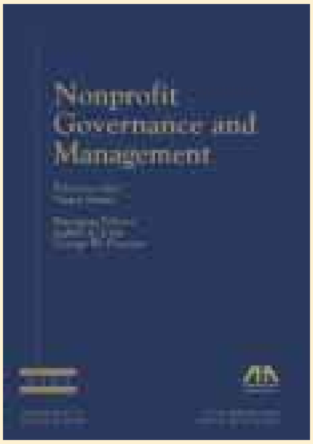
This *Library*, including three publications, *Guidebook for the Directors of Nonprofit Corporations, Second Edition*; *Nonprofit Governance and Management*; *Nonprofit Resources: A Companion to Nonprofit Governance*, offers legal guidance on directors' duties, rights, risks and obligations; practical 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.



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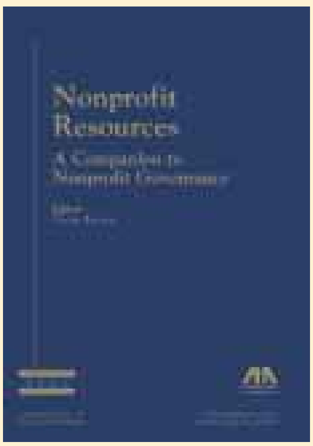
This updated edition of *Nonprofit Governance-The Executive's Guide* expands the scope of its popular predecessor to address issues relevant to both directors and managers of nonprofits. Drawing on the expertise of nonprofit executives, directors, lawyers, and other professionals experienced in organization 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

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LETTERS *to the editor*

Give Bush's Faith-Based Initiative a Chance

It may be a sign of early senility, but I find myself agreeing with a few things the Bush Administration is proposing. The major case in point is George W's faith-based initiative.

He calls it the "Office of Faith-Based and Community Initiatives," but somehow the word community got lost. Let's go back to listen to the man's words.

In announcing his new initiative, Bush said, "The paramount goal is compassionate results, and private and charitable groups, including religious ones, should have the fullest opportunity permitted by law to compete on a level playing field, so long as they achieve valid public purposes....The delivery of social services must be results-oriented and should value the bedrock principles of pluralism, nondiscrimination, evenhandedness, and neutrality."

In my opinion, these are fine words and worthy goals, especially when you forget for a moment who said them. Moreover, the Office of Management and Budget's "Report on Unlevel Playing Field: Barriers to Participation by Faith-Based and Community Organizations in Federal Social Service Programs" proves him right. The report clearly shows how community and faith-based organizations are gypped out of their fair share of federal money for bureaucratic and political reasons.

My perspective on the President's faith-based initiative comes from first-hand experience. I've just ended a 28-year career as executive director and project director with nonprofit organizations (non-religious ones). During that time, I operated government-funded programs in education, job training, health, and social-services for needy, poor, and disadvantaged individuals. I worked with many faith-based nonprofits (including Catholic, Jewish, Lutheran, Methodist, Black Muslim, Baptist, and Interdenominational groups) that provided similar programs. These groups performed as well as—or better than—other non-religious nonprofit organizations, including mine. And they could always be counted on to act ethically and honestly (refreshing behavior in the sometimes cut-throat world of nonprofits).

We must remember that many religiously affiliated organizations, such as Lutheran Services and Catholic Charities, have for decades been eligible to receive public funding, provided the secular functions they carry out aren't intermingled with religious activities. Faith-based organizations that respect this distinction should by all means be encouraged to participate more actively in providing services for the poor.

I do have some qualifications in my support of the faith-based initiative. For example, I oppose exempting faith-based groups who take federal money from complying with non-discrimination and similar laws. Lawsuits will no doubt challenge this and other controversial parts of the initiative.

So, if the federal government wants to open up the application process and fund more faith-based groups, I wholeheartedly support it. My firm belief is that non-religious nonprofit organizations shouldn't feel threatened by including more faith-based groups as potential government grantees.

Remember the goal is to use government funds in the most productive and beneficial manner. If that means government funding for more faith-based groups, then I'm for it, and other nonprofit leaders should be, too,

Rick Kropp
rkropp4@mchsi.com

Global Resources Now on Web

I was pleased to see Going International mentioned in your Vol. 20, No. 3 "Global Thinking" column. For future reference, we now have a Web site, www.goinginternational.com, which describes international trends and resources for nonprofit organizations.

Bonnie Koenig
Going International
Chicago, Illinois

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CEO Or President—Which Has More Impact?

If your calls aren't being returned, it may be time to change your title.

Q: I am the CEO of a nonprofit organization and notice that some of my colleagues call themselves President and others use the title of CEO. Is there a difference? Is there a reason for using one rather than the other?

Also, what titles do most nonprofits use for positions under the CEO? I believe in capitalizing on any positive impression one particular title may be able to generate as opposed to another. Can you offer an opinion as to which titles have the most positive impact?

Russ Kinzinger, CEO, Home Sweet Home, RKnzngr@aol.com

A: There are two models. The first uses titles such as Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Resource Officer (CRO), and Chief Coordinating Officer (CCO). The second model uses such titles as President, Vice President, Director, Manager, Coordinator, Assistant, and Associate.

If you are meeting with a lot of for-profit folks, it is better to use titles that correspond to the ones they use. That will put you on an equal footing, and you'll be more likely to get your calls returned.

How Big Should Your Board Be?

Q: What's a good size for a board of directors? Our board has 32 members. But only about 12 attend each meeting.

A: Size doesn't matter; function does. Your problem isn't the number of board members but the commitment of the ones you have. A board retreat or a planning meeting where everyone is called in advance will help you to determine why folks aren't showing up. Anyone who misses a meeting should be called afterwards and asked why they didn't attend. Perhaps you're meeting too often, or little is happening at the meeting.

Carol Weisman, President
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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 **Review your hiring processes** to be sure you won't be held liable for "negligent hiring." See "Hire the Best, But Hire with Care" on page 9.

2 **Peruse the article** on page 32 to see if your board is performing an effective CEO review every year. Note that such a review, done properly, will strengthen the board, improve CEO performance, impress funders, and keep the organization on track. Give all board members copies of this article so that they can assess their performance and make improvements in the process.

3 **Check the way you've classified your employees,** including part-timers and volunteers. Improper classification could lead to disaster. See "Classify Workers with Caution" on page 36 for a case study that highlights the pitfalls.

4 **Give some thought to the idea of starting a business** to earn unrestricted income for your organization. For some ideas on how to get started and factors for success, see "Entrepreneurial Spirit" on page 28.

5 **Answer the questions** on page 25 to test your organization's diversity quotient. From your answers, list steps you can take to make your organization more diverse, flexible, and multicultural.

6 **Make sure that investments** for your endowments, operating funds, pension plans, and 403(b) accounts are consistent with your organization's mission. See "How Responsible Is Your Investing?" on page 26. ■

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Donor List Not Discoverable

In a ruling that's good news for nonprofits who worry about protecting their donors' privacy, a court has refused to force a nonprofit to produce its list of donors. The decision came during discovery on the nonprofit's appeal from the grant of a permit (*Evarts v. Planning Board*, Superior Court, Middlesex, Massachusetts, No. 01-0145).

"Disclosure of the identities of an organization's members or contributors may have a chilling effect" on the organization's activities, the court said. Because the information is protected by the First Amendment, the other side must "make a showing of need beyond its mere relevance." For more information, see www.nonprofitissues.com.

Nonprofits Face Persistent Barriers to Advocacy

A number of key barriers stand in the way of nonprofits' participation in public policy, according to a recent survey. These barriers include lack of time and money, limited staff, complex lobby rules, and funders' reluctance to support advocacy.

The findings indicate strong recognition by nonprofit leaders that advocacy is an important part of serving their mission and community. Over 80% of respondents say they participate in policy matters through such activities as lobbying, testifying, and mobilizing the public to lobby. But the frequency of such activity is very low.

This lack of involvement in advocacy "harms our most vulnerable populations, who are denied effective representation in our political system," says Jeffrey Berry, political-science professor at Tufts University. For more information on the study, see www.ombwatch.org/snap. Also see "How to Lobby without Breaking the Law," *Nonprofit World*, Vol. 14, No. 5.

Is There a Workforce System that Works?

Proposed spending cuts in federal job training are only the latest sign of Washington's lack of confidence in employment programs for disadvantaged workers. Federal funds for training have been declining for over 20 years.

A new report, "Charting New Territory," examines efforts to create a workforce development system that will benefit both workers and employers. The report can be found on the Public/Private Ventures Web site, www.ppv.org.

New Rules May Affect Your UBIT

New regulations (T.D. 8991, 67 F.R., 20433-20441) clarify when the IRS will assess unrelated business income tax (UBIT) on nonprofits that receive income from corporate sponsors. The regs, which apply retroactively to all sponsorship agreements made since December 31, 1997, specify the following:

- **If the corporation receives a "substantial return benefit"** for sponsoring a nonprofit, then the arrangement is not "sponsorship" but advertising (which is subject to UBIT). For instance, if the nonprofit gives the corporation access to its mailing list or agrees to endorse a product, then the nonprofit must pay UBIT.
- **The new regs eliminate the ceiling of $79** for what's considered "insubstantial benefits" and replace it with a two-percent formula. If benefits to the corporate sponsor amount to less than two percent of the sponsorship payment, then the nonprofit will avoid UBIT.
- **A nonprofit's Web site** may contain links to a corporate sponsor's Web page as long as the nonprofit doesn't endorse the corporate sponsor or its products.
- **Granting a corporation exclusive sponsorship** of an event doesn't constitute a substantial benefit. However, if the nonprofit also agrees not to sell or purchase products that compete with the corporate sponsor, then the nonprofit will incur UBIT.

If you have an agreement with a sponsor, review it, urge legal experts (npa@gandglaw.com). Make sure your contract narrowly defines any benefits received by the sponsor so that they fit within the UBIT exceptions. Consult with counsel to see how best to structure such arrangements.

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And it comes complete with pre-reading material, a bibliography of additional outcome measurement resources, a glossary of terms, and an Organizational Assessment Tool for outcome measurement.

Featured Presenter: Margaret C. Plantz, Ph.D

Meg Plantz is senior director of outcome measurement for United Way of America. She helps United Ways and the agencies they fund measure the benefits of services for clients and then use these results to increase service effectiveness.

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Hire the Best, But Hire with Care

Don't be held liable for negligent hiring or sued for discrimination. Follow these steps.

BY THIAGARAJAN SRINIVASAN , LEH-CHENG HOU, NIKO CAIN, AMITY PERRY, WENDY ROSELIUS, BENNIE GARCIA, & BRIAN KLEINER

Before you hire, you should understand that federal and state laws forbid discrimination against employees or candidates for employment because of race, gender, religious beliefs, ethnic origin, marital status, sexual preference, physical disabilities, and age if over 40 years old. These anti-discrimination laws apply to all aspects of the employment process, including job descriptions, employment advertisements, interviews, job applications, salaries and benefits, promotions, and all decisions related to hiring and firing personnel.

A distressed applicant may seek legal action which could lead to federal or state agencies taking action as well. Under the Civil Rights Act of 1991, job applicants who feel they've been discriminated against are allowed a jury trial. An employee who wins is eligible to recover damages, punitive damages, and legal fees.

Nonprofit employers are increasingly being held liable for damages stemming from "negligent hiring." They also face legal problems if they don't follow the guidelines set out in an increasingly long list of state and federal employee legislation (see "Be Aware of These Laws" on page 14.) The cost can be huge if you act against these laws. Here are steps to avoid legal pitfalls during the hiring process:

Recruit with Caution.

During the recruiting process, it's important not to discriminate on issues of race, age, gender, color, religion, nationality, or marital status. Guidelines issued by the Office of Federal Contract Compliance (OFCC) state that you must take affirmative action to notify women and minority groups when there is a vacancy. This means that you must, for example, advertise in newspapers and magazines likely to be read by these groups. The ads should state that your organization is "an equal opportunity employer (EOE), M/F."

Federal legislation states that you can't base recruitment on anything other than *bona fide occupational qualifications* (BFOQs). There are a few BFOQ exceptions. If you are hiring a priest or rabbi, for example, you may state a religious preference in your recruitment material. If you're hiring a restroom attendant or strip searcher, you can recruit according to gender. But these exceptions are rare. If challenged, the burden will be on you to establish your right to rely on a BFOQ exception.

In your recruitment materials, avoid subtle adjectives and descriptions that could be viewed as discriminatory. Be sure your job titles are all-inclusive. Examples:

Girl Friday should be **Administrative Assistant.**

Salesman should be **Salesperson.**

Waiter should be **Wait Staff.**

Ask the Right Questions, and Avoid the Wrong Ones.

When interviewing job applicants, be careful what questions you ask. You may only ask legally justifiable questions, directly related to whether the applicant can do that particular job. Again, you can't base your decision on anything other than bona fide occupational qualifications. This means that there are certain kinds of questions you simply can't ask during the interview. If you do, applicants can later claim that they weren't hired because of something other than a BFOQ.

The best strategy is to develop performance-based questions. Ask for examples of specific behaviors or solutions to problems that the candidate has faced. For example: "Tell me about a time you had to deal with an irate or irrational client and how you handled the situation." Such questions will identify past behavior, which is the best predictor of future behavior. All applicants should be asked the same questions in order to ensure a fair, unbiased interview.

Some questions that seem to be performance-based can't be asked because they might be used to discriminate based on age, gender, marital status, ethnic origin, disability, religious preference, or sexual preference. These include questions about other languages that are spoken (unless speaking another language is a BFOQ), how many days the applicant has missed work to care for sick children, or if the applicant has any health problems.

At all costs, you must avoid any accusation of exercising bias or discrimination in your hiring practices. Figure 1 provides a rundown of questions you can legally ask and those you must avoid.[1]

Take notes during the interview, or use a tape recorder. Every action should be recorded to assure accurate information if challenged by the rejected prospects.

The best way to avoid bias during the interview process is to use a performance chart or rating sheet such as that shown in Figure 2. Such a chart provides a straightforward way to organize your feelings and thoughts about a candidate. Prepare your chart by reviewing the job description, making sure that you've used words that match and describe the skills needed.

By asking each applicant a preset series of questions in identical phrasing and inflection, you can analyze and compare answers directly without bias. An additional benefit is the exclusion of potentially illegal questions from the interview process.

If it's clear that the candidate is unqualified for the position or would be difficult to manage, end the interview as quickly as possible. Don't give a specific reason, especially if the applicant might construe it to be discriminatory. The standard line that "we are interviewing several people and will let you know" is the best one.

Figure 1.

Legal Guidelines for Interviewing

Subject	Questions You *Can't* Ask	Questions You *Can* Ask
AGE	"How old are you?" "What's your birth date?" "When did you graduate from high school?"	Age-related questions are allowed only when signing up a new hire for benefits.
ARRESTS	"Have you ever been arrested?"	None. (Reason: Arrests aren't convictions.)
CONVICTIONS	"Have you ever been convicted of any illegal activities?"	"You applied for the job of cashier. Have you ever been convicted of stealing?" "You applied for the security job. Have you ever been convicted of any assault-related charges?"
HANDICAPS	"I can see you have a disability. Can you do this job?"	"This job would require you to carry out X,Y,Z duties. Can you perform those duties? Would you need any special accommodations to enable you to perform those duties?"
GENDER	"Almost all our employees are men. Are you sure you would feel comfortable in this environment?"	None allowed unless there is a bona fide occupational basis for asking the question.
FAMILY	No questions allowed	"Can you work such and such hours?"
MARITAL STATUS	None allowed.	"Can you work such and such hours?"

Figure 2.

Accounts Payable Clerk Hiring Score Sheet

	Applicant's Scores			
	Name	Name	Name	Name
SKILLS- Necessary				
10 Key by Touch				
Type 55 wpm				
Batch Processing				
Computer Processing				
Light G/L Experience				
Expense Report Proc.				
Chart of Accts. Coding				
Accurate Filing				
Comprehend Written Instr.				
Comprehend Verbal Instr.				
Vendor Correspondence				
Accruals				
TOTAL				
SKILLS-Desirable				
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TOTAL				
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EXPERIENCE-Necessary				
1 Year A/P				
TOTAL				
EXPERIENCE-Desirable				
2+ Years High Volume A/P				
TOTAL				
TRAITS-Necessary				
Good Phone Skills				
Rapport with Vendors				
Rapport with Employees				
Neat and Organized				
TOTAL				
TRAITS-Desirable				
Good Memory				
Handles Interruptions				
Likes Structure				
TOTAL				
GRAND TOTAL				

Comments: ______________________________

Testing! Testing!

Tests can be excellent tools for screening applicants, but they must be delivered with care to avoid any appearance of discrimination or invasion of privacy. If you ask applicants to take any test during the interview, be sure to give all applicants the same test. Also be sure the test isn't slanted to favor any race, age, gender, national origin, religion, or sexual preference or discriminate in any way against any protected group.

Proper testing is something of a protection in discrimination lawsuits, since everybody takes the same test and the scores are there for judge and jury to see. But many tests have been judged discriminatory and invasive by the legal system, so you must be careful which tests you use. Also be aware that some tests can be legally given only *after* a person has been hired. Here are some useful tests along with guidelines on administering them:

Situational testing can be used to screen applicants for specific personality traits and cognitive skills such as problem solving and teamwork. Typically candidates will watch a videotape of a series of events and then describe how they would respond in each situation.[2] Situational testing can also be performed at assessment centers, which stage an office environment and simulate situations that occur during a typical work day. When arranging for such tests, be sure the job description is as precise as possible so that an accurate work environment can be simulated.

Work sampling is one of the best predictors of future performance. The premise is that samples of actual behavior for a specific job will predict later accomplishments. For some positions, such as typists, work samples have been a routine part of the selection process for many years. More recently, organizations are using the technique for other types of jobs. A popular work-sampling technique for managerial jobs is the "in-basket" test, in which the job candidate is given a basket full of action items, such as letters, memos, and routine forms. The candidate then plays the role of manager and makes decisions about each item. The way in which the items are handled provides a quantitative score that can be compared to other applicants.

Personality testing can be used only if the test is based on the duties the person will perform on the job. There have been many legal challenges based on racial and gender discrimination and invasion of privacy in personality testing.[3] It has been deemed legal, however, to use personality tests to find qualified candidates with traits similar to current, high-output employees. Because the desired personality enhances job performance, such testing is valid as a job-related requirement for employment, according to the Equal Employment Opportunity Commission (EEOC). The best strategy is to focus on candidates' "core competencies"—values, self-concepts, attitudes, skills, motives, and knowledge—that have a direct relationship to performing the job.

Honesty testing. Ever since the polygraph test has been banned as a hiring tool, other psychological tests, called pen and pencil honesty tests, have been used to detect dishonest people. One popular test called the Minnesota Multiphasic Personality Inventory (MMPI) has been declared anti-discriminatory by most state rights commissions. The MMPI was recently the target of a class action lawsuit for invasion of privacy and discrimination. To avoid such lawsuits, the best idea may be to avoid these tests and instead use tight control systems to deter dishonest workers after they are hired (see Goehner and Sopher in "Resources"). Checking people's references thoroughly is another good way to detect dishonesty.

Drug testing can eliminate many problem employees, because those who abuse drugs are late three times more often than non-drug users, ask for time off twice as often, are five times more likely to file for Worker's Compensation, and have three times more accidents.[4] You shouldn't test for drugs, however, until after an offer of employment has been accepted. It's also important to know that individuals on certain types of medications are protected by the Americans with Disabilities Act. If new hires fail the drug test and claim they are on prescription drugs, ask

Red Flags to Watch for during the Hiring Process

- **The candidate arrives late** for the interview without giving any explanation.
- **The candidate quit** another position without giving notice.
- **The candidate blames others** for past problems and failures.
- **None of the candidate's references** can be verified.
- **Information on the candidate's application** is shown to be false.
- **Candidates ask you to match** their current employer's offer.
- **Candidates are reluctant** to provide names of former co-workers for you to question.

for a current prescription of the drug and verification by the drug testing lab's toxicologist that the prescription drug could cause a positive reading.

Check and Doublecheck.

Keep in mind that employers can be held liable for negligent hiring because of insufficient background checks.[5] When people's backgrounds weren't sufficiently checked and they inflicted harm on other employees or on clients, courts have found the employer responsible for the employee's actions, because better care should have been taken in the hiring process.

Your duty to exercise care in hiring includes making a reasonable investigation of the applicant's background. The scope of your investigation depends on the severity of risk that third parties may be subjected to by the employee.

First, get candidates' written approval to check not only the references they provide but additional references of your choosing that will give you needed insight into their background. Reference checks should include people with whom the candidate has worked in the past three years. If candidates hesitate to provide the names of people with whom they've worked, this should arouse suspicion.

There is always the danger that a reference check will lead to legal action by applicants who think they didn't get a job because of false statements from prior employers. Because of this possibility, many human resource departments will give little information to a prospective employer. But that doesn't mean you should neglect this important step. One possibility is to bypass the personnel department and find a supervisor who will be more forthcoming. Call references at home over the week-

Tips on Hiring Your Dream Employee

• **Recruit from within if possible.** Your best source for recruiting is within your organization. See if you can change part-time jobs into full-time or otherwise make use of the talent you already have. It is much more cost effective to keep good employees happy by offering enticements such as bonuses, involvement, responsibility, and advancement, than to hire someone new. It is estimated that each new employee costs an organization 1.5 times the annual salary of the position being filled, due to the time spent training new employees and inefficiencies that occur while the new hire is learning the job. These costs can't be fully recouped unless the new employee remains on the job for at least one year.

• **Reward current employees for recruiting new hires.** Your current employees are well qualified to find candidates that fit the job environment. Employee referral programs are among the most successful means of finding new employees. Another effective method is to enlist the aid of former employees, including retirees, who left on good terms and maintain connections with the organization.

• **Never hire in a hurry.** The process takes time. If you cut it short, you're asking for trouble.

• **Avoid interview questions** such as "Do you like working with people?" or "Did you like your last job?" that can be answered with one word. Instead, pose open-ended questions that invite candidates to talk about what they have done in the past.

• **Beware of first impressions.** In a recent survey, 26 of 35 people said they seldom changed their mind after the first two minutes of the interview. Good first impressions simply mean that people have traits that appeal to the interviewer. But pleasing the interviewer doesn't mean they can do the job. Stick to your prepared questions, leave your biases at the door, and evaluate candidates evenly and fairly on BFOQs rather than first impressions.

• **Seek contrary evidence.** Interviewers tend to ask questions that confirm their first impressions about candidates. Take a step back, gain perspective, and ask for contrary information. For example, ask candidates that seem exceptionally good to describe times when outcomes weren't the desired ones. Ask unimpressive candidates to tell about situations that turned out well.

• **Hire "problem-solvers," and reject "problem-explainers."** Applicants who talk about personality conflicts and blame others will continue these attitudes when working in a new place. Look for a pattern of recent success, growth performance, and positive thinking.

• **Promise a tough job, not an easy job.** Let applicants know that they'll be expected to work hard and be part of a team. That's a good way to eliminate idlers and reduce turnover.

• **Avoid discrimination traps.** Civil rights laws are changing constantly, and close examination of the latest legislation is essential. Be sure to consult with competent legal counsel when developing recruitment programs and hiring guidelines.

Be Aware of These Laws

Before you hire anyone, be sure you are complying with the following legislation:

- Civil Rights Act of 1964 (Title VII)
- Rehabilitation Act of 1973
- Pregnancy Discrimination Act of 1978
- Age Discrimination in Employment Act (ADEA) of 1978
- Fair Labor Standards Act
- Equal Pay Act
- Americans with Disabilities Act (ADA)
- National Labor Relations Board (NLRB).
- Immigration Reform and Control Act of 1986
- Employee Polygraph Protection Act of 1988
- Office of Federal Contract Compliance
- Federal and state wage and hour laws
- Immigration laws
- Worker's compensation laws
- Child labor laws
- State anti-discrimination laws
- Federal and state family leave acts

end, when they'll be more relaxed and willing to talk. Each time you speak with a reference, ask if there are other people who worked with the applicant and if you may speak with them. These people are likely to give you more candid information.

If you persevere, you will obtain enough information to help with your decision. At the very least, you'll be able to verify whether candidates were truthful in providing information on their applications. There's no way to avoid the fact that this is a time-consuming step, but it mustn't be skipped.

Build your questions around the position you are trying to fill. Ask the same questions of each reference. End each reference check with an open-ended question such as, "Is there anything else you can share with us that may help us understand this candidate?"

Remember that the same discrimination laws apply to reference checking as apply to interviewing (see Figure 1). You can't probe into marital status, age, handicaps, religion, color, or national origin for the purpose of using that information in hiring.

It is estimated that at least 30% of applicants misrepresent their educational background on job applications.[6] Thus, it's vital to verify degrees received. To check educational credentials, call the school and ask not only whether the applicant attended but the dates of attendance, the program or major studied, and the date of graduation. You can verify the existence of schools by checking *The Guide to Background Investigations*, published by National Employment Screening Services. There are also companies which specialize in performing background checks on prospective employees.

Make a Fair Decision.

Base your hiring decision on fact, not intuition. A rating sheet (see Figure 2) is a good tool to assure a fair decision. Such a chart allows you to compare candidates objectively and assures that you are judging them on job-related criteria rather than non-verbal cues, biases, or feelings.

Review your notes from each interview, and summarize your findings. Fill in your findings about each candidate on the rating sheet. See which candidate best matches the job description. That candidate is probably the best person for the job. ■

Footnotes

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

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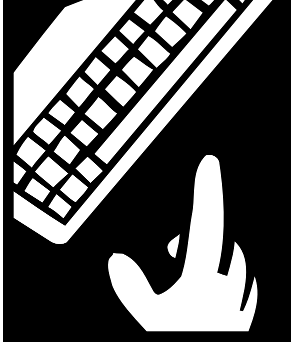

Driving Traffic to Your Web Site

You won't get many people at your site till you list it with search engines. Here's how.

BY MARY ELGES

So your new Web site is completed and you're ready for people to visit. First, you need to list your site on the search engines that direct Internet traffic to you. But what if you don't have the budget to pay an Internet company to list your Web site on search engines?

Don't give up hope. You can submit your Web site to search engines yourself and save money in the process. Here are the steps to follow:

Make Sure Your Site Is Search-Engine Friendly.

Submitting to search engines is really quite simple. Before you start, however, you should understand how search engines work. If you structure your Web pages for optimal search-engine indexing, you'll get more action. Here are some points to keep in mind:

Use all types of HTML text. The World Wide Web is constantly being updated and indexed by search engines, using programs called "spiders" and "robots." When the robot or spider visits a Web page, it reads the page's HTML text, which can include such things as Meta tags, page titles, HTML text, comments, and links. It's important to remember that not all search engines look at all these criteria. Since specifications vary from one search engine to the next, it's an excellent idea to develop a Web site that uses all types of HTML text—in particular, the Meta tags and page titles.

Include external links. Search engines use external links to crawl onto your site. Thus, it's crucial to have external links leading to and from your Web site. Links are especially important if you want your site indexed and updated quicker and more frequently.

Don't use frameset technology in your Web site. If robots and spiders encounter a frameset, they may not be able to leave, since the HTML page of the parent frameset most likely doesn't provide any links. This is often the case when pages are brought up in search results individually and not displayed in conjunction with the other HTML pages in the frameset. This can be a real nightmare if you want search-engine traffic to be able to navigate your Web site.

Be sure your Web site is created with technologies that use HTML links. Otherwise, search engines will have a hard time accessing your site. Technologies such as Macromedia Flash won't allow the text potion of the page developed in Flash to be indexed. There are creative ways around this, however, such as insuring your pages have a title, using Meta tags, and using navigation links in HTML at the bottom of each page so the robots and spiders will have access to other pages in your site.

Prepare Your Web Pages for Search Engines.

How do you get the individual HTML pages ready for the robots and spiders? Here's what you need to do:

Be Sure You Have Page Title Tags.

Insuring that all your HTML documents have a page title is extremely important. The document title is the one thing on which all search engines see eye to eye and will be used when indexing your Web page. The page title is located in your HTML code, in between the header tags in your document. Beware if you look in your source code and see this:

<title>Untitled Document </title> or <title> </title>

That means you have no page title.

Your Web page title should be descriptive and state the name of your organization. Here are a few examples and explanations of page titles:

<TITLE>Pinnacle Decision Systems </TITLE>—This is the bare minimum a title should be. It helps to be more descriptive rather than just offering the name of your organization. It also helps individual pages achieve ranking if they have unique page titles describing what each page has to offer, rather than giving a general page title to the whole site.

<TITLE>Pinnacle Decision Systems, Home </TITLE>—This again is pretty minimalist for a page title. It adds a bit more description, but "home" really should be replaced with more descriptive words.

<TITLE>Microsoft Gold Certified Partner, Internet/Intranet development, information systems, computer consultant, Microsoft technologies, application development</TITLE>—This example is certainly descriptive and uses keywords in the title, but it's too long. Page titles should be short and descriptive.

<TITLE>Pinnacle Decision Systems - Microsoft technologies, computer consultant, application development/></TITLE>—This is what you want to aim for. This title gives the name of the organization and a few key descriptive words for the page. The descriptive words can and should change to reflect the page content.

Create Meta Tags.

There are three Meta tags you need to know as you prepare your pages for search engines:

1. The description tag is the Meta tag that tells the search engine about your site. It is also the explanation that is displayed when Internet users are viewing search results. Your description tag should be 20 to 30 words long and should contain your organization's title, geographic location (if important), and key descriptive words and phrases used in such a way that Internet users recognize quickly what your Web page has to offer. Here is an example of a page description tag:

<Meta name="description" content="Pinnacle Decision Systems, Connecticut first Microsoft Gold certified Partner, is a professional service and software development company. Pinnacle's consulting and development offerings include e-commerce, portals, and other Internet/Intranet sites; decision support and intelligence systems; legacy transformation and migration; and Internet deployment of legacy applications. We manage all aspects of the project development lifecycle to analyze, design, and build complete, creative software applications" />

2. The keyword tag is used by search engines to locate your site when a user submits a search. Keywords should be words or phrases that someone might type into a search form to find your site. These words and phrases should explain your site's content and objectives to your target audience. To help your search-engine ratings, use different keywords on different pages. Use a variety of keywords that reflect each page's content and reinforce the most important words and phrases on all pages. It's a good idea to do your own search of sites and see what keywords they use. This can help you brainstorm for your potential keywords. Remember that repeating words doesn't mean you'll get listed better or faster. However, you should combine keywords in your use of key phrases. For example, you can use the word "gymnastics" and follow it with the phrases "gymnastics school," "gymnastic lessons," or "gymnastics classes." Be sure to separate your keywords by commas. Use 25-30 key words and phrases. Here's a good example of a keyword Meta tag:

<Meta name="keyword" content="All American Gymnastics Academy, gymnastics, gym, gymnastics lessons and classes, Acrobatics, Gymnastics Team, Springfield, Massachusetts, tumbling, preschool physical exercises, children, birthday parties, cheerleading, USGF, Gymnastics School, Summer Camp, Sports Camp, fun, trampoline, preschool, after school" />

3. The robot tag is a tool you can use to make sure that a search engine doesn't list a particular page on your site. You can also use a robot tag to tell the crawlers how often they should come back and update the information. To get the robots and spiders to index your Web pages, you need this tag:

<Meta name="robots" content="INDEX" />

To tell the crawlers how often to re-index the site, use the following tag:

<Meta name="revisit-after" content="30 days" />

Remember, the tag should reflect how often you add new information that needs indexing. If your Web site isn't constantly changing its content, this tag isn't required, given that a one-time search-engine index is enough.

If you don't want a search engine to index a particular page, here is the code needed to deflect the robot:

<Meta Name="robots" content="NOINDEX"/>

Maximize Your HTML Text.

Most search engines use the HTML content text, header text, link text, image alt tags, and even comment tags to predetermine how a Web site will be indexed and ranked. Here are some simple tricks you can use to place more indexable HTML text into your pages:

1. **Use HTML text** in place of graphic text whenever possible.
2. **Label image names** that can be indexed.
3. **Use straightforward tags** with images.
4. **Use descriptive** link names.

Attract Search Engines to Your Site.

Once your site is coded and your tags in place, the next step is to get search engines to come to your site so they can index it. There are two ways to do so:

1. Internet directories use human editors that review sites submitted to them. They are looking for sites that are rich in original content and relevant to the work, leisure, or home lives of busy people. In particular, editors prefer sites that are high-quality, reliable, up-to-date, accurate, easy to use, fast, interactive, unique in content, interesting, visually appealing, and useful. Directories usually charge a fee. For example, Yahoo and LookSmart charge around $200 to be reviewed by the directory editors. One of the best Internet directories—DOMZ, a.k.a. the Open Directory Project–is free. DOMZ was started by Netscape and provides search sources for major search engines such as Netscape, Lycos, and Hotbot.

2. Search engines use programs to crawl through the Internet, indexing Web site URLs. The process starts when you submit your URL to a search engine or when a crawler accesses your site via an external link. When this happens, the crawler indexes the HTML and various tags on your site and place them in its database. But all search engines are not created equal. Different search engines index different information. That's why it's important to cover all your bases and insure the use of proper technologies (such as Meta tags, page titles, and HTML text) to achieve the best results with search engines. One good aspect of search engines is that many have merged or enlisted the services of other search engines to pool their databases. Thus, being listed on one site can help you get listed on others.

Submit Your Site.

Now you're ready to submit your site to search engines and directories. Which ones should you choose? Here are our top seven suggestions. We've chosen them because they offer the most bang for the least amount of buck:

1 **Alta Vista (www.altavista.com)** is a full text search engine. It reads all HTML text that appears on your Web page, such as your Web page titles, Meta tags, links, comments, and headers. Thus, it's extremely important to make full use of HTML content to achieve good rankings with Alta Vista. As well as being its own search engine, Alta Vista uses sources from other search engines and directories such as LookSmart, DOMZ, Real Names, and Ask Jeeves. In turn, these other search

engines receive their search content from Alta Vista indexing. Alta Vista has three submission levels: Basic Submit, Alta Vista Express, and Trusted Feed Inclusion. Both Alta Vista Express (for more information go to https://www.infospider.com/av/app) and Trusted Feed Inclusion (for more information go to http://www.altavista.com/sites/search/trustedfeed) charge for submissions. The best way to submit your site with the lowest cost is to use Alta Vista's Basic Submit. Here are the steps to follow:

- **Visit** http://add-url.altavista.com/cgi-bin/newurl?
- **Find the submission code** that looks like jumbled-up text and numbers above the submission text field. Enter it into the submission text field using all capital letters. (It is a bit odd that they do it this way and it can be confusing.)
- **Enter the URL** you wish to submit in the URL text field.
- **Push the submit button.** If you did everything correctly, it will take you to the next page. On this page you may submit up to four URLs.
- **It will take 4 to 6 weeks** to get listed with Alta Vista.

2 **Excite (www.excite.com)** is a search engine that uses directories such as LookSmart as sources when searching. The search engine uses HTML text, text phrases, and document titles. Excite reads the description Meta tag only for index rankings. Excite is also part of the LookSmart directory which is used by Alta Vista, Excite, IWon, and MSN. Excite offers two levels of submission: (1) the Express Submit (for more information go to http://www.excite.com/info/add_url) which for $299 places you on the LookSmart Directory, and (2) the Excite Search Index. You can get into the Excite Search Index for free by doing the following:

- **Go to** http://www.excite.com/info/add_url_form/.
- **Fill out the form.** You will need to provide the following information: URL, e-mail address, primary language, geographical location, and Web site category.
- **The time involved** to get listed in Excite is 2 to 4 weeks.

3 **Yahoo (www.yahoo.com)** was started in 1994 and is one of the oldest directory-based search engines. Instead of using an automated tool, Yahoo relies on a directory database assembled by people called Yahoo editors. After these editors review your Web site, it is up to them to decide whether to place your site on Yahoo's exclusive database. Yahoo also uses Google to provide its secondary listings when no results are returned by Yahoo's index. Yahoo uses page titles, domain names, Meta descriptions (up to 25 words), and keywords to index and rank your Web site. Yahoo offers two levels of submission: (1) Yahoo! Express (for more information go to http://docs.yahoo.com/info/suggest/busexpress.html), which costs $299 to submit your site, and (2) Standard Free Submission, which is free but doesn't guarantee that your site will be indexed. Here's how to submit your site using Yahoo Standard Free Submission:

- **First check to see** if your site is already indexed by MSN.
- **Starting from Yahoo's front page,** go down to where Yahoo lists 14 directory categories (arts &, humanities, business and economy, computers & Internet, education, entertainment, government, health, news & media, recreation & sports, reference, regional, science, social science, society and culture). Click on the category your Web site most likely falls under. If you are interested in attracting an audience in your surrounding area, click the regional category.
- **Continue making selections** until at the button (of the page next to the copyright) there is an URL that says "Suggest a site." It may tell you to "Please be more specific!" If you get this message, return to the previous page and continue to make selections until you reach a page that displays a category called "site listings." Now go to the bottom and click "Suggest a site."
- **For free submission,** click the button that says "standard consideration."
- **Make sure your intended category** for your Web site matches the category in the gray shaded box at the bottom. If it does, click on the "continue" button. On this page you will fill out a form providing Yahoo with site title, URL, geographic location, description, and contact information.
- **It can take several weeks, even months,** to be listed in the Yahoo directory. One way to speed up this time is to submit to http://ca.yahoo.com/.

4 **Lycos (www.lycos.com)** gets its sources from its own editors, DOMZ, and Direct Hits. It is important when submitting to Lycos to use your heading and text correctly, because in addition to checking your URL name, Meta tags, and HTML headers, Lycos will rank you according to the initial HTML text in the preliminary pages of your site. Here's how to submit your site using Lycos Free Standard Submission:

- **Go to** http://home.lycos.com/addasite.html.
- **In the text fields,** enter your site URL and your e-mail address. You can also click on the button that says "36+ search engines free" and submit your site to indeedhits.com.
- **It takes 2 to 6 weeks** to be listed with Lycos.

5 **Hotbot (http://hotbot.lycos.com/)** is a search engine that is part of the DOMZ and the Lycos network. For ranking and indexing purposes, Hotbot uses Meta tags and high frequency words. For example, if your Web site is a nonprofit organization that provides literacy training, you should use the word "literacy" frequently in your HTML text. This will help your ranking in the literacy category. Hotbot doesn't index very deeply into the Web site, so only the documents in the upper directories will be indexed. But you can submit more than one URL from your site to get the Hotbot spider to delve deeper into those subdirectories. Hotbot receives its search engine data from Direct Hit, Inktomi, and Open Directory. Here's how to submit your site using Hotbot Free Standard Submission:

- **Visit** http://hotbot.lycos.com/addurl.asp.
- **Submit your Web site URL** and contact e-mail. It's plain and simple.
- **It takes about 2 months** to be listed with Hotbot.

6 **Webcrawler (www.Webcrawler.com)** is a search engine that obtains its directory results from the LookSmart network. Now that Webcrawler has merged with Excite, it uses the Excite search engine when searching for results. Webcrawler indexes all text on a page, but it doesn't provide support for frames or image maps, and it will ignore comments and alt text. Webcrawler is a surface crawler, so be prepared to submit more than one URL to get your subdirectories listed. If you get listed with Webcrawler, you will be listed with Excite. Excite will re-index your site roughly every 10-14 days. Webcrawler has three levels of submission: (1) Express Submit costs $299 and will get you listed in the LookSmart Directory. For more information go to http://www.Webcrawler.com/info/add_url/. (2) Basic Submit costs $149. For more information and to submit a site, go to http://www.Webcrawler.com/info/add_url/. (3) Webcrawler Free Submission costs nothing. Here's how to submit your site using Webcrawler Free Submission:

- **Go to** http://www.Webcrawler.com/info/add_url_form/.
- **Complete the form, and provide the following information:** URL, e-mail address, primary language, geographic location, and category.
- **Click the submit button** at the bottom.
- **It can take up to 2 months** to get listed into the Webcrawler database.

7 **LookSmart (www.looksmart.com)** is the only non-free directory listed in this article. If you want your site to be submitted effectively, consider paying the one-time fee to LookSmart. This will get your site listed in the search directories of LookSmart, Microsoft's MSN, Excite, Alta Vista, IWon, Time Warner, Netscape Net center, Sony, Qwest, and over 370 ISPs. LookSmart uses human editors to look for sites that are rich in original content. LookSmart has two levels of submission: (1) Express Submit guarantees submission review in two business days and costs $299. For more information go to http://submit.looksmart.com/info.jhtml?synd=US&chan=lshomepg. (2) Basic Submit promises review within eight weeks and costs $149. For more information go to http://submit.looksmart.com/info.jhtml?synd=US&chan=lshomepg. ■

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

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Managers Must Become Multicultural

Here's how to manage for diversity.

BY CARLOS CONEJO

You're probably discovering that today's workforce is a cultural salad bowl. Everyone's in the same bowl but striving to keep their own identity or culture. At the same time, you're probably discovering that the old ways of managing are just not working.

Test your organization's multicultural quotient.

- **Are ideas that your managers discussed** at staff meetings and thought were crystal clear totally misunderstood by the workforce?
- **Do tempers flare** within different cultural groups at the slightest provocation?
- **Is service suffering** due to ineffective communication?
- **Do you suspect** that workers' problems are tied to cultural differences, but don't know what to do?

Solving such problems isn't easy; managing in a multicultural world is a tremendous undertaking. Here are four steps to start you on your way:

Step #1: Identify the diversity.

This is more difficult than it sounds. Start by collecting data about your workforce. You'll be amazed at the number of identifiable cultural groups. There are at least 25 major cultural groups in today's work environment, and there may be several sub-groups in each of these groups.

Don't generalize. Doing so is dangerous and could be fatal to your organization. For example, if you are located in the Southwest, don't assume all your Latino workers are Mexican.

Step #2: Discover the norms.

Once you know how many different backgrounds you have in your organization, find out more about each one. Peruse reference materials at the library or on the Internet, or hire an ethnoculturalist or cultural-change consultant. Don't overlook your employees as a source of cultural information. Create learning opportunities at every turn. Ask people what the favorite or lucky colors in their country are, what family norms are common, what they value most. You can also learn plenty by practicing MBWA–Management By Walking Around. Look, listen, ask, and learn!

Step #3: Understand the differences.

Different cultures gather, process, and interpret information differently. Hispanic employees from different countries have different words for the same thing. In some cultures, there is no guilt as we know it, no Heaven or Hell; instead, there may be karma. Such differences, if not understood, may cause communications barriers, cooperation problems, and an uneven playing field.

Step #4: Develop a plan of action.

Encourage employees to create affinity groups such as Hispanic or Asian or African American clubs. Better yet, create a mentoring and learning track, which will focus employees on mutual collaboration and your organization's common goals and objectives. When they get to know each other better, then you will get cooperation.

Know what true diversity is.

Diversity is the spectrum of human similarities and differences. From this definition, building diversity in your organization means representing people with a range of similarities and differences. It means paying attention to values, norms, culture, gender, race, communication, comfort zones, interpretation, and behavior styles. Managing for diversity takes extra time, but doing so is crucial.

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

Carlos Conejo (805-494-0378, www.mculture.net) is a marketing expert, ethnoculturalist, and author of Motivating Hispanic Employees: A Practical Guide to Understanding and Managing Latino Employees.

The Case for Diversity

Diversity is the spectrum of human similarities and differences. From this definition, building diversity in your organization means representing people with a range of similarities and differences.

A focus on diversity has never been more crucial. Emphasizing diversity is a practical choice, based on rapidly evolving U.S. demographics. Recognizing the opportunity, nonprofits are spearheading mandates for multicultural workforces and emerging-markets strategies.

Shifting Demographics

Census information showing Latinos have increased their presence in the U.S. population by 58% over the past 10 years, and now rival African Americans as the dominant ethnic minority, is impacting the marketing strategies of nonprofits throughout the nation.

1. African Americans: The second largest ethnic group in the nation, with 36.4 million people, African Americans own more businesses than ever before and live in affluent enclaves unknown to most marketers.

2. Latinos: With a population of 35.3 million people, Latinos comprise 12.5% of the U.S. population, having grown 58% over the past decade. Mexican Americans are the largest ethnic group among U.S. Latinos, followed by Puerto Ricans.

3. Asian Americans: As the third largest minority group with 10.2 million people, Asian-American representation is growing rapidly in fields such as engineering. The largest Asian-American group is Chinese, followed by Filipinos and Asian Indians.

4. Gays: Estimates of the number of gays and lesbians vary from 3 to 10% of the population. About 20% of gay/lesbian households have children, compared to 40% of heterosexual households.

5. Women: Women now account for 46.6% of the U.S. workforce and hold almost half the managerial and leadership positions at Fortune 500 companies.

Recruitment

The recent downturn has put more multiethnic talent on the market and represents a critical opportunity for organizations to recruit these workers. Women and people of color will represent about 70% of new entrants to the workforce by 2008. An organization that already has a reputation as an employer of choice will find it easier to attract more diverse candidates.

Retention

Losing an employee costs about four times that person's salary. Multiply that figure by the organization's rate of turnover and the numbers become large.

One proven method for retaining multicultural employees is to build strong employee networks. Another is to maintain detailed metrics that are tied to bonuses.

Supplier Diversity

Organizations with a diverse supplier base are more successful in gaining access to multicultural markets. Diverse suppliers provide flexibility and significant cost savings.

Measurable Results

Nonprofit organizations have begun to make the direct empirical connection between diversity and competitive advantages. Clear and measurable results provide answers for funders, board members, top managers, and the entire organization.

By the way, the two languages to learn for the next millennium are Spanish and Chinese. Latinos are America's fastest growing minority group, and China's Gross National Product (GNP) will surpass the U.S. GNP in about 20 years.

For more information, see www.diversityinc.com and www.diversitycentral.com. Both Web sites provide resources on diversity and cross-cultural management and links to other diversity-related services.

How Diverse Is Your Organization?

Answer these questions to see if your organization supports diversity in name only or if you have a truly multicultural organization.

- **Are different demographic groups represented** at all levels of your organization?
- **Do all employees have equal access** to opportunity?
- **Is respect for differences** a key organizational value?
- **Do you have equitable systems** to reward employees?
- **Has your organization demonstrated** commitment to community relationships?
- **Do you provide diversity training** to employees?
- **Does your organization accommodate** different physical and developmental abilities?
- **Do you offer** collaborative conflict resolution?
- **Are unspoken organizational norms aligned** with stated organizational goals?
- **Do you share power** with others?
- **Are different demographic groups represented** among internal and external stakeholders?
- **Does your organization represent people** with a wide range of similarities and differences?
- **Do you reward** innovation and creativity?
- **Is your organization flexible,** responsive, and agile?
- **Do you encourage** employee affinity groups, support groups, and networks?
- **Are you committed to continuous learning** for yourself and your employees?
- **Do you build teamwork** and collaboration into the work environment?
- **Have you secured commitments** from above, below, and outside your organization?

Refuse to Tolerate Intolerance

Here's a common scenario: A co-worker makes a racial slur, and no one protests it. You feel uncomfortable, but how do you speak up against it?

The key is to say something without lecturing. Simply state how the remark makes you feel and that you'd rather those types of comments not be made in your presence. Keep yourself as a point of reference and the offending party won't get as defensive.

Remember that in today's multicultural workplace, building a tolerant environment is crucial. Workers need to speak up not only to signal that they don't tolerate intolerance but also to spare the organization a discrimination lawsuit.

—adapted from *Newsday*

Bridge Language Gaps

Diversity in the workplace makes for a rich environment, but it can also leave room for miscommunication. Try these tips to ensure that your foreign-language speakers at work don't miss a beat:

- **Hold regular staff meetings.** Limit the number of topics you'll discuss to help workers learn how to process oral information. Such a strategy will keep meetings short and prevent employees from being overwhelmed.
- **Always provide written directions.** Foreign-language speakers often can understand written English better than the spoken word.
- **Learn some phrases yourself.** It helps morale and lets workers know you appreciate and care about them enough to pick up a few phrases in their native tongues.

—adapted from *Inc.*

How Responsible Is Your Investing?

New investment choices expand your options.

BY MARIA MARKHAM THOMPSON

Most nonprofit organizations practice some sort of socially responsible investing. That is, they screen companies, using ethical and philosophical criteria, before considering them for investments. They try to invest in companies whose practices are consistent with their missions.

Now, because of recent growth in investment options and screening criteria, you have a greater ability than ever before to select social responsible investments for your endowments, operating funds, pension plans, and 403(b) deferred compensation accounts. Nelson's Institutional Marketplace now lists 78 institutional money managers with 423 socially screened products in 18 equity and fixed income styles.

The wider range of socially screened funds means that smaller organizations can finally consider a retirement portfolio based entirely on socially responsible investments. During the last five years, funds have appeared in every asset class including international, fixed income, and small cap. Before this expansion, it was common for socially responsible investors to either forego full diversification or accept unscreened funds to complete the asset allocations of their portfolios. While some asset classes and styles, particularly value-based investing, are more thinly populated than others, you no longer need to diminish adherence to your principles for sound investment planning.

Nor do you need to worry about lower returns if you invest according to your conscience. The Social Investment Forum (a nonprofit that promotes socially responsible investing, **www.socialinvest.org/**) reports that performance by socially screened investments remains competitive. Among the 48 screened funds followed by the Forum in the last few years, 65-75% were graded in the two highest categories of investment return.

Separate Account or Mutual Funds?

You'll have the greatest control over the ethical aspects of your investments if you set up a separate account. You can then work with an investment manager to tailor a set of screening criteria to address your special concerns.

As a separate account holder, you can retain control of proxy voting. You can also monitor the companies you permit to enter the portfolio. You can even place companies that might otherwise be acceptable onto a prohibited list when there are concerns about their business practices.

If you don't have enough money to set up a separate account, or if you need flexibility in a 403(b) or other defined contribution savings vehicle, you have the option to use socially screened mutual funds. Over 90 different mutual funds report socially screened investment returns. Mutual fund options for socially responsible investors have grown at a faster pace in recent years than the number of new separate account options.

If you invest in mutual funds, be sure to read the prospectus and statement of additional information (SAI) carefully to determine what the fund permits and prohibits. Since the SAI isn't usually included with the fund's prospectus or on its Web site, ask the fund or the Securities and Exchange Commission (**www.sec.gov**) to send it to you. The SAI will disclose information on major fund investors, board members, consultants used in the screening process, the fund's fee structure, and a detailed discussion of permissible investment techniques.

Some mutual funds describe their social screening policies in essays on their Web sites. While these statements may provide more information than a prospectus, they aren't legally binding on the fund. A change of fund managers with different sentiments on an issue, such as handguns, could result in additions to the portfolio, even if the original manager was opposed to such investments.

In that respect, you're better off with a separate account than mutual funds. If you have a separate account, you are protected by having all your requirements included in your Investment Policy Statement and your contract with the investment manager. You make the decisions about what to screen out (or in) and what to do with investments that become undesirable due to changes in operations or purchase by another firm. With mutual funds, those decisions are often the personal or market-driven choices of the investment manager.

What Should You Screen Out (and In)?

Socially responsible investing adds another dimension to the due diligence for nonprofit boards. Board members need to ensure that the investments are consistent with the organization's mission and goals. For example, an organization that promotes low-income housing would want to screen financial institutions for Community Reinvestment Act compliance.

You may also want to screen for other factors. The most common social screens exclude companies that produce tobacco or alcohol, promote gambling, or are known to cause environmental degradation. Other investors screen out animal testing, meat processing, and discrimination against women and minorities. Still others make an effort to invest in companies that encourage charitable giving, the employment of disabled workers, and other positive policies. Table 1 lists the most common social investment screens in order of prevalence.

Don't assume that because a fund meets one of your criteria it will meet other related ones. For example, one fund states that it screens to avoid all use of animals for any purpose other than voluntary human companionship. It also screens the use of guns to harm animals. But the use of weapons against people, presumably in a military or defensive context, is not against the fund's principles. In both mutual funds and separate accounts, be sure to review all your concerns to ensure that the investments meet your criteria.

Do You Want to Make a Difference?

An absolute ban on owning investments in companies with objectionable activities is not the only way you can seek social change. Constructive engagement with management through shareholder advocacy may be your best route to changing the world. Shareholder advocacy ranges from voting proxies to proposing changes in corporate policy for shareholder consideration. While not always directly successful, such techniques have been very effective in getting management to pay attention to a variety of concerns.

Shareholder activists were able to get one of the largest mutual fund and investment management organizations to provide a socially responsible option for their investments. Although the majority of participants in the College Retirement Equities Fund (CREF) rejected resolutions to divest tobacco holdings for six consecutive years, the growing numbers that voted for this resolution each year sensitized management to public concern over the issue. Its pension system now includes an investment option that prohibits tobacco holdings.

Time to Take the First Step?

Nonprofit organizations now have the opportunities and tools needed to give their employees investment choices consistent with their missions and beliefs. Accessing these choices sometimes requires additional research. You may need to overcome institutional barriers and outdated ideas on investments. But the peace of conscience and financial well-being will be worth the effort. ■

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

Maria Markham Thompson, CPA, is principal of Allied Investment Advisors, Inc., a registered investment manager that provides socially responsible investment options through separate accounts and management of the ARK Family of mutual funds. For more information, contact Amy Martin at a.martin@bergerbrown.com, 973-761-4331.

Table 1:

Social Investment Screens in Order of Prevalence

Tobacco
Environmental Protection
Alcohol
Workplace Issues
Nuclear Weapons
Military Armament and Supplies
Gambling
Animal Testing
Product Safety
Pornography
Nuclear Energy
International Human Rights
Gender Discrimination
Racial Discrimination
Protection of Indigenous Peoples
Abortion
Weapons of Mass Destruction
Affordable Housing
Community Outreach
Corporate Board Diversity
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(Northern Ireland)
Violence in the Media
Burma
Maquiladora Operations
(Mexican Border Manufacturing)
Violent Toys
Infant Formula Distribution in
Poor Countries
Family Benefits
Pork Processing
Employment of Disabled Workers
Sexual Orientation
Insurance Companies
Banking/Interest Bearing Activities
Charitable Giving Activities
Pharmaceuticals
Biotechnology
Medical Services and Products
Community Reinvestment Act
Disclosure of Information

Farewell to the "Client Worker"

Shifting from a rehab to a business mentality helped one nonprofit create hundreds of jobs for people with disabilities. Here are the keys to its success.

PART OF A SERIES ABOUT ENTREPRENEURIAL SUCCESS

BY JERR BOSCHEE

Senior executives became business managers, not social workers ...and line workers became employees, not clients.

Fifteen years ago, Rich Gilmartin and his colleagues at Southeastern Vocational Services (SVS) in Pensacola, Florida, abandoned the "client worker" model.

It was the key moment in the evolution from a sheltered workshop with 30 employees to a $30 million business with more than 600.

"For almost 10 years," remembers Gilmartin, "we'd been doing such things as light industrial work and mail sorting, but on a very small scale—and strictly on a transitional basis. We looked at our people as clients first and workers second. When they were finished using our rehab services, they moved on."

But Gilmartin and others began asking themselves a key question. "It was a huge issue," he says, "and we wrestled with it for a long time. Should we provide employment only for the purpose of training…or should we give people opportunities to stay with us and build a career?

"I'll bet we struggled with it for almost a year," he recalls, "and we finally realized it was a disservice to give people an opportunity to earn seven to nine dollars an hour, plus benefits—then tell them they had to go out and earn only two-thirds of that, with lesser benefits." So SVS decided to create its own business for those "who elected to make it their preferred place of employment…and if the employee wanted to seek alternative employment we'd provide assistance through our rehab side."

At about the same time, The Affirmative Business Alliance of North America (ABANA) came into existence, "and that further shaped our thought process," says Gilmartin, who later chaired the ABANA Board. "It helped us evolve beyond the concept of a 'client worker' to the concept of an 'employer-employee' relationship." The central tenets were completely different. "We decided to operate as a business, not a rehab agency," says Gilmartin, and that meant two things: Senior executives became business managers, not social workers; and line workers became employees, not clients.

The cultural shift was dramatic… but it was only the latest in a series of challenges for Gilmartin.

Origins

What do you do when your parent organization sells everything it owns to a national corporation? Everything, that is, except *your* department…

Gilmartin responded by keeping the department alive for a year—then found it another home.

The organization known today as Gulf Coast Enterprises existed originally as one of many programs operated by the Rehabilitation

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Institute of West Florida, which provided both in-patient and outpatient medical care for people with physical disabilities. Gilmartin came on board in 1977 and took over the vocational services division in 1980.

In 1983, the Institute sold all of its medical services and assets—everything except its vocational programs—to Hospital Corporation of America. Gilmartin ran the vocational program independently for a year before merging it into Lakeview Center, a multi-service community mental health center, and changing its name to Southeastern Vocational Services.

Finally, when Gilmartin and his colleagues made the decision to become an affirmative business, SVS created a subsidiary called Gulf Coast Enterprises.

Today, SVS is still a subsidiary of Lakeview, a $46 million nonprofit with more than 60 different social service programs, and Lakeview is an affiliate of Baptist Health Care, a $400 million regional chain of hospitals in Florida and Alabama.

And Gulf Coast Enterprises is the largest private employer of persons with disabilities in Northwest Florida. It operates seven different businesses, including custodial services (cleaning more than six million square feet of space each day), food services, warehousing operations, telephone switchboard services, mail distribution, administrative support services, and industrial services (including packaging, light assembly, bulk mail preparation and sorting services).

Seventy-seven percent of the employees are persons with disabilities, and about half of those have some type of behavioral disorder (chronic mental illness, substance abuse); the others have a developmental, physical, or neurological disability. Eighty-five per cent of the disabled employees are either no longer on public assistance or are receiving much less support.

> *"I don't necessarily mean the* lowest *price."*

Gulf Coast surpassed $30 million in annual sales during the fiscal year that ended September 30, 2002. "It was a big hairy-assed goal we set a couple of years ago," laughs Gilmartin, "and I almost wish I hadn't established it. Not because it wasn't achievable, but because I wish the message I'd sent was that we wanted to be declared by our customers as the best provider in all the business sectors in which we operate. I think that would have gotten us to the 30 million in a more friendly way—in a 'pull' way as opposed to a 'push' way."

Part of the continued expansion for Gulf Coast and other ABANA members will be doing sub-contracting work for businesses overseas that have markets in the United States.

Critical Success Factors

In addition to **shifting away from the client worker model,** Gilmartin has identified 12 other factors that have been important to the success of Gulf Coast Enterprises:

Find the right price. "I don't necessarily mean the *lowest* price," says Gilmartin. In fact, Gulf Coast frequently wins contracts despite having a higher price than its competitors. "Often," he says, "the customer has already *been* there…and realizes maybe they shot themselves in the foot by going with the lower price. Now they're looking around because they feel like they're not getting what they expected—or maybe they're just asking for a higher level of service." That said, emphasizes Gilmartin, "if we can't at least be in the ballpark with regard to a market price, then we have no business being in that market in the first place."

Hire full-time managers. "We learned the hard way," admits Gilmartin. "We tried hiring people to oversee contracts as one part of their job…and they wound up being distracted by too many other obligations or responsibilities. Or they didn't have the expertise for the particular activity. And on every one of those occasions it didn't work out as well as it could have. When we finally got the message, we started putting in people who knew the business and whose sole responsibility *was* the business, and in every instance they turned it around."

Stay close to the customer. "If we're not accessible to the customer, we probably won't be their vendor very long," predicts Gilmartin. For example, "customers often tell us that the management for previous vendors stayed at a great distance, never came to talk with them—and if decisions had to be made, the local person was not empowered to make them. So we mount a concerted effort to empower the person on the site to make the greatest scope of decisions possible—and we also have people from our corporate offices traveling to each site on a regular basis, in part to spot problems before the *customer* sees them and they become *big* problems."

Manage growth. Gulf Coast has always moved cautiously toward expansion. "In the early days," says Gilmartin, "we wanted to operate outside our immediate area in order to generate revenue and create more jobs, but we set up a couple of criteria. If we were going to go beyond our own backyard, the work had to generate a certain number of jobs and be within two hours of Pensacola, either driving or flying." The first outside contract was in Gulfport, Mississippi, a food services program at a naval retirement home about an hour's drive from Pensacola.

"Some time later," says Gilmartin, "the strategy seemed to be working, so we changed our thresholds. We eliminated the response time requirement. If we didn't already have a presence at whatever location we were exploring, then the business needed to have gross revenue of $200,000 a year, which enabled us to create a significant number of jobs. And if we already had a presence, we didn't even keep the $200,000 threshold."

Gulf Coast also began to say no to certain types of businesses. "Over time," says Gilmartin, "we decided to be more focused in what we did." For example, the company decided to get out of the groundskeeping business because of its seasonal nature. "We didn't want to be constantly scaling up and back," he says, "because it would have put too many people on the unemployment line—the very opposite of our objective."

Despite its caution, however, Gulf Coast still found itself at times outstripping its infrastructure. "We made some significant mistakes," admits Gilmartin. "We were still operating as though we were a 25 to 100 person operation long after we'd passed that point. If I had it to do over again, which of course I don't, we'd better define the type of human resources support and technologies we needed at each point of growth and have a plan in place." The damage occurred mostly in the areas of employee frustration and morale.

Protect your image. Gilmartin believes Gulf Coast Enterprises has a positive public image that contributes substantially to sales…and part of the image is the company's reputation for turning down certain types of work such as highway litter pick-up. "The image we want to project," he says, "is that people are doing productive work, not charitable work, that they're earning a day's pay for a day's work and that the workers themselves can be satisfied with what they're doing."

Measuring employee performance is critical.

Listen. One of the problems Gilmartin and his staff have managed to overcome during the years has been "not hearing a message early enough." As an example, he cites the company's custodial contract on the naval air base in Pensacola.

"They'd been telling us for months that we were missing the mark," he remembers. "They weren't ringing any fire alarms or loud bells, but they *were* saying that improvements were needed here and there. We were listening—we thought—but then we discounted the information and came up with reasons why things were the way they were and why we were doing everything we could be doing. Then they set off the fire alarm. 'We've been telling you for six months that things need to be fixed,' they said, 'and we've seen no noticeable attempt to fix them. So now your contract's at risk.' It took us 18 months to eradicate that situation and turn it around. It didn't take that long to fix the problems, but it *did* take that long for the base to believe our fix would stick."

Exceed expectations. As do most businesses, Gulf Coast Enterprises emphasizes customer service, but Gilmartin believes his company takes it a lot farther. "If you just do what people expect, and that's it," he says, "they almost don't know you're there—and when it comes time for contract renewal or adding contracts there's no substantial advantage. On the other hand, it makes a difference if you do something a little out of the ordinary—like leave behind your business card with a handwritten note, or leave a Hershey's Kiss on someone's desk, or if you find a $20 bill on the floor and call it to the attention of the ownership instead of shoving it into your pocket and walking away…

"It can be any number of things," he says. In many situations, for example, the previous vendor didn't wear uniforms. Gulf Coast employees not only wear uniforms, "but we put our name on them and we let customers pick the color. It all sets a tone immediately that is different than what the customers expect."

Benchmark. Gilmartin believes measuring employee performance is critical. "Before we started actually measuring things," he says, "we would sometimes say 'This is important' and then not measure it, or we'd measure it for a time and stop—and lo and behold performance would deteriorate. We learned that if you've declared something to be important and then stop measuring it, you can't expect anything to change—but if you keep measuring it, there's always some type of change." So, "we do the paper trail," he says, "the surveys, but we also do focus groups and have periodic performance meetings with our clients. We track things historically to see if they're on the rise, or flat—or, worse yet, going downward."

Let employees be part of the solution. Over the years, Gilmartin has learned that some of the best problem solvers he has are his line employees…but only if they know that a problem *exists*.

"For example," he recalls, "we were doing okay with our mail sorting and distribution business on the air force base, but we weren't generating the type of financial contribution we wanted. We were real close, but we were constantly in the red, so we resigned ourselves to the fact that it was as good as it was going to get.

"But one day the contract administrator who reports to me went to a meeting with the employees and laid it all out. We'd never done that before. The employees had never been told they were in the red…and when they heard about it they basically said, 'We can fix it!' It only took them four to six months to get us into the black. The changes had to do with scheduling, in terms of coverage. The employees identified times during the day when they were overstaffed, so when attrition occurred they did some rescheduling and worked thinner. It turned the contract around."

That experience prompted Gilmartin to open his books to all his employees. "We have a very open policy here now," he says. "If employees want information about what's going on financially or how decisions are being made, we give it to them."

Spread the wealth. The turnaround experience in the mail sorting operation went so well that "we did two things," says Gilmartin. "We returned part of our profits to the employees through their compensation—and we gave another piece back to the air force base. Those two actions were very good for us. If we'd simply tucked the profits under our hat, we could have been more profitable in the short run. But by sharing them with our employees and our customer, we became even more profitable long term."

Emphasize stewardship. Gulf Coast emphasizes to its employees that they are responsible for *all* of the company's resources. Essentially, says Gilmartin, "we want our people to take ownership of both our tangible and intangible resources, regardless of their specific jobs. We don't want them thinking it's somebody else's responsibility. For example, in most organizations, if you see a visitor who appears to be lost, hopefully a staff member will give that person directions…but in our system, the expectation is that you'll actually walk them to their destination, no matter what else is going on. That leaves a powerful impression."

Attend to the requirements of specific businesses. Because Gulf Coast Enterprises engages in so many lines of business, Gilmartin and his senior managers have also learned to be aware of different success factors for each of them. For example, presentation is a critical issue in the food industry. "At the naval retirement home," says Gilmartin, "food takes on a higher level of importance for people because it's one of the few things they have to look forward to in the course of the day, so the way we present the food is important." In the warehousing business, "the most important ingredients are the control you have over inventory tracking, reporting, and analysis." And in mail distribution for the air force, "there's a huge issue of timing—we have a plus or minus 15-minute window for each pickup, and we make 144 stops twice a day, so we live or die by time management." ■

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Boschee, Jerr, "Eight Principles for Nonprofit Entrepreneurs," *Nonprofit World*, Vol. 19, No. 4.

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Nonprofit Piggy Goes to Market.

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

Jerr Boschee (jerr@orbis.net) has spent the past 20 years as an advisor to social entrepreneurs and played a leading role in the birth of such organizations as the National Center for Social Entrepreneurs and the National Gathering for Social Entrepreneurs. He is currently the founder and executive director of the Institute for Social Entrepreneurs (www.socialent.org), a partner in the Social Enterprise Fund, and a member of the adjunct faculty at the School for Social Entrepreneurs in London, England. Articles in this series are excerpted from his book The Social Enterprise Sourcebook *(Minneapolis: Northland Institute, www.northlandinst.org).*

More on Social Enterprise

For more on social enterprise, see *The Social Enterprise Sourcebook* by Jerr Boschee. The *Sourcebook* contains stories about 14 nonprofits that have successfully started business ventures, along with fact sheets about each organization and brief profiles of the entrepreneurs. Copies of the book are available for download at no charge from the publisher (www.northlandinst.org), and bound volumes can be ordered either from the publisher or from Amazon.com.

Reviewing the CEO: A Guide for Nonprofit Boards

It's one of the board's most crucial tasks. Here are 10 steps to success.

BY WILLIAM CONTENTE

A nonprofit board has two main duties:

- to assure donors that contributions are properly applied
- to assure those it serves that the organization furthers its mission.

In fulfilling these duties, the board must monitor overall performance and set strategic direction. Both these responsibilities converge in the annual review of the chief executive officer. Properly done, an annual review can provide early warning of problems, help focus the CEO's efforts, and give the CEO valuable insights. The CEO review can be broken into two parts:

Part I. How is the organization performing?

The organization's performance is a direct reflection of the CEO. The organization's successes and failures should be the starting point for any CEO review. Begin by asking:

- **Are programs** effective?
- **Have fundraising goals** been met?
- **Does the community** see the organization as a valuable asset?
- **Is senior management** qualified and motivated?
- **Are finances** in order?
- **Is the organization moving forward** as planned? Does the organization's performance measure up against the strategic plan and goals? If not, ask: Are goals realistic? Do recent developments justify revising the plan? Is the CEO capable of doing the job?

Part II. How can the CEO perform more effectively?

To evaluate the CEO's performance, you'll need to gather information from a number of diverse sources. Here are 10 steps to take:

1 Plan your review carefully. Performing a CEO review can take much longer than expected. If the process drags on, two problems arise. First, the final review will be based on stale information. Second, the positive results of the review, in terms of feedback, constructive criticism, and any needed course correction, will be delayed. These problems can be avoided with careful planning. Timelines, questionnaires, and individual responsibilities should be agreed upon in advance. Before starting, discuss the process with the CEO. Be willing to compromise if the CEO has reasonable concerns about how the review will be conducted.

2 Look for signs of problems. For example, a breakdown in financial controls will show up in the audit; disarray in the development office will be reflected in lower contributions or a change in the mix of contributions; and high staff turnover may indicate personnel problems. Use these objective signs as outcome measurement tools, pointing to areas of strength and weakness.

3 Poll board members. Have board members evaluate interaction between the board and CEO. Ask:

- **Is the CEO providing** appropriate information to the board?
- **Is the board being asked** to address appropriate strategic issues facing the organization?

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St. John's Place Employment Center

- **Is the CEO reaching out** to board members, building the emotional bond that encourages them to donate their time, talent, and treasure?
- **Do the CEO and board president work together** as effective partners?

Also ask board members if they feel the CEO has these vital skills:

- **A sound** organizer?
- **An inspiring** visionary?
- **An enthusiastic** cheerleader for the organization?
- **Adept at cultivating** relations with funders?
- **Good interpersonal skills** when dealing with staff?
- **Clear verbal and written** communication?
- **Thorough financial** understanding?

Since all CEOs have deficits, your review should include strategies to compensate for weaker skills. If the CEO has organizational problems, the board could provide additional structure in critical areas. If the CEO lacks financial understanding, the board could recommend adding a strong financial officer, regular meetings with the organization's accountants, or a course on not-for-profit accounting.

4 Gather input from the organization's officers and other employees. Even a diligent board sees only a portion of an organization's performance. To gain an idea of the CEO's day-to-day performance, the board reviewers will need to interact with staff. Think of it this way: By gathering information from senior employees and key managers, the board can help the CEO deal more effectively with staff, resulting in a happier staff and CEO, a more smoothly running operation, and better execution of the mission. Seek answers to these questions:

- **Do senior managers feel empowered** to meet their goals?
- **Do employees understand** the organization's mission and their role in fulfilling it?
- **Are management issues resolved** quickly, fairly, and in a way that builds the organization's team?

Be careful not to undercut the CEO's authority when you talk to staff members. Tell the CEO in advance that employees will be interviewed. Assure employees that their responses will be kept confidential, and honor that obligation.

5 Ask funders for their feedback. In addition to obtaining constructive information from funders, you can use this contact as a

> *Don't scapegoat the CEO for poor board functioning.*

marketing opportunity. Let funders know you take your oversight responsibilities seriously and that their input is important. Keep in mind, however, that funders have their own agendas. Make sure their criteria for evaluation are consistent with yours.

6 Gather feedback from other important constituencies. Contact members of any other groups with whom the CEO interacts. Use questionnaires or interviews to gain their assessments of the CEO's performance.

7 Get the CEO's input. Ask the CEO the following questions:

- **What have you accomplished** for the organization?
- **What areas** present problems?
- **What issues** face the organization in the future?

If the board's understanding is similar to the CEO's self-assessment, it shows good communication between the board and CEO. If the CEO's emphasis is much different from that of the board, however, the parties must decide how to bridge the gap and build a common vision of where the organization is going and how it will get there.

8 Explore problems with the CEO. Part of the board's job is to give the CEO guidance in overcoming obstacles. It's not enough to identify problems. You must discuss issues with the CEO and propose solutions. If the problem is the result of a "blind spot" of your CEO, bringing it to light may be sufficient. If the problem is more intractable, you may need to strategize or bring in outside support.

9 Discuss salary. This step may be the most delicate part of the review. Talking about money can be difficult, and the problem can be compounded by funder expectations and financial constraints. While the CEO's salary should be approved by the entire board, negotiation of that salary is best handled one-on-one with the board chair, the head of the governance committee, or another appropriate board member. Leave time for this negotiation: It may take more than one meeting to manage expectations, balance resources, and decide how to reward performance fairly and successfully.

10 Set goals. Once information has been gathered, problems identified, and corrective strategies discussed, the reviewing board and the CEO should work together to create goals for the following year. The review should articulate keys to next year's success. Don't micro-manage: A board functions best when it paints in broad strokes. This process will assure that the board has set the goals and strategies for the future, that the CEO is pointed in the right direction, and that both have a basis for beginning next year's CEO evaluation.

One word of caution: This discussion assumes the board is effective and informed. Don't scapegoat the CEO for poor board functioning. If the board is split, provides poor guidance, or is incapable of working constructively with management, it might be more appropriate to review the board than to review the CEO!

Done properly, the CEO evaluation can strengthen the board, reinforce support of the CEO, improve the CEO's performance, impress funders, and keep the organization on track. Few board functions offer so much. Savvy boards will take full advantage of this opportunity. ■

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

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Classify Workers with Caution

Ignorance is no excuse. If your workers aren't classified properly, it can cost you.

BY BARBARA B. OLIVER

> *Each state establishes a threshold at which workers' compensation is required.*

Oopsie Daisy[1] is a start-up nonprofit that provides toys and books to children whose families can't afford to purchase them. It's a well thought out venture. The founder created a five-year business plan that included growth through public relations. Working through volunteers who collect, disinfect, and distribute the previously owned articles, the founder saw the program growing by leaps and bounds. However, there was an imbalance between donations and children who could benefit from the gifts. The list of eligible recipients was much longer than the supply of donated items. Word-of-mouth just wasn't providing enough donations.

The founder had a friend who was a public relations practitioner. The founder approached her friend, explained the mission of the nonprofit, and elicited the woman's help in putting together a communications strategy to increase donations and keep the momentum going year-round. The friend liked the concept and agreed to donate her time. She outlined a strategy that built the casual word-of-mouth promotion into a campaign that would provide story ideas for community newspapers and public service announcements for local radio and cable TV stations in order to generate community support. Her strategy also had a component that worked with local businesses to promote donations within their employee communities. All in all, it was an ambitious endeavor that would certainly reap benefits for the nonprofit and the children it served.

The founder was overjoyed by the communications strategy. She figured she could stretch her time to oversee the project, but she needed someone to flesh out the plan, write the publicity materials, make the phone calls, and handle the follow-up. She called the PR professional and thanked her for the plan, also asking if she knew someone who might be interested in providing these services. The professional, who by this time was hooked on the nonprofit's mission, said her job situation was changing and she would be interested in following through on her plan for the organization, but she'd need to have an income.

The founder couldn't afford to hire someone with a salary and benefits but agreed to an arrangement where the woman would work 25 hours a week for the nonprofit and be paid in cash. Her hours were 9 a.m. to 3 p.m., Monday through Friday, which gave her time to look for full-time employment. Her duties were to make the campaign a reality. The founder was able to provide office space, equipment, and supplies for her to do her job. She wasn't entitled to vacation or sick leave, nor did she have any insurance coverage. The nonprofit considered her a volunteer — after all, she was only getting a pittance for her work and it was in cash.

The Problem

Everything was going swimmingly, until the day the quick-moving PR professional turned the corner and walked full-speed into an open metal file drawer. The corner gashed her forearm to the bone, requiring a trip to the emergency room, a tetanus shot, and several stitches, followed by plastic surgery. The founder felt terrible for the woman, but wasn't worried about her medical coverage because as a volunteer she'd be covered under the nonprofit's general liability insurance.

Unfortunately for her, this wasn't the case. As the founder discovered, a volunteer isn't a volunteer just because that term is used by the nonprofit. Nor does the matter of payment determine whether or not a person is an employee. A person is classified as an employee by the circumstances of the work. In the case of the PR professional, she was working specified times and doing specified tasks for specified hourly pay. Because she wasn't legally classified as a volunteer, her injury would not be covered under the medical expense section of the general liability policy, which specifically excludes benefits paid or payable through workers' compensation. As an employee, the PR professional should be covered under workers' compensation; thus the general liability policy doesn't offer coverage of her workplace injury.

This isn't the end of the problem (or the surprises) for the founder. Because she operated as if the PR professional was a volunteer receiving a cash donation for her services rather than an employee, the founder didn't submit required payroll taxes. She may owe taxes and penalties for this mistake. And since the founder was trying to avoid the costs associated with having an actual employee, she didn't purchase workers' compensation coverage for the employee, thus running afoul of the state's law requiring such coverage. Each state establishes a threshold at which workers' compensation is required. In many states that threshold is one employee. The nonprofit is illegally uninsured for workers' compensation and is out of options.

The injured PR professional meanwhile has a dilemma of her own. She can collect workers' compensation benefits from the state's uninsured employers' fund. The fund will then go after Oopsie Daisy for reimbursement of all benefits paid and will assess penalties for being illegally uninsured. Or she can choose to proceed against Oopsie Daisy in civil court where the employer is defenseless, not being able to claim the benefit of workers' compensation as a remedy.

Since the general liability policy can't respond to any claim that is "paid or payable by workers compensation," Oopsie Daisy won't be afforded a defense to a civil action by its general liability carrier. This means that Oopsie Daisy will have to hire and *pay* an attorney to represent them. In addition, the organization will have to satisfy any judgment or settlement with its own money.

No matter which option the injured employee elects, Oopsie Daisy is on its own. This is a costly lesson for Oopsie Daisy and one you want to avoid.

Risk Management Lessons

• **It's important to your organization's well being** to classify employees, volunteers, and independent contractors correctly.[2] The classification affects insurance coverage and rates, and the legality of your operation.

• **When you write job descriptions,** make certain that you understand and define the job parameters. If the person is to be a volunteer, be sure the job description doesn't require specified tasks for specified hours for a specified amount of pay. Or conversely, if you require people to perform specified tasks for specified hours and at specified hourly pay, treat them as employees.

• **In many states, you must buy workers' compensation insurance** for all employees, even if you have only one employee, or you will be deemed illegally uninsured for workers' compensation under the law with attendant penalties and lack of defense in civil court. Check your state's law for the threshold that applies to your nonprofit.

• **Read and understand the insurance coverage** you purchase. If you don't comprehend the insurance jargon or what the exclusions do to the main coverage, ask your insurance professional to explain it to you in terms you understand. Perhaps a chart would help you visualize what coverages the policy does and doesn't afford. You then will be making decisions based in fact, not assumptions. ■

Footnotes

[1]The name of this organization is fictional, but the description is based on an actual claim at the Nonprofits' Insurance Alliance of California (NIAC).

[2]See Thornton in "Resources."

Resources

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

Barbara Oliver is senior editor at the Nonprofit Risk Management Center. She can be reached at (202) 785-3891 or Barbara@nonprofitrisk.org. 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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RELEVANT *reviews*

Time to Change Jobs?

Use these tips to find the best nonprofit job for you.

BY TERRENCE FERNSLER

From Making a Profit to Making a Difference

By Richard M. King. 178 pages. Softcover. Published by Planning/Communications, 7215 Oak Ave., River Forest, Illinois 60305.

Although Richard King's book is intended for business executives wanting to move into nonprofit careers, much of it will prove helpful to those changing jobs within the nonprofit sector. In particular, he explains what skills nonprofit organizations look for and how to prepare a resume to highlight those skills.

King divides skills into three categories—adaptive, functional, and content-specific. Research shows that adaptive skills are the most important category in nonprofits, while businesses usually focus on content-specific skills. The top five skills for a nonprofit career are:

- adaptability
- concern for people
- ability to deal with change
- ability to demonstrate autonomy
- a commitment to key values.

King suggests the format and words to use in your resume to highlight these skills.

Once you determine which skills to present and how to present them, King helps you find the right type of organization for you. He guides you through an exercise to discover where you prefer working, what fields are of most interest to you, and the size of the organization in which you'll feel most comfortable.

King encourages prospective nonprofit employees to volunteer on the boards of nonprofit organizations to learn how they operate. He explores ways to research boards to find a good fit.

Finding the best nonprofit job for you often depends on networking, as King makes clear. He demonstrates ways to find a new job through networking and includes research tools to help you create a dynamic network. He includes lists of search firms serving nonprofits, fundraising consulting firms, and professional associations to help with the job search.

Compensation is often dramatically different between nonprofits and for-profit businesses. King shows where to research prevailing wage ranges so you know how to discuss compensation knowledgably with prospective employers.

This book is a treasure for any nonprofit job candidate, with plenty of help for a career change to—or within—the sector. ■

This book is a treasure for any nonprofit job candidate.

Terrence Fernsler is development director of the Resource Conservation and Economic Development District in Aberdeen, Washington, and president of the Development Training Institute, P.O. Box 15, 311 W. Martin, Elma, Washington 98541.

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Rewriting the Language of Diversity

R. Roosevelt Thomas is building a new vocabulary of diversity that focuses on behavior. Thomas, the CEO of the nonprofit American Institute of Managing Diversity (AIMD), located in Atlanta, is shifting the discussion away from affirmative action and discrimination—matters of representation—to understanding the complexity of diversity management, according to Linda Bean on the diversityinc.com Web site.

A workforce's diversity is, most of all, a function of how people behave, says Thomas. He offers the following definitions:

• ***Diversity*** is any collective mixture characterized by similarities—ties that bind—and differences—traits that distinguish.

• ***Diversity tension*** flows naturally from diversity. And, depending on how it is managed, that tension can be constructive, dysfunctional, or neutral in impact.

• ***Diversity management*** is the process of addressing any diversity mixture and involves two tasks: (1) achieving optimal balance and (2) maintaining an organizational culture that reflects that balance.

• ***Diversity-challenged*** describes those who have difficulty navigating any kind of diversity mixture.

People who aren't racist, sexist, or homophobic may still be unable to work effectively in a behaviorally diverse setting, says Thomas. At the same time, despite prejudices, some racists may be able to get the required work done. Either way, diversity management is the key issue.

AIMD's research has produced a set of skills necessary to navigate diverse organizations. These skills are present when a person can say:

- **I can recognize** a diversity mixture when I see one.
- **I can analyze** it.
- **I can select** the appropriate action response.

Diversity maturity is the judgment and wisdom required to use these skills effectively.

Putting Things in Perspective

Imagine we shrunk the earth's population to a group of 100 people, with existing human ratios remaining the same. It would look like this:

- Our group would contain:
  – 57 Asians
  – 21 Europeans
  – 14 from the Western Hemisphere
  – 8 Africans
  – 1 Australian still in the womb.
- 52 would be female.
  48 would be male.
- 70 would be non-white.
  30 would be white.
- 30 would be nominally Christian.
  70 would follow every other religion.
- 6 people (all from the U.S.) would possess 59% of the world's wealth.
  The other 94 would own 41% of the world's wealth.
- 80 would live in substandard housing.
  70 would be unable to read.
  50 would experience some kind of malnutrition.
- Only one would have a teritiary education.
  Only one would own a computer.

"When we change the way we see the world, we change the world," as the Goal Planners Network notes. For more insights, see www.globalplanner.net.

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❑ *Funding for the Arts More than Doubles*

Funding for arts and culture by U.S. foundations has more than doubled since 1996, according to a report from the Foundation Center (http://fdncenter.org/). The report, "Arts Funding Update," provides an overview of funding for the arts, culture, media, and humanities from 1996 to 2000, a period of record increases in foundation giving overall. The report also explores how the arts fared relative to other foundation priorities such as education and health.

Foundation giving for arts and culture climbed to an estimated $3.7 billion in 2000, up more than twofold from $1.8 billion in 1996. Adjusted for inflation, arts and culture giving grew an unprecedented 83 percent during this period, or 16.3% a year. Growth in arts giving slightly outpaced increases in giving across all fields. Spurring the increase in arts funding was a doubling and, in some cases, tripling of investments by several leading arts grantmakers, an infusion of grants by major new donors, and consistently high levels of support by small to medium-sized funders. ❑

❑ *Are You Ready for Earned Income?*

If you choose to raise funds through earned income, it's important to select a strategy that furthers your organization's mission. In *Selling Social Change (without Selling Out)*, Andy Robinson guides you through this process. He also explains how to decide if you're ready for earned income and, if so, what type of venture will suit your organization best.

On average, new businesses don't make money for two to three years, so start-up money is necessary. Robinson suggests where to look for it, how to market the project, and when to consider corporate partnership opportunities.

This 229-page book (San Francisco: Jossey-Bass, www.josseybass.com) will help your organization improve its efficiency and become more financially independent by applying earned-income techniques. It provides plenty of examples of organizations that started enterprises, and several that failed, and discusses the lessons to be learned from them.The book is a must for directors, officers, and development committee members who are looking for ways to become more financially self-sufficient, to have more control of income, and to reach new audiences. ❑

—reviewed by Terrence Fernsler

❑ *Board-Member Shortage Spotlighted*

Three million open seats annually create a "crisis of nonprofit leadership," say the authors of a report sponsored by the Volunteer Consulting Group (VCG). But that problem could be remedied if nonprofits changed their board recruitment tactics. Findings include the following:

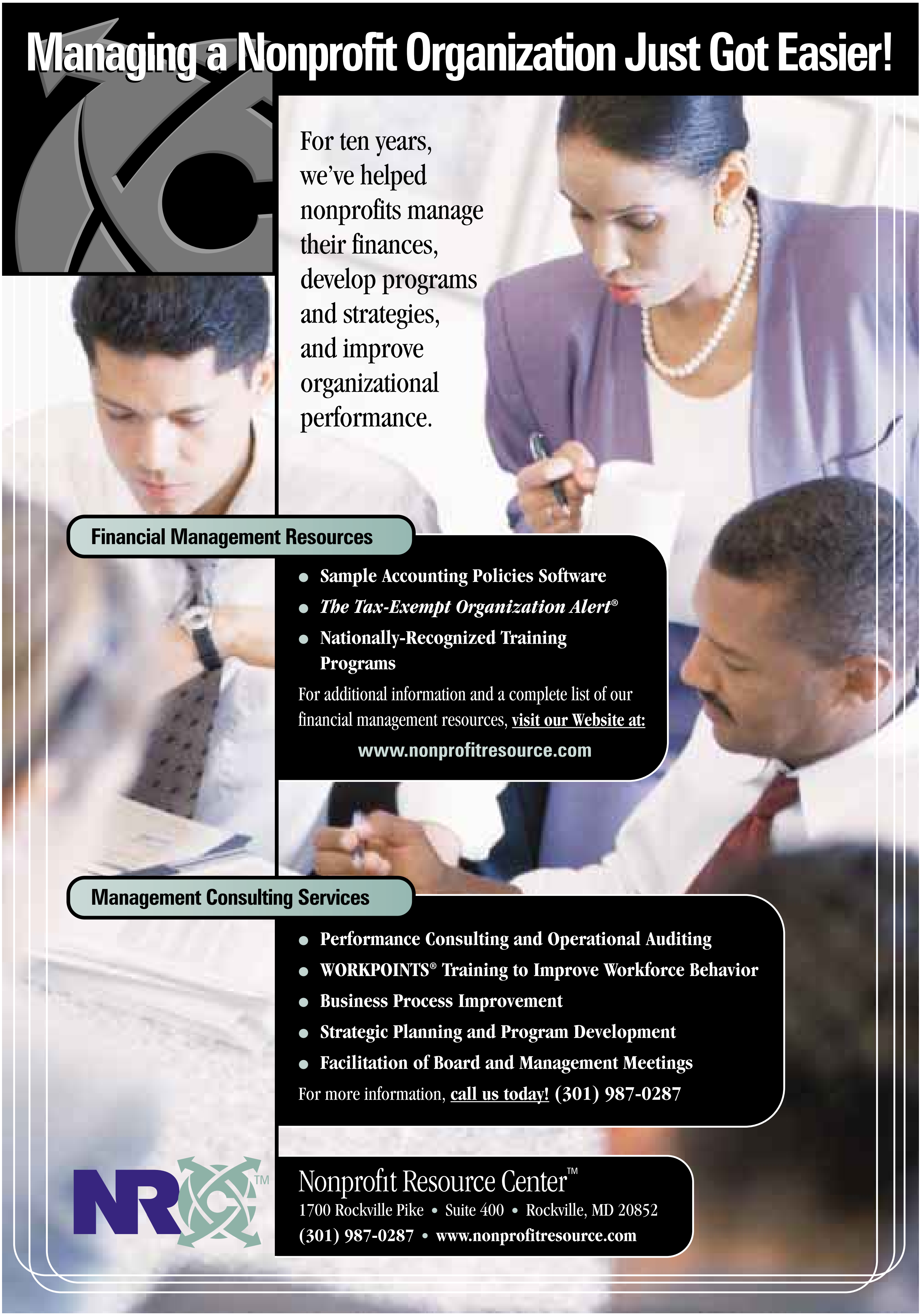
- **Over one million potential candidates** aren't being recruited.
- **Less than half** of all independent candidates with potential to serve, such as self-employed and retired people, are currently doing so.
- **Many nonprofits fail to reach out** to such potential board candidates as up-and-coming managers and non-managerial technical experts.
- **Minorities** are under-represented. Hispanics/Latinos are the least represented, holding only 3% of nonprofit board seats while making up over 12% of the U.S. population. The situation is similar for Asian-Americans, who hold only 2% of nonprofit board seats while making up over 4% of the U.S. population.
- **Few nonprofits take advantage** of powerful communications mediums like the Internet. VCG has launched a Web service, www.boardnetUSA.org, to help candidates and nonprofit boards find each other.

For more information on the study, see www.vcg.org. For more on board recruitment, see *Board Leadership and Governance*, *Leadership Series*, www.snpo.org. ❑

❑ *Decline in PSAs and Free Ad Space Hurts Nonprofits*

A decrease in donated print pages and air time dedicated to nonprofit messages has made it harder for nonprofits to spread their messages. In a recent poll, 48% of nonprofits said the decline in public service announcements (PSAs) and donated ad space has affected their outreach.

To make up for this curtailed exposure, many nonprofits are turning to the Internet. E-mail combined with personalization and Internet marketing lets organizations be even more targeted in their marketing at a very low cost. For more information, see www.kintera.com. ❑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