Managing the Non-Profit Organization: Principles and Practices

Initially I thought that *Managing the Nonprofit Organization: Principles and Practices* would be too narrow of a focus for Book Notes. As you can see, I had a change of heart. After all, we are talking about the legendary Peter Drucker, arguably the greatest management mind in modern history. While he applies his management expertise to the nonprofit sector, every thoughtful leader, regardless of his or her arena of influence, can easily benefit from the gems of management wisdom that flow so matter-of-factly from his pen. Specifically, Drucker's comments on MISSION at once provide a needed and trustworthy benchmark for CEOs and board members alike regardless of the profit status of their organization.

Check out these Book Notes to get a feel for the depth of insight this iconic management consultant brings to the leadership discussion.

Title: **Managing the Non-Proft Organization: *Principles and Practices***

Author: **Peter F. Drucker**

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Book Description:

Managing the Nonprofit Organization is the groundbreaking and premier work on nonprofit organizations. The nonprofit sector is growing rapidly, creating a major need for expert advice on how to manage these organizations effectively. Management legend Peter Drucker provides excellent examples and explanations of mission, leadership, resources, marketing, goals, and much more. Interviews with nine experts also address key issues in this booming sector.

Book Quotes:

The non-profit organization exists to bring about a change in individuals and in society. The first thing to talk about is what missions work and what missions don't work, and how to define the mission. For the ultimate test is not the beauty of the mission statement. The ultimate test is right action. LOCATION: 170

The three most charismatic leaders in this century inflicted more suffering on the human race than almost any trio in history: Hitler, Stalin, and Mao. What matters is not the leader's charisma. What matters is the leader's mission. Therefore, the first job of the leader is to think through and define the mission of the institution. LOCATION: 175

The most important task of an organization's leader is to anticipate crisis. Perhaps not to avert it, but to

anticipate it. To wait until the crisis hits is already abdication. One has to make the organization capable of anticipating the storm, weathering it, and in fact, being ahead of it. That is called innovation, constant renewal. You cannot prevent a major catastrophe, but you can build an organization that is battle-ready, that has high morale, and also has been through a crisis, knows how to behave, trusts itself, and where people trust one another. In military training, the first rule is to instill soldiers with trust in their officers, because without trust they won't fight. LOCATION: 253

First, organize yourself to see the opportunity. If you don't look out the window, you won't see it. What makes this particularly important is that most of our current reporting systems don't reveal opportunities; they report problems. They report the past. Most answer questions we have already asked. So, we have to go beyond our reporting systems. And whenever you need a change, ask: If this were an opportunity for us, what would it be? LOCATION: 303

You can't be satisfied in non-profit organizations with doing adequately as a leader. You have to do exceptionally well, because your agency is committed to a cause. You want people as leaders who take a great view of the agency's functions, people who take their roles seriously—not themselves seriously. Anybody in that leadership position who thinks he's a great man or a great woman will kill himself—and the agency. LOCATION: 376

The leaders who work most effectively, it seems to me, never say "I." And that's not because they have trained themselves not to say "I." They don't think "I." They think "we"; they think "team." They understand their job to be to make the team function. They accept the responsibility and don't sidestep it, but "we" gets the credit. There is an identification (very often, quite unconscious) with the task and with the group. This is what creates trust, what enables you to get the task done. LOCATION: 393

As the first such basic competence, I would put the willingness, ability, and self-discipline to listen. Listening is not a skill; it's a discipline. Anybody can do it. All you have to do is keep your mouth shut. The second essential competence is the willingness to communicate, to make yourself understood. That requires infinite patience. We never outgrow age three in that respect. You have to tell us again and again and again. And demonstrate what you mean. The next important competence is not to alibi yourself. Say: "This doesn't work as well as it should. Let's take it back and re-engineer it." We either do things to perfection, or we don't do them. We don't do things to get by. Working that way creates pride in the organization. LOCATION: 414

The last basic competence is the willingness to realize how unimportant you are compared to the task. Leaders need objectivity, a certain detachment. They subordinate themselves to the task, but don't identify themselves with the task. The task remains both bigger than they are, and different. The worst thing you can say about a leader is that on the day he or she left, the organization collapsed. When that happens, it means the so-called leader had sucked the place dry. He or she hasn't built. They may have been effective operators, but they have not created vision. LOCATION: 419

One of the key tasks of the leader is to balance up the long range and the short range, the big picture and the pesky little details. You are always paddling a canoe with two outriggers—balancing— while managing a non-profit. LOCATION: 465

The most important do, I have said again and again already: Keep your eye on the task, not on yourself. The task matters, and you are a servant. LOCATION: 525

We hear a great deal these days about leadership, and it's high time we did. But, actually, mission comes first. Non-profit institutions exist for the sake of their mission. They exist to make a difference in society and in the life of the individual. They exist for the sake of their mission, and this must never be forgotten. The first task of the leader is to make sure that everybody sees the mission, hears it, lives it. If you lose sight of your mission,

you begin to stumble and it shows very, very fast. LOCATION: 746

The leader's job is to make sure the right results are being achieved, the right things are being done. LOCATION: 780

One has the responsibility to allocate resources, particularly of course in organizations that depend heavily on volunteers, and heavily on donors. Leadership is accountable for results. And leadership always asks, Are we really faithful stewards of the talents entrusted to us? The talents, the gifts of people—the talents, the gifts of money. Leadership is doing. It isn't just thinking great thoughts; it isn't just charisma; it isn't play-acting. It is doing. And the first imperative of doing is to revise the mission, to refocus it, and to build and organize, and then abandon. It is asking ourselves whether, knowing what we now know, we would go into this again. Would we stress it? Would we pour more resources in, or would we taper off? That is the first action command for any mission. LOCATION: 781

Leadership is also example. The leader is visible; he stands for the organization. He may be totally anonymous the moment he leaves that office and steps into his car to drive home. But inside the organization, he or she is very visible, and this isn't just true of the small and local one, it is just as true of the big, national, or worldwide one. Leaders set examples. The leaders have to live up to the expectations regarding their behavior. No matter that the rest of the organization doesn't do it; the leader represents not only what we are, but, above all, what we know we should be. LOCATION: 795

Napoleon said that there were three things needed to fight a war. The first is money. The second is money. And the third is money. That may be true for war, but it's not true for the non-profit organization. There you need four things. You need a plan. You need marketing. You need people. And you need money. LOCATION: 831

The purpose of a strategy for raising money is precisely to enable the non-profit institution to carry out its mission without subordinating that mission to fund-raising. This is why non-profit people have now changed the term they use from "fund raising" to "fund development." Fund-raising is going around with a begging bowl, asking for money because the need is so great. Fund development is creating a constituency which supports the organization because it deserves it. It means developing what I call a membership that participates through giving. LOCATION: 881

In fund development you appeal to the heart, but you also have to appeal to the head, and try to build a continuing effort. The non-profit manager has to think through how to define results for an effort, and then report back to the donors, to show them that they are achieving results. LOCATION: 906

There is an old saying that good intentions don't move mountains; bulldozers do. In non-profit management, the mission and the plan—if that's all there is—are the good intentions. Strategies are the bulldozers. They convert what you want to do into accomplishment. They are particularly important in non-profit organizations. One prays for miracles but works for results, St. Augustine said. Well, strategies lead you to work for results. They convert intentions into action and busyness into work. They also tell you what you need to have by way of resources and people to get the results. LOCATION: 921

I was once opposed to the term "strategy." I thought that it smacked too much of the military. But I have slowly become a convert. That's because in many businesses and non-profit organizations, planning is an intellectual exercise. You put it in a nicely bound volume on your shelf and leave it there. Everybody feels virtuous: We have done the planning. But until it becomes actual work, you have done nothing. Strategies, on the other hand, are action-focused. So, I've reluctantly accepted the word because it's so clear that strategies are not something you hope for; strategies are something you work for. LOCATION: 925

Here is another don't: Don't try to reach different market segments with the same message. LOCATION: 1033

One strategy is practically infallible: Refocus and change the organization when you are successful. When everything is going beautifully. When everybody says, "Don't rock the boat. If it ain't broke, don't fix it." At that point, let's hope, you have some character in the organization who is willing to be unpopular by saying, "Let's improve it." If you don't improve it, you go downhill pretty fast. LOCATION: 1042

There are a few common mistakes in doing anything new. One is to go from idea into full-scale operation. Don't omit testing the idea. Don't omit the pilot stage. If you do, and skip from concept to the full scale, even tiny and easily correctible flaws will destroy the innovation. LOCATION: 1087

The next most common mistake is righteous arrogance. Innovators are so proud of their innovation that they are not willing to adapt it to reality. It's an old rule that everything that's new has a different market from the one the innovator actually expected. LOCATION: 1092

Non-profit institutions tend not to give priority to performance and results. Yet performance and results are far more important— and far more difficult to measure and control—in the non-profit institution than in a business. LOCATION: 1570

For each non-profit institution, the executive who leads effectively must first answer the question, How is performance for this institution to be defined? LOCATION: 1575

The most important do is to build the organization around information and communication instead of around hierarchy. Everybody in the non-profit institution—all the way up and down— should be expected to take information responsibility. Everyone needs to learn to ask two questions: What information do I need to do my job—from whom, when, how? And: What information do I owe others so that they can do their job, in what form, and when? LOCATION: 1692

Organizations are based on trust. Trust means that you know what to expect of people. Trust is mutual understanding. Not mutual love, not even mutual respect. Predictability. This is far more important in the non-profit organization, because typically it has to depend on the work of so many volunteers and on so many people whom it does not control. LOCATION: 1712

And it is the function of any organization to make human strengths effective in performance and to neutralize human weaknesses. This is its ultimate test. LOCATION: 1768

One more basic rule: Force your people, and especially your executives, to be on the outside often enough to know what the institution exists for. There are no results inside an institution. There are only costs. Yet it is easy to become absorbed in the inside and to become insulated from reality. Effective non-profits make sure that their people get out in the field and actually work there again and again. LOCATION: 1770

Executives, whether in a non-profit institution or in a business, actually spend little time on decision making. Far more of their time is spent in meetings, with people, or in trying to get a little information. Yet it's in the decision that everything comes together. That is the make or break point of the organization. Most of the other tasks executives do, other people could do. But only executives can make the decisions. And they either make decisions effectively or they render themselves ineffective. LOCATION: 1779

The most important part of the effective decision is to ask: What is the decision really about? Very rarely is a decision about what it seems to be about. That's usually a symptom. LOCATION: 1786

No decision has been made until someone is designated to carry it out. Someone has to be accountable—with

a work plan, a goal, and a deadline. Decisions don't make themselves effective; people do. LOCATION: 1897

Performance is the ultimate test of any institution. Every non-profit institution exists for the sake of performance in changing people and society. Yet, performance is also one of the truly difficult areas for the executive in the non-profit institution. LOCATION: 2027

People decisions are the ultimate—perhaps the only—control of an organization. People determine the performance capacity of an organization. No organization can do better than the people it has. LOCATION: 2093

The rules for making good people decisions are well established, though, alas, very few of us follow them correctly. Any executive who starts out by believing that he or she is a good judge of people is going to end up making the worst decisions. To be a judge of people is not a power given to mere mortals. Those who have a batting average of almost 1.000 in such decisions start out with a very simple premise: that they are not judges of people. They start out with a commitment to a diagnostic process. LOCATION: 2101

Properly done, the selection process starts with an assignment— not merely with a job description but an assignment. Next, the executive forces himself or herself to look at more than one person. All of us think we know who the "right" person is, as a rule. But effective non-profit executives shouldn't decide impulsively. They should look at several people so they have a safeguard against being blinded by friendship, by prejudice, or merely by habit. Thirdly, while reviewing candidates, the focus must always be on performance. Don't start with personality. Don't start with the usual silly questions such as does he get along with people, or does she have initiative? These characteristics may be meaningful in describing a personality, but they don't tell you how people perform. The right questions are: How have these people done in their last three assignments? Have they come through? Then, fourth, look at people's specific strengths. What have they shown they can do in their last three assignments? LOCATION: 2107

Look always at performance, not at promise. LOCATION: 2141

The most important way to develop people is to use them as teachers. Nobody learns as much as a good teacher. Selecting someone to be a teacher is also the most effective recognition. LOCATION: 2190

Once the right match is made, there are two keys to a person's effectiveness in an organization. One is that the person understands clearly what he or she is going to do and doesn't ride off in all directions. The other is that each person takes the responsibility for thinking through what he or she needs to do the job. That done, the person goes to all the others on whom he depends—the superior, the associates, the subordinates—and says, "This is what you are doing that helps me. This is what you are doing that hampers me. And what do I do that helps you? What do I do that hampers you?" That's 80 percent of working effectively. (But don't write memos. Go and ask!) LOCATION: 2218

An executive's first responsibility is to enable people who want to do the job, who are paid for doing the job, who supposedly have the skills to do the job, to be able to do it. Give them the tools they need, the information they need, and get rid of the things that trip them up, hamper them, slow them down. But the only way to find out what those things are is to ask. Don't guess—go and ask. LOCATION: 2224

To be effective, a non-profit needs a strong board, but a board that does the board's work. The board not only helps think through the institution's mission, it is the guardian of that mission, and makes sure the organization lives up to its basic commitment. The board has the job of making sure the non-profit has competent management—and the right management. The board's role is to appraise the performance of the organization. And in a crisis, the board members may have to be firefighters. LOCATION: 2265

The board is also the premier fund-raising organ of a non-profit organization—one important role it does not have in the for-profit business. If a board doesn't actively lead in fund development, it's very hard to get the funds the organization needs. Personally, I like a board that not only gets other people to give money but whose members put the organization first and foremost on their own list of donations. LOCATION: 2269

Over the door to the non-profit's boardroom there should be an inscription in big letters that says: Membership on this board is not power, it is responsibility. Some non-profit board members still feel that they are there for the same reason they used to go on hospital boards in the old days—recognition by the community—rather than because of a commitment to service. Board membership means responsibility not just to the organization but to the board itself, to the staff, and to the institution's mission. LOCATION: 2281

The first priority for the non-profit executive's own development is to strive for excellence. That brings satisfaction and self-respect. Workmanship counts, not just because it makes such a difference in the quality of the job done but because it makes such a difference in the person doing the job. Without craftsmanship, there is neither a good job, nor self-respect, nor personal growth. LOCATION: 2639

Self-development is very deeply meshed in with the mission of the organization, with commitment and belief that the work done in this church or this school matters. You cannot allow the lack of resources, of money, of people, and of time (always the scarcest) to overwhelm you and become the excuse for shoddy work. LOCATION: 2645

And the pattern of his life makes clear that when we talk of self-development, we mean two things: developing the person, and developing the skill, competence, and ability to contribute. These are two quite different tasks. LOCATION: 3081

Developing yourself begins by serving, by striving toward an idea outside of yourself—not by leading. Leaders are not born, nor are they made—they are self-made. LOCATION: 3083