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NONPROFIT WORLD

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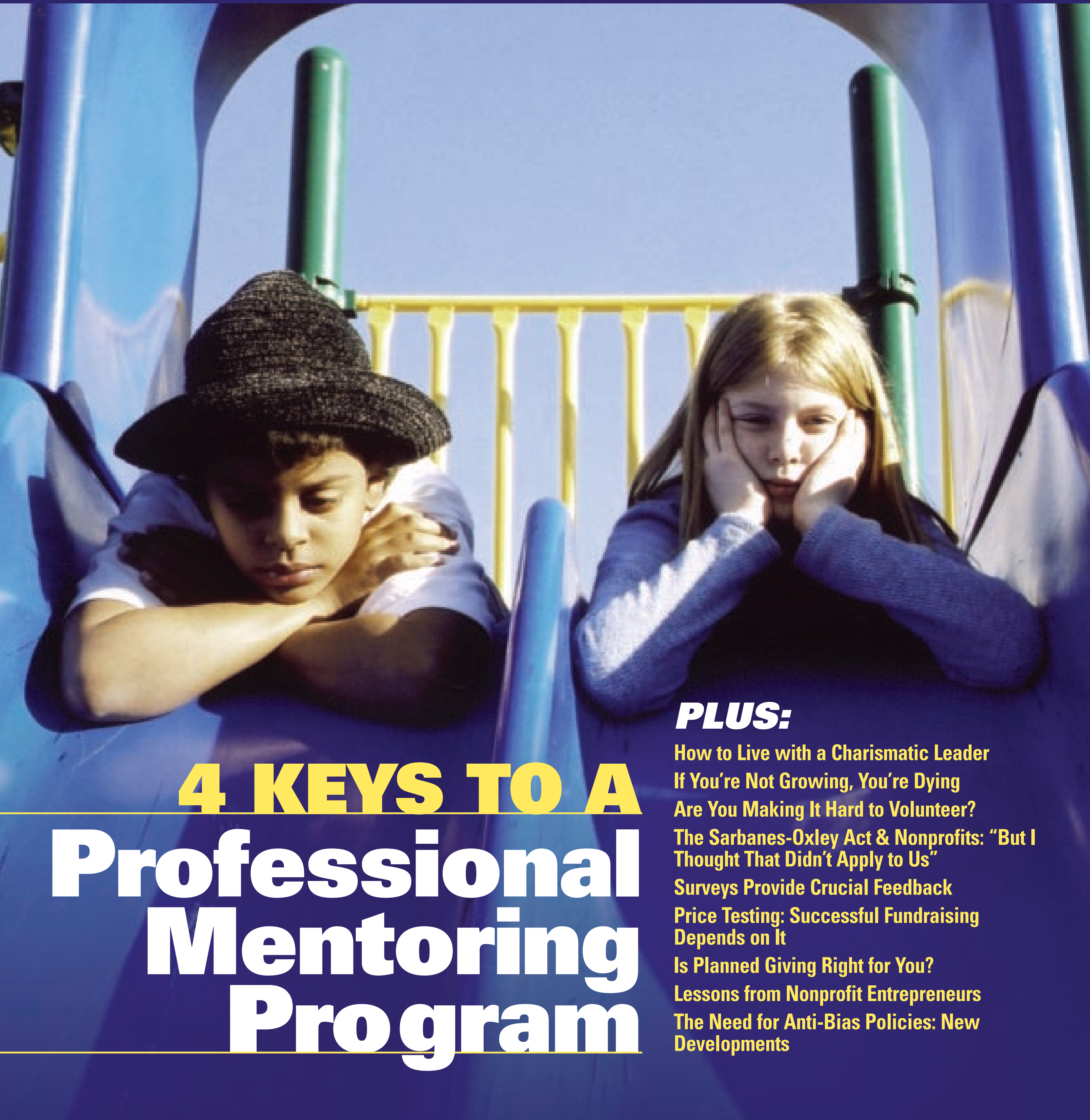

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- How to Live with a Charismatic Leader
- If You're Not Growing, You're Dying
- Are You Making It Hard to Volunteer?
- The Sarbanes-Oxley Act & Nonprofits: "But I Thought That Didn't Apply to Us"
- Surveys Provide Crucial Feedback
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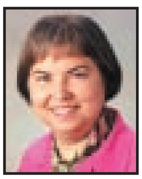

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on the cover

The photo on the cover, "Slide Show," by nine-year-old Chad Garrison, won a top prize in Boys & Girls Clubs of America's national photography contest. The photo to the left, "Under Water," by 10-year-old Ciandra Alvord, won first place in the contest. Boys & Girls Clubs have proved the value of mentoring in building skills as well as self-esteem and values, and this benefit holds true for professional programs as well. For tips on starting your own professional mentoring program, see page 17.

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.

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Unsolicited manuscripts and letters to the editor are welcomed. They should be addressed to Jill Muehrcke, Editor, *Nonprofit World*, P.O. Box 45346, Madison, WI 53744-5346 or muehrcke@core.com.

printed on recycled paper

Learning to Forget

The first problem for all of us, Gloria Steinem once said, is not to learn but to unlearn. Her words have special relevance for today's nonprofit leaders. Important as it is to build a learning organization—one that's skilled at transforming knowledge and changing behavior to fit new information—it's just as crucial to foster an "unlearning organization," as Gary Hamel and C.K. Prahalad argue in *Competing for the Future* (Boston: Harvard Business School Press).

To become an author of the future, you need to unlearn at least some of your organization's past. Here are a few ways to get started:

- **Scrutinize your programs, fundraising strategies, and cherished procedures** to see if they still make sense today. Jettison those that are mired in the past rather than aimed toward the future (see "Fourteen Questions about the Future" on page 31).

Unlearning is difficult because we have so much invested in the past.

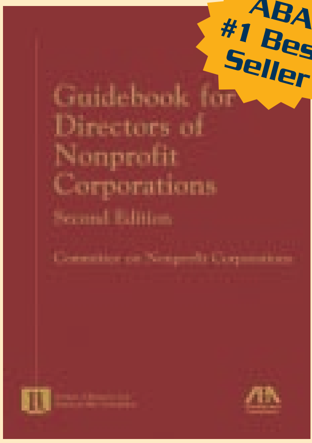
- **Use surveys** to discover people's changing needs (see "Surveys Provide Crucial Feedback" on page 22.)
- **Test, test, test,** as Erica Waasdorp advises in "Price Testing: Successful Fundraising Depends on It" (page 7). Testing helps break down perceptual barriers and reveal things as they really are, not as we think they are.
- **Evaluate your board,** making certain that board members represent a variety of viewpoints and take an active part in planning for the future. Be sure they meet the new standards raised by the Sarbanes-Oxley Act. Turn to page 10 to see how your board measures up.
- **Design a plan** to identify and train future leaders. The stronger your leader, the more critical it is to have a succession plan in place. Leaders who balk at such a plan are clearly swamped in the past and need to be balanced by a powerful board or other team of experts. In his groundbreaking research on nonprofit leadership, David Mason finds that effective nonprofits develop strong checks and balances on the leader's power and blind spots. (See "How to Live with a Charismatic Leader" on page 26, the second in Mason's four articles reporting on this research.) As he notes, it's essential to have someone in authority who's future-oriented, alert to potentially harmful trends set by the leader, and ready to shout, "Don't drink the Kool-Aid!"
- **Use part of your organization's past as a pivot** to shape a strategic plan. Such a plan is imperative if you are to be a harbinger of the future rather than an anachronism of the past. For steps to sculpting a strategy for your organization's future, see "If You're Not Growing, You're Dying" on page 20.

Unlearning is difficult because we have so much invested in the past. The more successful your organization has been, the flatter is its "forgetting curve"—the rate at which it unlearns what it thinks it knows. Thus, the more vital it is to defy assumptions, question conventions, get rid of excess baggage, and challenge the protectors of the past. ■

Jill Muehrcke
Editor, *Nonprofit World*

www.ababooks.org

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



ABA #1 Best Seller

Nonprofit Governance Library

Just Published

2002 7 x 10 Paperback Product Code: 5070392P
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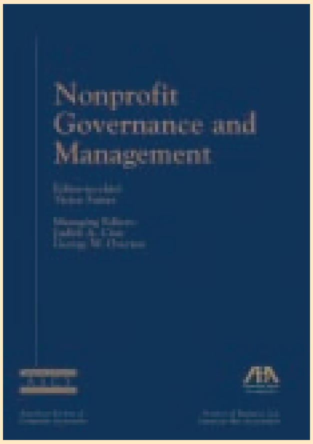
This *Library*, including three publications, *Guidebook for the Directors of Nonprofit Corporations, Second Edition*; *Nonprofit Governance and Management*; *Nonprofit Resources: A Companion to Nonprofit Governance*, offers legal guidance on directors' duties, rights, risks and obligations; practical how-to-commentary; sample forms and letters; handy checklists; and pointers for both nonprofit directors and staff. Also, the third title in this *Library* is a reference listing books, handbooks, professional journals, government publications, foundation reports, case and statutory citations, and Internet sites related to nonprofit governance. **The Three publication titles within the *Library* are described as:**

1) Guidebook for Directors of Nonprofit Corporations, Second Edition

By the Committee on Nonprofit Corporations, ABA Section of Business Law
2002 280 pages 7 x 10 Paperback

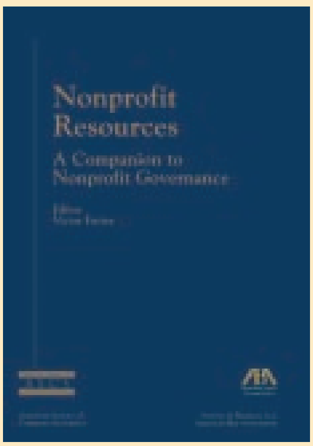
A new edition of the ABA's most popular title, this accessible guidebook is designed for directors and prospective directors of all types of nonprofit corporations. The Guidebook, written in plain-English commentary, addresses general legal principles and corporate governance issues to provide nonprofit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



2) Nonprofit Governance and Management

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

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



3) Nonprofit Resources: A Companion to Nonprofit Governance

Edited by Victor Futter
2002 80 pages 7 x 10 Paperback

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LETTERS *to the editor*

A Profound Question for Boards

The question raised in Carol Weisman's "How Much Should Each Board Member Give?" (Vol. 21, No. 4) is an important one. Many boards struggle with it. One solution is to ask board members to give in proportion to the institution's budget. I once read that for capital campaigns, as opposed to maintenance budgets, the board as a whole should personally raise 15%, with the chair contributing the largest share and soliciting the other board members' donations.

As Carol Weisman noted, personally contributing includes raising funds from sources not normally reached by the nonprofit, such as a board member's business associates or, for smaller nonprofits, conducting a street event, while the rest of the nonprofit does development separately. Personally raising money doesn't include Rolodexing, whereby a board member suggests prospects for the president to contact, nor attending a staff-run table, but includes fundraising for which the member takes nearly total responsibility.

Such an approach allows capable, low-income people to be on the board. Not exempting any board member from giving stops the disrespect often directed to nongivers. It also prevents the phenomenon of wealthier members feeling too important to stoop to giving checks, while those with less means discharge their duties fully.

There also should be room for experienced board members to stay when a budget grows rapidly beyond a member's ability to continue contributing proportionately. For example, success in getting a major grant could strain a 15% expectation, causing members to object to future fundraising because, deep down, they fear losing their own relative status and influence.

If rapid growth is leveraged into rapid board turnover, the loss of institutional memory could be discombobulating. It's good to get rid of dead weight and useless habit, but it may be unwise to dismiss members who were valuable relative to last year's budget but who haven't kept pace.

Often the proposed solution is to retain nongiving members because of the ostensible value of their other service. The real reason is often that they're allies and friends, and no one wants to hurt their feelings. That's actually valid, but nonperformers should be limited to one per board. In boards larger than about three members, one being lazy is usually harmless and inevitable. But in most boards, even medium-sized ones, two laggards become a negative role model, a simmering crisis. Therefore, the better solution is to craft means for late performers to raise proportionate amounts without their writing checks.

Growth has to be managed without losing positive core values. Because people join a board as supporters, monetizing that support is reasonable. Equalizing expectations opens lines of respect, which in turn makes every member's ideas more valuable.

Nick Levinson
New York, N.Y.

Volunteer Gets No Respect

As an avid reader of *Nonprofit World*, and a fervid volunteer, I have just two words to say about the article, "What's Wrong with Thank You? Plenty" (Vol. 22, No. 2): Right on!

I am tired of volunteering in organizations that are in chaos, being run by inept paid staff. I've moved between a dozen organizations, trying to find one that's run professionally and that appreciates the human resources at its disposal. There's nothing worse than being taken advantage of by staff to cover their own laziness and incompetence.

True, a lot of volunteers are pretty useless (just like a lot of paid staff), but many come from skilled, professional backgrounds and want to complement the paid staff, not do what the paid staff should be doing instead of making personal phone calls and chatting in the coffee room.

Is it too much for us to expect to be treated with respect? When I talk to my friends about my latest volunteer job, I want to be speaking with pride rather than rolling my eyes.

I am definitely a disillusioned volunteer, looking for a sense of community and the joy that comes from doing an important job well. I just hope that the next organization that takes me on as a volunteer has read and internalized your article! ■

–Name withheld by request

PLEASE GET IN TOUCH

We would love to hear your response to anything in *Nonprofit World*.

Drop us a note at:

Letters to the Editor, *Nonprofit World,* P.O. Box 45346, Madison, Wisconsin 53744-5346

E-mail to: muehrcke@core.com

Please include your name, address, and phone number. If you'd like your comments to appear anonymously, please let us know.

Is Planned Giving Right for You?

Should a small nonprofit organization get involved in planned giving?

Q: What exactly is planned giving? Is it appropriate and worthwhile for small nonprofits? How would a small nonprofit get started in planned giving?

Joan L. Fosnight, Operations Manager
Endometriosis Association, Milwaukee, Wisconsin

A: Planned giving is a form of fundraising in which donors receive tax and financial advantages in exchange for their contributions, while benefitting the charity as well. It includes such types of gifts as life insurance, real estate, pooled income funds, gift annuities, charitable remainder trusts, charitable lead trusts, bequests, and the simplest form of "planned gift"—the outright major gift.

While small nonprofits often shy away from planned giving, thinking it is only appropriate for large organizations, that is not true. Planned giving can be very worthwhile for small nonprofits.

There are many benefits to a planned-giving program. Organizations usually receive much larger gifts when they have such a program. A planned-giving program also builds a base of loyal donors. But such a program does require incorporating a sophisticated, estate-planning approach to gift solicitations.

For specific steps to take, see the articles in the "Fundraising" category on the Society's Web site or on its *Nonprofit World CD-ROMs* (visit www.snpo.org or call 734-451-3582), especially articles by Debra Ashton. As detailed there, a small nonprofit can have the solid beginnings of a planned-giving program within 60 days by following three simple steps:

Organizations usually receive much larger gifts when they have a planned-giving program.

1. Retain legal counsel. You will need an attorney to handle the logistics and help you with details of planned giving.

2. Start a bequest society. Write to your donors, asking about their bequest intentions and letting them know that they can receive tax benefits while helping your organization through their bequests.

3. Include a planned-giving check-box on all your mailings. Have people contact your organization for information on five types of planned gifts: endowed funds, securities, life insurance, bequests, and converting real estate to new income. Consult with legal, tax, and brokerage experts for details on handling these types of planned gifts. ■

FIRST *alert*

New Rule Impacts Nonprofit Mailers

A new rule proposed by the U.S. Postal Service (USPS) may cause some nonprofit mail to be sent at expensive first-class rates instead of nonprofit, preferred rates. According to the rule, "personal information" will be permitted in solicitations sent at nonprofit rates only when solicitation is the exclusive purpose of the piece and the personal information is included solely to increase the solicitation's effectiveness. ("Personal information" is any information specific to the addressee.)

As the Alliance for Nonprofit Mailers notes, this rule would pose a big problem for nonprofits, since they almost always include mission-related information with their fundraising mail. Solicitation isn't the "exclusive purpose" of a mailpiece that also contains educational or mission-related material.

The Alliance has asked USPS officials to clarify exactly what they consider "personal information" to include. The answer to that question will make a great difference in how the new rule affects nonprofits' mailings. For more information, contact the Alliance of Nonprofit Mailers, 202-462-5132, www.nonprofitmailers.org, alliance@nonprofitmailers.org.

What's Your Duty in Directing Volunteers?

A recent ruling by the Utah Court of Appeals holds an important lesson for volunteer organizations. In this case (*Webb v. University of Utah*, No. 20020985-CA), the Court reversed a decision dismissing a negligence claim against the University of Utah by a student who fell on the ice while walking to the site of an off-campus field trip. The Court ruled that the university acted negligently when it directed the student to enter a dangerous area on the way to the site.

The Court distinguished this case from an earlier one in which the university was judged not liable when a student became intoxicated and fell from a cliff after a field trip. The crucial difference is that the recent fall occurred while the student was acting on the university's instructions, while the other student was acting on her own when she fell.

A nonprofit faces the same situation when it directs a volunteer to perform services. The organization has a duty to provide proper instruction and to take reasonable precautions to reduce risks to the volunteer. For more information, see www.nonprofitissues.com.

Consumer-Driven Health Plans on the Rise

As healthcare costs increase, consumer-driven health plans (CDHPs) are becoming more and more popular, recent surveys show. Two out of five participants in employer-sponsored health plans say they'd like to join consumer-driven health plans. CDHPs may involve flexible health spending accounts, network and benefit selection, or customized benefit combinations. For such health plans to succeed, employers and insurance companies need to become more responsive to people's demand for greater control over their own medical spending. For more information, see hr.cch.com.

New Rules on Overtime & Minimum Wage

Many more employees are eligible for overtime and minimum-wage rights under revised Department of Labor (DOL) rules. An employee is exempt from paying overtime and minimum wages to employees only if they earn less than $455 per week (up from $155 under the old rules) or if they are "executive, professional, or highly compensated" employees.

The "Fairpay" regulations are available on the DOL's Web site, http://www.dol.gov/fairpay. The DOL is expected to zealously enforce these revised rules.

Nonprofits Not Ready for Talent Crisis

Nonprofit organizations aren't prepared for the squeeze in skilled labor over the next decade, according to a recent survey by Softscape. Few nonprofits have a succession plan in place, and almost all could improve their succession initiatives.

Five million U.S. workers are expected to retire in the coming years. The majority of baby boomers will be eligible for retirement in 2012. Yet most nonprofits haven't taken action to identify and train replacements for key positions, including the executive director, when they retire, a gap that puts these organizations at risk. See hr.cch.com. Also see "Planning for Leadership Succession: Are You Ready?" (*Nonprofit World*, Vol. 22, No. 4, www.snpo.org).

Price Testing: Successful Fundraising Depends on It

Use these techniques to get more—and bigger—gifts from donors.

BY ERICA WAASDORP

What's the biggest difference between commercial direct marketers and fundraisers? There's no question. The answer is price.

In the fundraising world, donors decide their own price. As fundraisers, it's our job to build emotion into our appeals *and* give donors a reason to make the price higher than they might normally pay.

Perhaps the most effective tool to achieve this goal is the "ask amount"—the amount we propose that a person donates to our organization. This amount is typically based on the donor's first gift with ongoing efforts to upgrade the gift from there—generally by following a step-by-step approach of price testing and adjustments.

Setting the Right Ask Amounts in Direct Mail

For many organizations, though, it can be difficult to determine, from the first gift, the potential of the donor for future giving—that is, whether the donor is going to give again, how soon, and how much. It is an additional—and ongoing—challenge to identify which $5 donors might be willing and able to donate $25, $100, $250, or even more. Price testing with direct mail is ideally suited to meeting this challenge.

An initial test can take place in the acquisition appeal. The thank-you package or acknowledgment can then serve as the first opportunity to upgrade and ask for a specific, higher gift. Some organizations don't have a request for money in that letter, but it's often well worth it! At a minimum, the concept is worth testing.

A major rule in fundraising is: "If you don't ask, you're not going to get it." Similarly, if ask amounts (also called prompts) are set too low, average gift size will go down. If prompts are set too high, response rates will go down. Of course, having a high response rate and a high average gift is the ideal.

The key to addressing this challenge is to test ask amounts, and establish the relevant amount by type of donor and cause. Following are a few practical tips for doing just that.

- **Always test.** Each organization is different. What works for one may not work for another. Set your ask amounts based on tables driven by prior giving.

- **Always establish a control *ask amount string*.** For example, if the existing ask amount string uses a prompt for $15, $35, $50, $other, and the resulting average gift is $35, you can begin testing and evaluating test results using this string as your control.

- **Don't ask for too much.** For example, if you ask a donor who just gave $15 for $1,000, that donor may become upset and go away forever. An ask amount string that is slightly higher than the current gift, however, may work wonders. For example, if the current gift is $25, test an ask amount string of $35, $50, $75, $other, and see what happens.

- **Use laser-personalized packages where possible.** This makes it easy to test special ask amount tables that can be calculated based on previous gifts received.

- **Consider using incentives.** Such incentives as certificates or the donor's name on a plaque can go a long way toward gaining a gift of $100 or more. For lower levels, many organizations are successfully using a tote bag, T-shirt, or membership card to bring donors and members up the pyramid. Continuous evaluation is needed due to the expense of these incentives and the need to balance higher gifts with a potentially lower response rate. Again, testing is key.

Test, Test, Test

The amount of testing an organization does depends, in part, on its size. Smaller organizations, for instance, may need to go with what has been proven to

CREATIVE FUNDRAISING IDEAS

Mail Holiday Cards for Donors

Offer to mail cards to a donor's entire holiday mailing list in return for a donation to your organization. On the cards, tell recipients they're being honored by a gift to your organization. Market this program via direct mail to your current donors. Organizations that have used this strategy report earning thousands of dollars.

Turn Board Members into Buddies

Give each board member a list of "buddies"—donors and friends of the organization. Every four months, have them call their buddies, just to chat. Give board members recent news about the organization so they have some talking points should they decide to use them. Don't have them ask for money during these calls. You may well find, as did an organization in Seattle, that the people who were called make large gifts to the organization soon after the calls, even though they weren't asked to give.

Give Wish Lists to Your Board

Ask staff to create wish lists to be compiled in the organizational newsletter and distributed to your board. This keeps board members aware of items they can donate or secure from their personal or business contacts. For more ways to jump-start your fundraising, see www.drcharity.com.

Acquisition Ask Amount Test

	Number mailed	Number of responses	Response %	Average gift	Response rate index
Control $15, 25, 50, 75, Other	64,080	754	1.18%	$16.13	100
Test $10, 15, 25, 50, Other	64,080	854	1.33%	$13.97	113

work for other organizations. However, if the appropriate number of donors or members is available for a valid test (preferably a minimum of 5,000 names per cell to generate significant results), then price testing should be on the top of your list.

The rules are different for acquisition appeals. Many organizations conduct a campaign and are disappointed when response rates are low, even though average gifts may be high. It's important to realize, however, that the goal of acquisition efforts is to bring in new donors or members, so higher response rates are key—even if it means a trade-off with higher donation amounts. In fact, it's often wise in this situation to ask for a lower amount, and bring in more new donors or members who can be upgraded later.

A recent acquisition ask amount test yielded the results shown in the table above. Based on this test, it was decided that it was well worth bringing in new donors at a slightly lower level because of the future upgrade potential, as indicated by client reports showing that many donors migrated to higher levels over time.

Through further testing (especially in donor and renewal appeals), it's possible to see which donors can be worked up the giving pyramid, and by which offers. Continued testing is vital in helping to improve response, average gift, and the lifetime value of a donor or member. ■

Resources

Clark, Constance, "25 Steps to Better Direct Mail Fundraising," *Nonprofit World*, Vol. 7, No. 4.

Keller, Thomas, "The Dirty Dozen: 12 Questions Nonprofit Leaders Ask About Direct Mail," *Nonprofit World*, Vol. 19, No. 3.

Muehrcke, Jill, ed., *Are You Sitting on a Gold Mine? Fundraising Self-Assessment Guide.*

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

Erica Waasdorp is vice president, fundraising at DMW Worldwide (36 Cordage Park Circle, Suite 225, Plymouth, Massachusetts 02360, ewaasdorp@dmwdirect.com), where she works with large and smaller fundraising organizations in the art, health, social services, and animal welfare fields, and with public television stations.

THE SARBANES-OXLEY ACT AND NONPROFITS: **"But I Thought That Didn't Apply to Us"**

Do you have these crucial elements in place in your organization?

BY SHELDON WHITEHOUSE

Every nonprofit has board members who in their business lives are coping with the requirements of the Sarbanes-Oxley Act. We know it's out there. What does this law mean to you as a nonprofit board member?

Congress passed the Sarbanes-Oxley Act (technically named the American Competitiveness and Corporate Accountability Act of 2002) in the wake of corporate misdeeds that harmed shareholders, employees, and retirees. The Act has stepped onto the landscape of corporate law as a new colossus. The new law, and the regulations the Securities and Exchange Commission has adopted to enforce it, cast a long shadow: requiring publicly traded companies to follow significant new internal governance requirements; expanding whistleblower protection and document-retention requirements; and attacking conflicts of interest in corporate accounting.

Nonprofits aren't directly subject to the Sarbanes-Oxley Act, unless they violate its whistleblower and document-retention provisions. The bulk of Sarbanes-Oxley's requirements apply only to public companies (those with securities registered under Section 12 of the Exchange Act, or those required to file reports under Section 15(d) of the Exchange Act or SEC Registration Statements). At the state level, legislation has been proposed—but not passed—in New York, California, and Massachusetts to extend Sarbanes-Oxley-type protections in the nonprofit arena.

What's the Real Question?

The conclusion that nonprofits aren't generally subject to Sarbanes-Oxley requirements doesn't end the inquiry, however. Nonprofit boards are always subject to a fiduciary's "due diligence" and "prudent management" requirements, enforceable by regulatory action by state attorneys general, by private lawsuits, or by the Internal Revenue Service's oversight.

The proper question for nonprofit management isn't whether Sarbanes-Oxley legally applies to nonprofits but, rather, what elements of Sarbanes-Oxley it would be "prudent" to adopt, even though they may not be directly mandated.

What Governance Guidelines Pertain?

Bear in mind that Sarbanes-Oxley is just one example of a group of principles gaining expression through a global corporate governance movement. At home, related guidelines reside in the following:

- the Uniform Prudent Investor Act
- the New York Stock Exchange and NASDAQ Corporate Governance Rules
- the American Bar Association's Report of the Task Force on Corporate Responsibility
- Investor Protection Principles and Mutual Fund Protection Principles of California State Treasurer Phil Angelides
- U.S. Sentencing Guidelines and Department of Justice Prosecution Guidelines
- model policies from the Foundation for Fiduciary Studies
- numerous governance advisories from major accounting firms and other groups.

Abroad, these same principles find expression in such sources as:

The magic words are disclosure, disclosure, and disclosure.

- the Organization for Economic Corporation and Development's Guidelines and Principles for Pension Fund Governance
- the International Corporate Governance Network's "Principles."

Nonprofits with substantial charitable funds under their control would also be well advised to consider governance ideas from:

- the Uniform Management of Public and Employee Retirement Systems Act
- the U.S. Department of Labor's Advisory Council on Employee Welfare and Pension Benefit Plans.

What Should You Do?

Until the law in the area of nonprofit governance settles a bit further, there is no single and clear source of guidance. Nonprofits' differing purposes, sizes, and responsibilities mean no one set of rules will fit all, even once the law settles. Prudent nonprofit managers will review a variety of sources and adapt appropriate policies. But the larger message should be clear: There is a sea change in expectations for governance of all organizations, and nonprofits must decide what response to this sea change is prudent.

Sarbanes-Oxley is an obvious benchmark. Some Sarbanes-Oxley requirements fall into the "Why not?" category: Unless you can say specifically why you *shouldn't*, then you *should* follow them. These requirements include the following:

Ethics Statement: Every nonprofit should adopt an ethics statement. There are eight or ten key areas that can be extracted from the guidelines mentioned above, and you should address all the relevant ones for your organization. Create a written ethics policy, and update it as appropriate. Be sure all board members read and sign your statement when they join the board and regularly thereafter. It wouldn't hurt to have the signed statement also aver that the director has no criminal record or record of bankruptcy.

Conflict of Interest Policy: Every nonprofit should also adopt a thorough conflict of interest policy and disclosure procedure. This is critical. The "prudent manager" rule provides ample protection to board decisions—until it is shown that the board was operating under a conflict of interest. Then the rules change, and in effect it becomes the board's burden to show that the decision was both proper and not influenced by the conflict. Conflicts of interest also raise the hazard that the IRS can jump in and take away favorable tax status. Conflicts of interest should be identified and, unless reviewed and approved through appropriate reporting and recusal procedures, conflicts should be forbidden and sanctioned even-handedly and without exception. The magic words are disclosure, disclosure, and disclosure. Loans to directors or senior staff should be forbidden in this policy.

Audit Review: Many nonprofits are large enough to have annual outside audits, and they should establish audit committees that meet Sarbanes-Oxley's independence and expertise standards. Board members should not be part of the audit committee, and at least one member of the committee must be a financial expert. Nonprofits should also consider rotating their outside auditors every five years or so.

Certified Financials: Although the legal consequences of CEOs' and CFOs' certification of corporate financial statements don't translate to nonprofit executives, the executive directors of major nonprofits should nevertheless be expected to sign off to the board on the financial statements, and the board should understand, review, and approve the IRS Form 990 through appropriate committees. The board should assure that appropriate disclosures are required as a matter of policy.

Education: Boards should adopt education policies for board members. These policies should spell out board members' fiduciary and governance obligations and the financial expertise necessary to make prudent decisions for that particular nonprofit.

Whistleblowers: Nonprofit boards should establish a safe and appropriate way for whistleblowers to identify problems to management and to the nonprofit's counsel. Equally important, the whistleblower procedure that is established must be made known to staff. A policy of non-retaliation should be formally adopted and carefully followed, and again the staff must know of it. The larger the organization, the more important and valuable this policy will be.

Document Retention: Policies for the retention and destruction of documents should be adopted, and the policy should also protect the privacy of confidential information. Nonprofits may have access to personal financial or medical information or proprietary business information, and that information is held in trust as much as any fiduciary asset.

Board members are fiduciaries, profit or nonprofit.

Attorneys: Boards should request from the organization's lawyer a review of the attorney's reporting and disclosure obligations under the Rules of Professional Conduct, and an explanation of the new SEC reporting requirements for attorneys. The board should understand the former and adopt as much of the latter as it considers prudent and wise.

What Are the Critical Elements?

Prominent and even renowned nonprofits have in recent years been embarrassed by disclosures of mismanagement, misuse of funds, and governance failures. State attorneys general and Congress are ramping up oversight of charitable organizations. Sen. Charles Grassley (R-Iowa), Chair of the Finance Committee, warned in the *New York Times* recently that the committee's staff would be investigating concerns about charitable organizations "over a long period of time," and might even hold Congressional hearings targeting nonprofits. "In Congress," he said, "we need to do more oversight to make sure the checks and balances work and supervise the tax credits we're giving. We give tax deductions for charitable giving, so there's a public policy interest in how the money gets used."

As nonprofit board members, we dread, and we endeavour to prevent, but we must prepare for, the day when something goes wrong in the nonprofit we serve. The fact that Sarbanes-Oxley principles have become the legal benchmark for public corporations, particularly in the context of similar national and global governance standards, suggests that when that bleak day comes, relevant Sarbanes-Oxley principles will be a "prudence" benchmark for nonprofits. Particularly in those nonprofits holding funds or properties in trust for others, the standards must be high. Board members are fiduciaries, profit or nonprofit.

The fundamental common-law duty of a fiduciary was famously described by Justice Cardozo as "not honesty alone, but the punctilio of an honor the most sensitive." Fiduciaries are legally held by courts to a "duty of undivided loyalty." The fiduciary prudence standard has been codified by ERISA as the "care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims."

In practice, the fiduciary standard of care has never been defined with great exactitude, and applying the standard to specific facts leaves considerable room for uncertainty, disagreement, and litigation. However, the law emphasizes the *process* by which fiduciary decisions are made, rather than the eventual outcome. The process elements of Sarbanes-Oxley will reinforce this emphasis. For instance, if a mistake might have been prevented by an independent audit committee, and your nonprofit didn't have an audit committee, then the prudence question becomes the process failure of not having that mechanism in place, rather than the board's judgments about the mistaken decision.

The critical elements of any procedure that fiduciaries follow are that it be done prudently, that it be done with due diligence, and that it avoid conflict of interest. As the Foundation to Fiduciary Studies has said about investment fiduciaries, "Fiduciary liability is not determined by investment performance, but rather on whether prudent investment practices were followed. It's not whether you win or lose, it's how you play the game." Sarbanes-Oxley now benchmarks how prudent fiduciaries must play the game. ■

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The Need for Anti-Bias Policies: New Developments

New rules highlight ways you can avoid lawsuits.

BY SZE MIN QUAK AND BRIAN H. KLEINER

The U.S. Supreme Court recently issued new rulings which affect employer liability for discrimination and harassment. These rulings point to the need for employers to have clear anti-discrimination and anti-harassment policies—and training to ensure these policies are understood and obeyed.

New Rules against Sexual Harassment

The U.S. Supreme Court's new guidelines on harassment are much more specific than previous rules and give victims a greater chance to receive justice. These rules assert the following:

• **Workers can sue** for unwelcome sexual threats by a superior, even if those threats aren't carried out.

• **Employers can defend themselves** by having an anti-harassment policy and a grievance procedure in place.

• **To not be held liable, employers must demonstrate** that they exercised reasonable and prompt care to prevent or correct harassing behavior and that the harassed worker unreasonably failed to take advantage of preventive or corrective opportunities provided by the employer.

The Equal Employment Opportunity Commission (EEOC) has also set forth new standards of liability in workplace harassment. EEOC guidelines aren't laws but are often used by courts in ruling on workplace issues. The new EEOC guidelines state:

• **An employer can be forced to pay damages** to a worker harassed by a supervisor even if the organization didn't know of the harassment and the victim failed to complain.

• **Organizations should have a written policy declaring that no form of harassment** (or retaliation against anyone complaining about harassment) will be tolerated. The policy should specify the types of prohibited conduct.

• **Organizations should have a complaint procedure** that is strictly confidential and lets workers lodge complaints through several avenues.

Laws against Discrimination

Federal and state statutes make clear that employers can't discriminate due to a protected characteristic (race, religion, national origin, gender, age, or disability). An employer's motive is key in these cases. To prove a forbidden motive, courts apply this framework:

• **Workers must present a case** that they were wrongfully treated due to a protected characteristic.

• **The employer must explain** why they treated the worker as they did.

• **The worker must show** why the employer's explanations aren't credible.

Safeguards to Prevent Discrimination & Harassment Suits

• **Investigate and screen** potential workers thoroughly. When you call people for references, ask for examples of how the applicant interacts with peers.

• **Check into** any harassment or discrimination complaint immediately.

• **Post notices** mentioning anti-discrimination and anti-harassment laws.

• **Keep written documentation** of all complaints.

• Make it clear that anyone who spots a fellow worker being harassed and fails to report it will be disciplined. Note that forbidden behaviors include racial slurs, unwholesome gestures or drawings, unwelcome jokes, teasing, or touching.

• **Promptly discipline** anyone found guilty of harassment or discrimination.

• **Be sure you have** a written discrimination and harassment policy, procedures for employees to complain, definitions of forbidden behavior, and identification of personnel authorized to receive and investigate complaints. Once a complete handbook is designed and checked by your attorney, distribute it to all employees and ask them to sign a paper saying that they have received it. Follow up with training to be sure they understand the rules. Update your handbook frequently.

- **Recognize the need** for promptness, thoroughness, documentation, confidentiality, and employee evaluations to provide for clarity and open communication.
- **Approach every case** with this consideration in mind: Would a jury likely find that your response to this complaint was reasonable? If the answer is no, a more complete harassment and discrimination policy is warranted.

New rules are much more specific than previous ones.

Having an anti-bias policy in place is one of the best ways to protect your organization from employee lawsuits. Simple planning can do a great deal to improve the chances for a calm, safe, fair work environment. ■

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FOUR KEYS
to a Professional Mentoring Program

The difference between success and failure is in these keys.

BY REGINALD V. DUNCAN

Why do some mentoring programs show remarkable results while others fail? The problem is that many organizations jump into such programs without laying the proper framework. Be sure you don't skip any of these key steps to a successful mentoring program:

1. Gauge People's Interest.

First, survey your stakeholders to see how many people are interested in participating. Your survey should include the following types of questions:

- **What is your area** of interest?
- **How much time** are you willing to devote to the program?
- **What methods of contact** do you prefer?
- **Are you interested** in becoming a mentor, a mentee, or a mentoring coordinator?

Your survey results will show whether it makes sense to start a mentoring program. If there isn't enough interest, it is futile to develop a program. Also, be sure that the ratio of mentors to mentees is adequate. If there are too many mentees, mentors will feel overwhelmed, and mentees will feel their needs aren't being met. In such a case, the program has little chance of succeeding.

2. Define People's Roles.

Once you have tabulated your survey results and decided to go forth with the mentoring program, make sure everyone understands the following roles and the benefits each will receive:

THE MENTORING COORDINATOR

Mentoring coordinators are the organizational leaders who take responsibility for running the program. They monitor the program and gauge its effectiveness—what works, what doesn't work, and what should be amended.

Your Duties as a Mentoring Coordinator:

- **Pair mentors and mentees**, matching their geographic area, level of experience, and areas of interest.
- **Track the relationship** between mentors and mentees.
- **Promote** the mentoring program.
- **Act as a contact person** for questions and concerns.
- **Create and facilitate** training sessions.
- **Develop and allocate** printed resources.
- **Keep mentors and mentees abreast** of functions and deadlines.
- **Record feedback** from program participants in order to make improvements to the program.

Benefits of Being a Mentoring Coordinator:

- **Acquire** important human-resource skills.
- **Gain** organizational development skills.
- **Obtain** experience in administrative duties that will foster professional growth.
- **Enhance** decision-making capabilities.

THE MENTOR

A mentor is an experienced professional who voluntarily acts as a friend, advisor, and coach to a less experienced person. A mentor should provide professional advice and not stray from the scope of interest.

Your Duties as a Mentor:

- **Initiate contact** with your mentee (especially at the beginning of the relationship).
- **Identify** your mentee's expectations of the relationship.
- **Share** your experience, knowledge, skills, and ideas with your mentee.
- **Set aside time** to meet with your mentee.

If there isn't enough interest, it is futile to develop a mentoring program.

- **Be available and willing** to answer questions and address concerns.
- **Put reasonable limits** on your time and the number of contacts.
- **Be an advisor,** providing direction and support to your mentee.

Your Skills as a Mentor:

- **You are a professional** with integrity.
- **You have knowledge** and experience you can use to develop another person.
- **You understand** what it means to be a newer professional and to want assistance.
- **You are trustworthy** and a loyal confidant.
- **You listen** and communicate (verbally and non-verbally) effectively with others.
- **You have pride** in your accomplishments and in your profession.
- **You recognize** and encourage potential in others.
- **You are able** to motivate people and build their confidence.
- **You support** and interact with your colleagues.
- **You model** successful behavior.
- **You are empathetic,** able to put yourself in the place of others.
- **You are patient** and tolerant.

Benefits of Being a Mentor:

- **You will establish** professional contacts.
- **You may gain** organizational or professional respect for recognizing and developing the skills of a newer professional.
- **You will find** satisfaction in helping another person grow and learn.
- **You will hone** your teaching and communication skills.
- **You will foster** the development of future leaders.
- **You will increase** your influence and power.

THE MENTEE

Mentees are students or new professionals who seek the counsel of more experienced professionals to help in their personal and professional development. A mentee can also share best practices with a mentor when the opportunity arises.

Your Duties as a Mentee:

- **Let your mentor know** your goals and expectations of the relationship.
- **Keep in regular contact** with your mentor, but don't abuse the resource.
- **Be open and honest** when sharing information.
- **Listen** to your mentor's advice, but remember that the decisions you make using that information are your responsibility.
- **Keep your mentor up to date** on your activities (but don't provide details that aren't relevant to your mentoring relationship and goals).

Your Skills as a Mentee:

- **You are** a good listener.
- **You're able** to make good use of information provided.
- **You express** ideas, concerns, feelings, frustrations, and needs effectively.
- **You have a realistic expectaion** of your mentoring relationship.
- **You are capable** of self-examination.
- **You understand** that the mentoring relationship has no strings (there is no guarantee of employment or any other outcome).

Benefits of Being a Mentee:

- **You will receive** valuable guidance in your professional life.
- **You will benefit** from the knowledge of a more experienced professional.
- **You will gain** networking opportunities.
- **You'll have someone** to turn to with questions and concerns.

3. Customize Your Resources.

Printed resources are a crucial part of a mentoring program. Use your survey results to customize your resource tools to participants' needs. Here are some of the tools you should include:

- **Mentoring Application Form.** Use this form to gain information about mentors in order to pair them with mentees.
- **Mentee Registration Form.** Mentees should fill out this form for the pairing process.
- **Mentee Recruitment Letter.** The mentoring coordinator can use this letter to locate people interested in being mentored.
- **Mentor Recruitment Letter.** This letter can be used to locate people who are interested in sharing their knowledge with a mentee.
- **Information Sheet for Mentors and Mentees.** This fact sheet should provide a vision of what constitutes a mentor and a mentee. In addition to defining their roles, be sure to include information on the benefits each will receive, the skills needed, and the duties each will perform.

The more feedback you ask for, the better your results will be.

- **Letters of Regret.** You need a letter informing potential mentees that there are no mentors available to provide the type of development they need. You also need a letter explaining to potential mentors that there is no one interested in being a mentee at this time.
- **Pairing Letters.** These letters tell mentors and mentees the name of the person with whom they will be paired, along with relevant information about that person.
- **Participant Agreement.** All participants in the mentoring program should sign this agreement, spelling out their responsibilities.
- **Participant Information.** This sheet should give information about the background and interests of all parties involved in the mentoring program
- **Tracking Form.** This document provides contact information on mentors and mentees. This data will be needed for feedback and correspondence.
- **Evaluation Forms.** All participants in the mentoring program should fill out evaluation forms. The results will help the coordinator gauge the success of the program and make adjustments if necessary.
- **Exit Interview Forms.** The coordinator should conduct exit interviews with mentees and mentors at the end of their mentoring experience, using these forms to record the results. Exit interviews give participants a good chance to provide feedback about their experience and give suggestions.

4. Review the Program.

Every six months, review the mentoring program. There are several ways to perform this review:

- **Send survey forms** to participants. Ask what is working, what isn't working, and what has room for improvement.
- **Conduct** focus groups.
- **Interview** participants by phone.
- **Develop case studies** by interviewing participants in person. Ask them to elaborate on their experiences and what they have learned.

These reviews are vital for several reasons. They help the coordinator make needed changes in the program. They may also provide useful information for other groups to start their own programs. Mentoring research is sadly lacking, and your reviews, especially your case studies, can form the basis for articles you may get published, which can advance the whole field of mentoring. Some suggested topics are:

- **solutions on handling** difficult relationships during a mentoring process
- **suggestions for building** a new membership orientation program
- **pitfalls of designing** a mentoring program
- **problems of mentoring** a diverse group.

The more feedback you ask for, the better your research results will be. The more information you gather, the more you can streamline your program to fit your participants' need. Such an approach is the best guarantee of success. ■

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If You're Not Growing, YOU'RE DYING

Here are steps to breakthrough growth for your organization.

BY PAUL LEMBERG

An organization never stays still. If it's not developing, it's deteriorating. That's why you need a plan to grow your organization. To create a platform for growth, follow these steps.

Check the 10 Success Factors.

First, consider these 10 critical success factors:

1. **Money factors.** Develop many sources of income to assure cash flow and revenue growth.
2. **New supporters.** Constantly acquire more supporters to secure your future.
3. **Customer satisfaction.** Keep people happy by fulfilling their needs and desires.
4. **Quality.** Be sure your programs and services are first-rate.
5. **Program development.** Continue to create programs to keep your old supporters and attract new ones.
6. **Intellectual capital.** Keep increasing what you know works.
7. **Productivity.** Be efficient and effective.
8. **Strategic relationships.** Build connections with supporters.
9. **Employees.** Attract and retain the very best people.
10. **Sustainability.** Keep it all going.

Ask Three Questions.

For each of the 10 factors, ask these three broad questions:

1. What can you learn from last year's experience with this factor?

- What did you do right? What worked? How can you do more of those "right" things? How can you make them even better? How can you apply what you learned in this area to some other?
- What is missing? What could you add to improve your effectiveness? (Effectiveness can be stated as the ratio of output to input. Efficiency, on the other hand, is how many input actions you take per unit of time. For instance, you can increase the number of fundraising calls you make per hour—that is an increased efficiency. You can increase the volume of funds raised for the same number of calls—that is increased effectiveness.) Random examples of things that might be missing include consistency in marketing, new programs, more fundraisers, a source of new leads, an employee development plan.

2. What are your goals related to this factor?

- Setting new goals can, all by itself, transform your organization.
- Goals work best when they are objective and quantifiable.
- Your goals should be bold and dynamic—big enough to inspire you and everyone around you. Some examples of bold goals:
  - Dominate your market niche.
  - Double the amount of money raised.
  - Solve customer problems in half the current time.
  - Develop a career path for each employee.
  - Have enough cash to cover any emergency.
- You must believe your goals are achievable–no matter how difficult or impossible they might seem.

3. How will you meet these goals?

Choose someone to be responsible for each goal. If no single person is accountable—guess what—it won't happen. Whoever accepts accountability for a goal should answer the following questions:

- What tactics have a good chance of meeting the goal? If you've set bold objectives, you probably don't yet know how to reach them. That's what makes them bold. For now,

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you'll need to make up some answers and live with the uncertainty. And while there are no guarantees of success, each target should have a path to get you there. That path will define one or more initiatives and milestones you can put on a timeline.

- What changes will you make relative to this factor? Some examples are adding a new assistant or new reporting lines, eliminating paper memos, or having a monthly quota. Each structural and procedural change will spawn its own initiatives, which you will also put on a timeline.
- Does this initiative require new people? Do you need new job descriptions? Do you need more managers? If you have to add people, feed the financial considerations back into your budget.

Taken together, all the factors, goals, accountable parties, initiatives, structural changes, timelines, measures, and milestones add up to a strategic plan for the year. That plan is guaranteed to help your organization grow.

Since all the success factors are intertwined, you need to consider every one. Gain more supporters, but neglect service—what will happen to customer satisfaction? It will probably go down, which will affect your reputation. Ultimately, support will decrease. Improve product quality but neglect employee retention? What will happen to quality next year? Likely it will go down. And then what will happen to your supporters? As you can see, each factor's improvement contributes to your organization's survivability and prosperity.

Create a breakthrough in planning—one which commits you to some level of advancement for every one of the critical factors. Having a strategic plan—one which considers all the critical success factors—is a sure way to improve the odds in your favor. ■

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

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4 Turn one of your ideas into an article for *Nonprofit World.*

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Surveys Provide Crucial Feedback

Before you make a change in your organization, find out what people think.

BY JESSICA TETRAULT

When you want to be sure you're doing the right thing for your organization, it never hurts to ask the people who matter most: your members, customers, or clients.

For the Montgomery County Association of Realtors (MCAR), getting feedback from members before embarking on a strategic plan was successful in more ways than one. The survey helped MCAR tailor its plan to suit members' needs. But it also made members feel good to know their thoughts mattered to the organization's leaders, says Gail Fusco, executive vice president.

"Our members were pleased we came to them," she says. "It strengthened their bond with us."

Fine-tune Your Ideas for Change

The Montgomery County Association of Realtors, an organization of 2,300 real estate professionals in Pennsylvania's Montgomery County, wanted to find out if it was on the right track before going full-speed ahead with the implementation of a strategic plan. So the association hired the Communication Solutions Group of Jenkintown, Pennsylvania, to survey both agents and brokers about the association's educational programs, benefits, communications, and social events.

The results helped the association fine-tune its ideas for change.

For example, the survey showed that a majority of members wanted to see a workshop on etiquette and professional conduct. Now, the association is including such a course in its professional development series.

It never hurts to ask the people who matter most.

The survey also asked members about MCAR's monthly publication, the *Communicator*. The newsletter had been discontinued as MCAR decided what direction to take. Through the survey, MCAR learned that its members found the publication useful. Thus, MCAR decided to bring the *Communicator* back to life. To do that, MCAR hired a staff specialist to oversee the publication, as well as to improve the association's other promotional materials.

The survey results also told MCAR that its members didn't find some events, such as holiday parties and showcases, to be beneficial. That led MCAR to discontinue them.

Know What You Want to Learn

Before hiring a company to conduct a survey, ask yourself these questions:

1 What information do you hope to gain?

Answer that question now, before the survey is conducted, so that you'll be sure to get all your questions answered. Surveys can gauge people's thoughts on everything from educational programs to dues and social events.

2 What's the best survey format to use?

Depending on people's availability and willingness to participate, choose one of the following three survey types (or use a combination):

Written surveys can provide some general insights, but recipients tend to take them less seriously than other types of surveys and may discard or ignore them.

Phone surveys alleviate some of the problems of written surveys, since a specific time is scheduled with the recipient to conduct the survey. Phone surveys also have the advantage of letting the interviewer hear people's voices. The tone of someone's voice may prompt the interviewer to ask more questions and gather more information.

Focus groups of 8 to 12 people are another option. Led by a facilitator with a knowledge of group dynamics, focus groups can foster an open exchange of ideas and provide intensive qualitative feedback.

3 Whom do you want to survey?

Pick a wide variety of people, not just the ones you believe will give you a

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A survey can strengthen people's bonds to your organization.

good review. Having a varied audience means your survey will be more authentic.

4 How will you maximize use of the data?

It's important to know how you will use the survey before getting started. In MCAR's case, the survey results became the foundation for change. The results elicited even more comments and feedback from members when they were published in the first edition of the new, improved *Communicator*. "We invited others to forward their comments through e-mail so we could engage more of the membership," Fusco says.

Don't Second-Guess

Surveys can be particularly useful when you are considering a change in direction or services, says Leza Raffel, president of Communication Solutions. By seeking people's opinions, you can find out what programs and services they will back before you sink lots of money into the endeavors.

"It's helpful to have survey information beforehand so you're not second-guessing what people want and need," Raffel says. "Survey results can give you the comfort of knowing you have people behind you."

Even if you think you have an idea of people's likes and dislikes, it never hurts to have a survey done to find out for sure, says Raffel. "Sometimes, you're right with your gut sense," she says. "But it helps to have the data behind you."

Fusco agrees. "As a whole, the results didn't come as a huge surprise to me," she says. "The value was in validation. We felt comfortable we were going in the right direction." ■

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

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Are You Making It Hard to VOLUNTEER?

You may be turning people off without realizing it. Two surveys provide insights into how to attract – rather than repel – volunteers.

BY PAUL L. GOVEKAR

People don't volunteer in isolation. Volunteering with an organization is part of a larger social network. This means there is an organizational component to volunteering. How easy, or difficult, does your organization make it for a person to volunteer?

Two recent studies, one in marketing and one in management, shine a light on this issue. Both studies use the concept of "facilitation" to explore the interaction between volunteers and the nonprofit organization. The studies define facilitation as helping people become volunteers and assimilating them into the organization by providing information and social or emotional support.

A facilitator, then, is a person who serves a boundary-spanning role between the organization and a potential or new volunteer. A facilitator provides the volunteer with information and social support, reducing ambiguity and enhancing assimilation into the organization. Nonprofits that facilitate volunteer involvement not only make it easy to volunteer but also give volunteers the support needed to remain an active part of the organization.

What Does the Research Show?

The studies surveyed over 1,000 volunteers in Indiana and Ohio. The following statements were scored on a nine-point scale with "very strong agreement" at one extreme and "very strong disagreement" at the other.

Statement 1: I know at least one person who is familiar with a volunteer organization and has provided me with information about becoming a volunteer.

Statement 2: I have a friend or family member who is a volunteer or part of a volunteer organization.

Statement 3: There is someone available to provide me with information and support should I decide to become a volunteer.

Statement 4: I know someone who would volunteer with me if I choose to become a volunteer so we could support each other.

Statement 5: Having someone to provide me with information and support would make a difference in my decision to volunteer.

The first study looked at the importance placed on these statements by volunteers compared to non-volunteers. It found that people who volunteer experience higher levels of facilitation than those who do not.

Do you use your volunteers' talents to recruit others?

The second study compared volunteers to donors. It revealed that while facilitation was important to volunteers, a similar set of statements was not important to individuals who donate money, rather than time, to nonprofit organizations.

What Are the Implications for Your Organization?

Using the statements in the survey, ask yourself the following questions to see how well your organization facilitates volunteers.

Statement 1 concerns how ready your organization is to accept volunteers. Rate your organization with the following questions:

- **Does your staff understand** your volunteer program? Can they explain the program to a stranger?
- **Do staff members know what volunteer vacancies** are available? Do they know the requirements of these positions?
- **Do staff members know how to set up an interview** for a potential volunteer?
- **Is there someone available at all times** who can explain your volunteer program in detail to anyone who makes contact?

Statement 2 reminds us that an individual often decides to volunteer after interacting with a current volunteer. Here are questions to ask yourself:

• **Does your organization use your volunteers' talents** to recruit others?

• **How many family combinations** (such as brother/sister, sister/sister, brother/brother, husband/wife, and uncle/nephew) do you have among your volunteers?

• **If your current volunteers aren't asking** their relatives and friends to volunteer with them, why not?

Statements 3 and 5 highlight the importance of having someone available to support volunteers and potential volunteers. Ask these questions to see how well your organization fulfills that need:

• **Does your organization** have a volunteer coordinator? If so, is this position an extra duty of an already overburdened employee, or is this person dedicated solely to your volunteer program? Your organization may not need a full-time volunteer coordinator, but exploring this question will help you by either confirming or refuting the necessity for this position.

• **Whoever acts** in the volunteer coordinator capacity, does this individual have the information necessary to explain your program in detail to a potential recruit? Then, if someone does decide to volunteer, what type of support can you offer?

• **Do you have training specially designed** for volunteers?

• **Do you provide a mentor** for new volunteers?

• **Does your full-time staff welcome** volunteers?

Statement 4 makes it clear that people are more likely to volunteer along with someone they know. Use these questions to see whether your organization builds on this important fact:

• **Do you have a "buddy volunteer" option** to your program?

Do you have training specially designed for volunteers?

• **If two people volunteer together,** do you make sure that, if appropriate, their duties and volunteer times are complementary?

• **When you do your scheduling,** do you ask whether some volunteers would like to work with each other, and why?

Use these questions as a starting point to ease the transition from potential volunteer to dedicated volunteer. As these new studies confirm, you will improve your volunteer program if you make that journey as smooth and painless as possible. ■

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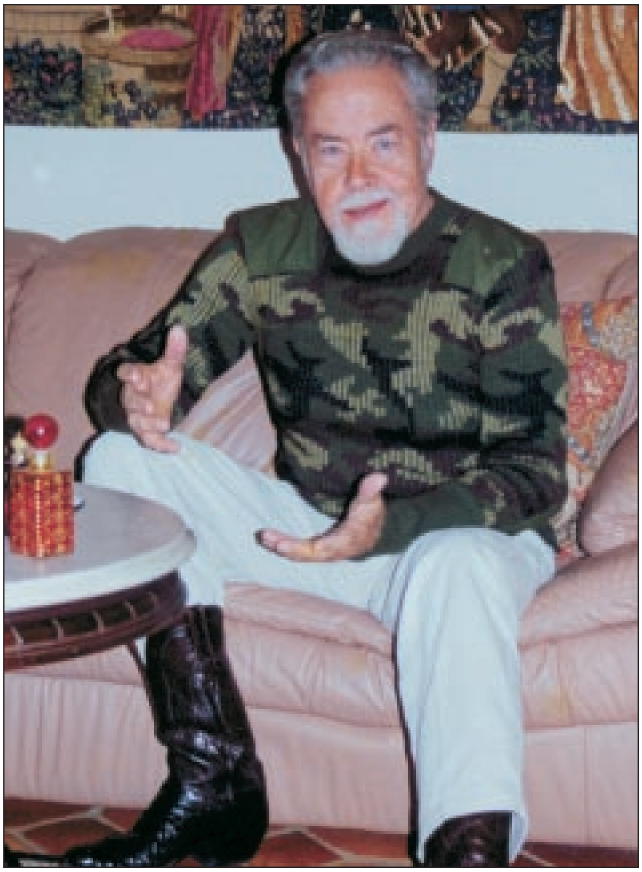
SECOND IN A SERIES

How to Live with a Charismatic Leader

It's vital to understand and compensate for the pitfalls of charismatic leadership.

BY DAVID E. MASON



DAVID E. MASON

Charismatic leaders hold such a salient position in nonprofit organizations, and so many charismatic leaders are cursed with negative attributes, that organizations need to be aware of these faults and know how to combat them. We can divide the weaknesses of charismatics into two types:

Type 1: Complementary Weaknesses

The first type of weakness requires a complement—someone in the organization who can balance the negative trait with its positive counterpart. Without such a complement, these defects may become intolerable. Be on the lookout for the following shortcomings, which are typical of charismatic personalities:

Substitution of excitement for substance. Leaders may spend much of their time inspiring those within the organization and advocating the cause to the public. Such an emphasis, while effective, may result in ignoring important tasks. However, to paraphrase George Bernard Shaw, all progress is the result of the efforts of unreasonable people. Thus, some "unreasonableness," some task neglect, may be necessary for the organization to advance.

Idealized visions that fly away from reality. Charismatic leaders often have a heightened sense of destiny. The more idealistic they are, the more they're likely to lose touch with the real world of what their followers are struggling to accomplish. The greater their commitment to their vision, the less they may see the viability of other approaches. Charismatics are more likely than other leaders to pursue failing goals.

Unawareness of fundamentals. Charismatic leaders often wear intellectual blinders. They attain their objectives without learning the routine skills and disciplines of managerial leadership. Charismatics may lead organizations to great heights, only to see their success jeopardized by their neglect of the orderly approach.

Disregard of people's needs. The world of charismatic leaders is often one of the ecstasy of ideas and adulation of disciples. They single-mindedly pursue their dreams, often living ascetic lifestyles. They can forget that others haven't reached their level of dedication. Thus, they may overlook people's everyday needs. If employees feel their needs are being dismissed, they may become frustrated and disillusioned.

Erratic, impetuous, and overstimulated behavior. Many charismatics live in a field of dreams. Their minds are bombarded with visions of creative change, opportunities, and hopes. Employees can't put these ideas into practice fast enough to keep pace. Charismatics can stir up more to do in a week than can be done in a year, and next week they may bring in another load. It's often the subordinates' job to sort through this wealth of opportunity, and prioritize, selecting what is possible for optimum implementation.

Rejection of supporting systems. Some charismatic leaders take their organizations' systems and structures for granted. They act impulsively. Their hiring choices are based on personal impressions rather than the candidates' competence. There is no systematic development of staff. Input from the managerial tier is neither sought nor heeded. Indeed, employees are reluctant to disagree with one whose approval is so vital, and in this way, valuable ideas are stifled.

Denial of personal limitations. Human beings developed organizations because groups can accomplish some things better than individuals working alone. Charismatic leaders tend to forget this fact. They have the same hours in each day as their colleagues. They can talk to a finite number of people, occupy just one space at a time, keep up their interest only so long, and remember just so many facts. They are subject to fatigue and burnout. If the charismatic is the only hub of the wheel, the limitations of a single human being constrain an organization's capacity to function beyond those limits.

Arrogance. Arrogant people are so convinced they're right that they don't see alternatives. They begin to feel infallible. Charisma, with its sense of preeminence, authority, and power, creates arrogance and a great need for visibility. The most charismatic American military leader in memory was Douglas MacArthur. In the end, his charisma made him so arrogant that he brushed aside orders from President Truman, disregarded warnings of a counterattack in Korea, and blundered into disastrous—and totally unnecessary—defeat.

Alienation of valuable participants. Charismatics' magnetism attracts people. Their strong personalities are hard to ignore. However, the qualities that attract some may repel others. The people who are turned off by too strong a personality are often those most needed by the organization.

Charismatics are more likely than other leaders to pursue failing goals.

Clay feet. Charismatic leaders enjoy high visibility as symbols of their cause. Adoring followers surround them. If the charismatic becomes tainted through sexual, financial, or other failures, all hell breaks loose, and an organizational crisis ensues.

Type 2: Corollary Weaknesses

The second type of weakness includes the "other side of the coin" of leader strengths. These corollary weaknesses are the consequences of charisma. They would not exist if the charisma did not exist, and eliminating them might require abandoning positive charismatic benefits. Be aware of the following corollary weaknesses in your charismatic leader:

Subjective emotional appeal. Charismatic leadership involves an emotional connection between leader and followers. Therefore, all aspects of the organization must put up with this emotionally based relationship. Organizations are well advised to compensate a right-brain approach with a left-brain supplement. Both heart and head are essential, especially if the organization seeks to recruit and retain a strong tier of capable people.

Control over adherents. Tremendous control is inherent in the relationship between charismatic leaders and their followers. Without constraints or norms to the contrary, the charismatic leader can exert this control with impunity, posing an awesome problem.

Success and growth limitations. Leadership can remain charismatic only as long as followers are few. As an organization grows, access to the leader diminishes in frequency and intimacy. To grow beyond the size at which everyone has intimate contact with the leader, an organization must develop substitutes for this face-to-face relationship. Often, these substitutes are symbolic. For the good of the organization, the evolution of the process accompanying growth must move smoothly and harmoniously.

Too much power. Charismatic leaders are potent. They get things done. They generally get them done quicker and better than would be possible with more pedestrian means. Therefore, others in the organization can become addicted to their leader's empowerment. They can come to depend on the charismatic leader and fail to develop other ways to fulfill such tasks as recruiting, raising funds, innovating, and building morale. When the leader is the only initiator of action, the rest of the organization may become passive or reactive.

Failure to lead in the absence of a crisis. A crisis is perfect for those who love excitement, adventure, enemies to conquer, and flowing adrenaline. Crises are also great for unilateral action, because rules are relaxed in a crisis, and power is transferred from formal structures to the charismatic leader. But is a series of disrupting crises healthy for an organization? And what if there is no crisis? Might leaders precipitate periodic emergencies to renew their claim to savior status? That isn't as farfetched as it might seem. In response to a recent survey,[1] one leader confided that his fundraising strategy consisted of precipitating several financial emergencies a year.

Six Ways to Handle a Charismatic Leader

Having a powerful leader doesn't absolve the organization from its responsibility to develop checks and balances on the leader's power and blind spots. Here are six ways successful nonprofit organizations compensate for the weaknesses of their charismatic leaders:

One leader confided that his fundraising strategy consisted of precipitating several financial emergencies a year.

1. Create an Independent Board.

An organization led by a charismatic needs a strong board to act as a balance. This board must not be dependent on the organizational leader. Board members should have the experience, clout, and initiative to anticipate and supplement the leader's shortcomings. Their status should be equal to (or higher than) that of the leader. They must become true partners with the leader, grasping the organizational reins firmly while allowing the leader as much slack as possible.

2. Form a Management Team with Authority to Act.

Consider establishing a senior team of managers to handle day-to-day operations. This team should do the following:

- ***Harness talent.*** Encourage charismatics to surround themselves with people who are skilled at operational details and have strong connections to other areas of the organization.[2]
- ***Manage the organization*** if the leader lacks management skills. Build the structure required to fulfill the organizational purpose.
- ***Design a successor plan.*** The most traumatic event for many organizations is the loss of the charismatic leader with no successor at hand. Be sure to ask the right questions early enough: What kind of leader will we need? Where will we find this person? The successor may or may not exercise a charismatic style. The important thing is to find someone with good leadership skills. Offer training, testing, and incentives for potential successors, and be sure they have opportunities to practice their leadership talents and to learn about your organization from the inside out.[3]
- ***Steer charismatic leaders*** from disastrous courses and from attempts to stick with failed tactics. Coordinate the leader's agenda with program priorities, and provide an objective viewpoint.
- ***Have good personnel procedures in place*** to meet employees' needs. People love to be inspired, but they live in a world of car payments, lawns to be mowed, and the need for days off and vacations. Be sure someone in the organization is available to respond to these needs.
- ***Provide data to the board*** about potentially negative trends set by the charismatic. Counsel the board on how to offset the harmful effects of such trends. Be available and capable of shouting, "Don't drink the Kool-Aid!"

3. Use Informal Counselors.

Another way to guide a charismatic leader is to create, off the organization chart, an inner circle of respected advisors. The leader can bounce ideas off these counselors, while they, in turn, keep the leader's feet on the ground.

4. Adopt Normative Controls.

Leaders, especially founders, play a major role in establishing and maintaining organizational culture and norms. Normative controls are of great value in harnessing a leader who moves off the accepted path and goes onto a tangent.

5. Exercise Dual Leadership.

An inside-outside leadership dyad is typical of many organizations. The charismatic leader represents the organization to the public, while a more routinized manager keeps the internal machinery running. In some cases, the charismatic may be the true subordinate, looking to the manager for direction.

6. Rely on Formal Policies.

Codes of ethics, mission statements, formal strategies, and policy manuals are excellent tools for guiding charismatics when skillfully used by boards, managers, and advisors.

Are Charismatics Worth the Trouble?

After scanning the long list of negative qualities in this article, your impulse may be to avoid charismatics. Don't give in to that urge. Think of yourself as a talent scout whose ultimate success depends on your ability to identify, encourage, and support people with charismatic leadership potential. You have no reason to fear charismatics as long as you take steps to harness them.

Charismatics tend to act fast. Be prepared for this speed. Don't be caught off guard when the charismatic leader mounts a white horse and takes off in a cloud of dust, precipitating change on all sides. That's what charismatics are supposed to do. Enjoy the ride—and keep a tight hold on those reins. ■

Footnotes

[1] This survey of 142 successful nonprofits reveals that 88% of these organizations' founders were perceived as being charismatic leaders. For more details, see "Secrets of the Charismatic Leader," *Nonprofit World*, Vol 22, No. 4 (www.snpo.org).

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[3] See "Planning for Leadership Succession: Are You Ready?", *Nonprofit World*, Vol. 22, No. 4 (www.snpo.org).

In addition to his work with nonprofit organizations, David E. Mason (3352 Ocean Drive, Corpus Christi, Texas 78411)is himself a successful entrepreneur. He is listed in Who's Who in Finance & Industry *and has received ARNOVA's Award for Distinguished Lifetime Achievement. This article is adapted from his book* Leading and Managing the Expressive Dimension.

Lessons from Nonprofit Entrepreneurs

Entrepreneurs share their secrets.

BY TERRENCE FERNSLER

The Social Enterprise Sourcebook: Profiles of Social Purpose Businesses Operated by Nonprofit Organizations

By Jerr Boschee. 96 pages. Softcover. Minneapolis: Northland Institute, www.northlandinst.org. Available for download at http://www.northlandinst.org/sourcebook.cfm or www.socialent.org.

Social enterprise is defined as the use of earned income ventures to financially support an organization's mission. Such ventures keep nonprofit organizations from being vulnerable to changing funding priorities. This book presents 14 cases illustrating the challenges and successes of social enterprise. All provide valuable lessons for nonprofits.

Each case includes a narrative describing how the business started, how it grew, and key lessons learned along the way. Each also discusses critical factors identified by the enterprise director. Although many of the organizations deal with hard-to-employ clients (providing jobs for such clients is a major reason for nonprofits to start businesses), much of the advice applies to any nonprofit. Examples of this advice include:

- **Run your enterprise** with profit in mind.
- **Start** only one business at a time.
- **Involve experts** in planning your ventures, and take the time to plan well.
- **Expect to need** large amounts of start-up capital.
- **Stress** customer service. It's far easier to rely on repeat customers than attract new ones.
- **Be willing** to take risks.
- **Treat employees** with respect and dignity to get the most from them. After all, they are investing their time, talent, and knowledge in the business.

These tips have been gleaned the hard way, by those in the trenches.

Any nonprofit thinking about earning money through business ventures will find this book indispensible. It is full of useful ideas, cautions, and critical factors for starting a business and making it a success. These tips are all the more valuable because they've been gleaned the hard way, by those in the trenches.

Terrence Fernsler is development director for Columbia-Pacific Resource Conservation and Economic Development District in Montesano, Washington.

NONPROFIT *briefs*

What's the State of the Nonprofit Internet Industry?

Ever since the Internet industry imploded and left countless nonprofits stranded and without service, there's been a sense of distrust about Internet technology for nonprofits. Now, a new report finds that things have changed:

• **The leading Internet software companies that focus on nonprofits** are all either profitable or near profitability. They offer a broad selection of good products and are very concerned with customer service and client satisfaction.

• **Wall Street has taken an interest** in the nonprofit sector. There are several public companies and more on the way.

• **Integrated solution providers who combine many products into one package** are emerging as leaders—a sign of the industry's maturation.

• **Nonprofit technology vendors** (providers, themselves operating as nonprofits) such as Network for Good and GroundSpring offer useful products and serve small and mid-sized nonprofits well.

• **The market is moving from the early-adopter stage** into the mainstream adoption of Internet tools for community building.

The report, "The Online Solutions Market Review," explores a variety of Internet issues facing nonprofits. It was issued by Common Knowledge (www.commonknow.com), a San Francisco consulting firm that helps nonprofits in their online efforts.

Poll Reveals Best Ways to Increase Donor Support

A recent survey of the public reveals these attitudes about donating to nonprofit organizations:

- **78%** of respondents say they were initially attracted to a nonprofit because of a cause they care deeply about.
- **66%** say they would be more likely to increase their donation if the organization was suddenly more visible in the news, making the case for the cause they support.
- **64%** note they would increase support if the organization announced an important sponsorship or partnership.
- **63%** say that the nonprofit's ability to win important battles for the cause in Congress or the courts attracts them to donate.
- **58%** state they would increase support if the group was using its funds to expand support for the cause through the Internet.
- **Only 40%** say that sending a magazine touting the organization was an effective donor strategy.
- **A mere 26%** cite sending a direct-mail package as an effective method of recruiting and retaining donors.

The survey was sponsored by Dittus Communications (www.dittus.com), a public relations firm in Washington, D.C.

Life Stages of an Organization

Organizations, like living organisms, grow through stages. Unless you understand which stage your organization occupies, you can't fulfill your mission effectively.

Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity (Stagewise Enterprises, Inc., Long Lake Minn., www.stagewiseenterprises.com) is invaluable as a tool for determining your organization's life stage, understanding what is possible at that stage, and reaching your organization's highest potential. It should be on the bookshelf of every nonprofit and should be reviewed periodically, as the organization moves through its life stages

—reviewed by Terrence Fernsler

Free Geek

Free Geek is a nonprofit program that provides free computers, technical training, and Internet access to any individual, school, or nonprofit organization. All you have to do in exchange is provide a few hours of community service. See http://ga0.org/ct/x7adRWs1rBPT/. For more tech news and ideas, see Tech Soup, a project of CompuMentor, www.compumentor.org.

Fourteen Questions about the Future

The only way for a nonprofit organization to survive in today's environment is to be resilient and future-oriented. Is your organization looking toward the future? Your answers to the following questions will tell you:

1. **Do you, your board members, and other organization leaders** share the same view about how the future will be different from the present?
2. **Do you see yourself** as a revolutionary, or are you content with the status quo?
3. **Is there an explicit process** for identifying new opportunities for your organization?
4. **Does your organization have a clear agenda** for building core competencies?
5. **Do you allocate** as much time to pre-program development as you do to program development?
6. **Do your employees share** a dedication to your organization's mission and a clear sense of the vision they are working to build?
7. **Is there a significant amount of stretch** in your vision?
8. **Have you operationalized** your mission and vision into a clear set of organizational challenges?
9. **Is it clear** to everyone in the organization how their contributions link into the organization's mission and vision?
10. **Have you scrutinized** traditions and customs in your organization and revamped those that hinder success?
11. **Do employees at all levels** possess a deep sense of urgency about the challenge of sustaining success?
12. **Do you have a capacity** for global expansion (either using your own infrastructure or piggy-backing on partners)?
13. **Are you confident** you will leave a legacy to your successor that exceeds the legacy you have inherited?
14. **Are you** having fun? (If not, the answers to all the other questions are irrelevant. You need to enjoy the challenge of competing for the future!)

Adapted from *Competing for the Future*
by Gary Hamel & C.K. Prahalad
(Boston: Harvard Business School Press).

Nonprofit Growth Outpaces Other Sectors

Nonprofit employment grew at an annual rate of 2.5% between 1997 and 2001, adding over 1 million jobs to America's economy. During the same period, the business sector grew at 1.8% and the government sector 1.6%.

Nonprofit employment, which has doubled in the past 25 years, encompasses 12.5 million workers—nearly 10% of total employment. By 2010, this total should reach approximately 15 million, with a much faster rate than the business sector.

For more information, see "Employment in the Nonprofit Sector," available from Independent Sector, www.independentsector.org.

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Could Merger Have Been Avoided?

Two organizations promoting nonprofit entrepreneurship—SeaChange and the National Gathering for Social Entrepreneurs—merged in 2002 to form the Social Enterprise Alliance. "Building an Organization to Last: Reflections and Lessons Learned from SeaChange" describes what SeaChange could have done differently to survive on its own. The case study is available from the W. K. Kellogg Foundation, http://www.wkkf.org/Programming/NewsItem.aspx?CID=2&ID=420 actual.

Study Links Philanthropy to Employee Loyalty

If you're looking for ways to encourage corporations to give to your organization, a recent study offers some powerful ammunition. The survey shows a direct correlation between a company's philanthropy and its employees' loyalty to the company. Using the Corporate Philanthropy Index (CPI)—a numerical ranking to measure philanthropic commitment—the study reveals that employees with a high CPI are much more likely to act in ways benefiting the company. Among key findings:

- **Nationally, 31% of employees** are committed to their company with no plans of leaving. Loyalty jumps to 44% for those with high CPI and drops to 17% for those with low CPI.
- **Nearly 35% of employees** are high risk (not planning to stay with the company), but this group drops to 20% for those with high CPI and skyrockets to 48% for those with low CPI.
- **Seven in ten employees** with a high CPI would recommend their company as a good place to work, compared to less than four in ten with a low CPI.

Despite these striking results, 64% of all U.S. employees say their company doesn't offer a formal volunteerism or philanthropy program. This gap provides a remarkable opportunity for nonprofits. You can use this survey to show companies that philanthropy will help build a more loyal workforce. For more information, see the Walker Loyalty Report, www.walkerinfo.com.

Five Ways to a Guilt-Free "No"

Let's face it, some of us have trouble saying "no." So before you take on yet another project, be sure you can give it your best. If you can't, try these ways to say an unapologetic "no." (This list isn't a reason not to tell the truth but helps you to word what you need to say in a more effective manner.)

1. Several unexpected things have come up, and it would be best if I dealt with them first before I took on more.
2. I've had some experience with that work, and I didn't contribute as well as I should have. Maybe it would be better if I didn't participate this time.
3. I really have a lot of faith and confidence in you. I'm sure you'll do an excellent job.
4. I know I don't do very well when my mind and time are so divided. I just don't feel confident that I'll be able to give my best at this time.
5. I'm truly striving for excellence, and taking on too many projects makes me more mediocre and less focused than I'd like to be.

–adapted from Organizetips.com Web site

Do "Small Donors" Matter?

The answer, according to a new report, is clearly yes. Although wealthy people give more per gift, people of all incomes give, and donations from those at the lower end add greatly to the total. The report by *Giving USA Update* (www.givingusa.org) reveals:

- **Seventy percent of all American households** contribute to charity.
- **"Average families"** (those with incomes below $100,000) account for nearly half (45%) of households contributing to charity.
- **Very-high-wealth households** (with a net worth of $20 million of more) account for 21% of donation dollars. The lowest-wealth households (with a net worth below $75,000) give 11% of donations.
- **The average household** gives $2,499 a year. Most donors give 2% to 4% of their income, except very-high-income families, who give 3% to 6% of their income.

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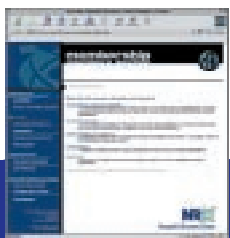

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