

CHAPTER 13

LEADING PUBLIC & VOLUNTEER ORGANIZATIONS

In this chapter we will focus on the motivation and recognition of volunteers, since volunteer service is essential to CAP in accomplishing our assigned missions. We begin with a quick look at leadership of volunteers, and then move on to management philosophies for organizations. We will do this by taking a look at the structure and behaviors of organizations, with a focus on understanding leadership and management issues that affect public and volunteer organizations.

CAP differs from public and private organizations in that our missions are accomplished by unpaid volunteers. Understanding the motivation of volunteers and harnessing their talents is not the same as managing and directing employees. The author of the first article, “Leadership for Volunteers: The Way It Is and The Way It Could Be,” identifies assumptions about working with volunteers that can disrupt effective employment of volunteers. The author also explains how recognition of these assumptions can lead to improved relations with and service to volunteers.

Continuing on this theme, the second reading can be used as a practical checklist for three essential tasks in managing volunteers: recruitment, retention, and recognition. The excerpts from the “Volunteer Management Guidebook” illustrate a number of important concepts of volunteerism, including why people volunteer, how to write volunteer position descriptions, how to close out a project, and rules for recognition.

In the same way that individual volunteers are held to the Core Value of Integrity, organizations can also be held to ethical standards. Unfortunately, we have seen many examples in the news recently of companies that failed to exhibit ethical behavior. Chapter 6 introduced you to the concept of Maslow’s hierarchy of personal needs. The authors of the next article, “The Hierarchy of Ethical Values

in Nonprofit Organizations: A Framework for an Ethical, Self-Actualized Organization Culture,” argue that organizations can promote ethical behavior by ascending and satisfying five levels of an ethical values hierarchy. One way that organizations can demonstrate ethical behavior is through transparency: open communication and accountability to stakeholders. In the fourth article, “The New Look of Transparency,” the author highlights the need for organizations to be open and straightforward in their interactions, especially with and among employees. Though the author’s focus is on companies, you can replace the word ‘employees’ with ‘volunteers’ to see how the message applies to CAP. Examples of CAP’s transparency include an Annual Report to Congress and yearly financial reporting to the public on an IRS Form 990.

In the final article, “Public and Private Management,” the author explores the similarities of and differences between management in public organizations and private business. Though the article might seem dated, this report is a classic text that is used by business and management schools around the country even today. As you read about the differences in leading government agencies and private companies, keep in mind that each organization type has both benefits and challenges.

But which type describes CAP? CAP is a non-profit corporation with roughly 150 employees for program

management and membership support, 68 unpaid corporate officials, and 61,000+ volunteers. Our funds come from private donations, member dues, and Congressional funds funneled through the Air Force. Our oversight comes from 11 appointed members of a Board of Governors, a national commander and vice commander elected by corporate officers, and Air Force officers and enlisted airmen assigned to CAP-USAF billets. Our organizational structure and missions are determined by Congress and the Air Force. This description indicates that CAP as an organization doesn't clearly fall into either the public or private category, but pulls some characteristics from each.

CHAPTER OUTLINE

This chapter's readings are:

Leadership for Volunteers

Richard Cummins, "Leadership for Volunteers: The Way It Is and The Way It Could Be," *Journal of Extension* 36, no. 5 (1998).

Take Root:

Volunteer Management Guidebook

Corporation for National & Community Service & Hands On Network, "Take Root: Volunteer Management Guidebook," (2010).

The Hierarchy of Ethical Values in Nonprofit Organizations

Ruth Ann Strickland & Shannon K. Vaughan, "The Hierarchy of Ethical Values in Nonprofit Organizations," *Public Integrity* 10, no. 3 (2008): 233-251.

The New Look of Transparency

Kristin Clarke, "Clear: The New Look of Transparency," *Associations Now* (November 2010).

Public & Private Management

Graham T. Allison Jr., "Public & Private Management: ...Alike in All Unimportant Respects?," *Setting Public Management Research Agendas*, OPM Document 127-53-1 (February 1980): 27-38.

CHAPTER GOALS

1. Give examples of effective strategies for leading volunteers.
2. Defend the idea that organizations should be held to high ethical standards.
3. Comprehend key differences in leading public and private organizations.

13.1 Leadership for Volunteers: The Way It Is and The Way It Could Be

By Richard Cummins

OBJECTIVES:

1. Define the term “intrinsic”.
2. Define the term “extrinsic”.
3. Identify four assumptions that can hinder the success of volunteers in an organization.
4. List four arts that can contribute to the success of volunteer organizations.

ABSTRACT

The failure of volunteer organizations is commonly attributed to a lack of leadership for the organization. The failure problem may be more closely related to unrealistic assumptions rather than the lack of leadership. Identifying common assumptions about organizational goals, volunteer roles, information flow, and feedback is crucial. Addressing those assumptions by learning the arts of active listening, mentoring, public dialogue, and evaluation and reflection is critical to the success of an organization.

For some time, questions have been asked about why some volunteer organizations are more successful than others. By and large, the problem is not with the leadership of the organization. Many talented volunteers bring substantial leadership experience from either the private or the public sector. The problem may be more closely related to unrealistic assumptions regarding the implementation of leadership for organizations.

Through personal experience, four common assumptions regarding leadership for volunteers have emerged. These benchmarks were more a result of armchair observations and hard knocks than the result of research. Research indicates these heuristics, however commonly accepted when working with volunteers, may cause more problems than they cure.

Volunteers are attracted to organizations for a variety of reasons. Generally, the motivations for aligning with others in a voluntary effort can be classified either as intrinsic, that is, doing something for the sake of the activity, or extrinsic, or doing something for an expected payoff. Whichever the case, the volunteer expects to do something. The following generally accepted assumptions may be a source of problems for volunteers willing to work.

Assumption One: Everyone knows what the organization stands for and represents. Volunteers select organizations because of the vision and mission of the organization. In order to fulfill an organization’s mission, goals must be clearly articulated to the volunteers. Clearly, volunteers want to do something to help reach the goals and vision of the organization. With the increasing mobility of volunteers, the makeup of an organization will change rapidly and the assumption that everyone knows the mission of the organization is risky. The only way to assure common goals is to frequently share those goals.

Assumption Two: Everyone knows their role. In the work world, employees are usually provided a listing of expectations for their job, such as work standards, appropriate time schedules, authorization capabilities, oversight responsibilities, and reporting protocol. Volunteers have different motivations for voluntary work than paid employees; however, specific guidelines are required in order to have a smooth functioning organization. Role clarification cannot be over-emphasized in volunteer organizations.

Assumption Three: Everyone knows where to get needed information. Volunteers need to know and understand how different parts of a project fit together. Newsletters may give general comments and updates about a project but are usually inadequate regarding specifics about project progress. In addition to the informal lines of communication that develop, a specific reporting mechanism should be established and implemented. Many problems can be avoided when the information flow is unimpeded.

Assumption Four: Everyone gets feedback. It has been said that in Vietnam, the U.S. military did not fight a nine-year war; but rather because of frequent troop changes with no feedback or institutional memory, the U.S. military fought the first year of a war nine times in succession. Volunteers cycle through organizations in much the same way and new recruits are often unaware of previous efforts. Providing feedback to volunteers is critical at all levels of the organization. Special attention

is required in order to share previous experiences with current members.

Becoming aware of assumptions and the effects those assumptions have is important in any endeavor. In order to address organizational assumptions, leaders for volunteers should be aware of four arts for sustained involvement. Learning and practicing these arts can contribute to success for volunteers and their chosen organizations.

Art One: Active Listening. Encourage others to talk and search for meaning. Be aware of values of volunteers and strive to meld organizational values and individuals' values. Encourage volunteers to talk about the organization and what they expect from the volunteering experience.

Art Two: Mentoring. Supportively guide others in learning and sharing not only how, but why specific roles are important. Strive to match available skills with volunteers' and organizational needs. Help others solve problems that are holding the organization back.

Art Three: Public Dialogue. Encourage public talk on matters that concern us all. Facilitate interaction to help volunteers gain understanding and appreciation for all segments of a project. Emphasize the free-flow of information.

Art Four: Evaluation and Reflection. Assess and incorporate the lessons we learn through action. Public decision making encourages those expected to implement plans to have ownership of those plans. Encourage new volunteers to make suggestions and avoid suggesting a lockstep method for the organization.

Providing leadership for volunteers can be exhilarating, frustrating, exciting, tedious, rewarding and demanding, all at the same time. Learning how to assess what is and assessing what could be is an important function of leadership for volunteers. Investing time to learn and practice the four arts for sustained involvement can yield substantial results.

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From: Richard Cummins, "Leadership for Volunteers: The Way It Is and The Way It Could Be," *Journal of Extension* 36, no. 5 (1998). Used with permission.

13.2 Take Root: Volunteer Management Guidebook

From the Corporation for National & Community Service and the Hands On Network

OBJECTIVES:

5. Identify three needs that motivate people to volunteer.
6. List the key components of a volunteer position description.
7. Name three goals of volunteer retention.
8. List some rules for volunteer recognition.
9. Name some ways to recognize volunteers in each event category: everyday, intermediate, and large-scale.

CHAPTER 1: VOLUNTEER RECRUITMENT

Overview

Without volunteers, most not-for-profits would cease to exist or would otherwise suffer a drastic reduction in capacity to serve communities and achieve the mission of the organization. Recruitment is the first step in securing volunteer participation in your national service program. This chapter will help you explore the basics of recruitment and how to create a recruitment strategy.

Goals

- Understand volunteer motivation
- Explore basics of recruitment
- Develop a recruitment strategy

Volunteer Motivation

Before you can begin recruiting volunteers for your project, you must first understand who volunteers and why. In a report released in December 2004, the Bureau of Labor Statistics noted Americans' strong commitment to volunteering. Between September 2003 and September 2004, about 64.5 million Americans engaged in volunteer work! Many factors [influence] people to volunteer. Some reasons include:

- They were personally asked.
- An organization with which they are affiliated is participating.
- They have a personal connection to the mission of the project or organization.
- They enjoy the type of work being performed.
- They want to learn new skills.
- They want to meet people.

One study from Independent Sector (2001) reports that 71% of people asked to volunteer, did.

Volunteering is also a great way to develop personal and professional skills. These skills include cultural awareness, creativity, problem solving, and teamwork. Volun-

teering can also meet motivational needs, as outlined by McClelland and Atkinson's Motivational Theory. According to this theory, people have three separate motivational needs, with one being [predominant]:

Affiliation

The affiliation-motivated person needs personal interaction, works to make friends, likes to get involved with group projects, and needs to be perceived as a "good" person.

Achievement

The achievement-motivated person needs specific goals to work toward, seeks responsibility, sticks to tasks until completed, and sees problems as challenges.

Power

The power-motivated person needs to impact and influence others, can work alone or in a group, can respond to needs of people or programs, and keeps an eye on overall goals of the agency.

Understanding why people volunteer and their motivational needs will help you target your recruitment strategies to engage the volunteers you need to achieve your project goals. While some volunteers may only relate to their own personal reasons for volunteering, you must articulate the relationship between the work of the project and the benefit to either the community or the volunteer. You can convey this and other motivating messages in your recruitment efforts.

Recruitment Basics

Recruitment is the process of enlisting volunteers into the work of the program. Because volunteers give their time only if they are motivated to do so, recruitment is not a process of persuading people to do something they don't want to do. Rather, recruitment should be seen as the process of showing people they can do something they already want to do. People already know that there are problems in the world, that people, the environment and

animals need the support of people who care. As a volunteer recruiter it is your job to enroll people into knowing they are that person who cares, give them incentives to volunteer, and point out exactly how they are capable of helping.

Your Program's History, Culture, and Cause

Before you begin to recruit, be sure you understand your national service program's history, culture, and cause. You should be able to answer the following questions:

- How do we typically use our volunteers (committed or not, mostly service days, randomly or regularly)?
- Which programs are successful? Which are/were not?
- With whom have we collaborated? Which of those unions were successful?
- Which were not?
- What publicity, good or bad, has our program received that may affect our recruitment efforts?
- Can we speak knowledgeably about our program's mission/cause?
- Do we feel comfortable speaking to how the projects of the national service program will help achieve the mission?
- Can we clearly articulate to volunteers how their work will contribute to the program's mission and goals?
- Is our workplace open and friendly to volunteers?
- Would we recommend volunteering in our program to close friends and family? Why or why not?

Determining Volunteer Needs

Effective volunteer recruitment begins with a volunteer program that is well planned and executed and that offers meaningful work. Program staff should clarify the work that needs to be done to achieve the goals of the project/program and then segment that work into components that reflect the reality of today's work force.

You will need to consider the type(s) of volunteers you need for your project or program. Think beyond your traditional volunteer base. Do you need someone with many hours to devote to the project, or people who want to serve only one afternoon? Is the project appropriate for children, seniors, or other people with different abilities and needs? Some trends and groups to consider include:

Long-term volunteering

Long-term service provides volunteers the opportunity to commit to a project or program that spans an extended period of time.

Short-term/episodic volunteering

Episodic volunteer opportunities include those that are of short duration and those that occur at regular intervals, such as annual events.

Family volunteering

Family volunteering provides volunteers the opportunity to participate in meaningful service while spending time with their families.

Student volunteering

Through volunteering with schools and youth groups, young people gain valuable knowledge and skills.

Internships

Through internships, fellowships, and apprenticeships, students gain valuable experience while serving the community service organization.

Virtual volunteering

Virtual volunteering allows anyone to contribute time and expertise without ever leaving his or her home.

For many volunteer opportunities, you can work with an advisory team or conduct a survey to identify volunteer assignments that will help advance the goals of the program.

If you are working on a specific service project, you can determine your volunteer needs through developing a task list. Consider what you want to accomplish and the tasks needed; then create a comprehensive list of the assignments and the number of volunteers needed for each task.

Volunteer Position Descriptions

The volunteer position description is a helpful tool. It outlines responsibilities, support, and benefits of specific volunteer opportunities. It also strengthens your recruitment efforts because it defines the assignment, skills, abilities, and interests necessary to perform the task successfully.

A volunteer position description should include the following components:

Title

Provide a descriptive title that gives the volunteer a sense of identity. This will also help program staff and other volunteers understand the assigned role.

Purpose/objective

Use no more than two sentences to describe the specific purpose of the position. If possible, state the purpose in relation to the nonprofit's mission and goals.

Location

Describe where the person will be working.

Key responsibilities

List the position's major responsibilities. Clearly define what the volunteer is expected to do as part of this assignment.

Qualifications

Clearly list education, experience, knowledge, skills, and age requirements. Also note if the opportunity is accessible to people with disabilities. If a background check is required, it should be indicated here.

Time commitment

Note the length of the assignment, hours per week, and/or other special requirements.

Training/support provided

Define nature and length of all general and position-specific training required for the assignment. Also list resources and other support available to the volunteer.

Benefits

Describe benefits available to volunteer, such as a lunch, T-shirt, development opportunities.

Volunteer supervisor and contact information

List the staff person or volunteer leader who will be working most directly with the volunteer and his/her contact information.

Recruitment Strategies

You have determined your volunteer needs and created a task list and/or position descriptions for the assignments. The next step is to create a recruitment strategy to determine whom you will ask to volunteer and how you will ask them.

First, examine the volunteer positions to be filled. Ask yourself these questions:

- Who will be qualified for and interested in this position?
- Who will be able to meet the time commitments?
- Where will you find these people?
- What motivates them to serve?
- What is the best way to approach them?

Now that you have decided on who, you need to start thinking about how to target them.

Remember that different messages will appeal to different audiences, so you will want to use a variety of recruitment methods. You can use targeted recruitment that is focused and addressed to a specific audience where people will have the skills, interests, and availability needed to fill your positions. Broad-based recruitment can be effective for positions requiring minimal training or for when you need a lot of people for a short-term event.

Here are just a few ways of recruiting volunteers:

- The personal ask is always the most compelling!
- Post your volunteer opportunity on the Web, using your program's Web site or another site such as volun-

teermatch.com.

- Strategically post flyers or brochures in the community.
- Partner with volunteers from a school, corporation, community center, faith-based group, or other non-profit.
- Utilize local media (e.g., newspapers and radio) to spread the word about your volunteer opportunities.
- Network with community groups and leaders.
- Use on-line forums and/or blogs to spread the word.

No matter the volunteer opportunity, you should have some idea of where to look for volunteers in your community. Consider a wide range of individuals and groups that are potential volunteers for your program or project, as well as locations to post flyers and brochures:

- Faith-based groups and/or houses of worship
- Military bases or retired military groups
- Unions and trade workers associations
- Sororities and fraternities
- Teacher's associations
- Retired firefighter, police, and executive associations
- Moms' groups
- Realtors (welcome wagon packages)
- Independent living homes
- Disability services groups
- Scouts, 4-H, Boys & Girls Clubs, or other youth organizations
- Other national service programs
- Grocery store billboards
- Bingo halls
- Doctors' offices
- Public transit stations
- Shopping malls
- Corporate buildings
- Job counseling offices
- Schools
- Salons
- Restaurants
- Newsletters

Don't forget to get permission to display information in specific locations. You may want to ask the owners/managers to attend an orientation so they can better inform interested volunteers who pick up a flyer.

Here are some other tips to build volunteer initiatives:

- Make sure all staff know about the opportunities available for volunteering with your program and where to refer interested volunteers.
- Integrate volunteer management skills into staff training.
- Visit off-site volunteer projects so that the volunteers associate your program with the project.

- Use surveys to find out the interests of volunteers.
- Use colorful descriptions for volunteer positions that are clear and straightforward.
- Try not use the word “volunteer” on marketing pieces. You run the risk of attracting only those who already volunteer or other volunteer managers.

Remember that anyone can be a volunteer. People vary by age, race, ethnicity, religion, sexual orientation, ability, and income. Not all volunteers are the same and not all types of volunteering will appeal to all groups, so have diverse volunteering opportunities available and target recruitment in ways that will appeal to different groups.

Your recruitment strategy is the key to engaging the right number of people with the right skills, interest, and availability for the job. Make sure to plan for a wide variety of volunteers at your project. If you have too few participants, the project will likely go unfinished. If you have too many, some volunteers will have little to do and might feel that their time was ill spent.

The above information is a compilation of materials from Make A Difference, a member organization of Hands On Network; *Volunteer Management* by Steve McCurley and Rick Lynch (1997); <http://www.serviceleader.org>; and <http://www.independentsector.org>.

CHAPTER 3: VOLUNTEER RETENTION

{ Chapter 2 is not included in this excerpt }

Overview

The best way to increase your volunteer base is to retain current volunteers. Retention is simply a matter of making volunteers feel good about themselves and their service. It includes motivating volunteers before the project, engaging them during the project, and leading them to reflect on the project. This chapter will provide you with tips for retaining volunteers for your program and projects.

Goals

- Motivate volunteers before the project
- Engage volunteers during the project
- Reflect after the project

Before the Project: Motivation

From the very beginning of volunteers’ involvement in your service activities, you should maintain good communication with them. Motivate them to stay interested and involved in your project with a few simple steps:

- Be prompt in your response to phone calls/e-mails.

Return volunteer calls or e-mails within 24 hours.

- Be thorough in your explanation of the volunteer duties. Volunteers will be more likely to sign up if they know exactly what they will be doing, and they will know what to expect at the project.
- Use this opportunity to teach potential volunteers about the issue area, the community service organization they will be serving, and the potential impact of the project.
- Use their names often; this helps develop a personal connection.
- Keep the commitments you make. People will not support you if you don’t provide information requested, address issues they bring up, and/or miss scheduled appointments.

Continue to be in contact with your team. Keeping volunteers motivated and excited about your project is the best guarantee for success! The more contact you provide, the more engaged your volunteers will be, and the more motivated they will be when they arrive. Also, respond to people’s inquiries in a timely and thorough manner.

Make sure to confirm project details with them. Contact volunteers with a phone call or e-mail that:

- Introduces you (or another staff person, partner, or volunteer) as the project leader
- Thanks them for volunteering
- Provides the date and time of the project, service site address, directions, and parking information
- Describes what will occur at the project
- Lets volunteers know what to wear or not wear to the project
- Encourages volunteers to bring supplies they may have
- Tells volunteers whom to contact if they have a change in plans

By communicating all details and project background to volunteers and staying in touch with them frequently, they will begin to create an attachment to the affiliate and the project even before they arrive. Thus they are more likely to show up on the day of the project and want to stay involved with your program for future volunteer opportunities.

During the Project: Engagement

Volunteer management incorporates elements of project and volunteer management. Having a well-planned and well-run project will make the volunteer experience more enjoyable and meaningful, thus they will be more likely to engage in future service. On the day of the project, designate an area for volunteers to “check in.” This will allow you to better manage volunteers that attend the project

and effectively track their volunteer hours. Welcome volunteers as they arrive. Use nametags at the project and get to know your volunteers. Introduce volunteers to one another to encourage interaction.

Orientation & Training

Have the Project Leader and/or agency representative give a brief (5-10 minute) orientation. The orientation should include an overview of the agency's mission and services, and how volunteer support is contributing to that mission.

Discuss the community issue that is being addressed by the agency and/or the project. This segment could include a brief history of the issue, current statistics, current events related to the issue area (e.g., legislation activity), and other civic engagement opportunities linked to this issue (e.g., advocacy training, future service projects).

The orientation and education portion of the project has many positive impacts on volunteers. It allows them to:

- See the impact they are having on the agency and its clients
- Feel a greater part of a whole, when they see all the services the agency provides
- Better understand the critical needs of the community
- Better understand how to effect change within the issue being addressed

Orientation makes volunteers feel connected to the agency, clients, or their community, and makes their work more meaningful, and in turn makes them more likely to engage in future service.

After the orientation, give a brief outline of the project and what volunteers will be doing during the project, so that everyone knows what to expect and what is expected of them. Also be sure to allow time for training volunteers for any specialized tasks or skills they will need to successfully complete the project.

Utilization

Make sure everyone has something to do. Underutilization is one of the biggest threats to retention. If people do not feel needed, they will not come back.

Balancing Different Personalities

Working with groups can be challenging. Understanding volunteers' personalities can help you position them in different teams of your project so they have the best change of personal success and compatibility with you and other volunteers. Some volunteers want to lead, some

want to socialize, some pay attention to details, and others are compassionate and dependable. You may also encounter volunteers who are headstrong, who aren't actively involved, or who complain excessively.

When you are dealing with groups, you are almost guaranteed to encounter clashing personalities. Just remember: opposite personalities can complement one another if they try to understand the other's perspective. Treat every individual with dignity and respect:

- Talk openly and professionally with your volunteer to try to eliminate the problem.
- Consult with another staff person or volunteer leader who can troubleshoot with you on ways to resolve the problem.
- Document any incidents immediately and contact the office if you do not feel you can resolve the problem.
- If a client is causing problem, consult with the agency contact immediately.
- The agency is responsible for managing the clients; you are responsible for managing the volunteers.

It is important to recognize and deal with problem volunteers. You cannot just ignore the problem and expect it to go away. It will affect other volunteers and their experience, and may influence them negatively.

Project Closure

- Always leave time for clean up. Utilize your volunteers to assist with this!
- Review the accomplishments of the day (e.g., number of meals served, walls painted, boxes sorted, etc.) so volunteers have an idea of the impact of their service. Discuss how these accomplishments may have affected the service recipients.
- Reflect on the project (see below).
- Invite volunteers to participate in future service and take future action related to the issue or national service program.

After the Project: Reflection

Reflection is an important part of offering closure to a project. Reflection allows volunteers to stop for a moment, think about what they've accomplished, share their experiences, and offer feedback for future projects or ideas for how they will continue to address the social issue. Reflection is designed to encourage volunteers to examine the project so that they see the impact of their service. Understanding how their service impacts the community will encourage volunteers to be involved in future projects. Reflection can be conducted in many ways. Volunteers can have a group discussion, write about their experience, create a photo-journal of the project, or

respond to quotes about service. Be creative and allow for interaction. Encourage each volunteer to contribute to the discussion and make sure that all volunteers have an opportunity to share their thoughts.

Sample questions for reflection discussion:

- What did you learn today—about the agency, your fellow volunteers, the service recipients, or yourself?
- How do you feel about the project? Was it worthwhile? Was it time well spent?
- What would you change about this project?
- Do you plan to take future action related to this issue?
- What other ideas or opinions can you offer this program or project?

Be creative in how you offer reflection activities. Here are a few ideas:

Web of Service: Have the group stand in a circle. Holding the end of a ball of string, hand the ball off to another participant. Ask him or her to reflect on a particular question (e.g., what was something new you learned today?). Once she has answered the question, she should hold on to her piece of the string and pass the ball onto someone else. Continue the process until everyone has reflected on the question and has a section of string in his or her hands. When completed, you should have something that looks like a web. When everyone has answered, make some points about the interconnectedness of people, how they are all part of the solution, for if one person had not contributed to their service projects the outcome would've been different. End with another question and have the volunteers retrace their steps passing the string in reverse order.

Talking Object: Gather volunteers in a circle or semi-circle, offer a “talking object” to pass around the circle as people answer reflection questions.

One to Three Words: Each person shares one to three words to describe the service activity or how he/she feels about the service activity or anything else regarding the project.

Poetry: Have volunteers write a sentence about the project. Gather these sentences. Then after a few months/weeks, compile the sentence into a poem or story.

Quotes of Service: Quotes are useful to encourage volunteer reflection. Project leaders can read the quote and ask for a response or simply let the volunteers silently reflect on the words as they part from each other.

“Without community service, we would not have a strong quality of life. It’s important to the person who serves as well as the recipient. It’s the way in which we ourselves grow and develop...”

— Dr. Dorothy I. Height president and CEO,
National Council of Negro Women

“No joy can equal the joy serving others.” —Sai Baba

“When you give to others, you speak a silent but audible thank you. Appreciation for others and ourselves is life and spirit for each and every one of us.”

— Kara “Cherry” Whitaker, 14 years old, Ohio

“You make a living by what you get. You make a life by what you give.”

—Winston Churchill

Be sure to thank volunteers for their efforts and inform them of upcoming projects. For volunteers who frequently return to your projects or who show leadership or desire additional responsibilities, delegate tasks to get them more involved and connected to your project or to allow them to enhance skills. Let them make phone calls, send e-mails, be in charge of specific tasks, etc. Encourage them to become a Volunteer Leader. Retaining volunteers is essential to the success of your program. From project beginning to end, volunteers need to feel good about themselves and their service. You can accomplish this through motivation, engagement, and reflection. Many times retention and recognition are so closely related that they are actually interdependent on one another. The next chapter will offer many tips and suggestions for recognizing volunteers for their service efforts.

The above information is a compilation of materials from Make A Difference, a 501(c)(3); *Volunteer Management* by Steve McCurley and Rick Lynch (1997); <http://www.e-volunteerism.com>; and <http://www.hiresuccess.com/ppplus-3.htm>.

CHAPTER 4: VOLUNTEER RECOGNITION

Overview

Recognition is a key component of volunteer management. Volunteers need to know that their service has made an impact and that they are appreciated by the community, fellow volunteers, and program staff. This chapter will offer ideas for creative ways to tailor recognition to meet your individual volunteers’ needs.

Goals

- Recognize volunteers

- Understand rules for recognition
- Explore tips and tools for recognition

Recognizing Volunteers

Recognition makes volunteers feel appreciated and valued. If volunteers don't feel like their contribution is valuable or necessary, they won't return. Volunteer recognition can take many forms, from a simple thank-you card to a large annual event. An ideal recognition system makes use of many different procedures, to have something for every volunteer and to keep it personal and meaningful.

Matching Recognition to Types of Volunteers

Volunteers have different personalities, are motivated to serve for different reasons, and serve in different ways. Therefore, you should use a variety of recognition methods for your volunteers. Tailor your recognition to individual volunteers, to make it most effective and meaningful.

By Motivational Orientation

Think about recognition that is appropriate for volunteers with different motivational needs.

Achievement-oriented volunteers:

- Ideal result of recognition is additional training or more challenging tasks.
- Subject for recognition is best linked to a very specific accomplishment.
- Phrasing of recognition should include "Best" or "Most" awards.
- Recognition decision should include checkpoints or records.
- Awardees should be selected by co-workers.

Affiliation-oriented volunteers:

- Recognition should be given at a group event.
- Recognition should be given in presence of peers, family, or other bonded groups.
- Recognition should have a personal touch.
- Recognition should be organizational in nature, given by organization.
- Recognition should be voted by peers.

Power-oriented volunteers:

- Key aspect of recognition is "promotion," conveying greater access to authority or information.
- Recognition should be commendation from "Names."
- Recognition should be announced to community at large, put in newspaper, etc.
- Recognition decision should be made by the organization's leadership.

By Style of Volunteering

You should also vary recognition for volunteers who serve one afternoon [vs. those who serve one year.]

Long-term volunteer:

- Recognition with and by the group
- Recognition items make use of group symbols
- Recognition entails greater power, involvement, information about the organization
- Presenter of recognition is a person in authority

Short-term (episodic) volunteer:

- Recognition is given in immediate work unit or social group
- Recognition is "portable" – something the volunteers can take with them when they leave, such as a present, photograph, or other memorabilia
- Presenter is either the immediate supervisor or the client

Informal vs. Formal Recognition

Day-to-day recognition is the most effective because it is much more frequent than a once-a-year banquet and helps to establish good working relationships.

Formal recognition includes awards, certificates, plaques, pins, and recognition dinners or receptions to honor volunteer achievement. They are helpful mainly in satisfying the needs of the volunteer who has a need for community approval, but have little impact (or occasionally a negative impact) on volunteers whose primary focus is helping the clientele. These volunteers may feel more motivated and honored by a system which recognizes the achievements of their clients and the contribution the volunteer has made towards this achievement.

When determining whether to establish a formal recognition, consider the following:

- Is this being done to honor the volunteer, or so the staff can feel involved and can feel that they have shown their appreciation for volunteers?
- Is it real and not stale or mechanical?
- Does it fit? Would the volunteers feel better if you spent the money on the needs of the clients rather than on an obligatory luncheon?
- Can you make it a sense of celebration and builder of team identity?

Goals for a Recognition Event

Educate

- Educate everyone attending about the scope, meaning, and value of volunteer services to your organization.
- Report the outcomes of volunteer effort.

- Gain publicity for the organization and the volunteer program.
- Gain respect for the volunteer program and the director of it.

Inspire

- Recommit (re-enthus) volunteers for the coming year of work recruit.
- [Find] new volunteers for vacant positions.
- Challenge all volunteers through recognition of the accomplishments of a selected few.

Recognize

- Say thank you for everything and anything volunteered to the organization during the past year, and make sure everyone volunteering during the past year feels appreciated.
- Acknowledge the contributions of some paid staff supervisors to the success of volunteers.

Have fun!

- Allow volunteers, and staff, a chance to have fun and meet each other.

Creative Recognition

Volunteer recognition does not have to cost a lot, and there are many alternatives to the traditional annual recognition banquet. Use your imagination and think outside the box to come up with some fun, inexpensive ideas that are fun for volunteers.

Rules for Recognition

Recognize . . . or else — The need for recognition is very important to most people. If volunteers do not get recognition for productive participation, it is likely that they will feel unappreciated and may stop volunteering with your program.

Give it frequently — Recognition has a short shelf life. Its effects start to wear off after a few days, and after several weeks of not hearing anything positive, volunteers start to wonder if they are appreciated. Giving recognition once a year at a recognition banquet is not enough.

Give it via a variety of methods — One of the implications of the previous rule is that you need a variety of methods of showing appreciation to volunteers.

Give it honestly — Don't give praise unless you mean it. If you praise substandard performance, the praise you give to others for good work will not be valued. If a volunteer is performing poorly, you might be able to give him non-

est recognition for his effort or for some personality trait.

Give it to the person, not the work — This is a subtle but important distinction. If volunteers organize a fund-raising event, for example, and you praise the event without mentioning who organized it, the volunteers may feel some resentment. Make sure you connect the volunteer's name to it. It is better to say "John, Betty, and Megan did a great job of organizing this event" than to say "This event was very well-organized."

Give it appropriately to the achievement — Small accomplishments should be praised with low-effort methods, large accomplishments should get something more. For example, if a volunteer tutor teaches a child to spell "cat" today we could say "Well done!" If she writes a grant that doubles our funding, a banner lauding her accomplishment might be more appropriate.

Give it consistently — If two volunteers are responsible for similar achievements, they ought to get similar recognition. If one gets her picture in the lobby and another gets an approving nod, the latter may feel resentment. This does not mean that the recognition has to be exactly the same but that it should be the result of similar effort on your part.

Give it on a timely basis — Praise for work should come as soon as possible after the achievement. Don't save up your recognition for the annual banquet. If a volunteer has to wait months before hearing any word of praise, she may develop resentment for lack of praise in the meantime.

Give it in an individualized fashion — Different people like different things. One might respond favorably to football tickets, while another might find them useless. Some like public recognition; others find it embarrassing. In order to provide effective recognition, you need to get to know your volunteers and what they will respond to positively.

Give it for what you want more of — Too often your staff pays most attention to volunteers who are having difficulty. Unfortunately, this may result in ignoring good performers. We are not suggesting that you ignore sub-par volunteers, just that you make sure that you praise the efforts of those who are doing a good job.

Tips and Tools for Recognition

Here are some easy, everyday ways to recognize volunteers:

- Use e-mail to send thank you letters/messages.
- Send postcards or thank you cards to volunteers after they attend a project.

- Send a birthday card.
- Submit pictures of volunteers to be in your organization's newsletter.
- Post pictures of volunteers on a bulletin board at your organization.
- Provide organizational goodies – hats, shirts, pins, magnets, water bottles, etc.
- Have them join you for coffee or lunch.

Below are some more involved, intermediate recognition ideas:

- Nominate a volunteer Star of the Month – award them a certificate, letter, or small gift.
- Sponsor happy hours and social events. Encourage volunteers to meet each other.
- Recognize volunteers on local radio or television stations.
- Invite volunteers to serve as project leaders or committee members.
- Give gift certificates to museums, movies, restaurants, etc. Solicit your community for donations!
- Nominate volunteers for local/national awards such as the Presidential Service Awards.
- Write articles about them in newsletters or newspapers.
- Write a letter to their employer highlighting the accomplishments of the volunteer. Be sure to find out if the volunteer would appreciate this before writing the letter!
- Celebrate major accomplishments.
- Recognize anniversaries with your organization.
- Have them attend a training, workshop, seminar, etc. at the expense of your organization.
- Give them additional responsibilities.
- Create a photo collage or slide show of volunteer activities.

Some large-scale means of recognition:

- Hold annual recognition events: a dinner, a breakfast, an awards ceremony/celebration, a picnic/potluck, theme party, etc.
- Recognize long-term volunteers with Service Awards: a plaque, trophy, certificate, etc.

- Give additional responsibilities and a new title.
- Put up a banner celebrating major accomplishments.
- Enlist them in training staff and other volunteers.
- Involve them in the annual planning process.
- Make a donation to the organization of their choice in their name.
- Organize an outing at a zoo, amusement park, sporting event, etc., where volunteers get in for free.

Recognition is an important part of volunteer management. Recognition is an opportunity for the community, other volunteers, and program staff to show their appreciation for the volunteers' efforts. When tailored to meet the volunteers' needs, recognition helps them feel good about themselves and their service.

The above information is a compilation of materials from Make A Difference, a 501(c)(3); *Volunteer Management* by Steve McCurley and Rick Lynch (1997); <http://www.energizeinc.com>; and <http://www.casenet.org>.

SUMMARY

Without the right number of volunteers with the right skills, your service project won't be successful. Whether recruiting volunteers for a one-day service project or for a weekly commitment, you should understand your volunteer needs and then target recruitment efforts to reach the volunteers you want to engage.

Offer opportunities that will appeal to their interests and work with their schedules. Retain volunteers by supporting them before, during, and after the project. Finally, recognize their efforts in a way that makes them feel appreciated and connected to the community.

From: Corporation for National & Community Service & Hands On Network, "Take Root: Volunteer Management Guidebook," (2010).

13.3 The Hierarchy of Ethical Values in Nonprofit Organizations:

A Framework for an Ethical, Self-Actualized Organization Culture

By Ruth Ann Strickland and Shannon K. Vaughan

OBJECTIVES:

10. Describe each of the five levels in the ethical hierarchy of behavior for organizations.
11. Define the term “integrity” as used for the highest level in the ethical hierarchy.
12. Name examples of nonprofit agencies that have suffered ethical scandals.
13. List external controls that can force nonprofit agencies to act ethically.
14. Identify actions agencies can take to achieve respect for volunteers and employees.

ABSTRACT

Using Maslow’s theory of human psychological development as a framework, a model based on the hierarchy of values is proposed to explain how not-for-profit organizations develop an ethical culture. As with individual values, the five levels of ethical behavior—financial competence, accountability, reciprocity, respect, integrity—are attained successively and one at a time. Thus ethical values are a foundation for achieving integrity, defined herein not only as incorruptibility but as a total commitment to the highest standards of behavior. External controls stimulate ethical behavior primarily at the lower levels; internal controls must be present to achieve an ethical organizational culture.

Inherent in the concept of ethics is a recognition of right and wrong in the decision-making behavior in an organization. According to Hansmann’s (1980) theory of contract failure, nonprofit organizations are often the venue of choice for service delivery because they are deemed more trustworthy than business. While this is true for many reasons, numerous scandals involving nonprofit organizations have illustrated that the third sector is not immune from ethics problems. What, then, makes a nonprofit organization ethical? Studies have shown that organizational culture is one of the most important factors, if not the most important, influencing ethical behavior, especially with regard to integrity (Hendershott, Drinan, and Cross 2000). To enhance the understanding of nonprofit governance, this article proposes a model based on Maslow’s hierarchy of needs for the development of an ethical culture within a not-for-profit organization. First

published in 1943, Abraham Maslow’s *A Theory of Human Motivation* relies upon a hierarchy of needs to explain why individuals are motivated to act. Maslow sets forth five levels of needs in a firmly hierarchical structure, with the satisfaction of lower-level needs prerequisite to the attainment of the next-higher level. For example, until individuals satisfy their basic physiological needs for food, clothing, and shelter (Maslow’s first level), they will be less likely to recognize opportunities to meet higher-level needs, such as love and self-esteem, or expend the effort to meet them. Self actualization—defined by Maslow as “what a man *can* be, he *must* be” (1943, 382; emphasis in original)—is the pinnacle of the hierarchy; self-fulfillment is the ultimate motivation to act, but lower-level needs that go unmet prevent its attainment.

Whereas some critics suggest that Maslow’s pyramid of needs is not really a hierarchy but instead has cyclical properties, Maslow clearly theorized that the levels of needs have a scalar quality. One does not start over satisfying physiological needs once self-fulfillment is attained. Rather, because satisfaction of each level of needs is not finite—once achieved, they are not simply crossed off the list never to be faced again—scaling the hierarchy is more like climbing a mountain than completing a cycle. Climbers do not reach the summit of Mount Everest without several strategic detours back and forth to the lower levels of the mountain, but each time the detour down becomes easier and less resource-consuming. Likewise, central to the understanding of Maslow’s theory of motivation is that satisfaction of lower-level needs gives individuals the slack resources to focus on a larger goal; needs that are consistently unmet divert attention from pursuing little beyond their satisfaction.

Maslow (1943) formulated an enduring and provocative theory of human motivation. Scholars have both venerated and disparaged his theory, but it is continually cited

and tested more than six decades after his initial contention that individuals act based upon a hierarchy of needs. Not only does Maslow's work have mainstream appeal—with references in the popular press ranging from the *Wall Street Journal* and *Forbes* to *Sports Illustrated*—but his hierarchy is utilized extensively in scholarly work. Research employing the theory has been published in numerous academic journals, including *Engineering Management Journal*, *Operations Research*, the *Journal of Research in Personality*, and *Public Administration Review*. The hierarchy of needs has been applied to many different topics, including national development (Bailey 2005), business ethics (Hatwick 1986), organizational behavior (Cullen and Gotell 2002), motivation (Atwood 2004; Borkowski 2005; Halepota 2005; Janiszewski 2005; Rouse 2004), organizational resource allocation (Ivashchenko and Novikov 2006), information technology management (Coffee 2002; Pisello 2003), dispute resolution (Duffy and Thomson 1992), and terrorism (Schwing 2002). This body of literature gives testimony to the multidisciplinary applicability of the approach, as do the numerous introductory psychology, business management, and public administration textbooks that include discussion of the hierarchy of needs as a critical element in the study of motivation.

Although Maslow's theory is not always supported in the vast literature to which it is applied and may not apply cross-culturally, it remains an enduring framework for examining human and organizational behavior. Accordingly, the hierarchy of needs is employed herein as the basis for developing a new model for understanding the ethical behavior or lack thereof of not-for-profit organizations. As with Maslow's hierarchy of needs, it is expected that the hierarchy of ethical values in nonprofit organizations will post interesting challenges for those who seek to test it empirically, and that the challenges will either be overcome in similar fashion or provoke a stimulating debate (Latham and Pinder 2005; Lord 2002).

The discussion begins by introducing the hierarchy of ethical values. Each level is discussed in relation to Maslow's hierarchy of needs, but the model focuses on organizations and their ethical development, not on the fulfillment of individual needs within organizations. After a description of the model, internal and external controls will be discussed in relation to achieving each level in the model. Examples are provided as illustrations of the theoretical basis of the model (not as empirical tests) and serve to highlight how nonprofits exist in various stages of ethical development. Finally, the implications for the voluntary sector when nonprofits fail to seek the highest level of integrity as well as the need for further research in this area are examined.

HIERARCHY OF ETHICAL VALUES IN A NONPROFIT SETTING

To create and internalize ethical behavior, an organization must first attain certain basic ethical values. Attributes such as financial competence and accountability (Levels 1 and 2, respectively) must be attained before an organization can hope to achieve integrity (Level 5). Outside efforts to establish ethical boundaries are commendable, but the real work of creating an ethical organizational culture resides within the organization itself.

It is important to internalize an organizational culture that embraces key ethical ideals and procedures and makes them central to the organization's everyday operations (Jeavons 2005, 206). Organizations that lack an ethical compass inevitably damage their own interests as well as donor interests and may indirectly harm all others in the third sector (Schmidt 2004). The ethical hierarchy of values serves as the framework for fostering an ethical culture by encouraging (1) financial competence (managing resources and assets wisely), (2) accountability (transparency), (3) reciprocity (maintaining a mutually beneficial investment relationship with donors to meet the needs of targeted constituencies), (4) respect (incorporating the perspectives of employees, volunteers, and donors into all organizational activities), and (5) integrity (preserving incorruptibility and completeness in commitment to the mission). These values are the foundations for creating an ethical organizational culture and environment, as shown in Figure 1.



Figure 1. Hierarchy of Ethical Values for Nonprofit Organizations

Level 1: Maintaining Competent Financial Management

Managing assets wisely and maintaining solvency is equivalent to Maslow's concept of individual physiological needs. This value sets the organization up for success in all other areas. Financial competence promotes successful budgeting and recruitment/retention of staff, volunteers, donors, and clients. Not-for-profits that lack the proficiency or commitment to safeguard financial resources or that use unscrupulous methods to corral resources fail to exhibit the most basic level of ethical behavior. Without achieving this most basic level, nonprofits are stymied in their efforts to articulate and pursue their mission.

As the number of not-for-profit organizations has increased dramatically in recent years, so has the competition among them for resources. Chasing financial resources, unfortunately, can lead to mission drift (Grace 2006) or vendorism (Salamon 1995). At worst, lack of fiscal competence leads to financial mismanagement, as exemplified by inaccurate financial reporting, excessive executive compensation packages, misuse of donor monies, and poor auditing procedures (Weiner 2003, 56). Lack of competent financial management carries a high price, not just in monies lost, but also for the organization's clients and for donors who put their trust in the ability of the nonprofit to achieve its stated mission. Like individuals who cannot pursue higher-level needs when they are physiologically deprived of food, water, or shelter, organizations that are financially insolvent or mismanaged lose sight of the mission.

Level 2: Establishing Accountability

Accountability refers to the ability of nonprofit organizations to establish transparency and trust. It is equivalent to Maslow's concept of individual safety needs; accountability equates to safety in this regard because nonprofit organizations are more likely to attain security if they set up transparent procedures as well as proper oversight. When organizations follow external controls and even conform to higher standards of accountability, they are less vulnerable to scandal. In addition, accountability equates to safety in that nonprofits that establish accountability have taken steps to protect themselves from unethical behavior, thereby preventing the expenditure of resources to investigate or mitigate the consequences of such behavior.

To establish accountability, nonprofits must ask themselves who they are accountable to, for what, and how. They are held accountable internally by their own board's governance procedures; they are held accountable exter-

nally by the Internal Revenue Service and other government regulators. In addition, nonprofits also must be responsive to their stakeholders (donors, staff, members, clients, contract managers, and volunteers) as they pursue mission and maintain program effectiveness. Finally, the general public represents the broadest category of stakeholder. Since nonprofits benefit from tax expenditures as well as direct funding by government, taxpayers and citizens have a right to monitor nonprofit activity and its value to society (Brody 2002, 473). Because nonprofits often face multiple, sometimes conflicting demands from a wide array of stakeholders, defining accountability in a way in which one size fits all is not appropriate. Still, nonprofit organizations achieve accountability only by keeping the questions of who, for what, and how foremost in their service to constituencies.

Level 3: Establishing Reciprocity

Equivalent to Maslow's concept of individual affiliation needs, reciprocity refers to the ability of nonprofit organizations to serve their constituents and donors in a manner that maximizes acceptance and trust. In practice, ethical fundraising is an example of how organizations can meet reciprocity needs. While nonprofit organizations rely on contributions to function, Grace (2006) argues that they should move beyond the beggar's tin cup and focus on match. Matching a donor's interests with a nonprofit's needs is analogous to Maslow's level of affiliation. Pursuing donors who share the organization's mission yields mutual benefits. Without reciprocity, nonprofit organizations may experience goal displacement and diverge from their mission as they pursue funds rather than partners.

By definition, not-for-profit organizations do not distribute excess revenues to third parties but retain them within the organization; therefore, they are not about making money but about providing services. As such, mission is the driving force of a nonprofit organization. It is important, therefore, that nonprofits have and adhere to a clearly articulated statement of mission and purpose (Werther and Berman 2001; Wymer, Knowles, and Gomes 2006). Board members, staff, and volunteers need a clear understanding of what the organization seeks to do, how, and why. Because the third sector depends heavily on goodwill and trust, adherence to a clear mission statement enables nonprofits to be better accountable to their supporters, members, clients, donors, and the public by making it clear how they will fulfill their philanthropic goals (Jeavons 2005, 218).

Healthy nonprofit organizations place importance on the

specific interests of the donors, volunteers, and staff associated with them, thereby employing a supply-side rationale. Supply-side functions also include social entrepreneurship, whereby commercial venues are used to foster charitable goals (Frumkin 2002; Young and Salamon 2002). Nonprofits achieve reciprocity when they recognize and celebrate the match between donor interests and their own.

Level 4: Instilling the Value of Respect

The ability to attain status and respect is important to a nonprofit organization's credibility and is equivalent to Maslow's concept of individual esteem needs. At this level of organizational culture development, the nonprofit is respected by others and, as well, has respect for itself and others. Employees feel worthwhile and appreciated. Donors, volunteers, and clients are treated as integral members of the team.

What Grace (2006) terms the donor-investor relationship embodies how nonprofits garner respect. Grace implores nonprofits to take a development rather than fundraising approach to resource recruitment. Development involves cultivating relationships with donors that induce them to view their contributions as an investment in the work being done by the nonprofit organization.

Developing relationships with donor-investors goes beyond simply asking for money. Donors are viewed as integral team members, with a specific interest in the work being done and a desire to invest in the organization as a whole, not simply to write a check. Because philanthropy is defined as "all voluntary action for the public good" (Grace 2006, 1), volunteers are celebrated as donor-investors.

Level 5: Integrity and the Self-Actualized Nonprofit Organization

The highest value in an ethical organizational culture is integrity, equivalent to Maslow's concept of individual self-actualization. Integrity is defined not only as incorruptibility, but as completeness of commitment to ethical behavior. With integrity, an organization has an internalized moral code, is able to engage in creative problem-solving, and pursues its mission to the fullest extent possible. Nonprofits that have achieved integrity assume a stewardship role in serving the public.

Aspiring to integrity and fulfilling the ethical hierarchy of needs is important if nonprofit organizations are to enjoy the full confidence of the public. Ethical governance of nonprofits is necessary to maintain their integrity. Attain-

ing integrity relies on achieving financial competence, accountability, reciprocity, and respect. Building and maintaining social capital is essential to the ability of nonprofit organizations to mobilize support and engage in collective action (Jeavons 2005, 223).

Scaling the Hierarchy

Can ethics be regulated? This framework identifies the levels of ethical development whereby nonprofit organizations reach and attain integrity. While nonprofits can be taught ethical practices, they cannot be forced to act ethically. External controls can be imposed on nonprofits to move them through financial competence and accountability, as well as to contribute to achieving reciprocity. However, only by internalizing ethical behaviors and patterns can a nonprofit attain integrity.

Internal and External Controls

Legislation, Internal Revenue Service (IRS) rules and regulations, and contract stipulations for the receipt of grant funds are all external controls on the operations of a nonprofit organization. Often these requirements are precipitated by scandals that raise awareness of a particular vulnerability. External controls may be sufficient to impose financial competence and accountability on a nonprofit, but without an internalized commitment to ethics, the organization will not move beyond Level 3—Reciprocity.

The following sections present examples of scandals that have affected nonprofit organizations. The examples should not be interpreted as empirical evidence but rather as descriptors of the model's concepts to facilitate empirical tests. They illustrate the obstacles to moving through the hierarchy of ethical values and prescriptions for overcoming them. Although the focus here is on external controls as both necessary and sufficient to achieve Levels 1 and 2, attention is also paid to the internal control mechanism that is crucial for organizations to reach the upper levels.

Financial Mismanagement (Level 1)

Like all organizations, nonprofits are not immune to scandal. Allegations of financial misconduct are the most prevalent, and ultimately the most damaging to the nonprofit organization and the voluntary sector as a whole. Charged and subsequently convicted of fraud and misuse of donor funds, Jim Bakker caused a scandal that not only brought about the demise of PTL Ministries in 1987 but contaminated other evangelical ministries by harming their reputations and their fundraising efforts (Jeavons 2005, 214). The Ohio division of the American Cancer Society suf-

ferred stinging repercussions from the loss of \$7 million through embezzlement. Proper safeguards were not in place to prevent this—the same employee kept records, reconciled bank accounts, and had direct access to organization funds. The questions raised concerned not only why this individual had such easy access, but also why the organization had \$7 million cash on hand (“Theft from Cancer Society” 2000).

A *Chronicle of Philanthropy* review of 10,770 nonprofit organizational tax records from 1998 to 2001 revealed that more than 1,002 charities made \$142 million in loans to their directors, officers, or key employees (Davis 2004, 1). In 2004, People United for a Better Oakland (PUEBLO) came under fire for routinely making personal loans to board members and the executive director. The board chair claimed that organizations that work with poverty often have to take such “emergency measures” (Jackson and Fogarty 2005, 125). However, the loans were not made to the poor, unemployed, or disenfranchised; rather, they were made to (and sometimes not repaid by) board members, employees, and organization supporters. In addition, about \$500,000 was unaccounted for between March 2002 and March 2004 (Johnson 2004).

While staff members of nonprofits are typically underpaid relative to the market, some large nonprofit organizations often argue that it takes high salaries to attract capable executives to assist in fundraising and attract major gifts. On June 14, 2004, Carl Yeckel, former president of the Dallas-based Carl B. and Florence E. King Foundation, and Thomas Vett, the foundation’s former secretary, were ordered by a jury to pay \$14 million in compensatory and punitive damages to the King Foundation. Yeckel and Vett were censured for excessive executive salaries and amassing personal charges on the foundation’s credit cards (Osborn 2004).

In 2001, Hale House (a nonprofit dedicated to serving drug-addicted and abandoned babies in Harlem) faced scandal when shelter director Lorraine Hale was accused of stealing money from the organization. Hale and her husband were later sentenced to five years of probation and ordered to pay restitution for the \$766,000 they had embezzled (Saltonstall and Evans 2004, 32; “Shelter’s Ex-Director” 2002). After the scandal broke, the number of donors dropped dramatically from 200,000 to 12,000; two years later, the donor base had increased to only 50,000, one-fourth the pre-scandal size (Souccar 2004, 14).

Each of the scandals mentioned above involved issues of financial competency. Early in their development, nonprofit organizations may have more lax fiscal systems in place, due either to the administrative inexperience of the

leadership or to a high degree of assumed trustworthiness within the group. Financial mismanagement is less likely to occur in organizations that internalize ethics early; for those without a strong internal orientation toward ethics, disasters like the ones described above may ensue.

Accountability (Level 2)

The prohibition against distributing profits means, in theory, that members of a board of directors have no other incentive than to act according to the best interests of the organization and its clients. Trust as a substitute for monitoring, however, is problematic when it leads to a disengaged board that is more susceptible to scandal. Transparency facilitates engagement and is an antidote to scandal.

Two members of the board of directors of the United Way of the National Capital Area (UWNCA) were removed when they pressed for open financial records; they pressed for access after being told they were not entitled to see financial statements (Strom 2003, 1). Subsequently, a top executive stole \$500,000 from the charity and its pension fund (Hananel 2004). Later, the entire board of directors was replaced after allegedly inflating the organization’s fundraising figures, understating overhead costs, and overcharging for administrative fees (Owen 2003).

The Nature Conservancy came under heavy scrutiny after the *Washington Post* reported that it had purchased land from Georgia-Pacific during the time that Georgia-Pacific’s chairman sat on the Nature Conservancy board (Bobelian 2004, 4). Conservancy board members sold land to the Conservancy and then bought property from it. The leadership of the Nature Conservancy was also roundly criticized for not more carefully scrutinizing tax deductions taken by donors and for failure to make its finances more public (Stephens 2004, A01).

In 2004, a local California chapter of the American Red Cross released detailed reports on how it had spent funds after the wildfires in October 2003. The reports revealed that the nonprofit had spent 67 percent (or \$3.9 million) of its funds directly on fire victims. This stands in stark contrast to revelations from the Alpine fire in 2001, when an audit showed that only 10 percent of funds raised went to the fire victims (Vigil 2004). A scandal ensued in which fire victims and the public wanted to know how donations were spent and how funds were managed.

Achieving Levels 1 and 2

Although organizations cannot be forced to act ethically, legal requirements can encourage achievement of Levels 1 and 2 of the hierarchy. Organizations receive (and main-

tain) tax-exempt status from the Internal Revenue Service only after meeting legislatively established criteria. Therefore, nonprofits must meet financial competence and accountability requirements, such as filing IRS form 990, to continue to benefit from tax-exempt status.

More than half of all tax-exempt organizations are classified as public charities under section 501(c)(3) of the Internal Revenue Code (Boris 1999). Public charities are subject to greater scrutiny by the IRS because they are afforded the added privilege of tax-deductibility of all contributions made to them. Therefore, the IRS has stricter criteria for recognition as a public charity and for maintaining that status (IRS 2006).

In response to the scandals involving Enron and other companies, Congress passed the Sarbanes-Oxley Act (SOX) in 2002 to deter fraud (Ostrower and Bobowick 2006). Two provisions of the act apply to all organizations, including nonprofits. Although whistleblower protection and document-retention criteria are the only mandates that apply directly to nonprofits, the act contains several other provisions that have been recognized as best practices for nonprofit governance. California's Nonprofit Integrity Act requires implementation of some of the best practices from SOX by nonprofits in that state (Jackson and Fogarty 2005).

One of the SOX best practices provisions involves auditing committees. Audit committees are a conduit between the board and the outside auditor, enhancing communication and information flow. By ensuring that the organization meets its financial responsibilities and disclosure requirements, the audit committee is positioned to identify financial irregularities before they become problematic (Owen 2003).

The burden of complying with the enhanced auditing provisions of SOX depends on the provision itself. Many nonprofits already comply with some provisions, whereas others would find it very difficult to enact the provisions. More than half of the 5,115 nonprofits surveyed in the Urban Institute's National Survey of Nonprofit Governance stated that it would be somewhat or very difficult to comply with the provisions for establishing an audit committee. More than two-thirds said it would be difficult to comply with the requirements to rotate audit firms or lead auditors (Ostrower and Bobowick 2006).

The Sarbanes-Oxley Act also includes deterrence measures regarding conflicts of interest in publicly traded companies. Extending these provisions to nonprofit organizations would enhance accountability by facilitating greater transparency regarding board members' activi-

ties/interests. Conflict of interest may occur when a board member makes a decision out of self-interest or in the interest of only part of the organization; conflicts also can occur when the nonprofit does business with or has a financial link to a board member or a relative of the member. Internal controls regarding conflict of interest involve recusal from the decision-making process when a potential conflict of interest exists (Soltz 1997, 131), as well as development and periodic review of conflict of interest policies (Tyler and Biggs 2004, 22). According to the Urban Institute survey, 50 percent of nonprofits have a conflict of interest policy for their board members. This may be misleading, however, because while 95 percent of large organizations have such policies, only 23 percent of small ones do (Ostrower and Bobowick 2006). This suggests that resource capacity may be an issue; small organizations are more likely to be focused on issues of financial competence and accountability, with fewer slack resources to devote to concerns about conflict of interest. Therefore, organizations focused simply on meeting the external control requirements associated with Levels 1 and 2 are less likely to pursue internal controls, such as a conflict of interest policy.

Investigations by state attorneys general, auditors, or other officials also provide external controls and prompt nonprofits to adopt their own internal controls. In 2002, Ohio auditor Jim Petro found that Specialized Alternatives for Families and Youth of Ohio Inc. (SAFY) mispent state funds, using the money to buy new businesses rather than putting the funds toward the care of children. SAFY made changes in response to the audit by installing a new board of directors, new accounting software, and new policies as recommended by Petro (Bischoff 2002).

Watchdog groups also provide an external check. Some watchdog groups examine the spending practices of nonprofits, reporting the ratio of funds spent for administrative costs relative to program activities. These groups also make statements regarding the degree to which legal activities are actually ethical when practiced by nonprofits. For example, the practice of insider loans is legal, but as the example above demonstrates, this activity is not always ethical when donor funds are involved. Board members may find themselves personally liable if insider loans are not repaid (Franklin 2004). Unless a real benefit accrues to the organization as a result of the loan, private loans could jeopardize a nonprofit's tax-exempt status as well as its legitimacy with donors, thus threatening organizational security. Insider loans, if used at all, should stipulate a short-term loan at a market interest rate, with repayment closely monitored.

The American Institute of Philanthropy (2003) advocates

reform measures to make boards more independent, more engaged in oversight, and more aware of the implications of their decisions. Board members should receive training on how to interpret financial reports, how to exercise oversight of budgetary matters, how to make decisions on employee and executive compensation, and how to treat staff and volunteers. In addition, state attorneys general are empowered to enforce board duties of care and loyalty (Brody 2002).

In order to ensure greater accountability to donors, some nonprofit advisory groups propose that nonprofits adopt a donor's bill of rights. The ten recommendations require that organizations disclose how they will use donated funds, provide the identities of the board members, and share their most recent financial statements. The bill of rights also requires nonprofits to assure donors that their donations will be used for the stated purposes for which they were given, to properly recognize donors, and to ensure that donations are handled with confidentiality. Finally, donors should be informed of whether those seeking donations are volunteers, staff, or hired marketers, and they should feel free to ask questions and receive forthright answers when making donations (Watson 2000).

The Johns Hopkins Nonprofit Listening Post Project—a March 2005 survey of 443 organizations with 207 respondents—found that 93 percent of nonprofits distribute financial statements to their boards on a quarterly basis, and 62 percent share them every month. Seventy-four percent make their financial reports available to members of the public upon request, 70 percent distribute them to donors, and 54 percent publish their statements in annual reports. Nine percent post financial reports on their organizational Web sites (Salamon 2005). These results indicate that a great many nonprofit organizations are committed to achieving accountability, by means in excess of what is required by law. Such internal commitment to ethical values bodes well for the achievement of integrity in nonprofits.

Achieving Reciprocity (Level 3)

A match between donor interests and the nonprofit's mission is critical to achieving reciprocity. As nonprofits evolve, they become more professional in orientation and outlook. It follows, therefore, that they will become more attuned to their mission and their relationship to the community as a whole. Chasing funding sources without a clear connection to mission weakens the organization, impedes reciprocity, and opens the organization to scandal.

In 2003, the Kids Wish Network—a nonprofit established

to offer comfort and hope to children with terminal or life-threatening illnesses—collected \$205,255 in donations in New York through the work of professional fundraisers. After the fundraisers were paid, a mere 12 percent (\$24,634) was retained by Kids Wish Network. In a spot check of 607 fundraising campaigns in 2002, the attorney general of New York found eight other professional fundraisers that turned over a meager 12 percent of proceeds to the charitable organization for which they were raised (Gormley 2003).

The American Institute of Philanthropy and the Better Business Bureau recommend that charities keep at least 65 percent of the monies raised by the professionals. A law enacted in California institutes more protections for consumers, making nonprofits more accountable for hiring fundraisers (Gormley 2004). For example, the Maryland Association of Nonprofits recommends that organizations work to ensure that over a period of about five years, on average every dollar spent on fundraising should be matched by raising at least three dollars (Causar 2004; Salmon 2004).

Many believe that making charities profitable for fundraisers erodes the principle of reciprocity—that is, that nonprofits should be responsive to donors and designated constituencies. External controls in this area are limited because the U.S. Supreme Court has consistently invalidated state laws that place numerical limits on fundraising ratios on the grounds that such limits are too restrictive of free speech and association. Most states provide ethical guidelines and publicize fundraising ratios (Bryce 2005), but achieving reciprocity ultimately requires internal control. Nonprofits that employ Grace's (2006) development approach to resource attainment are more likely to achieve reciprocity by cultivating donor-investors who support and contribute to the mission of the organization.

Although not-for-profits are prohibited from using federal grant or contract funds for lobbying activity, Congress and the Internal Revenue Service (IRS) generally support advocacy activities (including lobbying with private funds) by nonprofits. The Tax Reform Act of 1976 clarified and expanded the scope of lobbying activity permissible by 501(c)(3) organizations, specifically by narrowing the legal definition of lobbying subject to restriction. Lobbying is differentiated from other advocacy activity because it occurs only when there is an expenditure of funds by the not-for-profit organization for activities aimed specifically at influencing legislation. Advocacy involves providing information in an effort to educate about and promote an issue or overall policy response (“Charity Lobbying” in the Public Interest, n.d.;

Smucker, 1999).

The Internal Revenue Code states that a 501(c)(3) organization “may not attempt to influence legislation as a substantial part of its activities and it may not participate at all in campaign activity for or against political candidates” (IRS n.d.). Questions have arisen, however, regarding what constitutes less than a substantial amount of time that nonprofits can legally spend in lobbying activities and at what point these organizations become too political. In 1990, in response to the confusion over how much is too much time spent lobbying, the IRS implemented the expenditure test—also known as the H election—as an alternative to the substantial-part rule inherent in the relevant section of the Internal Revenue Code. Nonprofits must elect to fall under the provisions of section 501(h), which prescribes specific limits on lobbying expenditures and types of lobbying, and sets some protections for organizations that commit single-year violations (Smucker 1999).

Whereas it is possible to institute external controls that facilitate reciprocity, such as reporting requirements for receipt of funds and legal restrictions on the use of funds for lobbying activity, fully achieving reciprocity requires an internal commitment. The development of donor-investors requires an internalization of an ethical commitment to serving constituents and celebrating those who contribute to the nonprofit’s efforts. A match between donor interests and nonprofit mission is of paramount importance.

Achieving Respect (Level 4)

Just as a match between donor interests and organization mission is important, a match between staff and volunteer interests is likewise essential for developing an ethical culture. Recruiting and retaining the most appropriate board members, staff, and volunteers is critical to fulfilling the nonprofit’s mission. Each individual should be encouraged to engage in dialogue about his or her perceptions of the organization’s mission. Tolerance of differences of opinion and cultural diversity not only make nonprofits successful, it creates a respectful organizational culture (Watson and Abzug 2005, 628).

Proper training, assignment, risk management, and motivation are crucial elements in respecting everyone associated with a nonprofit. Nonprofit organizations often fail to provide proper training for staff members who supervise volunteers, assuming that these skills come naturally. This can result in ethical and legal dilemmas. Without training, staff may be unaware of many human resource management pitfalls. Staff members who supervise vol-

unteers should be trained on performance-appraisal, motivational, and recognition techniques (Macduff 2005, 715).

Clear job descriptions that explain the work needed, the skills required, the tasks involved, and supervisory arrangements establish boundaries for how volunteers will be used in the organization. Job descriptions enhance volunteer proficiency, and a clear outline of responsibilities prevents going into areas beyond skill level. Volunteers are more likely to feel good about their work and motivated to continue if they are equipped to be effective (McCurley 2005, 607–608). In addition, volunteers should not be asked to do work that paid staff would never be asked to do. If asked to do work that paid staff perform, volunteers should receive commensurate training (Bradner 1997, 171). Finally, organizations have an ethical obligation to provide liability insurance for volunteers (Brudney 1999, 241). By reducing volunteer fears of liability and properly training them to stay within the scope of their responsibilities, not only does the organization protect itself and its volunteers, it also better serves its clients.

Protecting staff is also important, especially staff members who seek to expose wrongdoing within the organization. Although the Sarbanes-Oxley Act prohibits retaliation against whistleblowers who provide truthful information related to the possible or actual commission of a federal offense, many nonprofits either have not formulated adequate protections for whistleblowers or are behind in implementation. A 2003 survey of 300 nonprofit CEOs revealed that 57 percent are familiar with SOX, and of these, 80 percent head nonprofits with \$10 million in revenues. Yet only 20 percent of the CEOs had changed their governance policies to comply with SOX (Sinclair 2004).

For example, Dulcy Hooper, who worked for the United Way of the National Capital Area (UWNCA), told her superiors about inconsistencies in gift reports. Not long after sharing her concerns, she was labeled “not a team player” and lost her job. She was one of many whistleblowers who were shunted aside and characterized as troublemakers. A forensic audit later conducted on UWNCA revealed years of financial mismanagement. Perhaps if the organization had listened to the natural, built-in early warning system of their gifts officer, it could have avoided a great deal of adverse publicity (Sinclair 2004).

SOX’s protections for whistleblowers provide an external control over organizational behavior, but they constitute after-the-fact enforcement as compared to the cultivation of ethical culture. Protection of individual staff members is imposed by prohibiting retaliation against whistleblow-

ers, but respect for the same staff members is only facilitated when their comments and concerns are given legitimate concern prior to the need to blow the whistle. An ethical culture within a nonprofit organization means that employees are encouraged to blow the whistle, not merely protected once they have done so. External control, therefore, is not sufficient to embody respect and achieve Level 4 within a nonprofit organizational culture.

Achieving Integrity (Level 5)

Identifying examples of nonprofits that have achieved integrity is more challenging than identifying those that achieve financial competence, accountability, and reciprocity. Because external controls are more applicable to ensuring these types of ethical behaviors by organizations, monitoring of their successful accomplishment is more feasible. Also, as with other issues, bad behavior makes the news, whereas good behavior usually does not. Numerous watchdog groups, such as Charity Navigator and the American Institute of Philanthropy, have developed rating scales of top nonprofits, evaluating organizations based primarily on financial competence, transparency, and protection of donor interests. The nonprofits that consistently rate high on these elements are the ones most likely to achieve integrity (based on the hierarchy of ethical values proposed herein). These ratings may provide a good starting point for identifying the level of ethical culture development in nonprofit organizations.

Boys & Girls Clubs of America, the Nature Conservancy, the Mayo Clinic, and the American Red Cross are well known, and their names are brands. Branding represents a promise of organization principles, operational values, and the benefit the organization seeks to deliver to society (Wymer et al. 2006). Staff, volunteers, donors, clients, and the general public feel a sense of pride in what the organization has accomplished and, more important, trust the means by which the organization conducts its work. In addition, each of these organizations made Charity Navigator's top-ten list of the "Best Charities Everyone's Heard Of" (Charity Navigator 2006).

Achieving Level 5 means possessing a brand of integrity whereby relevant stakeholders and the general public believe that the organization has fulfilled the elements at each of the lower levels—financial competence, transparency of operations, affiliation/alliances, and genuine respect for everyone involved with the organization's work. Nonprofit organizations of integrity exhibit a stewardship approach to management and administration. According to stewardship theory, stewards place higher value and priority on collectivist rather than individualistic behaviors, that is, on cooperation rather than defec-

tion (Davis, Schoorman, and Donaldson 1997). Because the organization's performance is the primary focus, stewards are able to maximize the satisfaction of all stakeholders (including the steward's) by acting in the organization's best interests.

An ethical organizational culture in the nonprofit sector is essential to stewardship. Stewards must be vested with a high degree of trust, and therefore an internalized ethical culture is crucial to develop staff, volunteers, and board members into stewards. External controls, such as legal mandates for reporting, rules and regulations regarding financial management, independent watchdog groups, and so on, can only influence ethical behavior to a certain degree. Unless the individuals within the nonprofit work to ensure that the culture of the organization facilitates ethical conduct, integrity will not be achieved. For example, McCabe and Trevino (1996, 29) suggest that the key to curbing cheating in academia may be to "create an environment where academic dishonesty is socially unacceptable." Disapproval of cheating among peers is a chief determinant of whether students change their cheating habits between high school and college (Hendershott et al. 2000).

The importance of culture is also reflected in what Frumkin (2002) terms the expressive rationale, whereby nonprofits exist due to the desire of stakeholders to express their values and faith. The concept of stewardship is probably the most prevalent among faith-based and environmental nonprofits. For example, the National Christian Foundation—number 1 on Charity Navigator's list of "10 Best Charities Everyone's Heard Of"—defines faithful stewards as "people who understand what they hold belongs to God" (NCF 2006). Likewise, Conservation International (number 5 on the list) "believes that Earth's natural heritage must be maintained if future generations are to thrive spiritually, culturally and economically" (CI 2006). Each of these statements implies placing individual interests secondary to the community (and organization) as a whole.

CONCLUSION: IMPLICATIONS OF NOT STRIVING FOR INTEGRITY

Simply following the letter of the law does not mean that an organization is ethical; external controls can only take an organization partway to developing an ethical culture. Many nonprofits caught up in scandal broke no laws. However, sexual misconduct by staff, excessive compensation packages for executives, drift from the organization's mission, and questionable fundraising practices all erode public confidence in the nonprofit sector. Internalization of ethics through the development of an ethical

culture is necessary to ensure the integrity of the non-profit sector so that charitable organizations can thrive.

Nonprofit organizations, like individuals, usually do not start out exhibiting the highest level of ethical behavior. Just like other organisms, nonprofits evolve, from formation through growth to maturity (Werther and Berman 2001). Likewise, nonprofits will move through the hierarchy of ethical values in a series of stages. External controls are most relevant at the first two levels of the hierarchy; laws, rules, and regulations provide useful structure and guidelines during the early years as nonprofits form their organizational culture. Reciprocity is a level of transition, as external controls become less important than internal controls in shaping the ethical behavior of the nonprofit. Respect and integrity are values achieved only through an internalized ethical culture throughout the organization.

The framework articulated in this article is intended to foster understanding of the ethical behavior or lack thereof in nonprofit organizations. The natural next step is to test the model. As mentioned, Maslow's hierarchy has been subjected to extensive study with varying results. Because the concepts built into the model are inherently subjective, empirical testing may be difficult, but it still is possible. This work is important; understanding what drives the ethical behavior of nonprofit organizations is especially relevant given the dramatic growth in the third sector and the increasing attention paid to ethical conduct given recent scandals across all sectors—nonprofit, private, and public.

The costs of engaging in unethical conduct far outweigh the benefits. Meeting ethical values, such as financial competency, accountability, reciprocity, and respect, empowers nonprofit organizations to fulfill their missions and to retain public trust and confidence. The long-term success of the voluntary sector will only be possible if nonprofit organizations internalize these values and become self-actualized.

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13.4 The New Look of Transparency

By Kristin Clarke

OBJECTIVES:

15. Define the term “transparent” as it refers to organizations.
16. Name the finance report that nonprofit agencies (including CAP) are required to publish annually.
17. Identify benefits of having transparent communication within an organization.
18. List steps that an organization can take to become more transparent.

A board member calls for a meeting to move into executive session. Under what circumstances do you, as CEO, voice opposition?

The membership department receives several inquiries about the percentage gap between your CEO’s compensation and that of your lowest-paid employee. Do you share that information?

A potential donor asks your organization to provide a copy of its whistleblower policy. Do you have one?

These examples are real. Members, donors, media, regulators, the public, and volunteers are just some of the stakeholders whose demand for greater transparency and its close cousin, accountability, has grown in the past decade.

Finances, of course, top the list for scrutiny, followed closely by governance and communication. The corporate world has been coping with a new era of regulated transparency and accountability ever since passage of the Sarbanes-Oxley Act (SOX) in 2002. Some nonprofits and associations, concerned that the law would expand to their sector as well, directed their auditors, investment committees, and boards to voluntarily adopt similar governance and accounting principles.

According to SOX coauthor and former senator Mike Oxley, airing the inner workings of nonprofits was never part of any discussions by lawmakers. He applauds such initiative, though, and urges other associations to follow suit. Speaking at the 2010 Council for Non-Profit Accountability Summit, Oxley stated that such activities “will improve the fiscal condition of nonprofits and strengthen donor confidence.”

And Congress may yet change its mind about the scope of SOX. In a later interview, Oxley warned, “A bit of caution on the part of the nonprofits and some planning hopefully will mean that down the road they won’t have to face this kind of problem, because once you have that breach of reputation risk, boy, it can go downhill very, very fast.”

Says Ron Noden, chair of the Council for Non-Profit Ac-

countability, “[Transparency] is an issue that will continue to get attention in the nation’s capital and in state houses around the country. We need to be proactive, so nonprofits can continue to be mission focused.”

WHAT DOES TRANSPARENCY LOOK LIKE?

A major hurdle, though, is the cloudy definition of a “transparent organization.” Warren Bennis, founder of The Leadership Institute at the University of Southern California, wrote an entire book on the subject, *Transparency: How Leaders Create a Culture of Candor*, and still acknowledges that the term “has many different meanings” and has evolved in the past 10 years.

“One of those meanings is the transparency of transactions ... [N]ot having enough of that led to the recent [financial] crash,” Bennis says, adding, “The word ‘transparency’ in the business lexicon and in the vernacular I’m familiar with has everything to do with how open, how visible, organizations are in dealing with various stakeholders and also within the organization—how transparent our people are with each other, how candid they are.”

Bennis and his coauthors emphasize that the burden and opportunities around greater transparency are here to stay because of the multiple information outlets now available to consumers, especially online.

“We can find out who the best practitioners are in almost any particular branch of medicine or profession [just by visiting a few websites], so to the extent that people are educated and can distinguish new sources, it’s going to be very hard to keep things secret unless there is some kind of federal provision or patent law that would [do so],” he says.

Bennis recalls a 2005 speech he gave at Harvard University called “Transparency Is Inevitable.” At the time, he estimates, only 20 percent of the audience had ever heard of the word “blogosphere.” Now, thousands of blogs, not to mention microblogs via Twitter, are born daily.

"Almost every company is going to be under the gun about the problems of not being transparent enough," Bennis warns. He adds, "Look at what happened with Toyota by trying to keep [safety issues] quiet, or Merck [whose antiarthritis medication Vioxx was pulled over safety concerns]—billions of dollars of penalties and losses of customer support."

Because of the high stakes, Bennis urges leaders to work harder to better understand the issue and ask tough questions. "They need to know about the whole revolution in social networking and networking media because of what is going on there," he says. "That's the key thing. It behooves organizations to be as transparent as [possible] without giving away trade secrets."

What if they aren't comfortable lifting the cloak? What if they don't even see the cloak? "Just look at Enron," Bennis says. "Look at any recent story on whistleblowers. The risks are enormous and are increasing every day given the number of sources we have and the changing nature of how we get information right now. The ... risks of not having some kind of transparency policy are very—well, I don't think it's worth it."

THE COMMUNICATION CONUNDRUM

One of the highest-profile moves toward greater openness in the association and nonprofit world has been the recently revised IRS Form 990. Calling the updated form "a major step in transparency," charity tracker GuideStar cautioned association leaders in June 2009: "The impact that the increased transparency will have on nonprofit organizations has been severely underestimated. It is not sufficient for nonprofit staff and board members simply to be made aware of these changes. They must also be alert to the changes' strategic implications and have tools to manage them successfully."

That requires good governance, agree GuideStar and others, including public clarity about how board nominations occur, are vetted, and are executed; how the board and CEO make decisions; how money is allocated; and how the mission is progressing.

Association finance committees appear to be drawing special scrutiny. Who are these people? How were they chosen? How do they make decisions about association investments? One association professional recalls serving on a board that refused to even second her motion to discuss, much less act on, moving investments from companies with major Clean Water Act violations—even though the organization's mission includes clean water advocacy. Those companies were providing good returns, the board

responded. Would most members have agreed to set aside mission in favor of profit?

Some additional concerns of transparency proponents are weak communication access, content, and delivery, as well as perceptions around stakeholder inclusiveness. Associations are now experimenting with new ways to meet member transparency expectations, whether by adopting virtual tools for collaborative note taking and all-access post-meeting discussions, tweeting live from events, or uploading recorded meetings to free or paid-access archives.

Jeffrey Solomon, executive director of Andrea and Charles Bronfman Philanthropies Inc. and author of the book *The Art of Giving*, even suggests live streaming your board meetings on the internet.

"Why not?" he asks.

Maybe because of the sensitivity of some issues up for debate or worries about directors posturing for cameras? When several nonprofit CEOs heard that suggestion, reactions ranged from snorts to sighs to grimaces. "That could be ugly, but I do wonder if it would help keep everyone more focused on the job at hand," says one long-time leader, who asked to remain anonymous out of concern for how his comments might be perceived by his board.

Less ticklish are engagement tactics such as adding reader ratings to online articles à la Amazon or reorganizing web content for easier access.

But public evaluations of association speakers, education sessions, or even attendees' overall conference experiences? That could cause some squirms. What about website usage stats such as those provided by the "Green" Hotels Association, which wanted members to see the growth in visitorship to its site? Would an organization take those stats down if the numbers start dropping?

And considering how little time members claim they have, when does it all become too much information anyway? There are costs involved in sharing, complain leaders. Staff time, for instance, or the expense of building new web systems or sites.

But there the benefits of transparency can also add up. In his book, *Straight A Leadership: Alignment, Action, Accountability*, healthcare leader Quint Studer discusses the vital role of transparency in creating a successful workplace culture.

"Leaders have talked about transparency for a long time, but it's never been more important than it is now," says Studer. "Remember, we share information with employ-

ees for a couple of reasons: One, it's the right thing to do, and two, it's good for business. And most companies can use every possible edge these days."

He cites the benefits of a work culture of free-flowing information: a greater connection by staff to the financial big picture, reduced complacency, more creative solutions, and "organizational consistency and stability and faster, more-efficient execution." All of that helps organizations compete, especially in a weak economy, he says.

Bennis agrees that a workplace that recognizes the sound business case for transparency is essential for leaders to surmount the challenges of crafting a relevant strategy. "In the long run it would be an enormous advantage for an organization," he says. "The difficulties are that [a transparency policy] would have to be adjusted to each organization [because it] has enormous implications for their ethics and values, and how those are enforced. ... Given the fact that inside of organizations are things going on that the public should know about, [stakeholders] are not shutting up."

Associations Open Up

Some associations have looked to transparency as a way to push their mission, build donor trust, boost engagement and dialogue with members, address regulator concerns, and modernize their risk-management strategies.

- The Washington State Hospital Association and its member hospitals launched a webpage called "Hospital Transparency" to help consumers make healthcare decisions, learn about costs and quality measurements of hospital care, and identify nearby facilities and financial assistance options.
- The Oregon Association of Hospitals and Health Systems partnered with the Office of Health Policy and Research to release a report in May 2010 that makes public the hospital-acquired infection rates of health facilities in the state. According to Steve Gordon, Ph.D., of the association's quality committee in The Lund Report, "the intent is to be transparent" and "to use [the report] as a foundation for continued prevention."
- The National Association of Corporate Directors used transparency to promote the value of its programs, publicly reaffirming the importance of and its commitment to director education: "At a time when new SEC disclosure rules call for greater transparency of board member qualifications ... [we] will continue to provide the industry's leading certificate-based director education and in-boardroom services for the largest and most complex companies around the world, as well as all publicly traded, private, and nonprofit companies."

- ASCD (formerly the Association for Supervision and Curriculum Development) has turned to the virtual platform Skype to support more inclusive, open meetings of its Scholars Team, whose 25 members reside on six continents. The free tool can record meetings, so ASCD can offer them archived online later.

- International relief nonprofit World Vision and others issued frequent updates to donors and media about the exact uses and on-the-ground impacts of the millions of dollars donated after the Haiti earthquake in January 2010.

SEVEN STEPS TO A MORE TRANSPARENT ORGANIZATION

Here's how you can create a more transparent organization:

1. Make sure senior leadership is aligned. Does everyone see the external environment the same way? Does everyone understand organizational goals and plans? Does everyone agree on what success looks like? If not, it's time to remedy the situation.

"Alignment is most important at the senior level because all information cascades downward from it," says Studer. "If one senior leader is out of sync with the others, then everyone under her is going to be out of sync."

2. Close the perception gap between senior leadership and middle managers. Senior leaders generally have a clear grasp of the issues facing the organization. They are steeped in these issues every day. Mid-level managers don't always see things the same way. The only solution is for senior leaders to relentlessly communicate the issues to them.

"You can address these issues in supervisory sessions," suggests Studer. "You can hold regular meetings with mid-level managers. You can send out email alerts that link to news items driving high-level decisions. If you're a senior leader, it's critical to make sure the people under you understand the big-picture issues and their implications. It's one of the most important parts of your job."

3. Help people understand the true financial impact of decisions. Get comfortable framing all major decisions in economic terms. If a manager wants to spend money on something—a new program, a new position—she needs to be prepared to explain in financial terms how it will pay off for the company. Staff, too, need to understand the real cost of mistakes or lapses in productivity as well as the potential positive impact of doing things in a new way.

"Many of the healthcare leaders I work with use a financial impact grid to educate employees on how certain issues translate to dollars," says Studer. "The idea is to teach everyone to think like the CFO. Educating people in this way can be very powerful in changing their behavior."

4. Put mechanisms in place for communicating vital issues to frontline employees. People aren't going to pick up on what leaders want them to know by osmosis. You need to tell them clearly, succinctly, and often. That means putting in place a system, or a series of systems, to ensure that transparency gets translated into action.

5. Prepare managers to answer tough questions. If managers tell staff the organization is instituting a hiring or salary freeze, they'll almost certainly hear questions like, "If money's so tight, how can the company afford the new database?" The manager needs to know ahead of time exactly how to answer, so he won't blurt out a we/they perpetuator like, "Sorry, that's the orders from the top."

"In a transparent [organization], there's no reason to hide financial realities from anyone—but that doesn't mean managers naturally know the best way to phrase their answers," says Studer. "Some are just better communicators than others. Anticipating tough questions, formulating the right key words, and sharing them with leaders at all levels allows everyone to answer them consistently."

6. When you have bad news, treat employees like adults. Once a tough decision has been made, share it with everyone immediately. "Knowing what's happening and what it means is always better than not knowing," says Studer. "And often, what people are imagining is worse than what's really happening."

7. Keep people posted. When something changes, let employees know. This builds trust between leaders and staff and keeps them connected to the big picture.

"Be sure to share any good news you get," says Studer. "Transparency doesn't mean all bad news, all the time. When you disseminate positive developments as quickly as you do negative ones, you boost employee morale and reinforce any progress that's being made."

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13.5 Public and Private Management:

Are They Fundamentally Alike in All *Unimportant* Respects?

By Graham T. Allison

OBJECTIVES:

19. Define the term “management” as used in this article.
20. Name the organizations and managers this author uses to contrast the differences in public and private management.
21. List the functions of general management, as identified by Allison.
22. Identify key differences in managing public and private organizations.
23. Describe the constitutional difference between public and private management.

My subtitle puts Wallace Sayre’s oft quoted “law” as a question. Sayre had spent some years in Ithaca helping plan Cornell’s new School of Business and Public Administration. He left for Columbia with this aphorism: public and private management are fundamentally alike in all unimportant respects.

Sayre based his conclusion on years of personal observation of governments, a keen ear for what his colleagues at Cornell (and earlier at OPA) said about business, and a careful review of the literature and data comparing public and private management. Of the latter there was virtually none. Hence, Sayre’s provocative “law” was actually an open invitation to research.

Unfortunately, in the 50 years since Sayre’s pronouncement, the data base for systematic comparison of public and private management has improved little...I, in effect, like to take up Sayre’s invitation to speculate about similarities and difference among public and private management in ways that suggest significant opportunities for systematic investigation...

FRAMING THE ISSUE: WHAT IS PUBLIC MANAGEMENT?

What is the meaning of the term *management* as it appears in *Office of Management and Budget* or *Office of Personnel Management*? Is “management” different from, broader, or narrower than “administration”? Should we distinguish between management, leadership, entrepreneurship, administration, policy making, and implementation?

Who are “public managers”? Mayors, governors, and presidents? City managers, secretaries, and commissioners? Bureau chiefs? Office directors? Legislators? Judges?

Recent studies of OPM and OMB shed some light on these questions. OPM’s major study of the “current status of public management research” completed in May 1978

by Selma Mushkin and colleagues of Georgetown’s Public Service Laboratory starts with this question. The Mushkin report notes the definition of *public administration* employed by the Interagency Study Committee on Policy Management Assistance in its 1975 report to OMB. That study identified the following core elements:

1. *Policy Management*. The identification of needs, analysis of options, selection of programs, and allocation of resources on a jurisdiction-wide basis.
2. *Resource Management*. The establishment of basic administrative support systems, such as budgeting, financial management, procurement and supply, and personnel management.
3. *Program Management*. The implementation of policy of daily operation of agencies carrying out policy along functional lines (education, law enforcement, etc.).¹

The Mushkin report rejects this definition in favor of an “alternative list of public management elements.” These elements are:

- Personnel management (other than work force planning, collective bargaining and labor relations)
- Work force planning
- Collective bargaining and labor-management relations
- Productivity and performance measurement
- Organization/reorganization
- Financial management (including the management of intergovernmental relations)
- Evaluation research, and program and management audit.²

Such terminological tangles seriously hamper the development of public management as a field of knowledge.

In our efforts to discuss the public management curriculum at Harvard, I have been struck by how differently people use these terms, how strongly many individuals feel about some distinction they believe is marked by a difference between one word and another, and consequently, how large a barrier terminology is to convergent discussion. These verbal obstacles virtually prohibit conversation that is both brief and constructive among individuals who have not developed a common language or a mutual understanding of each other's use of terms.

This terminological thicket reflects a more fundamental conceptual confusion. There exists no overarching framework that orders the domain. In an effort to get a grip on the phenomena – the buzzing, blooming confusion of people in jobs performing tasks that produce results – both practitioners and observers have strained to find distinctions that facilitate their work. The attempts in the early decades of this century to draw up a sharp line between “policy” and “administration,” like more recent efforts to mark a similar divide between “policy-making” and “implementation,” reflect a common search for a simplification that allows one to put the value-laden issues of politics to one side (who gets what, when, and how), and focus on the more limited issue of how to perform tasks more efficiently.³ But can anyone really deny that the “how” substantially affects the “who,” the “what,” and the “when”? The basic categories now prevalent in discussion of public management – strategy, personnel management, financial management, and control – are mostly derived from a business context in which executives manage hierarchies. The fit of these concepts to the problems that confront public managers is not clear.

Finally, there exist no ready data on what public managers do. Instead, the academic literature, such as it is, mostly consists of speculation tied to bits and pieces of evidence about the tail or the trunk or other manifestation of the proverbial elephant.⁴ In contrast to the literally thousands of cases describing problems faced by private managers and their practice in solving these problems, case research from the perspective of a public manager is just beginning...⁵ The paucity of data on the phenomena inhibits systematic empirical research on similarities and differences between public and private management, leaving the field to a mixture of reflection on personal experience and speculation.

For the purpose of this presentation, I will follow Webster and use the term *management* to mean the organization and direction of resources to achieve a desired result. I will focus on *general managers*, that is, individuals charged with managing a whole organization or multi-functional subunit. I will be interested in the general manager's full responsibilities, both *inside* his organization in integrating the diverse contributions of specialized subunits of the organization to achieve results, and

outside his organization in relating his organization and its product to external constituencies. I will begin with the simplifying assumption that managers of traditional government organizations are public managers, and managers of traditional private businesses [are] private managers. Lest the discussion fall victim to the fallacy of misplaced abstraction, I will take the Director of EPA and the Chief Executive Officer of American Motors as, respectively, public and private managers. Thus, our central question can be put concretely: in what ways are the jobs and responsibilities of Doug Costle as Director of EPA similar to and different from those of Roy Chapin as Chief Executive Officer of American Motors?

SIMILARITIES: HOW ARE PUBLIC & PRIVATE MANAGEMENT ALIKE?

At one level of abstraction, it is possible to identify a set of general management functions. The most famous such list appeared in Gulick and Urwick's classic *Papers in the Science of Administration*.⁶ [They] summarized the work of the chief executives in the acronym POSDCORB. The letters stand for:

- Planning
- Organizing
- Staffing
- Directing
- Coordinating
- Reporting
- Budgeting

With various additions, amendments, and refinements, similar lists of general management functions can be found through the management literature from Barnard to Drucker.⁷

I shall resist here my natural academic instinct to join the intramural debate among proponents of various lists and distinctions. Instead, I simply offer one composite list (see Table 1) that attempts to incorporate the major functions that have been identified for general managers, whether public or private.

These common functions of management are not isolated and discrete, but rather integral components separated here for purposes of analysis. The character and relative significance of the various functions differ from one time to another in the history of any organization, and between one organization and another. But whether in a public or private setting, the challenge for the general manager is to integrate all these elements so as to achieve results.

**TABLE 1:
FUNCTIONS OF GENERAL MANAGEMENT**

Strategy

1. *Establishing objectives and priorities* for the organization (on the basis of forecasts of the external environment and the organization’s capacities).
2. *Devising operational plans* to achieve these objectives.

Managing Internal Components

3. *Organizing and staffing.* In organizing the manager establishes structure (units and positions with assigned authority and responsibilities) and procedures for coordinating activity and taking action. In staffing he tries to fit the right persons in the key jobs.*
4. *Directing personnel and the personnel management system.* The capacity of the organization is embodied primarily in its members and their skills and knowledge. The personnel management system recruits, selects, socializes, trains, rewards, punishes, and exits the organization’s human capital, which constitutes the organization’s capacity to act to achieve its goals and to respond to specific directions from management.
5. *Controlling performance.* Various management information systems – including operating and capital budgets, accounts, reports, and statistical systems, performance appraisals, and product evaluation – assist management in making decisions and in measuring progress towards objectives.

Managing External Components

6. *Dealing with “external” units* of the organization subject to some common authority. Most general managers must deal with general managers of other units within the larger organization – above, laterally, and below – to achieve their unit’s objectives.
7. *Dealing with independent organizations.* Agencies from other branches or levels of government, interest groups, and private enterprises that can importantly affect the organization’s ability to achieve its objectives.
8. *Dealing with the press and the public* whose action or approval or acquiescence is required.

*Organization and staffing are frequently separated in such lists, but because of this interaction between the two, they are combined here. See Graham Allison and Peter Szanton, *Remaking Foreign Policy* (New York: Basic Books, 1976), p. 14.

DIFFERENCES: HOW ARE PUBLIC & PRIVATE MANAGEMENT DIFFERENT?

While there is a level of generality at which management is management, whether public or private, functions that bear identical labels take on rather different meanings in public and private settings. As Larry Lynn has pointed out, one powerful piece of evidence in the debate between those who emphasize “similarities” and those who underline “differences” is the nearly unanimous conclusion of individuals who have been general managers in both business and government. Consider the reflections of George Shultz (Secretary of State; former Director of OMB, Secretary of Labor, Secretary of the Treasury, President of Bechtel), Donald Rumsfeld (former congressman, Director of OEO, Director of the Cost of Living Council, White House Chief of Staff, and Secretary of Defense; now President of G. D. Searle and Company), Michael Blumenthal (former Chairman and Chief Executive Officer of Bendix, Secretary of the Treasury, and now Vice Chairman of Burroughs), Roy Ash (former President of Litton Industries, Director of OMB; later President of Addressograph), Lyman Hamilton (former Budget Officer in BOB, High Commissioner of Okinawa, Division Chief in the World Bank and President of ITT), and George Romney (former President of American Motors, Governor of Michigan, and Secretary of Housing and Urban Development.)⁸ All judge public management different from private management – and harder!

Orthogonal Lists of Differences

My review of these recollections, as well as the thoughts or academics, has identified three interesting, orthogonal lists that summarize the current state of the field: one by John Dunlop; one major *Public Administration Review* survey of the literature comparing public and private organizations by Hal Rainey, Robert Backoff and Charles Levine; and one by Richard E. Neustadt, prepared for the National Academy of Public Administration’s Panel on Presidential Management.

John T. Dunlop’s “impressionistic comparison of government management and private business” yields the following contrasts.⁹

1. **Time Perspective.** Government managers tend to have relatively short time horizons dictated by political necessities and the political calendar, while private managers appear to take a longer time perspective oriented toward market developments, technological innovation and investment, and organization building.
2. **Duration.** The length of service of politically appointed top government managers is relatively short, averaging no more than 18 months recently for assistant

secretaries, while private managers have a longer tenure both in the same position and in the same enterprise. A recognized element of private business management is the responsibility to train a successor or several possible candidates, [whereas] the concept is largely alien to public management, since fostering a successor is perceived to be dangerous.

3. Measurement of Performance. There is little if any agreement on the standards and measurement of performance to appraise a government manager, while various tests of performance – financial return, market share, performance measures for executive compensation – are well established in private business and often made explicit for a particular managerial position during a specific period ahead.

4. Personnel Constraints. In government there are two layers of managerial officials that are at times hostile to one another: the civil service (or now the executive system) and the political appointees. Unionization of government employees exists among relatively high-level personnel in the hierarchy and includes a number of supervisory personnel. Civil service, union contract provisions, and other regulations complicate the recruitment, hiring, transfer, and layoff or discharge of personnel to achieve managerial objectives or preferences. By comparison, private business managements have considerably greater latitude, even under collective bargaining, in the management of subordinates. They have much more authority to direct the employees of their organization. Government personnel policy and administration are more under the control of staff (including civil service staff outside an agency) compared to the private sector in which personnel are much more subject to line responsibility.

5. Equity and Efficiency. In governmental management great emphasis tends to be placed on providing equity among different constituencies, while in private business management relatively greater stress is placed upon efficiency and competitive performance.

6. Public Processes versus Private Processes. Governmental management tends to be exposed to public scrutiny and to be more open, while private business management is more private and its processes more internal and less exposed to public review.

7. Role of Press and Media. Governmental management must contend regularly with the press and media; its decisions are often anticipated by the press. Private decisions are less often reported in the press, and the press has a much smaller impact on the substance and timing of decisions.

8. Persuasion and Direction. In government, managers often seek to mediate decisions in response to a wide va-

riety of pressures and must often put together a coalition of inside and outside groups to survive. By contrast, private management process much more by direction or the issuance of orders to subordinates by superior managers with little risk of contradiction. Governmental managers tend to regard themselves as responsive to many superiors, while private managers look more to one higher authority.

9. Legislative and Judicial Impact. Governmental managers are often subject to close scrutiny by legislative oversight groups or even judicial orders in ways that are quite uncommon in private business management. Such scrutiny often materially constrains executive and administrative freedom to act.

10. Bottom Line. Governmental managers rarely have a clear bottom line, while that of a private business manager is profit, market performance, and survival.

The *Public Administration Review's* major review article comparing public and private organizations, [by Rainey, Backoff and Levine,] attempts to summarize the major points of consensus in the literature on similarities and differences among public and private organizations.¹⁰

Third, Richard E. Neustadt, in a fashion close to Dunlop's, notes six major differences between Presidents of the United States and Chief Executive Officers of major corporations.¹¹

1. Time Horizon. The private chief begins by looking forward a decade, or thereabouts, his likely span barring extraordinary troubles. The first term president looks forward four years at most, with the fourth (and now even the third) year dominated by campaigning for reelection (what second-termers look toward we scarcely know, having seen but one such term completed in the past quarter century).

2. Authority over the Enterprise. Subject to concurrence from the Board of Directors which appointed and can fire him, the private executive sets organization goals, shifts structures, procedures, and personnel to suit, monitors results, reviews key operations decisions, deals with key outsiders, and brings along his Board. Save for the deep but narrow sphere of military movements, a president's authority in these respects is shared with well-placed members of Congress (or their staffs): case by case, they may have more explicit authority that he does (contrast authorizations and appropriations with the "take-care" clause). As for "bringing along the Board," neither the congressmen with whom he shares power nor the primary and general electorates which "hired" him have either a Board's duties or a broad view of the enterprise precisely matching his.

3. Career System. The model corporation is a true career system, something like the Forest Service after initial entry. In normal times the chief himself is chosen from within, or he is chosen from another firm in the same industry. He draws department heads (and other key employees) from among those with whom he's worked or whom he knows in comparable companies. He and his principal associates will be familiar with each other's roles – indeed, he probably has had a number of them – and also usually with one another's operating styles, personalities, idiosyncrasies. Contrast the president who rarely has had much experience “downtown,” probably knows little of most roles there (much of what he knows will turn out wrong), and less of most associates whom he appoints there, willy nilly, to fill places by Inauguration Day. Nor are they likely to know one another well, coming as they from “everywhere” and headed as most are toward oblivion.

4. Media Relations. The private executive represents his firm and speaks for it publicly in exceptional circumstances; he and his associates judge the exceptions. Those aside, he neither sees the press nor gives its members access to internal operations, least of all in his own office, save to make a point deliberately for public-relations purposes. The president, by contrast, is routinely on display, continuously dealing with the White House press and with the wider circle of political reporters, commentators, columnists. He needs them in his business, day by day, mothering exceptional about it, and they need him in theirs: the TV network news programs lead off with him some nights each week. They and the president are as mutually dependent as he and congressmen (or more so). Comparatively speaking, these relations overshadow most administrative ones much of the time for him.

5. Performance Measurement. The private executive expects to be judged, and in turn to judge subordinates, by profitability, however the firm measures it (a major strategic choice). In practice, his Board may use more subjective measures; so may he, but at risk to morale and good order. The relative virtue of profit, of “the bottom line,” is its legitimacy, its general acceptance in the business world by all concerned. Never mind its technical utility in given cases; its apparent “objectivity,” hence “fairness,” has enormous social usefulness: a myth that all can live by. For a president there is no counterpart (except, *in extremis*, the “smoking gun” to justify impeachment). The general public seems to judge a president, at least in part, by what its members think is happening to them, in their own lives: congressmen, officials, interest groups appear to judge by what they guess, at given times, he can do for or to their causes. Members of the press interpret both of these and spread a simplified criterion affecting both, the legislative box score, a standard of the

press's own devising. The White House denigrates them all except when it does well.

6. Implementation. The corporate chief, supposedly, does more than choose a strategy and set a course of policy; he also is supposed to oversee what happens after, how in fact intentions turn into results, or if they don't to take corrective action, monitoring through his information system, and acting, if need be, through his personnel system. A president, by contrast, while himself responsible for budgetary proposals, too, in many spheres of policy appears ill-placed and ill-equipped to monitor what agencies of states, of cities, corporations, unions, foreign governments are up to or to change personnel in charge. Yet these are very often the executants of “his” programs. Apart from defense and diplomacy the federal government does two things in the main: it issues and applies regulations and it awards grants in aid. Where these are discretionary, choice usually is vested by statute in a Senate-confirmed official well outside the White House. Monitoring is his function, not the president's except at second hand. And final action is the function of the subjects of the rules and funds; they mostly are not federal personnel at all. In defense, the arsenals and shipyards are gone; weaponry comes from the private sector. In foreign affairs it is the *other* governments whose actions we would influence. From implementors like these a president is far removed most of the time. He intervenes, if at all, on a crash basis, not through organization incentives.

Underlying these lists' sharpest distinctions between public and private management is a fundamental *constitutional difference*. In business, the functions of general management are centralized in a single individual: the chief executive officer. The goal is authority commensurate with responsibility. In contrast, in the U.S. government, the functions of general management are constitutionally spread among competing institutions: the executive, two houses of Congress, and the courts. The constitutional goal was “not to promote efficiency but to preclude the exercise of arbitrary power,” as Justice Brandeis observed. Indeed, as *The Federalist Papers* makes starkly clear, the aim was to create incentives to compete: “the great security against a gradual concentration of the several powers in the same branch, consists in giving those who administer each branch the constitutional means and personal motives to resist encroachment of the others. Ambition must be made to counteract ambition.”¹² Thus, the general management functions concentrated in the CEO of a private business are, by constitutional design, spread in the public sector among a number of competing institutions and thus shared by a number of individuals whose ambitions are set against one another. For most areas of public policy today, these individuals include at the federal

level the chief elected official, the chief appointed executive, the chief career official, and several congressional chieftains. Since most public services are actually delivered by state and local governments, with independent sources of authority, this means a further array of individuals at these levels.

AN OPERATIONAL PERSPECTIVE: HOW ARE THE JOBS & RESPONSIBILITIES OF DOUG COSTLE, DIRECTOR of EPA, & ROY CHAPIN, CEO of AMERICAN MOTORS, SIMILAR AND DIFFERENT?

If organizations could be separated neatly into two homogeneous piles, one public and one private, the task of identifying similarities and differences between managers of these enterprises would be relatively easy. In fact, as Dunlop has pointed out, “the real world of management is composed of distributions, rather than single undifferentiated forms, and there is an increasing variety of hybrids.” Thus for each major attribute of organizations, specific entities can be located on a spectrum. On most dimensions, organizations classified as “predominantly public” and those “predominantly private” overlap.¹³ Private business organizations vary enormously among themselves in size, in management structure and philosophy, and in the constraints under which they operate. For example, forms of ownership and types of managerial control may be somewhat unrelated. Compare a family-held enterprise, for instance, with a public utility and a decentralized conglomerate, a Bechtel with ATT and Textron. Similarly, there are vast differences in management of governmental organizations. Compare the Government Printing Office or TVA or the police department of a small town with the Department of Energy or the Department of Health and Human Services. These distributions and varieties should encourage penetrating comparisons within both business and governmental organizations, as well as contrasts and comparisons across these broad categories, a point to which we shall return in considering directions for research.

Absent a major research effort, it may nonetheless be worthwhile to examine the jobs and responsibilities of two specific managers, neither polar extremes, but one clearly public, the other private. For this purpose, and primarily because of the availability of cases that describe the problems and opportunities each confronted, consider Doug Costle, Administrator of EPA, and Roy Chapin, CEO of American Motors.¹⁴

DOUG COSTLE, ADMINISTRATOR OF EPA, JANUARY 1977

The mission of EPA is prescribed by laws creating the agency and authorizing its major programs. That mission is “to control and abate pollution in the areas of air, water, solid wastes, noise, radiation, and toxic substances. EPA’s mandate is to mount an integrated, coordinated attack on environmental pollution in cooperation with state and local governments.”¹⁵

EPA’s organizational structure follows from its legislative mandates to control particular pollutants in specific environments: air and water, solid wastes, noise, radiation, pesticides, and chemicals. As the new administrator, Costle inherited the Ford administration’s proposed budget for EPA of \$802 million for federal 1978 with a ceiling of 9,698 agency positions.

The setting into which Costle stepped is difficult to summarize briefly. As Costle characterized it:

“Outside there is a confusion on the part of the public in terms of what this agency is all about; what it is doing, where it is going.”

“The most serious constraint on EPA is the inherent complexity in the state of our knowledge, which is constantly changing.”

“Too often, acting under extreme deadlines mandated by Congress, EPA has announced regulations, only to find out that they knew very little about the problem. The central problem is the inherent complexity of the job that the agency has been asked to do and the fact that what it is asked to do changes from day to day.”

“There are very difficult internal management issues not amenable to a quick solution: the skills mix problems within the agency; a research program with laboratory facilities scattered all over the country and cemented in place, largely by political alliances on the Hill that would frustrate efforts to pull together a coherent research program.”

“In terms of EPA’s original mandate in the bulk pollutants we may be hitting the asymptotic part of the curve in terms of incremental clean-up costs. You have clearly conflicting national goals: energy and environment, for example.”

Costle judged his six major tasks at the outset to be:

- Assembling a top management team (six assistant administrators and some 25 office heads).
- Addressing EPA’s legislative agenda (EPA’s basic leg-

islative charter – the Clean Air Act and the Clean Water Act – was being rewritten as he took office; the pesticides program was up for reauthorization also in 1977).

- Establishing EPA's role in the Carter Administration (aware that the Administration would face hard tradeoffs between the environment and energy, energy regulations and the economy, EPA regulations of toxic substances and the regulations of FDA, CSFS, and OSHA. Costle identified the need to build relations with the other key players and to enhance EPA's standing).
- Building ties to constituent groups (both because of their role in legislating the agency's mandate and in successful implementation of EPA's programs).
- Making specific policy decisions (for example, whether to grant or deny a permit for the Seabrook Nuclear Generating Plant cooling system. Or how the Toxic Substance Control Act, enacted in October 1976, would be implemented; this act gave EPA new responsibilities for regulating the manufacture, distribution, and use of chemical substances so as to prevent unreasonable risks to health and the environment. Whether EPA would require chemical manufacturers to provide some minimum information on various substances, or require much stricter reporting requirements for the 1,000 chemical substances already known to be hazardous, or require companies to report all chemicals, and on what timetable, had to be decided and the regulations issued).
- Rationalizing the internal organization of the agency (EPA's extreme decentralization to the regions and its limited technical expertise).

No easy job.

ROY CHAPIN AND AMERICAN MOTORS, JANUARY 1967

In January 1967, in an atmosphere of crisis, Roy Chapin was appointed Chairman and Chief Executive Officer of American Motors (and William Luneburg, President and Chief Operating Officer). In the four previous years, AMC unit sales had fallen 37 percent and market share from over 6 percent to under 3 percent. Dollar volume in 1967 was off 42 percent from the all-time high of 1963 and earnings showed a net loss of \$76 million on sales of \$656 million. Columnists began writing obituaries for AMC. *Newsweek* characterized AMC as “a flabby dispirited company, a product solid enough but styled with about as much flair as corrective shoes, and a public image that melted down to one unshakable label: loser.” Said Chapin, “We were driving with one foot on the accelerator and one foot on the brake. We didn't know where...we were.”

Chapin announced to his stockholders at the outset that “we plan to direct ourselves most specifically to those areas of the market where we can be fully effective. We are not going to attempt to be all things to all people, but to concentrate on those areas of consumer needs we can meet better than anyone else.” As he recalled, “There were problems early in 1967 which demanded immediate attention, and which accounted for much of our time for several months. Nevertheless, we began planning beyond them, establishing objectives, programs and timetables through 1972. Whatever happened in the short run, we had to prove ourselves in the marketplace in the long run.”

Chapin's immediate problems were five:

- The company was virtually out of cash and an immediate supplemental bank loan of \$20 million was essential.
- Car inventories – company owned and dealer owned – had reached unprecedented levels. The solution to this glut took five months and could be accomplished only by a series of plant shutdowns in January 1967.
- Sales of the Rambler American series had stagnated and inventories were accumulating: a dramatic merchandising move was concocted and implemented in February, dropping the price tag on the American to a position midway between the VW and competitive smaller U.S. compacts, by both cutting the price to dealers and trimming dealer discounts from 21 percent to 17 percent.
- Administrative and commercial expenses were judged too high and thus a vigorous cost reduction program was initiated that trimmed \$15 million during the first year. Manufacturing and purchasing costs were also trimmed significantly to approach the most effective levels in the industry.
- The company's public image had deteriorated: the press was pessimistic and much of the financial community had written it off. To counteract this, numerous formal and informal meetings were held with bankers, investment firms, government officials, and the press.

As Chapin recalls, “With the immediate fires put out, we could put in place the pieces of a corporate growth plan – a definition of a way of life in the auto industry for American Motors. We felt that our reason for being, which would enable us not just to survive but to grow, lay in bringing a different approach to the auto market – in picking our spots and then being innovative and aggressive.” The new corporate growth plan included a dramatic change in the approach to the market to establish a “youthful image” for the company (by bringing out new sporty models like the Javelin and by entering the racing field), “changing the product line from one end to the other” by 1972, acquiring Kaiser Jeep (selling the com-

pany's non-transportation assets and concentrating on specialized transportation, including Jeep, a company that had lost money in each of the preceding five years but that Chapin believed could be turned around by substantial cost reductions and economies of scale in manufacturing, purchasing, and administration).

Chapin succeeded for the year ending September 30, 1971. AMC earned \$10.2 million on sales of \$1.2 billion.

Recalling the list of general management functions in Table 2, which similarities and differences appear salient and important?

Strategy

Both Chapin and Costle had to establish objectives and priorities and to devise operations plans. In business, "corporate strategy is the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be."¹⁶ In reshaping the strategy of AMC and concentrating on particular segments of the transportation market, Chapin had to consult his board and had to arrange financing. But the control was substantially his.

How much choice did Costle have at EPA as to the "business it is or is to be in" or the kind of agency "it is or is to be"? These major strategic choices emerged from the legislative process which mandated whether he should be in the business of controlling pesticides or toxic substances and if so on what timetable, and occasionally, even what level of particulate per million units he was required to control. The relative role of the president, other members of the administration (including White House staff, congressional relations, and other agency heads), the EPA Administrator, congressional committee chairmen, and external groups in establishing the broad strategy of the agency constitutes an interesting question.

Managing Internal Components

For both Costle and Chapin, staffing was key. As Donald Rumsfeld has observed, "the single most important task of the chief executive is to select the right people. I've seen terrible organization charts in both government and business that were made to work well by good people. I've seen beautifully charted organizations that didn't work very well because they had the wrong people."¹⁷

The leeway of the two executives in organizing and staffing were considerably different, however. Chapin closed down plants, moved key managers, hired and fired, virtually at will. As Michael Blumenthal has written about Treasury, "If you wish to make substantive changes,

policy changes, and the Department's employees don't like what you're doing, they have ways of frustrating you or stopping you that do not exist in private industry. The main method they have is Congress. If I say I want to shut down a particular unit or transfer the function of one area to another, there are ways of going to Congress and in fact using friends in the Congress to block the move. They can also use the press to try to stop you. If I at Bendix wished to transfer a division from Ann Arbor to Detroit because I figured out that we could save money that way, as long as I could do it decently and carefully, it's of no lasting interest to the press. The press can't stop me. They may write about it in the local paper, but that's about it."¹⁸

For Costle, the basic structure of the agency was set by law. The labs, their location, and most of their personnel were fixed. Though he could recruit his key subordinates, again restrictions like the conflict of interest laws and the prospect of a Senate confirmation fight led him to drop his first choice for the Assistant Administrator for Research and Development, since he had worked for a major chemical company. While Costle could resort to changes in the process for developing policy or regulations in order to circumvent key office directors whose views he did not share, for example, Eric Stork, the Deputy Assistant Administrator in charge of Mobile Source Air Program, such maneuvers took considerable time, provoked extensive infighting, and delayed significantly the development of Costle's program.

In the direction of personnel and management of the personnel system, Chapin exercised considerable authority. While the United Auto Workers limited his authority over workers, at the management level he assigned people and reassigned responsibility consistent with his general plan. While others may have felt that his decisions to close down particular plants or to drop a particular product were mistaken, they complied. As George Shultz has observed: "One of the first lessons I learned in moving from government to business is that in business you must be very careful when you tell someone who is working for you to do something because the probability is high that he or she will do it."¹⁹

Costle faced a civil service system designed to prevent spoils as much as to promote productivity. The Civil Service Commission exercised much of the responsibility for the personnel function in his agency. Civil service rules severely restricted his discretion, took long periods to exhaust, and often required complex maneuvering in a specific case to achieve any results. Equal opportunity rules and their administration provided yet another network of procedural and substantive inhibitions. In retrospect, Costle found the civil service system a much larger constraint on his actions and demand on his time than he had anticipated.

In controlling performance, Chapin was able to use measures like profit and market share, to decompose those objectives to subobjectives for lower levels of the organization and to measure the performance of managers of particular models, areas, divisions. Cost accounting rules permitted him to compare plants within AMC and to compare AMC's purchases, production, and even administration with the best practice in the industry.

Managing External Constituencies

As chief executive officer, Chapin had to deal only with the Board. For Costle, within the executive branch but beyond his agency lay many actors critical to the achievement of his agency objectives: the president and the White House, Energy, Interior, the Council on Environmental Quality, OMB. Actions each could take, either independently or after a process of consultation in which they disagreed with him, could frustrate his agency's achievement of its assigned mission. Consequently, he spent considerable time building his agency's reputation and capital for interagency disputes.

Dealing with independent external organizations was a necessary and even larger part of Costle's job. Since his agency, mission, strategy, authorizations, and appropriations emerged from the process of legislation, attention to congressional committees, congressmen, congressmen's staff, and people who affect congressmen and congressional staffers rose to the top of Costle's agenda. In the first year, top-level EPA officials appeared over 140 times before some 60 different committees and subcommittees.

Chapin's ability to achieve AMC's objectives could also be affected by independent external organization: competitors, government (the Clean Air Act that was passed in 1970), consumer groups (recall Ralph Nader), and even suppliers of oil. More than most private managers, Chapin had to deal with the press in attempting to change the image of AMC. Such occasions were primarily at Chapin's initiative and around events that Chapin's public affairs office orchestrated, for example, the announcement of a new racing car. Chapin also managed a marketing effort to persuade consumers that their tastes could best be satisfied by AMC products.

Costle's work was suffused by the press: in the daily working of the organization, in the perception by key publics of the agency and thus the agency's influence with relevant parties, and even in the setting of the agenda of issues to which the agency had to respond.

For Chapin, the bottom line was profit, market share, and the long-term competitive position of AMC. For Costle, what are the equivalent performance measures? Blumenthal answers by exaggerating the difference between appearance and reality: "At Bendix, it was the reality of the situation that in the end determined whether we suc-

ceeded or not. In the crudest sense, this meant the bottom line. You can dress up profits only for so long – if you're not successful, it's going to be clear. In government there is no bottom line, and that is why you can be successful if you appear to be successful – though, or course, appearance is not the only ingredient of success."²⁰ Rumsfeld says, "In business, you're pretty much judged by results. I don't think the American people judge government officials this way...In government, too often you're measured by how much you seem to care, how hard you seem to try – things that do not necessarily improve the human condition...It's a lot easier for a President to get into something and end up with a few days of good public reaction than it is to follow through, to pursue policies to a point where they have a beneficial effect on human lives."²¹ As George Shultz says, "In government and politics, recognition and therefore incentives go to those who formulate policy and maneuver legislative compromise. By sharp contrast, the kudos and incentives in business go to the persons who can get something done. It is execution that counts. Who can get the plant built, who can bring home the sales contract, who can carry out the financing, and so on."²²

This casual comparison of one public and one private manager suggests what could be done if the issue of comparisons were pursued systematically, horizontally across organizations and at various levels within organizations. While much can be learned by examining the chief executive officers of organizations, still more promising should be comparisons among the much larger numbers of middle managers. If one compared, for example, a regional administrator of EPA and an AMC division chief, or two comptrollers, or equivalent plant managers, some functions would appear more similar, and other differences would stand out. The major barrier to such comparisons is the lack of cases describing problems and practices of middle-level managers.²³ This should be a high priority in further research.

The differences noted in this comparison, for example, in the personnel area, have already changed with the Civil Service Reform Act of 1978 and the creation of the Senior Executive Service. Significant changes have also occurred in the automobile industry: under current circumstances, the CEO of Chrysler may seem much more like the administrator of EPA. More precise comparison of different levels of management in both organizations, for example, accounting procedures used by Chapin to cut costs significantly as compared to equivalent procedures for judging the costs of EPA mandated pollution control devices, would be instructive...

NOTES

1. Selma J. Mushkin, Frank H. Sandifer, and Sally Familton, Current Status of Public Management Research Conducted by or Supported by Federal Agencies (Washington, D.C.: Public Services Laboratory, Georgetown University, 1978), p. 10.
2. *Ibid.*, p. 11.
3. Though frequently identified as the author who established the complete separation between “policy” and “administration,” Woodrow Wilson has in fact been unjustly accused. “It is the object of administrative study to discover, first, what government can properly and successfully do, and, secondly, how it can do these proper things with the utmost possible efficiency...” (Wilson, “The Study of Public Administration,” published as an essay in 1888 and reprinted in *Political Science Quarterly*, December 1941, p. 481). For another statement of the same point, see Brooks Adams, *The Theory of Social Revolutions* (Macmillan, 1913), pp. 207-208.
4. See Dwight Waldo, “Organization Theory: Revisiting the Elephant,” *PAR* (November-December 1978). Reviewing the growing volume of books and articles on organization theory, Waldo notes that “growth in the volume of the literature is not to be equated with growth in knowledge.”
5. See *Cases in Public Policy and Management*, Spring 1979, of the Intercollegiate Case Clearing House for a bibliography containing descriptions of 577 cases by 366 individuals from 79 institutions. Current casework builds on and expands earlier efforts on the Inter-University Case Program. See, for example, Harold Stein, ed., *Public Administration and Policy Development: A Case Book* (Orlando, Fla.: Harcourt Brace Jovanovich, 1952), and Edwin A. Bock and Alan K. Campbell, eds., *Case Studies in American Government* (Englewood Cliffs, N.J.: Prentice-Hall, 1962).
6. Luther Gulick and Al Urwick, eds., *Papers in the Science of Public Administration* (Washington, D.C.: Institute of Public Administration, 1937).
7. See, for example, Chester I. Barnard, *The Functions of the Executive* (Cambridge, Mass.: Harvard University Press, 1938), and Peter F. Drucker, *Management Tasks, Responsibilities, Practices* (New York: Harper & Row, 1974). Barnard’s recognition of human relations added an important dimension neglected in earlier lists.
8. See, for example, “A Businessman in a Political Jungle,” *Fortune* (April 1964); “Candid Reflections of a Businessman in Washington,” *Fortune* (January 29, 1979); “A Politician Turned Executive,” *Fortune* (September 10, 1979); and “The Abrasive Interface,” *Harvard Business Review* (November-December 1979) for the views of Romney, Blumenthal, Rumsfeld, and Shultz, respectively.
9. John T. Dunlop, “Public Management,” draft of an unpublished paper and proposal, Summer 1979.
10. Hal G. Rainey, Robert W. Backoff, and Charles N. Levine, “Comparing Public and Private Organizations,” *Public Administration Overview* (March-April 1976).
11. Richard E. Neustadt, “American Presidents and Corporate Executives,” paper prepared for a meeting of the National Academy of Public Administration’s Panel on Presidential Management, October 7-8, 1979.
12. Clinton Rossiter, ed., *The Federalist Papers* (New York: New American Library, 1961), No. 51. The word department has been replaced by branch, which was its meaning in the original papers.
13. Failure to recognize the fact of distributions has led some observers to leap from one instance of similarity between public and private to general propositions about similarities between public and private institutions or management. See, for example, Michael Murray, “Comparing Public and Private Management: An Exploratory Essay,” *Public Administration Review* (July-August, 1975).
14. These examples are taken from Bruce Scott, “American Motors Corporation” (Intercollegiate Case Clearing House #9-364-001); Charles B. Weigle with the collaboration of C. Roland Christensen, “American Motors Corporation II” (intercollegiate Case Clearing House #6-372-359); Thomas R. Hitchner and Jacob Lew under the supervision of Philip B. Heymann and Stephen B. Hitchener, “Douglas Costle and the EPA (A)” (Kennedy School of Government Case #C94-78-216), and Jacob Lew and Stephen B. Hitchner, “Douglas Costle and the EPA (B)” (Kennedy School of Government Case #C96-78-217). For an earlier exploration of a similar comparison, see Joseph Bower, “Effective Public Management,” *Harvard Business Review* (March-April, 1977).
15. U.S. Government Manual, 1978/1979, p. 507.
16. Kenneth R. Andrews, *The Concepts of Corporate Strategy* (New York: Dow-Jones-Irwin, 1971), p. 28.
17. “A Politician-Turned-Executive,” *Fortune* (September 10, 1979), p. 92.
18. “Candid Reflections of a Businessman in Washington,” *Fortune* (January 29, 1979), p. 39.
19. “The Abrasive Interface,” *Harvard Business Review* (November-December 1979), p. 95.
20. *Fortune* (January 29, 1979), p. 36.
21. *Fortune* (September 10, 1979), p. 90.
22. *Harvard Business Review* (November-December 1979), p. 95.
23. The cases developed by Boston University’s Public Management Program offer a promising start in this direction.

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