



MBA II , Sem III

311–Management of Non-profit organizations (Common Subject)



Unit I

- 1. Fundamentals of Non-profit organization: Introduction of Non-Profit Sector & Non-Profit Organizations, Define the Non-Profit Organization and describe its dimensions.
- Key concepts in Non-Profit management including board of governance, staffing, regulation, and volunteer management. Concept of Non-Profit leadership and governance and the functions of boards in organizational governance, the Board's Role and Responsibilities.
- Roles of board members in Non-Profit organizations, responsibilities of Non-Profit Organizations. Elements of board behavior for effectiveness of organization.
- Developing Leadership and Improving Governance in Non-Profit Organizations, Improving the Effectiveness of Boards of Directors and the tools used to facilitate assessments of board performance.

Fundamentals of Non-profit organization



1. They supposed to be independent from government
2. These organizations are not meant for profit
3. They are expected to be value based
4. They are setup to serve public or social purpose or public service mission.
5. They must be exempt from paying tax
6. They would not distribute the excess profit to shareholders, instead of that they utilize the funds for the developmental activities.

Introduction of Non- Profit Sector & Non- Profit Organizations



- Nonprofit Sector: The scope and role of non-profit sector have expanded considerably in most countries over the years (Salamon, et al., 1999).
- Non-profit sector accounts for a considerable percentage of national GDP in many countries. Also, it is a substantially big employment provider.
- A vibrant non-profit sector can extend the reach of the government in certain fields of development, can propose alternative models of development especially when mechanism for constructive debate on national policies are absent and thus justifying the label of Third Sector (Defourny, 2001).



- Nonprofit sector's influence has also begun to extend beyond the traditional domains of public service to even business sector. Scholars in business have made note of the elevated role of nonprofit sector in business as a de-facto regulator (Prahalad&Brugmann, 2007).
- This role of the nonprofit sector is likely to gain more significance in the light of the current trend of deregulation policies of governments. At the same time, cross-sector partnerships are also on the rise as several business organization's have started looking at nonprofit organization's as potential partners in their social responsibility initiatives,



- marking a clear deviation from the confrontational relationship between corporate sectors and nonprofit. Thus nonprofit sector has become a prominent player, wielding influence in social and economic spheres.

Introduction of Non- Profit Organizations,



- The term NGO (nongovernmental organization) is the term used to depict these organizations in the developing world and in international relations,
- but it tends to refer only to a portion of what elsewhere is considered to be part of this sector — namely, the organizations engaged in the promotion of economic and social development, typically at the grassroots level.



Define the Non- Profit Organization and describe its dimensions.

- Nonprofit organization (NPO) is generally understood as an organizational entity whose primary objective is not profit-related.
- One can find different approaches in literature to defining nonprofit organizations. These approaches are discussed briefly here.
- A simple way to delineate nonprofit organizations is to identify them by their legal status. By this approach, the legal framework of the country in question determines the ‘nonprofit’ nature of the organization.

Key Concepts In Non-profit Management Including Board Of Governance, Staffing, Regulation, And Volunteer Management.



- Before a process of incorporating or registering an organization can be gone through, it is necessary to first establish the type of organization and a Board of Management/ Directors or an Advisory Board, and arrive at the organization's vision and mission.
- The members of the management, as a group, have trustee and legal responsibility for the actions and operation of the organization. There are minimum levels of involvement required of board members in organizational and operational management –



Key Concepts In Non-profit Management Including Board Of Governance, Staffing, Regulation, And Volunteer Management.

- Governance, Planning and Programme formulation and implementation, financial management and resource development or fund raising, Human resource and information management and Marketing and Public Relations.
- Recruiting
- For many nonprofit organizations, publicizing its very existence is the most important step that it can take in its efforts to recruit staff and volunteers alike.
- This is especially true if one wishes to encourage volunteers to become involved. Volunteers are the life-blood of countless nonprofit organizations, for they attend to the basic tasks that need performing, from paperwork to transportation of goods and/or services to maintenance.



Key Concepts In Non-profit Management Including Board Of Governance, Staffing, Regulation, And Volunteer Management.

- Screening and Selection
- The interviewing process is another essential component of successful staffing for nonprofit groups.
- This holds true for volunteers as well as for officers, directors, and paid staff. Indeed, that "volunteers should be recruited and interviewed systematically the same way you would recruit paid staff.

Volunteer Management



- The term voluntary organizations or sector emphasizes both the significant input that volunteers make to the management and operation of this sector and the non-compulsory nature of participation in terms of membership.
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Importance of Volunteers management

- Nonprofit organization need to match volunteer skills with assignments
- Nonprofit organization are Failing to recognize volunteer contributions
- Nonprofit organization are not measuring the value of volunteers
- Nonprofit organization are Failing to train and invest in volunteers and staff
- Failing to provide strong leadership

Good volunteer management practices



- Making volunteer skills with appropriate assignment
- Recognizing the contribution of volunteers
- Measuring the impact of volunteers annually
- Providing volunteer training and professional development
- Training paid staff to work warranty

Managers of nonprofit organizations should make sure that they do the following when engaged in the process of staffing, screening and selection:



- Recognize that *all* personnel, whether they are heading up your organization's annual fundraising drive or lending a hand for a few hours every other Saturday, have an impact on the group's performance. Certainly, some positions are more important than others but countless nonprofit managers can attest to the fact that an under-performing, unethical, or unpleasant individual can have an enormously negative impact on organization morale and/or organization reputation in the community. This can be true of the occasional volunteer as well as the full-time staff member.
- Use an application form that covers all pertinent areas of the applicant's background.
- Ensure that your screening process provides information about an individual's skills, attitudes, and knowledge.

Managers of nonprofit organizations should make sure that they do the following when engaged in the process of staffing, screening and selection:



- Try to determine if the applicant or would-be volunteer is interested in the organization for legitimate reasons (professional development and/or advancement, genuine interest in your group's mission) or primarily for reasons that may not advance your organization's cause (loneliness, corporate burnout, etc.).
- Objectively evaluate prospective employees and volunteers based on criteria established in the organization's job specifications.

Managers of nonprofit organizations should make sure that they do the following when engaged in the process of staffing, screening and selection:



- Be realistic in putting together your volunteer work force. "Managers cause most of the problems with volunteers by making unreasonable assumptions about their intentions and capabilities," wrote Kennedy. An organization that sets the bar too high in its expectations of volunteers (in terms of services provided, hours volunteered, etc.) may find itself with a severe shortage of this potentially valuable resource.
- Recognizing that would-be volunteers and employees bring both assets and negative attributes to your organization, nonprofit groups should be flexible in accommodating those strengths and weaknesses. "If you want people to perform in an organization, you have to use their strengths—not emphasize their weaknesses," said Drucker.



Roles Of Board Members In Non- Profit Organizations, Responsibilities Of Non-profit Organizations.

- Management and/or Advisory board including but not restricted to the role and functions, qualifications of board members, prescribed authority, voting rights, method of elections, membership etc
- Organization functions and structure
- Raising of Finance, property and membership fees, if applicable etc.
- Legal status – Trust, Society, Corporation etc.
- Location and Contact address
- Rules for Dissolution of NGO if needed
- Method for amendments, modifications, revisions of bye-laws



Roles Of Board Members In Non- Profit Organizations, Responsibilities Of Non-profit Organizations.

- The role of the nonprofit board centers on the fundamental responsibilities of providing the organization with sound governance, fiduciary and strategic oversight and direction. The board oversees:
 - The operations of the organization
 - That the public's trust is upheld
 - That the mission addresses a community need
 - That all practices are ethical
 - That legal requirements are met.



LEGAL DUTIES

- Nonprofit corporate law establishes specific standards of conduct for nonprofit board members. These duties are the legal standards which guide all actions taken by the Board of Directors and include the Duty of Care, Duty of Loyalty and Duty of Obedience.
- **DUTY OF CARE** requires board members to discharge duties in good faith, and with the care that an ordinarily prudent person would exercise in a like position and under similar circumstances.



- It requires board members to exercise care in all activities related to their role as board members and commits them to participate in the work of the board. Duty of Care is carried out by:
 - Attending board and committee meetings
 - Carefully preparing for meetings in advance
 - Reviewing financial reports and other critical information regularly



- Exercising independent judgment
- Requesting information needed for decision making
- Making sure federal, state and specific industry filing requirements are met
- Acting in good faith when making decisions.



DUTY OF LOYALTY

- DUTY OF LOYALTY requires board members to act in the interests of the nonprofit rather than their own personal interests or the interests of some other person or organization. Duty of Loyalty is carried out by:
 - Adhering to the conflict of interest policy
 - Disclosing all conflicts
 - Avoiding the use of the organization's opportunities for personal gain
 - Maintaining confidentiality of information held by the organization.



DUTY OF OBEDIENCE

- DUTY OF OBEDIENCE requires board members to make decisions in accordance with the mission of the organization, to uphold its bylaws and other policies and functions and to not act in a way that is inconsistent with the central goals of the nonprofit.
- Duty of Obedience is carried out by:
 - Ensuring compliance with all reporting requirements
 - Examining all legal and governing documents
 - Making decisions within the scope of the mission and law



ROLES

- In addition to the Duties of Care, Loyalty and Obedience, which all board members share, certain members of the board have additional duties.
- Leadership positions are created within boards to assure that responsibilities are fulfilled. Most boards have at minimum a Board Chair, Treasurer, and Secretary.
- Other boards may also have Vice-Chair, Chair-Elect and Past-Chair positions. In smaller organizations, a board member may play several of these roles. Individuals are either asked to fill or are elected to these positions, and are sought out for their skill set and organizational history.



- OFFICERS
- BOARD CHAIR The Board Chair is responsible for leading the board in practices of good governance. Not only does this individual set the tone for the rest of the board, he or she is usually a highly visible representative of the organization within the community.
- The Board Chair must form a strong working relationship with the Chief Executive and act as a role model and motivator for other board members. The Board Chair generally appoints board committee and task force chairs, presides over board meetings, and often serves as a spokesperson for the organization.



- **VICE-CHAIR** The Vice-Chair generally offers support to the Board Chair and substitute leadership when needed. Often the Vice-Chair will take on some special project such as leading the CEO evaluation or heading a task force. On some boards, the Vice-Chair is expected to assume the role of Chair.
- **TREASURER** The Treasurer is responsible for overseeing the financial operations and assuring that board members have the information they need to be effective fiscal stewards of the organization. Often this means reviewing financial statements and assisting in preparing and presenting the organization's budget to the full board.



- **SECRETARY** The Secretary is responsible for ensuring that accurate minutes of board meetings are kept. In small organizations, the Secretary may actually create the minutes. In larger organizations, the Secretary may review minutes created by staff before they are distributed to the full board. In some organizations, the board combines the roles of Secretary and Treasurer.





Concept of Non-Profit leadership and governance and the functions of boards in organizational governance

- “Governance” is a word derived from the French word “Gouvernance” and was first used in English by Chaucer. Governance is the way in which an organization is managed or administered.
- Governance is the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organization.

Governing is about:

1. Agreeing the purpose of the charity or non profit
2. Agreeing broad strategies to carry out the charity or non-profit’s purpose effectively
3. Accounting for the non-profit’s performance
4. Ensuring it operates within the law.

Today, NPOs must not only be well governed, but must also be seen to be well governed. This is of critical importance if they are to successfully meet the challenges created by:



- Reduced funding from traditional sources, such as governments, corporations and private donors
- Competition from other NPOs facing similar funding difficulties
- An increased demand for services, a result of downloading or program cuts by governments
- The need to manage more complex and sophisticated entities, as many NPOs grow in size and complexity
- Heightened accountability and expectations on the part of an expanding number of stakeholders, who may have conflicting expectations for the NPO
- Rapid dissemination of information through social media, which can quickly affect the way an organization is perceived, and
- Difficulty in recruiting quality board members, who may choose not to join the NPO's board for reasons of time constraints or concerns about liability.

Board responsibilities



- In profit-oriented organizations, the board's basic responsibilities are established by statute, regulation and case law. In addition, most boards also assume broad responsibilities for other areas that the board has identified as being critical to the organization's success.
- NPO boards have similar responsibilities and must ensure that they fully understand their legal obligations as they are defined under the NPO's documents of incorporation and bylaws, and applicable federal, provincial and municipal laws and regulations.



- Reassessing the laws and regulations that apply to the NPO at least annually will help ensure that the board's responsibilities remain up-to-date.
- Boards of NPOs should also consider carefully the responsibilities they will assume in addition to the minimum legal obligations. The board is ultimately responsible for the NPO, despite the fact that it usually delegates the authority for running the organization to a CEO¹ and a management team. The board's primary role is stewardship: overseeing management and ensuring that the NPO's affairs are being conducted in a way that achieves the organization's objectives.

Concept of Non-Profit leadership



My favorite concepts from the “Change is Good”
Video & how we can apply them to board leadership:

“Forget for Success”-Don’t think about the ways
that things have been done in the past....be

innovative and don’t be afraid to embrace bold
ideas

Focus on Strengths-Be proud of the strengths that
you and your fellow board members bring to the
organization

Developing Leadership and Improving Governance in Non-Profit Organizations



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Simplify your message-FOCUS on your mission

- Let your actions speak-BE the voice of your organization everywhere in the community
- Celebrate success-use every opportunity you can to share the news of your organization's successes
- Measure Results-"what gets measured, gets improved"



Understanding your Role

The Board of Directors should provide leadership for the organization

- Roles, responsibilities, and powers are usually outlined in bylaws
- Members should fully understand their roles and responsibilities
- Members have diverse backgrounds but share common goals



- Every organization should have a formal Board
- Policy Manual
- Board Members should be aware of current policies
- Volunteer-Be a part of your organization's events.
- Don't just show up for meetings once a month
- Look out for the best interest of the organization



The Board of Directors should foster a transparent, consistent, and accountable culture

- Always have your financial records audited by an outside agency
- Focus on results. What is your mission? How can you measure progress?
- Understand the importance of fresh perspectives
- Develop a conflict of interest policy
- Documentation: Minutes, notes, receipts, handbooks, presentations



Leadership Best Practices

- Stay “Mission Driven”. What is our mission?
Maintain consistency
- Be strategic. Spend your time wisely. Focus on the things that are important.
- Continuously review your Board of Directors’ best practices; evaluate your board’s performance and effectiveness
- Board members represent the organization within the community