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# Insights of a WMU student into the particularities of non-profit organizations: Observations from cross-cultural experience in two organizations.

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The title of the thesis is:

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A handwritten signature in black ink, appearing to read "J. Palthe", written over a horizontal line.

Dr. Jennifer Palthe, Management

A handwritten signature in blue ink, appearing to read "Peter W. Krawutschke", written over a horizontal line.

Dr. Peter W. Krawutschke, Foreign Languages

LEE HONORS COLLEGE

# Insights of a WMU Student into the Particularities of Non-Profit Organizations

Observations from Cross-Cultural Experience  
in Two Organizations

Alyssa Lord-Hill

2012

HONORS THESIS

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## **ABSTRACT**

Through my voluntary service in the non-profit sector I have been given the opportunity to experience the benefits that non-profit organizations provide and their missions and strategies to go about fulfilling them. In the course of completing my 6-month internship abroad and as founder of the German Club at WMU, these experiences have sparked my interests in non-profit organizational and success factors. Personal experience is the key to understanding and being able to accurately analyze a situation. Thus I will be using the two non-profit organizations to aid in the understanding of non-profit organizations and their counterparts, for-profit businesses. My experiences have created many opinions and critiques of the non-profit sector that have also been supported through further research. In this essay I will propose some changes that can lead to a more efficient and effective non-profit organization. This essay is intended to aid leaders and managers in navigating into the future of non-profits and non-profit leadership.

## Insights of a WMU Student into the Particularities of Non-Profit Organizations

Non-Profit Organizations (NPOs) are an important part of our communities that are dedicated to providing needed services in our communities and making a difference. NPOs are by definition: organizations that are not conducted or maintained for the purpose of making a profit (Merriam-Webster, 2012). NPOs serve a variety of functions including representing educational, religious, social or scientific interests. NPOs bring a moral standard into our local and worldwide communities. NPOs are often considered to be the “fillers” of gaps not filled by government-run programs and services (Crutchfield & Grant, 2008:3). Non-profits are the 3<sup>rd</sup> largest industry in the US and the social sector in US is valued at about \$1trillion (Crutchfield & Grant, 2008: 2). The non-profit community continues to grow and expand covering all areas of needs that are big and small.

The term non-profit is not new; its first known use came around in 1896 and although the idea of non-profits is not a new notion, NPOs are slowly evolving and changing to adapt to today’s society. In today’s society many of the flaws and inefficiencies are prominent. In this paper I examine the positive and negative peculiarities of NPOs and take a look into their future.

## **TWO NON-PROFIT ORGANIZATIONS**

I will use my experience with two different non-profits, die Internationale Jugendgemeinschaftsdienste (IJGD) and the German Club at Western Michigan University (WMU) to identify and explore these negative and positive peculiarities of NPOs.

## **DIE INTERNATIONALE JUGENDGEMEINSCHAFTDIENSTE**

During the summer of 2011, I completed a six-month in depth internship at IJGD, where I learned the ins-and-outs of the organizational structure and missions of a globally functioning German NPO. IJGD is known for running volunteer exchange programs around the world. IJGD offers volunteer programs and projects lasting from two weeks to twenty-four months on a wide variety of topics that include wildlife preservation, promotion of intercultural dialogue, environmental education, means to enhance democracy, reduction of ethnic and religious prejudices, promotion of commitment to social justice, etc. IJGD has multiple office locations within Germany and works with similar organizations worldwide. IJGD is part of an international NPO alliance, whose members promote similar or like programs and projects.

A mission of IJGD is to promote intercultural exchange and understanding through workcamps and volunteer projects that simultaneously provide services in a community. During my internship I worked specifically in the Department of International Workcamps. Workcamps are run in Germany and throughout the world. In the summer of 2010 there were over ninety camps in Germany and thousands worldwide. The camps in Germany run typically three weeks in length with an average of fifteen volunteers per project and no more than two students per project are from the same country.

IJGD is a growing and expanding organization. The organization was created after the Second World War as a means to re-unite people of Europe in working for a united cause. Today they have grown to have branches country-wide and they provide services to thousands of youth a year including students and volunteers.

## **GERMAN CLUB AT WMU**

During the school years of 2010-12 I revived, developed and helped maintain a non-profit organization, namely the WMU German Club. Since its founding two years ago, I have served as president. The Club started small and has grown substantially in size from about seven members to the current 130 members that are on the German Club e-mail list and about 30-40 active members. Our account started at \$0 and is now over \$400 and growing. Our growth and success within the German language department has been rapid.

We offer many free services and activities to students at no cost such as the German Cooking Course, peer tutoring, the German Film series, and parties with a German flavor such as Carnival. The formation of this Club has taught me the basics of leading and managing an NPO from the ground up. With this firsthand experience I was able to assess the difficulties and challenges of being a manager and leader of a non-profit.

## **LEARNING EXPERIENCES FROM PARTICIPANT**

### **OBSERVATIONS IN TWO NON-PROFITS**

Through my volunteer experience, my internship abroad and the creation of my own non-profit organization, I became aware of the many unique characteristics belonging to NPOs. Comparing my findings and discoveries in both IJGD and German Club allows one to see the distinctive aspects of these organizations and how different

they can be. Both learning experiences helped me further understand the structure, function and mission of NPOs.

## **WMU GERMAN CLUB**

In founding the WMU German Club I have been able to witness how a non-profit begins its journey from zero to successfully running. There is a learning curve in developing a non-profit that conventional management and business classes don't completely prepare you for due to the unique challenges one faces in the non-profit sector.

### **HOW TO ENCOURAGE AND MOTIVATE VOLUNTEERS**

Encouraging and motivating student volunteers' was an essential part in the successful development of the German Club. The first step is getting students interested and getting them excited. Excitement and enthusiasm are huge in creating a Club or non-profit and to keep it going. By making the students excited about the possibilities and all that the German Club could offer, students begin to get involved. Students who get involved are typically passionate about German language, culture and international understanding. The students receive no pay for all the work they put into it: the only reward they receive is to see the results. They get to see what the programs and events do for others.

We put on fundraisers and event parties that have grown significantly in size and success, and the volunteers have the satisfaction of knowing that they made it happen. Students are further motivated by the successful outcomes, by having fun, by making a difference, engaging people, and enlightening other students about Germany and

German culture. The students enjoy sharing their experiences about living abroad and feel good about helping others. Finally motivation for volunteering and extracurricular activities enhances the social awareness of students and boosts their personality and overall character as appears on a resume and in day-to-day life.

### **NPOs CANNOT BE “CHOOSERS”**

When it comes to workers and volunteers NPOs can't be in control of who will step forward to volunteer. In the non-profit sector, especially when the organization is based solely on volunteers, it can be very difficult to get the skilled workers you need. As a leader in a non-profit you need to learn how to work with people of all backgrounds and all education and skill levels. A lot of time needs to be dedicated towards training volunteers and setting clear tasks and roles of each volunteer. Setting clear goals and expectations is very important. With a diverse group and many opinions it can be difficult to create a well-rounded and harmonious group and disagreements and disruptions can easily arise.

Just like you can't determine who volunteers, you can't pick who will need and request your help either. We offer aid such as tutoring in German and run a German Table to practice conversational German. In both cases you can't turn down your “consumers”. The consumers and beneficiaries of the events are often the volunteers themselves. In such that we are an organization created by German language students for German language students.

### **SOCIAL APPRECIATIVE LEADERSHIP**

With so many unpaid workers putting in hours over hours to help in every operation of the Club, showing appreciation is vital. Much more so than in the normal workforce “please and thank you” are very necessary. In a paid environment the workers are compensated for the effort they put into it: money is the unspoken measure of appreciation and worth of their time. However, when no monetary reward is given, something else is necessary to compensate the worker. In a non-profit, volunteers will not stick around long if they are not respected and appreciated. Keeping happy volunteers is very important. When funds are low, there is no better way to show appreciation than just to say thank you for every little effort, no matter how small it is.

In the Club we don't have as much money as we would like, but volunteers are willing to work with it, and put in the extra effort and follow through to make it happen. Without positive reinforcement and encouragement, what incentive do volunteers have to keep working for the organization? People are more apt to follow you if you show your appreciation. You need followers! Being polite and appreciative is an easy and effective way to retain volunteers. Such a “social appreciative leadership approach” has proven to be beneficial in running a successful German Club.

### **MANAGEMENT AND LEADERSHIP**

Besides the basic necessities of leadership and appreciation within the Club there are other aspects of management and leadership that are vital, including empowerment of workers, delegation of responsibilities, decision through democracy-management, management-of-workflow and structure, and, last but certainly not least,

development of flexible plans that are open to new ideas and creativity. All of these aspects combined have proven important for me in the organization of the German Club. The Club didn't start with all of these management processes in place and it took time to learn from experience what, is best for our Club and our NPO.

### ***Empowerment and Delegation***

Volunteers tend to stay involved if they feel their position is important and their efforts vital to the day-to-day activities of an organization. The more responsibility they have, the more empowered they are to make decisions and plan events, and the more they can use their own creativity and ideas, the happier the volunteer. In this way they feel important, trusted and empowered. As a leader and manager it is important to give some power to your employees to make decisions. In order to empower your volunteers you usually will need to let go of some of your own control and power, though this can be very difficult for a leader and manager, especially the founder.

In the beginning there was very little delegation within the Club. We tried to delegate but many volunteers did not follow through and we felt we were still so new and couldn't risk the failures. At the beginning it was like a one person show. Now since the Club has evolved and we have many dedicated and motivated volunteers, the process of delegation has become much easier and less risky. At first I was very nervous, but as I gave assignments and responsibilities to the volunteers and saw the amount of creativity and time these students put into their tasks, I felt very pleasantly rewarded. They had come up with ideas and designs that I alone would never have thought of. Now the volunteers enjoy the opportunities to exercise their creative side and we retain such wonderful volunteers. And when it's their idea, they will put so much

more time and effort into it rather than if I just always delegated tasks with little room for outside input and creativity.

### ***Structure and Workflow***

The structure of the organization and workflow started out a little chaotic and unorganized. It takes time to find the right people and the right method that works best for the group. Since this type of non-profit is, and always will be, rather small in size as compared to community or nation-wide organizations, the individuals who make up the Club are very important because the individual volunteers have more responsibilities per volunteer and therefore can have a direct impact on the success of the group.

The group also started out with a very centralized structure with me directing from the middle. Slowly we are becoming more decentralized as we empower the different departments and sectors of the group to make decisions on behalf of the German Club. We attempt to create a system of checks and balances between the decision makers to ensure that no single person can change the entire mission of the Club.

### ***Managing***

During my tenure as President of the German Club, I learned how to manage large and diverse groups; how to effectively and efficiently delegate responsibility; and how to teach and encourage the growth of other students and members into becoming future leaders and a bigger part of the organization.

I realized it is important to make decisions together. The mission of our group is to help other students and it is important to allow them to have a say in how we do that.

It is very important to practice a democratic style of management in which you listen and give consideration to all points of view while working towards a consensus for important decisions. Positions of power or authority in the NPO are determined by a majority vote. The other volunteers vote you into your position of power and therefore, they also have the power to remove you. This provides an effective counter-control in the group. You need to garner the consensus and approval of the group or risk losing volunteers and your position.

### ***Openness***

German Club is not a formal business with a clear strategic plan; there is no clear manner into how we should do things or a history and legacy we need to follow. Therefore it is very important as a leader, especially in a new organization, to be open to new things and ideas. The Club will not run exactly according to your plan as president because even as the leader you have to realize it is not just your Club! It is their Club too.

## **IJGD**

My internship at IJGD provided a basis for understanding the daily functions of a much larger and more complex international NGO located abroad in Bonn, Germany. During my internship I learned about interesting aspects of the motivation factors, leadership, management, and structural workflow. I also was impressed by the very relaxed atmosphere at IJGD in comparison to typical German for-profit business. My education on the practices of NPOs at IJGD was instrumental in developing my approach in establishing the German Club.

## **MOTIVATION FACTORS**

In non-profits, such as IJGD, money is not the main motivating factor (though it is necessary to its functioning). The success of the organization is no longer just measured by the money gained but also by the extent to which the goal and mission are achieved. Employees at IJGD find their job rewarding and meaningful. Their motivations include; helping youth, and knowing they are making a better a world. In the workcamp department they were setting up a stage for intercultural communication and understanding while also creating good in a community through volunteer projects. This is important because they are reaching directly to the next generation to prevent racial and cultural divides.

A goal of non-profits such as IJGD is to make meaningful projects that serve as a motivating force, not only for the youth who volunteer but also for the employees. They come to regard themselves as change agents. Their job makes a positive difference and leads to a better world. Projects that create real change and make progress are easy to get excited about. Helping your workforce become excited about what they do is one of the greatest motivating factors.

Other motivators include a stress-reducing and self-directed work environment. There are no strict punctuality requirements and so employees are able to make their own schedules. Employees are also given flexibility in their projects allowing them to use their creativity. Very few businesses will allow for such flexibility for all employees.

## **NON-PROFITS BASED ON SELF-LEADERSHIP**

IJGD in and outside of the office preaches self-leadership and self-organization. The offices and organization of IJGD as a whole are run just like one of their volunteer projects or camps. They are not far removed from one another. The employees, just like the volunteers, are motivated and dedicated to the mission and to the job at hand. There is very little oversight in the camps or in the office on how the mission is to be accomplished. There isn't a manager around every corner or over your shoulder asking how you plan on meeting your objectives, if you've reached your quotas, finished that report, improved the website, etc. There is an overall goal and mission in place with slight guidelines, but how you plan on fulfilling that mission is extremely dependent on you.

They have a lot of control in how the day-to-day operations of their job and projects work. In fact every employee of IJGD is technically a manager of their field. For example I worked in the Department of Volunteer Placement for International Workcamps in Germany. This "Department" is a one person job. The manager and only employee of this Department controlled every aspect of the selection process for the hundreds of foreign and domestic applicants and communicating with their affiliates of the host countries sending the applications.

The offices of IJGD are very decentralized. As mentioned above all employees are managers and many of the offices and employees seem to work separately from one another with little contact with their counterparts. Every office and department is responsible for mostly their own affairs. As in any decentralized type of organizational structures, there are many individuals able and responsible for making the everyday

business decisions and, in general, running the business. Unlike a centralized system, most employees have the autonomy to make business decisions without necessarily consulting higher-ups. The managers have their own budget, so they can hire extra help or interns and have the right create or end cooperation with certain affiliate organizations. There is little higher up management oversight and only slight checks and balances between “managers” and their power. It’s difficult to know whom you report to when almost every employee has been declared a manager.

### **OBSERVATIONS OF A GERMAN NGO**

The NGOs of Germany appear to be much the opposite of the stereotypical German office and are very similar to the United States’ approach to non-profits. In Germany the non-profit atmosphere is much more casual than the typical German workplace including a lax dress-code. Another very notable difference is the lack of formalities. In the German language, there are two ways to say “you”, “Sie” the formal way and “Du” the informal way. “Sie” is often used and expected in the workplace and is a sign of respect. Colleagues who have worked together for many years would still refer to each other in the “Sie” format. Allowing someone to call you by “du” is no small act. It is a significant signal of closeness. In the non-profits such formalities are dropped. There is absolutely no use of the formal language, not even with superiors or the people in the highest positions. This seemingly small difference puts all employees on an equal level. This signifies that no one employee is any better than the next and that there is no vertical power structure. It also signifies that each employee deserves to be treated as trusted friends and valued individuals in the community who are working together towards a common goal.

## **DIFFERENCES IN NON-PROFIT AND FOR-PROFIT BUSINESS**

Non-profit organizations face many distinct challenges that typical for-profit businesses do not have to contend with. In this section I will examine some of these differences in organizational culture and structure as well as in defining success and results. In this section I will use my personal experience from these two organizations as well as outside resources to evaluate both sides.

### **LEADERSHIP AND MANAGEMENT**

In formal businesses-managers are given the power to make administrative decisions by way of their formal authority and job titles. These managers are typically concerned with the day-to-day activities ensuring that everything runs smoothly. In a business setting, managers can use a more executive style of leadership to encourage results by offering either rewards or punishment (Worth, 2009). In a non-profit organization blatant reward-punishment managing-styles typically are not enough to motivate volunteers and underpaid employees.

As an executive of a non-profit, "... leading complex, changing environments without a lot of formal power is challenging, to say the least" (Crutchfield & Grant, 2008: 168). In the non-profit sector, strong leadership abilities are very important because these leaders will often lack the title and power normally given to managers in the workforce. Not only that, but these employees that they need to manage are unique in the sense that they do their job less for the money and more for the mission. As

mentioned in German Club, this type of workforce requires a type of leadership and management that utilizes an appreciative leadership structure.

“Leadership is more about purpose, vision, and direction” (Worth, 2009: 92), a key element of the non-profit sector. Leading volunteers takes a different kind of leadership filled with passion, inspiration, persuasion and peer pressure (Nanus & Dobbs, 1999). This contributes to the belief that non-profits require leadership more so than for-profit businesses. This is because “Corporations and government agencies have well-defined missions, straightforward measures of performance, and revenue ... In contrast, nonprofits are *values based* and *mission driven*” (Worth 2009: 93). Therefore non-profits need leaders that match to their needs. Leaders in comparison would see themselves as agents of change compared to conservators or regulators (Worth 2009). Although leadership is necessary for any prosperous, creative and visionary business, strong leadership and passion in a non-profit organization is an absolute must even on the most basic of levels.

In a non-profit there is typically more room for creativity and ingenuity and more freedom is given to employees and volunteers. Volunteers and even paid employees of non-profits need to feel empowered. According to Crutchfield and Grant, their research “strongly supports the notion that leading a non-profit is quite different from leading a business-and therefore requires a more collaborative type of leadership” (Crutchfield & Grant, 2008:157). In non-profits it is important to include all of your members and volunteers and keep them involved. The more responsibility and ability they have to use their personal ideas and strengths, the more motivated they will be to follow. They need

to feel that what they do makes a difference and that their jobs and positions are of real importance. Again the pay isn't keeping them there, it's the mission.

Non-profit leaders tend to have more responsibilities than your typical equivalent business. This is often due to lack in funds or skilled workers. Non-profit management is so different because it uniquely requires the ability to integrate the mission, the acquisition of resources, and strategy (Worth, 2009).

## **INCENTIVES AND MOTIVATION**

A major difference between non-profit and for-profit is what motivates and drives the workforce. An NPO employee makes a fraction of what an equally qualified worker at a for-profit business (FPB) would make. The motivation for volunteers and non-profit workers goes beyond money. For the non-profit workers the mission, goals, and being a change agent for a better community and world motivate the NPO worker.

These volunteers are motivated by the mission, their personal values and their desire to give back to the community. A study done in 2002 found that only 16% of non-profit staff came to work for their pay, compared to 47% of the for-profit industry (Worth, 2009). Further evidence in this study supports the notion that non-profit workers are instead motivated by professional efficacy, support for autonomy, preferences for working with and for people, altruism, personal growth, social contacts, skill variety, and opportunities for learning rather than for extrinsic rewards such as salary (Baluch, 2012). The motivators and incentives for going to work every day or finishing a project are very different between the two sectors.

## **AMBIENCE (ATMOSPHERE AND INTANGIBLES)**

The FPB world can be a competitive place, which focuses on winning at all costs and fierce competition. Professionalism is exalted and workers must present the right appearance, including the style of their attire and just how they carry themselves. In the NPO world it is less about competition and winning or losing, but more about fulfilling the mission. There is a double bottom-line for NPOs; it's not just about the money or revenue, but also about accomplishing the mission. The atmosphere of the workplace reflects these different priorities.

Non-profits typically don't spend money in ways that extol extravagance or professionalism. The dress codes are often lax and the atmosphere is friendly, and welcoming to people of all kinds, sending a message of, "Welcome, we want to help you". The flexibility of the non-profit office provides an atmosphere conducive to the flexibility of non-profits, collaborative decision making, and treatment as well-rounded human beings rather than just workers which contributes to a satisfying work atmosphere (Worth, 2009).

## **MEASUREMENTS OF SUCCESS**

As mentioned above there is a double bottom-line in the non-profit sector. The bottom-line in business is often considered to be the line at the bottom of a financial report. This final line shows the net profit or loss: in essence, the final result. In for-profit business it's simple: either you made a profit or a loss. From there you can easily assess your situation and whether or not your current approach is effective. In the non-profit sector however, it's not so simple. The non-profit sector has long been run under the

impressions that their profits are not tangible. Therefore it has been difficult to hold non-profits accountable and to measure their success.

Non-profits think less about the money bottom-line and more about the mission bottom-line. Success must be measured in terms of its ability to achieve that mission (Worth, 2009). Some will argue that the “most important measure of success is the achievement of mission-related objectives, not the financial wealth or stability of the organization” (Dees, 1998). The mission statement is considered as the guide book to every action taken by the non-profit, which is why so many argue that this is what performance should be measured against. In that sense measurements of success can be viewed in a variety of ways from the number of people helped to lower levels of pollution or how many of the hungry are fed etc. Measuring success in the terms of meeting mission-related objectives can be somewhat difficult to define. In for-profit business, it’s all about profit margins, low overhead etc and this can make it fairly easy to compare success of one business to another. In a non-profit, low overhead costs or high income does not automatically mean you have met your goals or mission or provided anymore of a service than your counterpart non-profit with half the income.

## **WORKFORCE**

As previously mentioned the non-profit workforce is often underpaid, but also overworked. A huge part of the non-profits workforce depends on the work of volunteers. Volunteers are one of the biggest assets to a non-profit organization. It is estimated that a volunteer’s time in the US is equal to about \$19.51/hour in 2007

(Worth, 2009). These volunteers are extremely important for the livelihood of the non-profit.

The workforce in non-profits often tends to be more diverse. They possess very different levels of skill and have very different backgrounds. With such a dynamic mission-driven-workforce, it creates a challenge for many managers and leaders in creating a smooth running and functioning organization. This can be a challenge because as mentioned earlier, the non-profit manager needs to be a leader in order to channel the dedication and motivation of this workforce. These managers have to earn the respect of the employees because they are not given the power and authority by their job title. These employees are typically a very motivated and dedicated workforce willing to work overtime and put in the extra mile, all in the name of fulfilling the mission, whereas employees in the for-profit sector may not be as likely to put in those extra unpaid hours. In the for-profit sector the manager also has the advantage of having more choice and flexibility in whom to hire.

## **INSIGHTS ON NEGATIVE PARTICULARITIES OF NON-PROFITS**

So far I have discussed my observation from my experiences with two non-profits. During this time I realized many of the hardships in comparison to for-profit businesses that non-profits face. In this section I examine some of the hardships and challenges that NPOs deal with including: lack of training, lack of know-how, too much responsibility, lack of funds, un-organization, and unwise uses of resources.

## **LACK OF FUNDS**

One of the biggest deterrence and hindrances to the success of a non-profit is money. It is the often heard excuse in a non-profit: “we can’t afford to hire extra staff, we can’t provide the programs, we can’t, we can’t, and we can’t”! This outcry is forever ongoing due to a lack of funding and the list goes on!

The lack of funds causes a lack of adequate resources including employees. The result of fewer employees leads to overworking of the actual employees. These employees do the work of two or even three other employees. Often times, because of money, the organization lacks the technology or equipment needed to make their operations more beneficial or efficient. The lack of money deeply affects the effectiveness of an organization. One major complaint of non-profit workers is inadequate resources with which to work with (Worth, 2009).

## **LACK OF SKILL TRAINING**

In the sector of non-profits it is often difficult to hire in employees that are both passionate about the mission and qualified for the position. Those with higher education who have specialized in business, finance, management etc. can find higher paying jobs elsewhere and therefore often have little incentive to work for half the pay in a non-profit. That creates a major concern for non-profits: not to be able to hire in employees with the desired and needed skills. As exemplified by my experience the German Club, “beggars can’t always be choosers” and non-profits cannot control who they get as volunteers or the talent pool for employees is limited. The lack of income and funds to pay higher wages and salaries is a huge hindrance in recruiting better talent. And if the

non-profit cannot get the needed talent, then they would need to invest in training current employees. However, here again, money proves to be an obstacle to obtaining quality training.

Although the ideas of self-leadership and self-organization IJGD extols sound great, they are not easy to implement. They require skill, know-how, personal motivation and dedication. Self-leadership requires skills in goal setting, planning, organization, prioritization, self motivation etc. In IJGD, I witnessed employees being overwhelmed by their work and not knowing how to handle it. They didn't know how to set goals or prioritize. The fact of the matter is, not all people are disposed to self-leadership and – organization. The employees were given “free reign”, but didn't know how to work effectively within that environment. Many employees could have used training and support in learning how to become self-organized and be their own leader. The lack of skill and training within an organization can create a slippery slope of problems.

### **UN-ORGANIZATION**

Un-organization often found in non-profits is a partial product of a lack of training and flat decentralized hierarchies. In a study done in 2002 it was found that “most sources of dissatisfaction (of non-profit workers) reported were related to ineffective supervision” (Worth, 2009:194).

For example in organizations such as IJGD there was a clear lack of oversight. IJGDs organizational structure and workflow is very flat. IJGD is considered to have a flat hierarchy because there are fewer vertical lines of management and oversight. Most of the employees are on an equal level and make their own executive decisions. Such

a flat hierarchy offers less check and balances and higher chances for confusions and mistakes. Also without any formal managerial and workflow structure things often seemed to become rather chaotic. My supervisor at IJGD continually expressed dissatisfaction with her management and superiors. She didn't always feel she knew what she was doing, or what she should be doing to better pursue their mission and goals. She also admitted that she didn't possess the self-motivation and ability to efficiently allocate resources. She mentioned specifically that she would not mind having a little more guidance. My supervisor was rarely guided or accountable for what she did. There was little reward or punishment for any work produced. A "huge lack of internal controls: emblematic of a culture that does not have standards or accountability" (Hookin, 2007: 85). When an organization lacks the internal controls and oversight, then fewer employees are being held accountable for their actions. IJGD and other organizations suffer from organizational dysfunction due to lack of internal controls and human resource management.

### **UNWISE USE OF RESOURCES**

Un-organization and a lack of communication can lead to unwise uses of the already limited resources. For example at IJGD an office out of Berlin decided to take part in a fair a few hours away in a southwestern city of Germany. The fair was about thirty minutes away from another IJGD office, which would be fully capable of running the stand. The office near the fair was never notified and found their co-workers by accident while visiting the fair. The office out of Berlin spent much more time and money than necessary by traveling the hours (5-6hours) away to a fair and paying the multiple staff members. IJGD needed more centralization of power, management and oversight

to prevent these errors. Those who are not trained should not be in the position to facilitate such events. Such events and similar inefficient or ineffective types of marketing is a poor delegation of responsibilities. I was given the opportunity to take part and experience the kind of marketing IJGD employed. The fair took place in a trade school, four hours away. It turns out this type of school allows very little time for students to take part in extracurricular activities such as our workcamps. Based on my personal observations and understanding this was neither the age group of German participants that we are searching for nor the correct market segment for our product. My supervisor knew the basics of business, but she was not equipped to make such marketing decisions that include IJGD funding: to quote Jackson, “such non-profits have a dysfunctionality in finance and financial management” (Jackson, 2007: 85).

### **TOO MUCH RESPONSIBILITY PER EMPLOYEE**

As previously stated, the lack of training is a foundational problem to an organization. This is amplified because of the size and complexity of a non-profit. Non-profits are often small in size with relatively few or no paid staff members. Due to the lack of funds and resources available to the organization, every staff member is forced to take on more responsibility. One position may be responsible for the marketing, financing, management and more! The fundamental roles of the organization are split between relatively few members. The lack of training and know-how proves detrimental here. Very rarely is any one employee fully trained in the areas of marketing analysis and assessment<sup>1</sup>, has the expertise to balance a budget or how to best maximize

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<sup>1</sup> For example few NPO managers know how to analyze and assess segment markets from the four P's (Price, Place, Product, and Promotion) or perform a SWOT analysis

returns? It is highly unlikely that one employee knows enough of so many extensive fields. As Mc Namara says:

*„Those new to nonprofits may react that, because nonprofits tend to be small in size, issues in nonprofits should be simple in nature. On the contrary, the vast majority of organizations (regardless of size) experience similar issues, e.g., challenges in planning, organizing, motivating and guiding. However, when these issues are focused in a small organization, the nature of the organization becomes very dynamic and complex.“* (Mc Namara, 2012)

It is sometimes said that in non-profits “Everyone wears too many hats”. There are so many skills that can be needed in one position. As a manager of your department you may be responsible for the routine functions, plus marketing, plus strategic, and more, but these are so many skill required that not all of them can be found in one person (Crutchfield & Grant, 2008).

When an employee is responsible for so many aspects of an organization this typically will result in longer working days per employee. One of the common stereotypes of non-profit employees is that they are “overwork[ed] and burn[ed] out” (Crutchfield & Grant, 2008: 194). An overworked and burned out employee isn’t very efficient or effective. Overworking can hurt the mission and motivation for employees.

### **FEAR OF COMMERCIALIZATION**

The organizational culture of many non-profits is preventing them from moving forward and expanding their business which negatively affects their mission. Still to this

day it is believed that “many nonprofit employees ... are uncomfortable with the language and practices of business and may be skeptical of the values and motives of people trying to introduce business concepts (Frumkin & Imber, 2004: 53; Worth, 2009: 51). This resistance to business-like approaches stems from fears of losing sight of the mission and goals of the organization because they may conceptualize their NPO through the lenses of commercialized concepts. Although this commercialization might happen in a few cases, a total lack of commercialization can severely hurt your non-profit and impede its success. A small but healthy dose of commercialization or a more business-like approach can have positive outcomes. This fear of commercialization can also be connected to fear of donor dependence. Non-profits who depend heavily on funding from government or private donors fear the risk of interference and the influence of these donors in the execution of the organizations goals.

## **HOW PROFITS ARE DEFINED**

The focus on the mission although important, cannot self-sustain any business or organization. “In the business world, it is widely recognized that having a superior company enables success. It takes money to make money. But in the social sector, the idea still remains difficult ... to grasp” (Crutchfield & Grant, 2008: 200). If profit and success is only measured of how closely we are to the mission, it can become easy to lose sight of the benefits of actual income and monetary profits. Non-profits don't think enough about the financial bottom line and this hurts their ability to effectively and efficiently serve their purpose in this world. Thinking more in terms of money can help them reach their goals and help their cause.

As mentioned problems presented by the types of funding non-profits receive is often due to the influence of these donors. Many non-profits are partially if not mostly government funded as is IJGD. Government funding is only provided if the organization meets so many requirements or like in IJGD they receive the most money from the government per German volunteer they enroll. Therefore they need to align with government stipulations. Their goal is to find and increase the number of German participants. This government funding can lead to a decrease in flexibility of the organization. The same can be said of individual donors' private or corporate donations. These organizations will then be held up to the standards set up by the government and donors.

The same situation is true for German Club. If we would like to be eligible for grants, funding and WMU support, we have very little choice, but to follow WMU law and guidelines set in place for student organizations.

## **INSIGHTS INTO POSITIVE PARTICULARITIES OF NON-PROFITS**

Although there is a great deal that can be critiqued in the non-profit sector there are also many positive particularities that make non-profits unique and functional. Many of the positive aspects of non-profits stem from employee self-gratification.

### **ORGANIZATION**

The idea of a flat hierarchy within non-profits is exemplified in IJGD and gradually the flattening of German Club. If done correctly a flat hierarchy can have its advantages. As mentioned before, training is important in an organizational structure

that provides little guidance and oversight. With no direct authority a flat hierarchy and self organization empowers the employees. The decentralization of non-profits puts the change in the hands of the individual employee because successful leaders “distribute leadership throughout their organization and nonprofit network-empowering others to lead” (Crutchfield & Grant, 2008: 22). Sharing the responsibility and power helps to strengthen the organization. This delegation of responsibility can also allow others with opportunities to develop their skills and expertise (Sweeny & McFarlin, 2002).

### **A DIFFERENT STYLE OF LEADERSHIP**

Here I will revisit the theme of self-organization from a more positive perspective than I did in the last chapter. Self organization is a different type of organizational structure and leadership. Self-organization is leadership and motivation from within the company. The leadership comes from within the smallest department and radiates out. Self-organization gives employees flexibility. When employees are left in charge of their work and responsibilities, they have the option to set their schedules and set their priorities.

### **EMPOWERMENT**

Empowerment is a great advantage for NPO employees. Empowering gives one the opportunity to make meaningful, impactful decisions. Empowerment also has its key advantages to the organizations and it is believed to help create larger success within the organization and towards accruing their goals and mission. In a study by Crutchfield and Grant they say, that they “have come to believe that sharing leadership

has in fact enabled these nonprofits to have more impact” (Crutchfield & Grant, 2008:156).

### ***Creates New Ideas***

Creativity is often a byproduct of empowerment and (self-organization). This type of organizational structure allows for every participant to actively engage themselves for the benefit of the mission. This type of structure and workflow fosters the growth of new ideas. IJGD and the WMU German Club may be considered to have a “free spirited approach to adaptation” (Crutchfield & Grant, 2008:151). Things are not planned out to a “T” on how to go about change or how to implement new ideas. These two organization run by trial and error and “go by the flow”. Great non-profits are those that can continually adapt and modify their tactics to the continuously changing environment and needs (Crutchfield & Grant, 2008)

## **ORGANIZATIONAL CULTURE**

An organizations culture can be defined in a lot of ways including by language, symbols, rules, mission statement, firm appearance, and general behavior (Sweeny & McFarlin, 2002). In the non-profit atmosphere the dropping of formalities and no excessive power roles leads to an open forum for communication and also provides for easier communication. The communication lines between all employees and management can be very clear and direct. This type of communication proves an organizational functionality of communication. Clear communication lines and a level playing field (Hookin, 2007) keep an organization running smoothly. This helps to prevent misunderstandings, conflicts and will help to keep projects moving in the right

direction. Communication is important because the organizational culture of NPOs is one of learning, sharing and being open.

## **MEANINGFUL**

One of the biggest differences between for-profit and non-profit and one of the most positive aspects of the NPO is the meaning behind it. NPOs stand for and represent their mission, their goals and creating change. Non-profits have something that most other businesses do not: Meaningful, transformational projects.

### **GOOD FOR SELF GROWTH**

Non-profits are not only meaningful for the participants or those receiving the aid, but can also be very beneficial for the volunteers and workers. These positions are often more than “just a job”. People get engaged in an effort to make a difference and often to strengthen their own moral health. Non-profit environments and their missions create an opportunity for and foster self growth.

## **FUTURE OF NON-PROFITS: A NEW (RE) VISION IN LIGHT OF THE GROWING IMPORTANCE OF NON-PROFITS. DOES SOMETHING NEED TO CHANGE?**

The non-profit sector is far from being perfect and there are some changes and implementations that could help improve NPOs as a whole. Re-assessing the

organization, goals and mission will help to create the ideal functioning non-profit organization for the current generation.

## **PROFIT AND SUCCESS REDEFINED FOR NPO LEADERS**

As will be discussed more, non-profits are scared that becoming more commercialized and that spending more time focusing on profits will completely undermine the sanctity of the organization and mission. However, it's all about balance and keeping everything in proportion.

### **THE DOUBLE BOTTOM LINE**

As mentioned at the beginning of this essay we touched on the idea of the double bottom line. This notion is and will continue to be even more important for the non-profit industry. Neither part alone, financial gains or mission effectiveness, can define the success or impact of a non-profit.

The mission will and always should be one of the most important driving forces of an organization and therefore needs to be included in the measurement. The effectiveness of the mission should be, if possible, measured by as many tangibles as possible such as, increase in homeless housed, 500 more meals distributed etc. Not all NPOs have clear-cut profits and most ways of assessing their profits are vague. However, due to the increasing need for transparency in NPOs because of corporate scandals etc, it is one more reason why measuring a NPO by its financial bottom line is becoming more prominent.

The financial bottom line is a touchy subject for many NPO leaders, however, keeping track of finances and balancing the budget in NPOs is a must. Some advocates say that how much money they spend doesn't matter as long as it makes some change. These organizations typically use up their income rather quickly and then are forced to stop operations altogether. In the NPO sector there needs to be more attention paid to the financial bottom line.

The financial bottom line is so important because NPOs in the past have too often spent their income unwisely. By paying more attention to the financial bottom line, NPOs will become more aware of their expenditures and can better assess if their resources and whether or not they are being allocated correctly and efficiently. The NPO shouldn't just throw the budget and money to the wind; they need to be held accountable for their expenditures.

## **STRATEGIC CHANGES**

Strategic changes within the non-profit sector are created to utilize and optimize the available resources to their optimal levels.

### **COUNTERACTING FEARS OF COMMERCIALIZATION**

Fears in the non-profit sector of commercialization or becoming more "business-like" are blinding leaders and employees from the benefits that could be accrued. It is becoming more important to measuring non-profits also by financial success as donors are demanding more transparency in their operations. Other benefits of commercialization can be to become more competitive, better reach objectives, utilizing management and organizational structures, and becoming monetarily self-sufficient.

Of course the drive to become more businesslike, however, holds many dangers for non-profits. A major valid concern is that commercial operations can undercut an organization's social mission. But that is why non-profit leaders need to craft their strategies carefully.

Much of this fear of business-like run organizations is due to a lack of training and education in the matter. They don't often understand the principles of business.

*Many nonprofits simply do not have the business-specific organizational skills, managerial capacity, and credibility to succeed in commercial markets. Hiring people with business skills and market focus is not enough. An organization must be receptive to and supportive of new activities; it also must be able to integrate the skills and values of the new staff. Many MBAs who go to work in nonprofit organizations find themselves ostracized by their colleagues (Dees, 1998).*

The fear of business is ingrained into the organizational structure of the non-profit. This ostracization will scare and force qualified individuals out of the non-profit workforce. The non-profit sector should be open to learning from these individuals as they may have much to offer. To counteract this effect, managers need to re-organize and hire in staff that can accept the changes and adaptation of business-like principles. In organizations that do hire employees with business skills they will need to address the cultural conflicts and compensation problems that could arise. The new hires must be supported fully, and care must be taken to allow them to build credibility within the core

culture. Non-profit leaders should anticipate cultural conflict and find ways to turn such conflict into a healthy, creative tension (Dees, 1998).

NPOs also fear that typical business people only think about the financial bottom line and that they would lose focus of the mission entirely. The challenge is to find a financial structure that reinforces the organization's mission, uses scarce resources efficiently, is responsive to changes, and is practically achievable (Dees, 1998). Successful non-profits should combine commercial and philanthropic elements in a productive balance (Dees, 1998). A skilled leader or manager needs to create a new organizational culture that is able to blend commercial values with the organization's mission and with the traditional values associated with philanthropic principles that drive such organizations (Dees, 1998).

***Why it's Important to Counteract these Fears:***

It has become increasingly important to face these fears because they prove to be a hindrance and not a pushing, productive force to the overall possible success and impact of the NPO. Becoming more commercialized or simply more business-like can benefit your organization, especially if you are able to become monetarily self-sufficient and not dependent on donors who can have overreaching impacts on non-profit organizations.

Becoming more business minded would improve the productivity of the average non-profit. By hiring and training staff members for specific job assignments and titles they will be able to perform at a higher capacity. They will be given the tools for success and this will lead to an increase in productivity. The re-training and organizing of certain

departments will help to increase effectiveness. If you are to hire specialists who work on identifying needs and the market segment, than you will be able to devise a strategy and strategic plan around this increasing the overall effectiveness of your non-profit. By satisfying these objectives your organization will be running at a higher level and you will see an increase in income (due to the new levels of efficiency and effectiveness) and an increase in impact.

Often acting like a for-profit organization through auxiliary commercial enterprises can help you not to be so dependent on your constituencies. And because the competition for philanthropic dollars is very intense (Dees, 1998), it's becoming even more important to be self-sufficient in increasing funds. Becoming more business-like doesn't mean you have to sell out, it just means there should be more business-like regulations and stipulations put in place, which will allow you to work more efficiently and save you money.

### **ORGANIZATIONAL, STRUCTURE, AND WORKFORCE**

It's important to have a well trained staff in order to optimize, efficiency, creativity, and effectiveness. In non-profit organizations upper management needs to spend more time and invest more money into training and creating an optimized workforce. "More important, with limited resources and ambitious goals, these groups need strong staff to achieve the level of impact to which they aspire. Anything else just won't cut it" (Crutchfield & Grant, 2008: 191). If NPO's can't hire the talent then they need or to educate the current employees the full potential of the organization will never be

reached. Training is an investment into employees, but it does need capital to make it happen.

Also as mentioned in relation to overcoming fears of becoming more business-like, NPOs need to re-organize and redefine roles within the organization to make room for a more business approach. The organizational culture will need to be more flexible and open to the new changes.

The work-environment as a whole would benefit from creating a more professional workplace, “the nonprofit’s credibility is diminished by the presence of individuals whose hygiene and mode of dress suggests that they do not understand that they are working professionals” (Jackson, 2007: 84). Although a slightly laxer style and ambience in the workplace of non-profits than in for-profit is ideal, it should not be taken advantage of. Employees, volunteers, donors and those receiving help and aid will appreciate and respect these organizations who take on a more professional attitude towards their jobs.

The work atmosphere and climate of these organizations need to continue to encourage collaboration, creativity and need to be a place of learning and growing. The work place should also be seen as an exciting place, where change and progress is happening (Nanus & Dobbs, 1999).

Structurally, although the flat hierarchy and empowerment of employees is extremely beneficial, it doesn’t hurt to have a little more oversight. There needs to be someone in control who is ensuring that objectives and deadlines are met and that the organization is operating to its full capacity. The management positions and those

overseeing operations need to be well versed in the business realm. This oversight will prevent unwise use of resources, and ensure a greater impact of the organization. The fewer resources, time, and energy that is wasted the more these NPOs can put towards projects and their mission.

## **WHAT THIS MEANS**

If done correctly the non-profit would likely benefit from more income. With more funds a non-profit can hire in more skilled employees or better train current staff. As a manager trains employees, they know that they can have a level of trust and confidence in their employees. Effectively training your employees will save you so much money in the long run. When they know how to make efficient, effective decisions that optimize impact and value and then empower them to make these decisions, you will have a strong organization with the opportunity for success.

To achieve the ideal organization in today's non-profit sector requires that managers be somewhat hybrids themselves. They need to learn how to combine a commitment to their organization's non-profit mission with business skills to manage the double bottom line (Worth, 2009). The new leaders of today's NPOs must hold an appreciation for social responsibility but also need to have the skills and understanding of how to succeed in a competitive market place, "Without great improvements in leadership it is unlikely that nonprofit organizations will be able to meet the new challenges they face" (Nanus & Dobbs, 1999: 50).

The leader will know how to balance the double bottom line of financial and social return (Worth, 2009). As always it will be very important to measure the success

of a non-profit by its ability to achieve their mission and social goals. However, in today's increasingly commercialized society it is becoming very important to also pay attention to the financial bottom line if they are to survive and succeed.

The mission cannot get lost in the process of becoming more business-like as the organization revamps its organizational culture and methods. The reason behind commercialization or becoming more business-like is for the sole purpose of supporting the cause and the mission. The more efficient and effective an organization can become, the more likely it is to make a real impact and change in our society. Strategic and structural innovation should focus on improving mission-related performance. These few items will help them to make a stronger organization.

## **CONCLUSION**

### **THE NEW NON-PROFIT**

In the new non-profit, leaders will have higher standards and more pressure to create an organization that can combine the best of both worlds of for- and non-profit organizations, and to create a real impact in society. They will need to fight the fears of becoming more business-like structurally and organizationally. To make many of these improvements managers need to create a more efficient organization to increase funding that can be re-invested in the organization and break the current cycle.

The main motivator and incentives for NPOs will continue to be the cause and the mission. It is important for leaders to retain their key volunteers and skilled

employees by showing appreciation, empowering them, respecting them and giving them an opportunity to make real change. This conclusion and the challenges facing leaders and organizations are summed up very well by Gregory Dees: “people want to make contributions to the common good, or to their vision of it. The challenge is to harness these social impulses and marry them to the best aspects of business practice in order to create a social sector that is as effective as it can be” (Dees, 1998).

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