

MANAGING THE NON-PROFIT ORGANIZATION

Practices and Principles

by [Peter F Drucker](#) (the [memo](#) THEY don't want you to SEE)

[Good for Society](#)

"None of our institutions exists by itself and is an end in itself," "Every one is an organ of society and exists for the sake of society."

Business is no exception.

Free enterprise cannot be justified as being good for business; it can be justified only as being good for society."

[Larger](#) ↓



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[Drucker book search](#)

Effective Mission Statements

- 13 [Knowledge](#) is useless to executives until it has been translated into deeds.
- 14 But before springing into action, the executive needs to plan his course.
- 15 He needs to think about desired results, probable restraints, future revisions, check-in points, and implications for how he'll [spend his time](#).
- 16 The action plan is a statement of intentions rather than a commitment
- 17 It should be revised often because every success creates new opportunities.
- 18 So does every failure
- 19 A written plan should anticipate the need for flexibility.
- 20 In addition, the action plan needs to create a system for checking the results against expectations
- 21 Finally, the action plan has to become the basis for the [executive's time management](#).
- 22 Time is the executive's scarcest and most precious resource.
- 23 And organizations ... are inherently time wasters.
- 24 The action plan will prove useless unless it's allowed to determine [how the executive spends his or her time](#).
- 25 Peter F. Drucker, "What Makes an Effective Executive," Harvard Business Review, June 2004, p. 60
- 26 «\$\$\$»
- 27 How is it possible to work toward horizons that aren't on your radar at the right point in time?
- 28 «\$\$\$»
- 29 Including interviews with Frances Hesselbein, Max

De Pree, Philip Kotler, Dudley Hafner, Albert Shanker, Leo Bartel, David Hubbard, Robert Buford, and Roxanne Spitzer-Lehmann

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Contributors

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- 66 Max De Pree is Chairman of Herman Miller, Inc., and of the Hope College Board, and is a member of the board of Fuller Theological Seminary. He is the author of *Leadership Is an Art* (Garden City, N.Y., 1989).
- 67 Philip Kotler teaches at the J. L. Kellogg Graduate School of Management of Northwestern University in Evanston, Illinois. His pioneering work, *Strategic Marketing for Non-Profit Institutions*, first published in 1971, is now in its fourth edition.
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- 70 Father Leo Bartel is Vicar for Social Ministry of the Catholic Diocese of Rockford, Illinois.
- 71 Reverend David Allan Hubbard is President of Fuller Theological Seminary in Pasadena, California.
- 72 Robert Buford is Chairman and CEO of Buford Television, Inc., in Tyler, Texas. He has founded two non-profit institutions, Leadership Network and the Peter F. Drucker Foundation for NonProfit Management.
- 73 Roxanne Spitzer-Lehmann is Corporate Vice-President of St. Joseph Health System, a chain of non-profit hospitals headquartered in Orange, California. She is the author of *Nursing Productivity* (Chicago, 1986).

74 Preface

75 Forty years ago, when I first began to work with non-profit institutions, they were generally seen as marginal to an American society dominated by government and big business respectively.

76 In fact, the non-profits themselves by and large shared this view.

77 We then believed that government could and should discharge all major social tasks, and that the role of the non-profits, if any, was to supplement governmental programs or to add special flourishes to them. ...

78 Today, we know better.

79 Today, we know that the non-profit institutions are **central to American society** and are indeed **its most distinguishing feature**. ...

80 We now know that the ability of government to perform social tasks is very limited indeed.

81 But we also know that the non-profits discharge a **much bigger job than taking care of specific needs**.

82 With every second American adult serving as a volunteer in the non-profit sector and spending at least three hours a week in non-profit work, the non-profits are **America's largest "employer."**

83 But they also exemplify and fulfill the fundamental American **commitment** to **responsible citizenship in the community**.

84 The non-profit sector still represents about the same proportion of America's gross national product—2 to 3 percent—as it did forty years ago.

85 But its **meaning has changed profoundly**.

86 We now realize that it is central to the quality of life in America, central to citizenship, and indeed **carries the values** of American society and of the American tradition. ^m

87 Forty years ago no one talked of “non-profit organizations” or of a “non-profit sector.”

88 Hospitals saw themselves as hospitals, churches as churches, Boy Scouts and Girl Scouts as Scouts, and so on.

89 Since then, we have come to use the term “nonprofit” for **all these institutions**.

90 It is a **negative term** and tells us only what these institutions are not.

91 But at least it shows that we have come to realize that all these institutions, whatever their specific concerns, have **something in common**. ^m

92 And we now begin to realize what that “something” is.

93 It is not that these institutions are “nonprofit,” that is, that they are **not businesses**.

94 It is also not that they are “**non-governmental**.”

95 It is that they **do something very different from either business or government**.

96 Business supplies, either goods or services.

97 Government controls.

98 A business has discharged its task when the customer buys the product, pays for it, and is satisfied with it.

99 Government has discharged its function when its policies are effective.

- 100 The “non-profit” institution neither supplies goods or services nor controls.
- 101 Its “product” is neither a pair of shoes nor an effective regulation.
- 102 Its product is a *changed human being*.
- 103 The non-profit institutions are **human-change agents**.
- 104 Their “product” is a cured patient, a child that learns, a young man or woman grown into a self-respecting adult; a changed human life altogether. ...
- 105 Forty years ago, “management” was a very bad word in nonprofit organizations.
- 106 It meant “business” to them, and the one thing they were not was a business.
- 107 Indeed, most of them then believed that they did not need anything that might be called “management.”
- 108 After all, they did not have a “bottom line.” ...
- 109 For most Americans, the word “management” still means business management.
- 110 Indeed, newspaper or television reporters who interview me are always amazed to learn that I am working with non-profit institutions.
- 111 “What can you do for them?” they ask me, “Help them with fund-raising?”
- 112 And when I answer, “No, we work together on their **mission**, their **leadership**, their **management**,” the reporter usually says, “But that’s *business* management, isn’t it?” ...

- 113 But the “non-profit” institutions themselves know that they **need management** all the more because they do not have a conventional “bottom line.”
- 114 They know that they **need to learn how to use management** as their tool lest they be overwhelmed by it.
- 115 They know they **need** management so that they can concentrate on their mission.
- 116 Indeed, there is a “management boom” going on among the nonprofit institutions, large and small. ...
- 117 Yet little that is so far available to the non-profit institutions to **help them** with their leadership and management has been **specifically designed** for them.
- 118 Most of it was originally developed for the **needs of business**.
- 119 Little of it pays any attention to the distinct characteristics of the non-profits or to their specific central needs:
- 120 To their mission, which distinguishes them so sharply from business and government;
- 121 to what are “results” in non-profit work;
- 122 to the strategies required to market their services and obtain the money they need to do their job; or
- 123 to the challenge of introducing innovation and change in institutions that depend on volunteers and therefore cannot command.
- 124 Even less do the available materials focus on the specific human and organizational realities of non-profit institutions;
- 125 on the very different role that the board plays in the non-profit institution;
- 126 on the need to attract volunteers, to develop them, and to manage them for performance;

- 127 on relationships with a diversity of constituencies;
- 128 on fund-raising and fund development;
- 129 or (a very different matter) on the problem of individual burnout, which is so acute in non-profits precisely because the individual commitment to them tends to be so intense. ...
- 130 There is thus a real need among the non-profits for materials that are specifically developed out of their experience and focused on their realities and concerns.
- 131 It was this need that led a friend of mine, Robert Buford of Tyler, Texas—himself a highly successful business builder—to found Leadership Network, which works on leadership and management in non-profit institutions, and especially in the large pastoral churches, both Protestant and Catholic, that have grown so rapidly in this country in the last twenty years. ...
- 132 I have been privileged to work with Bob Buford from the beginning on this important task and it was out of this experience that the idea for this book emerged.
- 133 Or rather, what emerged first was a project for a set of audio cassettes designed by me, directed by me, and largely spoken by me on *Leadership and Management in the Non-Profit Institutions* ("The Non-Profit Drucker") ...
- 134 We chose audio cassettes as our first vehicle for two reasons.
- 135 First, versatility; they can be listened to in one's car driving to work, in one's own home, or at a meeting.
- 136 But also we thought it important to bring to the non-profit audience the experience and thinking of distinguished people who have built and led important non-profit institutions, both large and small.

137 And this is better done by the spoken word than by a printed text.

138 Accordingly, we produced, in the spring of 1988, a set of twenty-five one-hour audio cassettes.

139 They are being used successfully across the spectrum of non-profit institutions, especially to train new staff people, new board members, and new volunteers. ...

140 From the beginning, we also thought of a book that would address itself to the non-profit audience, and a good many of the users of the "Non-Profit Drucker" have urged us to make available the same material in book form.

141 "We want to read you," these cassette users told us, "but in such a way as also to hear the person and especially you, Peter Drucker, as well as the people you interviewed on these tapes."

142 «\$\$\$»

143 This book starts out with the realization that the non-profit institution has been America's resounding success in the last forty years.

144 In many ways it is the "growth industry" of America, whether we talk

145 of health-care institutions like the American Heart Association or the American Cancer Society which have given leadership in research on major diseases and in their prevention and treatment;

146 of community' services such as the Girl Scouts of the U.S. A. and the Boy Scouts of the U.S. A. which, respectively, are the world's largest women's and men's organizations;

147 of the fast growing pastoral churches;

148 of the hospital; or

- 149 of the many other non-profit institutions that have emerged as the center of effective social action in a rapidly changing and turbulent America.
- 150 The non-profit sector has become America's "Civil Society." ...
- 151 Today, however, the non-profits face very big and different challenges. ...
- 152 The first is to convert donors into contributors.
- 153 In total amounts, the non-profit organizations in this country collect many times what they did forty years ago when I first worked with them.
- 154 But it is still the same share of the gross national product (2-3 percent), and I consider it a national disgrace, indeed a real failure, that the affluent, well-educated young people give proportionately less than their so much poorer blue-collar parents used to give.
- 155 If the health of a sector in the economy is judged by its share of the GNP, the non-profits do not look healthy at all.
- 156 The share of GNP that goes to leisure has more than doubled in the last forty years; the share that goes to medical care has gone up from 2 percent of the GNP to 11 percent; the share that goes to education, especially to colleges and universities, has tripled.
- 157 Yet the share that is being given by the American people to the non-profit, human-change agents has not increased at all.
- 158 We know that we can no longer hope to get money from "donors"; they have to become "contributors."
- 159 This I consider to be the first task ahead for non-profit institutions. ...

160 It is much more than just getting extra money to do vital work.

161 Giving is necessary above all so that the non-profits can discharge the one mission they all have in common: to satisfy the need of the American people for self-realization, for living out our ideals, our beliefs, our best opinion of ourselves.

162 To make contributors out of donors means that the American people can see what they want to see—or should want to see—when each of us looks at himself or herself in the mirror in the morning: someone who as a citizen takes responsibility.

163 Someone who as a neighbor cares.

164 «§§§»

165 Then there is the second major challenge for the non-profits: to give community and common purpose.

166 Forty years ago, most Americans already no longer lived in small towns, but they had still grown up in one.

167 They had grown up in a local community.

168 It was a compulsory community and could be quite stifling.

169 Still, it was a community. ...

170 Today, the great majority of Americans live in big cities and their suburbs.

171 They have moved away from their moorings, but they still need a community.

172 And it is working as unpaid staff for a non-profit institution that gives people a sense of community, gives purpose, gives direction—whether it is work with the local Girl Scout troop, as a volunteer in the hospital, or as the leader of a Bible circle in the local church.

173 Again and again when I talk to volunteers in non-profits, I ask, "Why are you willing to give all this time when you are already working hard in your paid job?"

174 And again and again I get the same answer, "Because here I know what I am doing.

175 Here I contribute.

176 Here I am a member of a community." ...

177 The non-profits *are* the American community.

178 They increasingly give the individual the ability to perform and to achieve.

179 Precisely because volunteers do not have the satisfaction of a paycheck, they have to get more satisfaction out of their contribution.

180 They have to be managed as unpaid staff.

181 But most nonprofits still have to learn how to do this.

182 And I hope to show them how—not by preaching, but by giving successful examples.

183 «§§§»

184 This book consists of five parts:

185 I. THE MISSION COMES FIRST—and your role as a leader

186 II. FROM MISSION TO PERFORMANCE—effective strategies for marketing, innovation, and fund development

187 III. MANAGING FOR PERFORMANCE—how to define it; how to measure it

188 IV. PEOPLE AND RELATIONSHIPS—your staff, your board, your volunteers, your community

189 V. DEVELOPING YOURSELF—as a person, as an executive,
as a leader

190 In each part I first address the topic.

191 This is then followed by one or two interviews with a
distinguished performer in the non-profit field.

192 Each part then concludes with a short, action-focused
summary.

193 «\$\$\$»

194 I owe a heavy debt to many people.

195 First, I wish to express my thanks to the contributors, the
non-profit leaders who so generously gave of their
experience and thereby made this book possible.

196 Their achievement in their own institutions shows all of us
what can be done and how it should be done. ...

197 Then I owe more than I can express in words to my friend
Robert Buford, who throughout this entire project has
been steadfast in his support, in his advice, in his
commitment.

198 His example, that of a successful business leader who is
dedicating more and more of his great competence, his
time, and his money to leadership in the non-profit,
human-change institution, gives guidance to all of us. ...

199 Finally, this book owes a great deal to three editors:

200 to Philip Henry, the producer and editor of the audio
tapes;

201 to my friend and editor at HarperCollins, Cass Canfield,
Jr., who skillfully designed a structure that transforms the
spoken into the written word and yet maintains the
immediacy of oral communication; and

202 to another old friend, Marion Buhagiar, who, as so often in
the past, edited my text with respect both for the integrity
of the work itself and for the integrity of the English
language.

203 To all of them, my warmest thanks.

204 Claremont, California

205 July 4, 1990

206 PART ONE

207 ***The Mission Comes First***

208 and your role as a leader

209

210 1. The Commitment

211 2. Leadership Is a Foul-Weather Job

212 3. Setting New Goals—Interview with Frances
Hesselbein

213 4. What the Leader Owes—Interview with Max De
Pree

214 5. Summary: The Action Implications

215 1 The Commitment

216 The non-profit organization exists to **bring about a change** in individuals and in society.

217 The first thing to talk about is **what missions work** and **what missions don't work**, and **how to define the mission**.

218 For the **ultimate test** is not the beauty of the mission statement.

219 The **ultimate test is right action**. ...

220 The most common question asked me by non-profit executives is:

221 **What are the qualities of a leader?**

222 The question seems to assume that leadership is something you can learn in a charm school.

223 But it also assumes that leadership by itself is enough, that it's an end.

224 And that's mis-leadership.

225 The leader who basically focuses on himself or herself is going to mislead.

226 The three most charismatic leaders in this century inflicted more suffering on the human race than almost any trio in history:

227 Hitler, Stalin, and Mao.

228 What matters is not the leader's charisma.

229 What matters is the leader's mission.

230 Therefore, the **first job of the leader** is to **think through** and **define the mission of the institution**.

231 **Setting Concrete Action Goals**

232 Here is a simple and mundane example—the mission statement of a hospital emergency room:

233 “It’s our mission to give assurance to the afflicted.”

234 That’s simple and clear and direct.

235 Or take the mission of the Girl Scouts of the U.S. A.:

236 to help girls grow into proud, self-confident, and self-respecting young women.

237 There is an Episcopal church on the East Coast which defines its mission as **making Jesus the head of this church and its chief executive officer.**

238 Or the mission of the Salvation Army, which is to **make citizens out of the rejected.**

239 Arnold of Rugby, the greatest English educator of the nineteenth century, who created the English public school, defined its mission as **making gentlemen out of savages.** ...

240 My favorite mission definition, however, is not that of a nonprofit institution, but of a business.

241 It’s a definition that changed Sears from a near-bankrupt, struggling mail-order house at the beginning of the century into the world’s leading retailer within less than ten years:

242 It’s our mission to **be the informed and responsible buyer—first for the American farmer, and later for the American family altogether.** ...

243 Almost every hospital I know says, “Our mission is health care.”

244 And that’s the **wrong definition.**

- 245 The hospital does not take care of health; the hospital takes care of illness.
- 246 You and I take care of health by not smoking, not drinking too much, going to bed early, watching our weight, and so on.
- 247 The hospital comes in when health care breaks down.
- 248 An even more serious failing of this mission is that nobody can tell you what action or behavior follows from saying:
- 249 "Our mission is health care." ...
- 250 A mission statement **has to be operational**, otherwise it's **just good intentions**.
- 251 A mission statement has to focus on what the institution **really tries to do** and then do it so that everybody in the organization can say, This is **my** contribution to the goal. ...
- 252 Many years ago, I sat down with the administrators of a major hospital to think through the mission statement of the **emergency room**.
- 253 It took us a long time to come up with the very simple, and (most people thought) too obvious statement that the emergency room was there to **give assurance to the afflicted**.
- 254 To do that well, you have to **know what really goes on**.
- 255 And, much to the surprise of the physicians and nurses, it turned out that in a good emergency room, the function is to tell eight out of ten people there is nothing wrong that a good night's sleep won't take care of.
- 256 You've been shaken up.
- 257 Or the baby has the flu.

- 258 All right, it's got convulsions, but there is nothing seriously wrong with the child.
- 259 The doctors and nurses **give assurance**. ...
- 260 We worked it out, but it sounded awfully obvious.
- 261 Yet **translating** that mission statement into **action** meant that everybody who comes in is now **seen by a qualified person in less than a minute**.
- 262 That is the **mission**; that is the **goal**.
- 263 The **rest is implementation**.
- 264 Some people are immediately rushed to intensive care, others get a lot of tests, and yet others are told:
- 265 "Go back home, go to sleep, take an aspirin, and don't worry.
- 266 If these things persist, see a physician tomorrow."
- 267 But the **first objective** is to **see everybody, almost immediately**—because that is the **only way to give assurance**. ...
- 268 The task of the non-profit manager is to try to **convert the organization's mission statement into specifics**.
- 269 The mission may be forever—or at least as long as we can foresee.
- 270 As long as the human race is around, we'll be miserable sinners.
- 271 As long as the human race is around, there will be sick people.
- 272 And, as long as the human race is around, there will be alcoholics and drug addicts and the unfortunate.

273 For hundreds of years we've had schools of one kind or another trying to get a little knowledge into seven-year-old boys and girls who would rather be out playing. ...

274 But the goal can be **short-lived**, or it might **change drastically** because a **mission is accomplished**.

275 A hundred years ago, one of the great inventions of the late nineteenth century was the tuberculosis sanatorium.

276 That mission has been accomplished, at least in developed countries.

277 We know how to treat TB with antibiotics.

278 And so managers of nonprofits also have to **build in review, revision, and organized abandonment**.

279 The mission is forever and may be divinely ordained; the **goals are temporary**. ...

280 One of our most common mistakes is to make the mission statement into a kind of **hero sandwich of good intentions**.

281 It has to be **simple and clear**.

282 As you add new tasks, you deemphasize and get rid of old ones.

283 You can only do so many things.

284 Look at what we are trying to do in our colleges.

285 The mission statement is confused—we are trying to do fifty different things.

286 It won't work, and that's why the fundamentalist colleges attract so many young people.

287 Their mission is very narrow.

- 288 You and I may quarrel with it and say it's too narrow, but it's clear.
- 289 It enables the students to understand.
- 290 And it also enables the faculty to know.
- 291 And it enables that administration to say, We aren't going to teach accounting. ...
- 292 **As you add on**, you have to **abandon**.
- 293 But you also have to think through which are the **few things we can accomplish** that will **do the most for us**, and which are the things that contribute either marginally or are no longer of great significance.
- 294 A hundred years ago, about the greatest contribution the hospital could make was in obstetrics, though it took a long time before the population accepted that, because childbirth at home in the growing city was perceived to be, well, dangerous, what with infection and untrained people.
- 295 Well, now I would say that not every hospital should do obstetrics, and a great many don't.
- 296 Partly because it's become so much safer, so much more predictable.
- 297 But also because if anything does go wrong, it's so much more critical, so you need a concentration of resources.
- 298 In a suburban community there just might not be enough volume to do a really good job.
- 299 So perhaps you don't abandon obstetrics, but you phase it out slowly.
- 300 On the other hand, fifty or sixty years ago, before the psychotropic drugs, no hospital could do much for mental diseases.
- 301 Today, almost a majority of people who are

mentally sick or endangered can be taken care of in the community hospital, with short-term stays for depression and so on.

302 You can make a major contribution there. ...

303 So you **constantly look at the state-of-the-art**.

304 You look at the **opportunities in the community**.

305 The hospital isn't going to sell shoes and it's not going into education on a big scale.

306 It's going to take care of the sick.

307 But **the specific objective may change**.

308 Things that were of **primary importance** may become **secondary** or **even totally irrelevant**.

309 You must **watch this constantly**, or else very soon you will become a museum piece.

310 ***The Three "Musts" of a Successful Mission***

311 **Look at strength and performance**.

312 **Do better** what you already do well—**if it's the right thing to do**.

313 The belief that every institution can do everything is just not true.

314 When you **violate the values** of an institution, you are likely to do a poor job.

315 In the 1960s, all of us in academia rushed into the urban problem.

316 We were totally incompetent: our values don't fit what are political issues; **academicians don't understand power**.

317 At the same time, hospitals rushed into what they

called health education.

- 318 Here are the people who come in, such as the diabetic, and before they go home maybe we can teach them how to handle their diet and their stress and so on so that they don't come back.
- 319 It hasn't worked.
- 320 That's not what hospitals are good at.
- 321 Hospitals are not good at prevention; hospitals are good at taking care of damage that's already been done. ...
- 322 **Look outside** at the opportunities, the needs.
- 323 **Where can we**, with the **limited resources** we have—and I don't just mean people and money, but also competence—**really make a difference, really set a new standard?**
- 324 One sets the standard by **doing** something and doing it well.
- 325 You create **a new dimension of performance**. ...
- 326 The next thing to **look** at is what we **really believe in**.
- 327 A mission is not, in that sense, impersonal.
- 328 I have never seen anything being done well **unless people were committed**. ...
- 329 All of us know the story of the Edsel automobile.
- 330 Everybody thinks the Edsel failed because Ford didn't do its homework.
- 331 In fact, it was the best-engineered, the best-researched, the best-everything car.

332 There was only one thing wrong with it: nobody in the Ford Motor Company believed in it.

333 It was contrived.

334 It was designed on the basis of research and not on the basis of commitment.

335 And so when it got into a little trouble, nobody supported the child.

336 I'm not saying it could have been a success.

337 But without that personal commitment, it certainly never could be. ...

338 **And so** one asks first, what are the opportunities, the needs?

339 Then, do they fit us?

340 Are we likely to do a decent job?

341 Are we competent?

342 Do they match our strengths?

343 Do we really believe in this?

344 This is not just true of products, it's true of services. ...

345 So, **you need three things**: opportunities; competence; and commitment.

346 **Every mission statement**, believe me, has to reflect all three or it will fall down on what is its **ultimate goal**, its **ultimate purpose** and **final test**.

347 It will not **mobilize the human resources of the organization for getting the right things done**.

348 2 Leadership Is a Foul- Weather Job

349 The most successful leader of this century was Winston Churchill.

350 But for twelve years, from 1928 until Dunkirk in 1940, he was totally on the sidelines, almost discredited—because there was no need for a Churchill.

351 Things were routine or, at any rate, looked routine.

352 When the catastrophe came, thank goodness, he was available.

353 Fortunately or unfortunately, **the one predictable thing in any organization is the crisis.**

354 That always comes.

355 That's when you do depend on the leader. ...

356 **The most important task of an organization's leader is to anticipate crisis.**

357 Perhaps not to avert it, but to anticipate it.

358 To wait until the crisis hits is already abdication.

359 One has to make the organization capable of anticipating the storm, weathering it, and in fact, being ahead of it.

360 That is called **innovation, constant renewal.**

361 You cannot prevent a major catastrophe, but you can build an organization that is battle-ready, that has high morale, and also has been through a crisis, knows how to behave, trusts itself, and where people trust one another.

362 In military training, the first rule is to instill soldiers with **trust in their officers**, because without trust they won't fight.

363 *The Problems of Success*

364 Problems of success have ruined more organizations than has failure, partly because if things go wrong, everybody knows they have to go to work.

365 Success creates its own euphoria.

366 You outrun your resources.

367 And you retire on the job, which may be the most difficult thing to fight.

368 I'm now in California instead of New York University, where I was for twenty years, in part because the Graduate Business School at NYU decided to cut back rather than grow with the growing student demand.

369 That's why I left.

370 When I started to build a management school at Claremont, I made sure that we did not overextend ourselves.

371 I was very careful to ensure that we kept the faculty first rate but small, and that we used adjuncts, part-time people, then built a strong administration.

372 And then we could run with success.

373 If the market grows, you have to grow with it, or you become marginal. ...

374 I am arguing these days with our pastor, who wants to keep our church small.

375 This is in a community where we have a lot of young people, students, and a lot of people in retirement homes who want to come to church.

376 My very nice and able pastor likes to keep it small so that he knows everybody.

377 I said to him, "Look, Father Michael, it won't work."

378 Five years after he had come in, the church began to shrink.

379 The lesson for the leaders of non-profits is that **one has to grow with success.**

380 But one also has to **make sure that one doesn't become unable to adjust.**

381 Sooner or later, **growth slows down and the institution plateaus.**

382 Then it **has to be able to maintain** its momentum, its flexibility, its vitality, and its vision.

383 Otherwise, it **becomes frozen.**

384 ***Hard Choices***

385 Non-profit organizations have no "bottom line."

386 They are **prone to consider** everything they do to be **righteous** and **moral** and **to serve a cause**, so they are not willing to say, **if it doesn't produce results** then maybe we should **direct our resources elsewhere.**

387 Nonprofit organizations need the **discipline of organized abandonment** perhaps even more than a business does.

388 They need to face up to critical choices. ...

389 Some of these choices are very difficult.

390 I have a friend, a Catholic priest, who is Vicar General of a large diocese.

391 The bishop called him in to deal with the shortage of priests.

392 Which services should they keep and which should they abandon?

393 There is the terrible dilemma of Catholic schools in a big metropolitan archdiocese where 97 percent

of the kids are not Catholics and aren't going to be Catholics; they're fleeing the misery of the public schools.

394 I've been arguing with the diocese for years.

395 Some of the priests say, "Our first task is to save souls; it's not to educate people.

396 Let's put our few priests and nuns on our first priority."

397 And I say, "Look, it says in the Bible, 'But the greatest of these is Charity,' and that's what you are doing.

398 You cannot possibly leave those kids in the lurch.

399 That's a value choice, and it's critical that it's faced up to and not pushed under the rug, as we like to do." ...

400 Once you acknowledge that, you can then innovate—provided you organize yourself to look for innovation.

401 Non-profit institutions need innovation as much as businesses or governments.

402 And we know how to do it. ...

403 The starting point is to recognize that change is not a threat.

404 It's an opportunity.

405 We know where to look for changes. ¹

406 Here are a few examples:

407 ***Unexpected Success in Your Own Organization***

408 Some institutions of higher education, for instance, have learned that **continuing education of already highly educated adults** is not a luxury, or something to bring in additional money, or good public relations.

409 It is becoming the central thrust of our knowledge society.

410 So, they have **organized themselves and their faculties to attract** the doctors, engineers, and executives who want and need to go back to school.

411 ***Population Changes***

412 About twelve years ago, the Girl Scouts of the U.S. A. realized that demographic shifts in the United States, with the fast growth of minorities, were creating a new frontier for the organization—new needs and the opportunity to change.

413 They now have a 15 percent enrollment of minority kids, which explains why they kept growing even though the total number of girls of scouting age fell quite steadily during that period.

414 ***Changes in Mind-Set and Mentality***

415 Very few factors have so **altered our view of society** as the women's movement of the last twenty years.

416 What opportunities does it create?

417 As you will see a little later on in the interview with Father Leo Bartel in Part Four, it created the opportunity in one diocese to expand dramatically despite a sharp drop in the number of priests and sisters.

418 Another example: about fifteen years ago, one of our largest volunteer organizations, the American Heart Association, realized that, even though its original big job—research—was not yet

accomplished, a new opportunity had opened to take advantage of the tremendous growth in health awareness by the American public.

419 It decided to redirect its national forces. ...

420 The lesson is, Don't wait.

421 Organize yourself for systematic innovation.

422 Build the search for opportunities, inside and outside, into your organization.

423 Look for changes as indications of an opportunity for innovation.

424 To build all this into your system, you, as the leader of the organization, have to set the example.

425 How can we set up systems to release energy that will allow the proper innovative decisions to be made and implemented and, at the same time, encourage the operation to go on at the necessary level while it is being changed?

426 Let me try to outline a simple series of steps. ...

427 First, organize yourself to see the opportunity.

428 If you don't look out the window, you won't see it.

429 What makes this particularly important is that most of our current reporting systems don't reveal opportunities; they report problems.

430 They report the past.

431 Most answer questions we have already asked.

432 So, we have to go beyond our reporting systems.

433 And whenever you need a change, ask: If this were an opportunity for us, what would it be? ...

- 434 Then, to implement the innovation effectively, there are a few points you must be aware of.
- 435 First, the most common mistake—the one that **kills more innovations than anything else**—is **the attempt to build too much reinsurance into the change, to cover your flank, not to alienate yesterday.**
- 436 The Japanese made that mistake in the one area where their export drive failed significantly: telephones.
- 437 They had the technology but tried to, hedge their bets by selling switchboards that were both electromechanical (and therefore could be plugged into existing old systems) and electronic.
- 438 The electronic switchboards force customers to tear out their old equipment, even though it may be perfectly good.
- 439 But those who did go either into expansion or improvement of their existing system decided to pull out the old and go straight to the state-of-the-art. ...
- 440 The same sort of mistakes can be found in the pharmaceutical industry and in educational programs.
- 441 Twenty years ago, a good many hospitals, seeing the trend toward taking care of patients outside the hospital, built outpatient clinics into the hospital.
- 442 That didn't work.
- 443 The free-standing surgical clinic, however, *did* work because it was not in the hospital. ...
- 444 Next, you have the problem of organizing the new.
- 445 **It must be organized separately.**

- 446 Babies don't belong in the living room, they belong in the nursery.
- 447 If you put new ideas into operating units—whether it's a theological seminary or an automobile plant—the solving of the daily crisis will always—take precedence over introducing tomorrow.
- 448 So, when you try to develop the new within an existing operation, you are always postponing tomorrow.
- 449 It must be set up separately.
- 450 And yet you have to make sure the existing operations don't lose the excitement of the new entirely.
- 451 Otherwise, they become not only hostile but paralyzed.

452 ***The Innovative Strategy***

- 453 Next, you need an innovative strategy: **a way to bring the new to the marketplace.**
- 454 **Successful innovation** finds a **target of opportunity.**
- 455 Somebody who is **receptive**, who **welcomes** the new, who **wants to succeed** and, at the same time, has enough stature, enough clout in the organization so that, **if it works for him or her**, the rest of the organization will say, Well, there must be something to it. ...
- 456 I am always being asked, "If you were running a metropolitan museum, or a major public library, or a relief or service agency in a community, would you have part of your organization set up **some kind of small task force committed to R&D or to marketing?**
- 457 Some group working within the organization that would be weighing the possibilities of innovation for the organization?" ...

- 458 Well, the answer is **yes** and the answer is **no**.
- 459 Yes, because you need a few people who do the work, **who have the time to do it**.
- 460 It's hard work.
- 461 No, because if you **isolate** the planning, you're going to end up **overlooking** perhaps the small but crucial things.
- 462 Let me give you a 'very simple example.
- 463 The executives of a big museum decided to move from the old-time museum, which kept the art works in and the people out, to the modern kind of museum, which is basically an educational community.
- 464 They set up a separate planning group, which did a magnificent job planning exhibitions and publicity and so on.
- 465 But **being isolated from operations, the planners overlooked a few "housekeeping" details**.
- 466 They forgot, for instance, that you need a much bigger parking lot.
- 467 Also, if you suddenly have three hundred fourth graders in, you need toilets.
- 468 When they opened, you cannot imagine the pandemonium.
- 469 And that's typical. ...
- 470 If you **first plan and then try to sell, you're going to miss the important things**.
- 471 But you also **waste years of time**.
- 472 **Selling has to be built into planning, and that means involving the operating people**.

473 But don't forget one thing: **everything new** requires **hard work on the part of true believers**—and true believers are **not available part time.** ...

474 The Churchills may be very rare.

475 But another group is, fortunately, quite common.

476 These are the people who can look at a situation and say: This is not what I was hired to do or what I expected to do, but **this is what the job requires**—and then roll up their sleeves and go to work.

477 I know a college president who was conned into taking his, job with **the usual promises by the board that it would raise the money.**

478 He came out of tax-supported state universities.

479 He arrived with a wonderful program of faculty recruitment and educational reform, took one good look, and came to me, very unhappy.

480 Somebody has to raise money, he, said, otherwise that institution won't be there in five or ten years.

481 And I said, You know, **there is only one person who can raise money in a college—the president.**

482 And he said, I'm afraid you're right.

483 He found an exceedingly able man on his faculty who for five years ran the school, while the president concentrated on raising money, in which he proved himself **incredibly able.**

484 He saved that institution. ...

485 Let me give you another example of a rural electric cooperative, one of the large ones, founded during the 1930s when the American farmer couldn't get any power.

486 Well, by now everybody has power, so the

question is: What do we do now?

- 487 There was strong sentiment on the board and in the membership for selling out to the nearest large power company.
- 488 A new chief executive came in, took a look, and said: "Yes, as an electric cooperative we have fulfilled our mission, but as a **community development organization**, it has only begun.
- 489 Here is a tremendous farm crisis [this was in the early eighties].
- 490 All kinds of basic social services need to be supplied to our farm members, and they can only be supplied by **somebody with a distribution system.**"
- 491 He made all the difference.
- 492 Farm prices are still low and depressed, but this six-county system is one of the few farm areas we have that is, I wouldn't say prosperous, but doing well because of **the action this man took seeing the opportunity.**
- 493 And it's not that uncommon.
- 494 ***This* is effective crisis leadership.**

495 ***How to Pick a Leader***

- 496 If I were on a selection committee to choose a leader for a non-profit organization and there were a roster of men and women as candidates, **what would I look for?**
- 497 First, I would look at what the individuals **have done, what their strengths are.**
- 498 Most selection committees I know are overly concerned with how poor the candidate is.
- 499 Most of the questions I get are not: What is he or she good at, but we think this person is not too good at dealing with students, or what have you.

500 The first thing to look for is **strength**—you can only perform with strength—and **what they have done with it.** ...

501 Second, I would look at the institution and ask: What is the **one immediate key challenge?**

502 It may be raising money.

503 It may be rebuilding the morale of the organization.

504 It may be redefining its mission.

505 It may be bringing in new technology.

506 If I looked today for an administrator of a large hospital, I might look for the ability to convert the hospital from a provider of sickness care to a **manager of sickness-care providers**, because more and more will be done outside the hospital.

507 I would try to **match the strengths with the needs.** ...

508 Then I would look for—call it **character** or **integrity.**

509 A leader sets an example, especially a strong leader.

510 He or she is somebody on whom people, 'especially younger people, in the organization model themselves.

511 Many years ago I learned from a very wise old man, who was head of a large, worldwide organization.

512 I was about twenty, not even that and he was in his late seventies, famous for putting the right people into the right enterprises all over the globe.

513 I asked him: "What do you look for?"

514 And he said: "I always ask myself, **would I want one of my sons to work under that person?**

- 515 If he is successful, then young people will imitate him.
- 516 **Would I want my son to look like this?"**
- 517 This, I think, is the ultimate question. ...
- 518 I've seen lots of businesses and all of us have seen lots of governments survive with mediocre leaders for quite a long time.
- 519 In the non-profit agency, mediocrity in leadership shows up almost immediately.
- 520 One difference clearly is that the non-profit has a number of bottom lines—not just one.
- 521 In business, you can debate whether profit is really an adequate measuring stick; it may not be over the short term, but it is the ultimate one over the long term.
- 522 In government, in the last analysis, you've got to get reelected.
- 523 But in non-profit management, **there is no such one determinant.**
- 524 **You deal with balance, synthesis, a combination of bottom lines for performance.** ...
- 525 Certainly, **the non-profit executive does not have the luxury of dealing with one dominant constituency, either.**
- 526 In a publicly listed company, the shareholder is the ultimate constituent.
- 527 In government, it is the voter.
- 528 When you look at the school board, a public service agency, or a church, however, you have a multiplicity of constituencies—each of which can say no and **none of which can say yes.**

- 529 The multiplicity of constituencies is reflected in your boards, your trustees, who are likely to be intensely involved in running the agency.
- 530 You could say public schools are governmental, but the school board is not governmental.
- 531 It has the constituency role.
- 532 That's what causes all the difficulty for school superintendents.
- 533 They are really public service agencies rather than government agencies. ...
- 534 **You can't be satisfied** in non-profit organizations with doing adequately as a leader.
- 535 **You have to do exceptionally well, because your agency is committed to a cause.**
- 536 You want people as leaders who take a **great view of the agency's functions**, people who take their roles seriously—not **themselves** seriously.
- 537 Anybody in that leadership position who thinks he's a great man or a great woman will kill himself—and the agency.

538 ***Your Personal Leadership Role***

- 539 **The new leader of a non-profit doesn't have much time to establish himself or herself.**
- 540 Maybe a year.
- 541 To be effective in that short a time, **the role the leader takes has to fit in terms of the mission of the institution and its values.**
- 542 All of us play roles—as parents, as teachers, and as leaders.
- 543 To work, the role has to fit in three dimensions.
- 544 **First, the role has to fit you—who you are.**

545 No comic actor has ever been able to play Hamlet.

546 The role you take also **has to fit the task**.

547 And, finally, the role **has to fit expectations**. ...

548 One of the more brilliant, young men I ever hired as a teacher completely failed in the college classroom.

549 In teaching freshmen, he abdicated his authority, and the kids revolted.

550 He didn't understand that nineteen-year-old freshmen in an undergraduate college **expect** a teacher to have authority. ...

551 You have **two things to build on**:

552 the **quality of the people** in the organization, and

553 the **new demands you make on them**.

554 What those new demands will be **can be determined by** analysis, or by perception, or by a combination of both.

555 That depends on how you operate.

556 I am a perceptual person.

557 I look.

558 But I've also seen very able and effective people who are totally paper-oriented.

559 They take a sharp pencil and come out right. ...

560 There are simply **no such things** as "leadership traits" or "leadership characteristics."

- 561 Of course, some people are better leaders than others.
- 562 By and large, though, we are talking about **skills** that perhaps cannot be taught but they **can be learned by most of us**.
- 563 True, some people genuinely cannot learn the skills.
- 564 They **may not be important to them**; or they'd **rather be followers**.
- 565 But most of us can learn them. ...
- 566 The leaders who work most effectively, it seems to me, never say "I."
- 567 And that's not because they have trained themselves not to say "I."
- 568 They don't **think** "I."
- 569 They **think "we"**; they **think "team."**
- 570 They understand their job to be to **make the team function**.
- 571 They accept the responsibility and don't sidestep it, but **"we" gets the credit**.
- 572 There is an **identification** (very often, quite unconscious) **with the task** and **with the group**.
- 573 This is what **creates trust**, what **enables you to get the task done**. ...
- 574 In Shakespeare's *Henry V*, the young prince whose father just died—he's now king—rides out.
- 575 Falstaff, the old disreputable knight who has been the prince's boon companion in drinking and wenching, calls up to his "Sweet Prince Hal," and the new king rides by without even a look at him.

- 576 Falstaff is cruelly hurt.
- 577 He raised the prince because the old king was a very poor father and a cold one, and the young man found warmth only with that disreputable drunkard.
- 578 Yet Henry is now king and **has to set different standards** for himself because he is visible.
- 579 As a leader, **you are visible; incredibly visible.**
- 580 And you **have expectations to fulfill.** ...
- 581 Then there is the story of the one leading German statesman before World War I who saw the catastrophe Europe was sliding into and tried desperately to reverse the trend.
- 582 He was the ambassador to London in the early days of the century—a leading dove.
- 583 But he resigned his ambassadorship because the new English king, Edward VII, was a notorious womanizer who liked the diplomatic corps to give him stag parties at which the most popular London courtesans would pop naked out of cakes.
- 584 The ambassador said he was not willing to be a pimp when he saw himself in a mirror shaving in the morning.
- 585 I don't think he could have averted World War I.
- 586 Still, politically, he may have made the wrong decision.
- 587 And yet, I think, it was the essence of leadership.
- 588 You are visible; you'd better realize that you are **constantly on trial.**
- 589 The rule is: I don't want to see a pimp in the mirror when I shave in the morning.
- 590 If you do see one, then **your people will see one, too.** ...

591 "To every leader **there is a season.**"

592 There is profundity in that statement, **but it's not quite that simple.**

593 Winston Churchill in ordinary, peaceful, normal times would not have been very effective.

594 He **needed the challenge.**

595 Probably the same is true of Franklin D. Roosevelt, who was basically a lazy man.

596 I don't think that FDR would have been a good president in the 1920s.

597 His adrenalin wouldn't have produced.

598 On the other hand, there are people who are **very good when things are pretty routine, but who can't take the stress of an emergency.**

599 **Most organizations need somebody who can lead regardless of the weather.**

600 What matters is that he or she **works on the basic competences.** ...

601 As the first such basic competence, I would put the willingness, ability, and self-discipline **to listen.**

602 Listening is not a skill; it's a discipline.

603 Anybody can do it.

604 All you have to do is keep your mouth shut.

605 The second essential competence is the willingness to communicate, to **make yourself understood.**

606 That requires infinite patience.

607 We never outgrow age three in that respect.

608 You have to tell us again and again and again.

- 609 And **demonstrate what you mean**.
- 610 The next important competence is **not to alibi yourself**.
- 611 Say: "This doesn't work as well as it should.
- 612 Let's take it back and re-engineer it."
- 613 **We either do things to perfection, or we don't do them**.
- 614 We don't do things to get by.
- 615 Working that way **creates pride in the organization**. ...
- 616 The last basic competence is the willingness to **realize how unimportant you are compared to the task**.
- 617 Leaders need objectivity, a certain detachment.
- 618 They **subordinate** themselves to the task, but **don't identify themselves with the task**.
- 619 The task remains both **bigger** than they are, and **different**.
- 620 The **worst thing** you can say about a leader is that on the day he or she left, the organization **collapsed**.
- 621 When that happens, it means the so-called leader had sucked the place dry.
- 622 He or she hasn't **built**.
- 623 They may have been effective operators, but they have not created vision, Louis XIV was supposed to have said, "**L' état, c'est moi!**"
- 624 (The state, that's me!).
- 625 He died in the early eighteenth century and the long, not-so slow slide into the French Revolution immediately began. ...

- 626 When effective non-profit leaders have the capacity to **maintain** their **personality** and **individuality**, even though they are totally dedicated, **the task will go on after them**.
- 627 They also have a **human existence outside the task**.
- 628 Otherwise they do things for **personal aggrandizement**, in the belief that this furthers the cause.
- 629 They become **self-centered** and **vain**.
- 630 And above all, they become **jealous**.
- 631 One of the great strengths of Churchill and one of the great weaknesses of FDR was that Churchill, to the very end, when he was in his nineties, **pushed** and **furthered** young politicians.
- 632 That is a hallmark of the truly effective leader, who **doesn't feel threatened by strength**.
- 633 In his last years, FDR systematically **cut down everybody** who showed any **signs of independence**.
- 634 **I would not want** any person to **give his or her life to an organization**.
- 635 One gives one's **very best efforts**.
- 636 What **attracts people to an organization are high standards**, because high standards create self-respect and pride.
- 637 **Most of us want to contribute**.
- 638 When you look at schools where kids learn and schools where kids don't, it's not the quality of the teaching that's different.
- 639 The school in which kids learn expects them to learn.
- 640 Many years ago, I did a survey of Boy Scout

Councils with tremendous differences in performance.

- 641 In the performing ones, they expected the volunteers, the scoutmasters, and so on, to put in very hard work.
- 642 And I mean hard work, not just appearing Friday night for a couple of hours.
- 643 The ones with high demands attracted the volunteers and attracted and kept the boys.
- 644 So it is the **job of the leaders to set high standards** on one condition—that they be **performance-focused**. ...
- 645 Most leaders I've seen were neither born nor made.
- 646 **They were self-made.**
- 647 **We need far too many leaders to depend only on the naturals.**
- 648 The best example of one who surely was not born a leader, had no training, and made himself into a very effective one, was **Harry Truman**.
- 649 When Truman became president, he was totally unprepared.
- 650 An ordinary politician, he was chosen as vice president because he presented no threat to FDR.
- 651 Truman not only said, "I am president now and the buck stops here," but he also asked, "**What are the key tasks?**"
- 652 His entire preparation had been in domestic affairs.
- 653 He forced himself to accept the fact that the key tasks for his administration were outside the United States and not the New Deal (much to the disappointment of the New Deal liberals, beginning with Mrs. Roosevelt).

- 654 He forced himself to take a cram course in foreign affairs and to focus—painfully—on what he considered to be key tasks. ...
- 655 In a way, the hospital as we know it today is the creation of a totally obscure and forgotten Catholic hospital administrator of the 1930s and 1940s (who taught me all I know), Sister Justina in Evanston, Indiana.
- 656 She was the first person to **think through what patient care is**.
- 657 For her contributions she got very few thanks in her life, especially not from the physicians, but she was a born leader.
- 658 She was retiring, shy, understated, very conscious of the fact that her formal education had stopped in first grade in an Irish country school.
- 659 But there was a job to be done.
- 660 And that, again and again, is what really makes the leaders.
- 661 They are self-made. ...
- 662 Douglas MacArthur was a brilliant man and probably the last great strategist, but that wasn't his great strength.
- 663 He built a team second to none because he **put the task first**.
- 664 He was also unbelievably vain, with a tremendous contempt for humanity, because he was certain that no one came close to him in intelligence.
- 665 Nevertheless, he forced himself in every single staff conference to **start the presentation with the most junior officer**.
- 666 He did not allow anybody to interrupt.

- 667 This contributed incredibly to his ability to build an organization that was willing to fight against the vastly superior enemy and win.
- 668 It is very clear from his letters that this didn't come easily to him, never.
- 669 He always had to force himself.
- 670 It wasn't his nature, but it **was** the key task, and so it had to be done. ...
- 671 Tom Watson, Sr., the creator of IBM, began as a self-centered, imperious man—vain, with a very short fuse.
- 672 He forced himself to **build a team**, a winning team.
- 673 He once let somebody go who I thought was very, able and I asked why.
- 674 Watson told me: "He is not willing to educate me.
- 675 I am not a technical man, I am a salesman.
- 676 But this is a technical company, and if they don't **educate me in technology**, I can't give them the leadership they need."
- 677 It's that **willingness to make yourself competent in the task that's needed that creates leaders**. ...
- 678 When Ted Houser took over in the early 1950s, Sears, Roebuck had had twenty-five years of unbroken success.
- 679 Houser had been a buying strategist and a statistician, purely a figures man.
- 680 He looked at the company and asked: What does it need so that it can be successful **another** twenty-five years?
- 681 He **concluded** that it needed managers.

682 So he forced himself into **taking the leadership of Sears' manager development** in a very effective and yet very quiet way.

683 Everybody down to the manager of the smallest store knew that the chairman in Chicago was watching him, and would know **whether he was developing people**.

684 Sears hasn't had a new idea since 1950, yet it remained very successful for twenty-five or thirty years, almost up to 1980, **because it had the people**.

685 That's **what Ted Houser built**.

686 ***The Balance Decision***

687 One of the key tasks of the leader is to balance up the **long range** and the **short range**, the **big picture** and the **pesky little details**.

688 You are always paddling a canoe with two outriggers—balancing—while managing a non-profit.

689 One is the balance between seeing only the big picture and forgetting the individual person who sits there—one lonely young man in need of help.

690 I've heard of hospitals that talk health-care statistics and forget the mother with a crying baby in the emergency room.

691 That kind of failing is fairly easy to correct.

692 Being on the firing line a few days, a few weeks, a year, usually does it.

693 The opposite danger is becoming the **prisoner of operations**.

694 That's much harder to avoid.

695 The effective people do it very largely **through their work in associations and other organizations**.

696 The successful chief executive of one of our major community service organizations, one of the very

large Scout Councils, sits on three boards of which only one is a community service organization—quite intentionally.

697 And she also sits on an advisory committee of the city government.

698 That way she is **forced to see** the same issues she faces in her own organization **through the other end of the telescope**.

699 That works. ...

700 I've also seen it done on a smaller, much smaller, scale.

701 A dean I worked with for many years, whom I considered singularly successful, went on the American Council of Deans.

702 I said to him, "Paul, you are so busy, why do you do it?"

703 And he said, "I'm too close to the details.

704 Once a month, I need to see what the overall issues really are."

705 That, too, is a fairly effective way. ...

706 Let me say there are always balancing problems in managing non-profits.

707 This is only one example.

708 Another, which I think is even harder to handle, is the balance between **concentrating resources on one goal** and **enough diversification**.

709 If you concentrate, you will get maximum results.

710 But it's also **very risky**.

711 Not only may you have chosen the wrong

concentration, but—in military terms—you **leave your flanks totally uncovered**.

712 And there's not enough playfulness; it doesn't **stir the imagination**.

713 You need that, so that there will be diversity, especially as any single task eventually becomes obsolete.

714 But diversity can easily degenerate into **splintering**. ...

715 The even more critical balance, and the toughest to handle, is between being **too cautious** and **being rash**.

716 Finally, there is **timing**—and this is always of the essence.

717 You know the people who **always expect results too soon** and pull up the radishes to see whether they've set root, and the ones who never pull up the radishes because **they're sure they're never ripe enough**.

718 Those are, in philosophical terms, Aristotelian Prudences, so to speak.

719 How to find the right Mean. ...

720 It's actually fairly easy to deal with people who want results too soon.

721 I'm one of them.

722 And I've taught myself that if I expect something to happen in three months, I say, make it five.

723 But I've also seen people who say three years when they should say three months.

724 That's **very hard to counteract**.

725 As in all Aristotelian means, the first law is "**Know**

thyself.”

- 726 Know what is your **degenerative tendency**. ...
- 727 I've seen more institutions **damaged by too much caution** than by rashness, though I've seen both.
- 728 Maybe I'm conscious of it because I was over-cautious when I ran institutions, or was part of the running.
- 729 I did not take risks, **especially financial risks**, I should have taken.
- 730 On the other hand, I've seen one of the country's universities almost ruined—Pittsburgh, in the 1950s—by a brilliant man who came in and tried to convert what was a fair metropolitan university into a world-class research institution in three years.
- 731 He thought money would do it.
- 732 Instead, he almost killed the university, and it has never quite recovered.
- 733 I've seen the same thing in a museum and the same thing in a symphony orchestra.
- 734 So, one has to have balance, and again the only advice I can give is to make sure you know your degenerative tendency and try to counteract it. ...
- 735 Then there is the balance decision between **opportunity** and **risk**.
- 736 One asks first: **is the decision reversible?**
- 737 If it is, one usually can take even considerable risks.
- 738 In the non-profit institution, you constantly must gauge whether the financial dimension of a risk is too great.
- 739 That's all I can say.

740 One looks at the decision: Is it reversible?

741 And **what kind of risk is it?**

742 Then one asks: **Is it a risk we can afford?**

743 All right, if it goes wrong, it hurts a little.

744 Or is it a risk that, **if things go wrong, will kill us?**

745 Or the trickiest of them all, the **risk we can't afford not to take.**

746 I've been in a similar situation recently.

747 I sit on a museum board—and a big collection was offered to us, way beyond our means.

748 I said, Damn the torpedoes, let's buy it.

749 It's the last chance we have.

750 It'll make us a world-class museum.

751 We'll get the money somehow.

752 The balance decisions are **what we need non-profit leaders for**, whether they are paid or volunteer.

753 ***The Don't's of Leadership***

754 Finally, there are a few major don't's for leaders.

755 Far too many leaders believe that **what they do** and **why** they do it must be **obvious** to everyone in the organization.

756 It never is.

757 Far too many believe that when they announce things, **everyone understands.**

758 No one does, as a rule.

759 Yet very **often one can't bring in people before the decision**; there just isn't enough time for discussion or participation.

- 760 Effective leaders have to spend a little time on **making themselves understood.**
- 761 They sit down with their people and say: This is **what we were faced with.**
- 762 These are the **alternatives** we **saw**, the alternatives we **considered.**
- 763 They ask: What is your opinion?
- 764 Otherwise the organization will say: Don't these dummies at the top know anything?
- 765 What's going on here?
- 766 Why haven't they considered this or that?
- 767 But if you can say, Yes, we considered it, but still reached this decision, people will understand and will, go along.
- 768 They may say we wouldn't have decided that way, but at least upstairs, they just didn't **shoot from the hip.** ...
- 769 And the second don't.
- 770 **Don't be afraid of strengths in your organization.**
- 771 This is the besetting sin of people who run organizations.
- 772 Of course, able people are ambitious.
- 773 But you run far less risk of having able people around who want to push you out than you risk by being **served by mediocrity.**
- 774 And finally, **don't pick your successor alone.**
- 775 We tend to pick people who remind us of ourselves when we were twenty years younger.
- 776 First, this is pure delusion.
- 777 Second, you end up with carbon copies, and

carbon copies are weak.

778 The old rule both in military organizations and in the Catholic Church is that leaders don't pick their own successors.

779 They're consulted, but they don't make the decision.

780 I've seen many cases in business—but even more in non-profit institutions—where able people picked a good number two to succeed them.

781 Somebody who is very able—provided you tell him or her what to do.

782 It doesn't work.

783 Partly out of emotional commitment, partly out of habit, the perfect number two is put into the top spot, and the whole organization suffers.

784 The last time I saw this was in one of the world's largest community chests.

785 Fortunately the number two who was picked by his predecessor because he was so much like her realized after a year that he didn't belong in the top job and was utterly miserable in it—and he left before either he or the organization had been badly damaged.

786 But that is a rare exception.

787 The last don't's are: **Don't hog the credit, and Don't knock your subordinates.**

788 One of the very ablest men I've seen do this headed one of the most challenging new tasks in a non-profit organization I know.

789 His alumni now work for everybody else but for his organization because the moment they went to work for him, **he saw nothing but their weaknesses.**

790 He didn't **promote** any of his people and never **sang their praises.**

791 A leader has **responsibility to** his subordinates, to

his associates.

792 Those are the don't's.

793 The most important do, I have said again and again already: **Keep your eye on the task, not on yourself.**

794 The **task matters**, and you are a **servant**.

795 3 Setting New Goals

796 Interview with Frances Hesselbein *:

797 PETER DRUCKER: Frances, of all the new programs you have successfully introduced into your 335 Girl Scout Councils around the country in thirteen years as National Executive Director, which is the one closest to your heart?

798 FRANCES HESSELBEIN: I would have to say the Daisy Scouts.

799 This is our newest program for little girls, five years old or in kindergarten.

800 In partnership with our Girl Scout Councils, we studied the **needs of girls** and we studied the **American family in all of its configurations**, and concluded that girls who are five years old **are quite ready** for a program working in a small group with two sensitive leaders.

801 In this country today 85 percent' of all children five years old are in school all or part of the day. ...

802 PETER DRUCKER: That was quite a departure, wasn't it, from the Girl Scout tradition? ...

803 FRANCES HESSELBEIN: Yes.

804 Previously, we served girls from seven through seventeen.

805 We moved the Brownie age level back to six because it was very clear as we studied the needs of girls that Brownies were ready at six.

806 It became equally clear that young girls of five were ready for a Girl Scout program **designed just for them**. ...

- 807 PETER DRUCKER: Were your Councils enthusiastic about the change? ...
- 808 FRANCES HESSELBEIN: I'm afraid that only 70 of the 335 were enthusiastic, wanted to move right then.
- 809 We had another thirty in the wings thinking more positively about it.
- 810 But we began with one third of our Councils on board. ...
- 811 PETER DRUCKER: Am I right that **you can't order the Councils to do anything?** ...
- 812 FRANCES HESSELBEIN: The Councils are chartered, and they have their own volunteer board of directors.
- 813 They work to meet the special needs of girls **in their own areas.**
- 814 So in this case, they really had a choice—move with us or stand back and wait. ...
- 815 PETER DRUCKER: Quite a few of your Councils were, to say the least, dubious, am I right? ...
- 816 FRANCES HESSELBEIN: Yes, they were.
- 817 But when we were ready to move with the training of the trainers and leaders of Daisy Girl Scouts, we had almost two hundred Girl Scout Councils ready, enthusiastic, and able to open their doors to these newest members. ...

818 PETER DRUCKER: How long did it take to go from seventy to two hundred Councils? ...

819 FRANCES HESSELBEIN: That took about six months.

820 Within a year the Daisy Scouts were established as one of our most successful endeavors.

821 Three years later, the Daisy Scouts were everywhere in this country.

822 Councils **discovered** they can offer **leadership positions** to young women and older women who were reluctant to work with teenagers but who find working with five-year-olds an adventure. ...

823 PETER DRUCKER: How many Daisy Scouts do you have now? ...

824 FRANCES HESSELBEIN: Approximately 150,000-and growing fast. ...

825 PETER DRUCKER: So let me try to play back what I think you told me.

826 First, you were **market-driven**.

827 You went out and **looked at the needs**, the wants of the community you serve, and they had changed since you first started seventy-five years ago.

828 So you **developed this service that was market-driven**.

829 Next, you **have to market**, you **have to persuade**, you have to create customers for the new mission because 335 Councils don't have to take a

program just because you in New York say so.

830 And the next thing I think you told us is that to make the change, you **looked for** what I call **targets of opportunity**—the Councils who really wanted this and were ready to go to work.

831 You didn't worry about the Councils that were non-believers. ...

832 FRANCES HESSELBEIN: We began with those Councils ready and eager to move ahead with a new program for five-year-olds.

833 Those not on the sled could wait.

834 We made it very clear that they had a choice.

835 But we were firm in our determination to move ahead with those who were ready and enthusiastic. ...

836 PETER DRUCKER: What about those who were **ready but not competent?** ...

837 FRANCES HESSELBEIN: Everyone who wanted to begin the program had to take the new training for trainers and for leaders.

838 We never begin this kind of program without the **adult education those women and men needed.** ...

839 PETER DRUCKER: You said something terribly important.

840 I've seen so many first-rate non-profit services fail because they were just offered, instead of the non-profits' managers **making sure that everybody who has to do something knows what has to be done, is trained to do it, has the tools.**

841 Did you give your Councils the tools to bring in the new volunteers for this new program? ...

842 FRANCES HESSELBEIN: Yes.

843 We created a wonderful handbook for Daisy Scout leaders.

844 We made clear that there should be six to eight girls and at least two leaders in each group.

845 The program had to be educationally sound.

846 Then it had to be carried out in a way that was supportive and helpful.

847 And we have been stressing that the leadership should come from the widest spectrum, not just the mother of the young girl, but young business and professional women.

848 And moving to the other end, older Americans, retired, with lots of energy and interest and willingness to help.

849 I believe this has brought the kind of success, the kind of inclusiveness that is necessary if you're **building a large volunteer workforce**. ...

850 PETER DRUCKER: So you basically spent as much time on thinking through what the program has to be to **attract volunteers** as you spent on making the program **fit** the five-year-olds? ...

851 FRANCES HESSELBEIN: Yes.

852 Not only the **recruitment** and **placement** of volunteers, but designing the **training** for them to meet their very special needs so that as they moved into work with their group of Daisy Scouts, they could feel very secure. ...

853 PETER DRUCKER: How much training does that mean? ...

854 FRANCES HESSELBEIN: It would depend upon the person.

855 The staff and volunteers working with potential leaders are very sensitive about their readiness.

856 *Training is designed especially for them.* ...

857 PETER DRUCKER: Now let's switch to another of your successful programs.

858 You have been able to increase the number of volunteers at a time when your traditional volunteer has—I wouldn't say disappeared, but become mighty scarce because many young women no longer sit at home waiting for husbands to come home from work. ...

859 FRANCES HESSELBEIN: As we looked at the large core of volunteers, women and men, we realized that they deserved and required superior learning opportunities.

860 Peter, do you remember how we brought the Volunteer Presidents of Girl Scout Councils to California where you gave a seminar on non-profit management?

861 On the other coast we had a team of Harvard Business School faculty give a similar course to the executive directors of our Girl Scout Councils.

862 The quality of those opportunities said something to the volunteers about how this organization needed and respected them and their potential and gifts. ...

863 PETER DRUCKER: But how did you get those potential volunteers in the first place? ...

- 864 FRANCES HESSELBEIN: You can't recruit local volunteers from an office in New York.
- 865 It has to be people in the community who really believe in the mission, **who really care about girls**, who go out and talk person-to-person with potential volunteers.
- 866 Our 335 Girl Scout Councils have done a superb job of this. ...
- 867 PETER DRUCKER: Let me try to **convert** this into general **ideas, concepts, and rules**.
- 868 You look at the **volunteers** as your most important market simply because the number of volunteers you can bring in **determines** how many **girls you can serve**.
- 869 And you make a determined, continued **effort to find the right people**.
- 870 Then you **treat them**, not as volunteers but as unpaid members of the organization.
- 871 You **determine their job**, you **set the standard**, you **provide the training**, and you basically set their sights high. ...
- 872 That, in my experience, is the secret to the crucial marketing problem of so many non-profit organizations—the volunteer professionals who get their satisfaction out of their work, not the paycheck. ...
- 873 FRANCES HESSELBEIN: You forgot one point—the **recognition**.
- 874 It is important that someone says: "Thank you very much, you've made a major contribution."
- 875 And this too is an important part of the support and care of that volunteer workforce. ...

876 PETER DRUCKER: Would the same approach, the same principles, apply to work in the minority communities, where you are more successful than, I would say, any other community service organization in this country? ...

877 FRANCES HESSELBEIN: One of the priorities of our National Board of Directors and Girl Scout Councils has been, and is, offering equal access to membership to every girl in the United States.

878 It is important as we reach out to girls in every racial and ethnic group to understand the very special needs, the culture, the readiness of each group.

879 We know that we must find leaders there, whether it is a community of newly arrived Vietnamese or an older, established black community. ...

880 PETER DRUCKER: When you took over, the minority membership was small, wasn't it? ...

881 FRANCES HESSELBEIN: It was certainly small.

882 The change required daily hard work.

883 It's not enough to have a campaign zoom into a minority community, recruit people, and leave.

884 It requires the **most thoughtful kind of planning** and including those community leaders in that planning. ...

885 PETER DRUCKER: Well, give me an example. ...

886 FRANCES HESSELBEIN: In a housing project there are hundreds of young girls, really needing this

kind of program, families wanting something better for their children.

887 We work with clergymen, perhaps, with the director of that housing project, with parents—a group of people from that particular community.

888 We recruit leaders, train them right there.

889 In our recruitment brochure we have to demonstrate our respect for that community, our interest in it.

890 Parents have to know that it will be a **positive experience for their daughters.** ...

891 PETER DRUCKER: But what makes you go to that housing project or to that Vietnamese community in the first place? ...

892 FRANCES HESSELBEIN: We look at the projections and understand that by the year 2000, one third of this country will be members of minority groups.

893 We have the most remarkable opportunity to serve in new ways.

894 We have to understand what this means to a local Girl Scout Council with many changing ethnic and racial groups within its jurisdiction.

895 To really give leadership to this and to be ready for the year 2000, we developed a national center for innovation.

896 We have a highly skilled staff moving in first to Southern California, where the change is coming so rapidly, working with a small group of Southern Californian Councils, developing models of how a council reaches out to all the girls in its council boundaries and how we really provide that equal access which is so essential. ...

- 897 PETER DRUCKER: Those seven California Councils are already about 30 percent minority populations, right?
- 898 So that you are actually working on the target of opportunity.
- 899 They know they need the help.
- 900 And you also demonstrate effect.
- 901 If it works here, it's going to work in Buffalo. ...
- 902 FRANCES HESSELBEIN: We chose California.
- 903 It is the bellwether state, in our opinion, and these models then can be adapted wherever Councils in this country are faced with the opportunity of serving diverse and rapidly changing populations.
- 904 Theory is not enough. ...
- 905 In 1912, our founder said, "I have something for all the girls." ...
- 906 We take this very seriously.
- 907 Many people are very apprehensive about the future and **what this new racial and ethnic composition will mean to our country.**
- 908 We see it as an unprecedented opportunity to reach all girls with a program that will help them in their growing-up years, which are more difficult than ever before. ...
- 909 PETER DRUCKER: Frances, isn't it pretty typical of the non-profit organization that it has more than one customer?

910 You, for instance, have the girls, but also the volunteers. ...

911 FRANCES HESSELBEIN: I believe it is typical.

912 Rarely does a nonprofit organization have "a" customer.

913 If we market to only one of our customers, I think we fail. ...

914 PETER DRUCKER: And what would your general conclusions be about introducing a new program? ...

915 FRANCES HESSELBEIN: You must carefully construct a marketing plan.

916 Not just disseminate information about it, but understand all the ways there are to reach people and use them.

917 Distributing written materials isn't enough.

918 You need people in the marketing chain.

919 And there has to be continuing evaluation—getting feedback on how we are doing.

920 And if a strategy is not working, regroup and move ahead in a different way.

921 4 What the Leader Owes

922 Interview with Max De Pree *:

923 PETER DRUCKER: Max, you have the reputation in your company, but also in the institutions which you serve as a board member, of being the leader in **developing people**.

924 MAX DE PREE: I would have to begin with a very personal observation, which is that I believe, first of all, that each of us is made in the image of God.

925 That we come to life with a tremendous diversity of gifts.

926 I think from there, a **leader needs to see himself in a position of indebtedness**.

927 Leaders are given the gift of leadership by **those who choose or agree to follow**.

928 We're basically a volunteer nation.

929 I think this means that **people choose** a leader to a **great extent on the basis of what they believe that leader can contribute** to the person's ability to achieve his or her goals in life.

930 One relatively straightforward way of looking at it is that the **leader owes certain assets to an organization**.

931 In some organizations, that would be the **ability to recruit the right people**.

932 Another important asset is the **ability to raise the necessary funds**.

933 Another area isn't quite as clear, and I would put that under the general heading of a legacy: the **values of the organization**.

934 The leader may not be the author of those values, but the leader is accountable for **expressing them, making them clear, and ensuring to the people in the organization that the values will be lived up to in a way in which decisions are made**.

- 935 Vision comes under the heading of legacy.
- 936 **Agreed-upon work processes** come under this heading.
- 937 If leaders say, "If you come to work in this organization, I can promise you that we're going to have **a participatory process,**" they are indebted to provide that.
- 938 PETER DRUCKER: But you are also implying, I take it, that you can only **develop what the person has.**
- 939 MAX DE PREE: That's right.
- 940 We're talking about **building on what people are—** not about changing them.
- 941 To **understand their gifts,** to understand what their potential is.
- 942 We tend, in organizations, to put a lot of emphasis on the achievement of goals, but when we're talking about the development of a person, **we have a much higher aim.**
- 943 That attitude about people development, I believe, also applies, by the way, to the development of an organization.
- 944 I think if we focus on goal achievement, we miss the chance we have of realizing our potential.
- 945 **Goal achievement** is an annual matter related to the annual plan.
- 946 PETER DRUCKER: Don't you really look at two aspects?
- 947 You look at the **gifts of people,** their potential, their strength, **what they could be** if only they **used a little better what they have.**
- 948 But you also look at **the objective needs,** the objective requirements, the opportunities for accomplishment.
- 949 MAX DE PREE: You need to make a connection between this matter of realizing potential and

doing it in a very real environment.

950 MAX DE PREE: You do need achievement, and I also happen to feel that that's one of the things for which the leader is partially accountable.

951 I believe the leader needs to **assign opportunities** and assign work that can be realized.

952 MAX DE FREE: Yes, and, of course, any time we talk about accountability and about achievement, it has to be clear that we are going to **delegate thoroughly**.

953 Delegate with a certain abandon so that people have space in which to realize potential, in which to be accountable, in which to achieve.

954 I don't believe we can achieve organizational goals without that **congruency**.

955 I believe it is more the responsibility of the leader to forge that integration than it is of the individual.

956 PETER DRUCKER: You implied a little earlier, Max, that the first duty of a leader was to have followers.

957 In fact, the definition of a leader, the only definition, is somebody who has followers.

958 What is necessary for this?

959 A clear mission?

960 MAX DE PREE: A leader must have vision.

961 It is natural for a leader to be a person who is **primarily future-oriented**.

962 I don't mean that to be a duplication of having vision.

963 Those are not exactly the same things.

964 To talk more specifically about the duties of a leader, I happen to believe that the **first duty of a leader** is to **define reality**.

965 MAX DE PREE: One reality, for instance, might be

that it happens to be a tuition-driven college.

- 966 If you don't understand that clearly, you will not put the right amount of emphasis on the recruitment of students.
- 967 PETER DRUCKER: A little earlier you said something very important which, in my opinion, very few people in the non-profit institutions yet realize.
- 968 Most of us still operate on the assumption that people have no choice.
- 969 They have to take a job.
- 970 This was true a hundred years ago.
- 971 But today there are fifty different ways we can earn a living.
- 972 You call it electiveness, Max, I believe.
- 973 We have to deserve the person who works for us.
- 974 We owe him or her, which is what you meant by indebtedness.
- 975 MAX DE PREE: People have a lot of choice in where they're going to work, what kind of work they're going to do.
- 976 They have a lot of choice about mid-career changes.
- 977 We're only about a generation away from people who, once they had chosen a career, had to stick with it.
- 978 MAX DE PREE: Yes.
- 979 And I think it is related to the kinds of promises that the leader gives.
- 980 At the heart of that is the whole matter of opportunity.
- 981 MAX DE PREE: For self-realization, for being part of a social body that is attractive and rewarding.

- 982 Opportunity for doing work which will help me to reach my potential.
- 983 Opportunity to be involved with something that's meaningful.
- 984 Opportunity to be an integral part of something.
- 985 PETER DRUCKER: Instead of bemoaning that young people are lazy or self-centered, I think one says: what do they have?
- 986 They have a tremendous desire to contribute.
- 987 Maybe they want to succeed too fast.
- 988 But how do we use what they have to make them want to belong?
- 989 MAX DE PREE: That's a very difficult question.
- 990 MAX DE PREE: Yes.
- 991 But organizationally speaking, the casualty isn't always necessarily terminal.
- 992 One of the things that I feel we need to understand better in organization life is the role of grace.
- 993 **Mistakes** are not terminal.
- 994 Mistakes are part of education with, of course, some exceptions.
- 995 PETER DRUCKER: On two conditions, I would say, Max.
- 996 One has to be **willing to give the person who tries a second and perhaps even third chance**, but I wouldn't waste my breath on people who don't try.
- 997 And then there has to be a **mentor** if you give that much load, that much demand, that much responsibility to beginners—and I'm all for it.
- 998 I would never have learned anything if I hadn't been loaded to the gunnels by my first two bosses; they were totally un-permissive and demanding.

- 999 And they **did not hesitate to chastise me**.
- 1000 But they were **willing to listen to me**.
- 1001 They were **sparing with praise**, but always **willing to encourage**.
- 1002 I couldn't even guess how much I owe them.
- 1003 I think one needs an **enormous amount of responsibility**, especially as a beginner, but one also does need a **mentor**.
- 1004 MAX DE PREE: In my experience, it's never been easy formally to establish mentorship programs.
- 1005 I think that mentorship, in a certain sense, depends on chemistry.
- 1006 People make a connection.
- 1007 One person feels ready to help another.
- 1008 One person feels ready to accept help from a certain person.
- 1009 MAX DE PREE: Yes.
- 1010 And the leader better make sure that those people know how the leader personally feels about their contribution to the organization.
- 1011 PETER DRUCKER: Max, you have been talking about "the" leader, and yet you have been famous in your own organization for building a strong team of colleagues and conspicuous in the organizations where you were on the board for stressing the team again and again.
- 1012 So, what are the **ways of building a team**?
- 1013 MAX DE FREE: I think the first element is to **understand the task**.
- 1014 MAX DE FREE: The **key activities of the team**.
- 1015 The second one is **selecting people**, and that's a high-risk process.

- 1016 When we select people, I think we have to understand that we're going to make some adjustments in assignments.
- 1017 Then we **assign the work very clearly with a lot of interaction.**
- 1018 We agree on what **the process is going to be for getting that work done.**
- 1019 We agree on **timetables** where those are appropriate.
- 1020 We agree on **how we're going to measure performance.**
- 1021 There's one further element: the way in which you judge the quality of leadership by what I would call the tone of the body, not by the charisma of the leader, not by how much publicity the company gets, or the leader gets, or any of that stuff.
- 1022 How well does the **body adjust to change?**
- 1023 How well does the body deal with **conflict?**
- 1024 How well does the body **meet the needs of the constituency or customers**, whatever it is?
- 1025 We are all used to talking about the leader as the servant of the organization.
- 1026 And you, Max, stressed that, but you stressed something we are not hearing very often, when you talked about the **indebtedness of the leader**: that the leader starts out with the realization that he and the organization owe;
- 1027 they owe the customers, the clients, the constituency, whether they are parishioners, or patients, or students.
- 1028 They owe the followers, whether that's faculty, or employees, or volunteers.
- 1029 And what they owe is really to enable people to realize their potential, to realize their purpose in serving the organization.

1030 5 Summary: The Action Implications

1031 We hear a great deal these days about leadership,
and it's high time we did.

1032 But, actually, mission comes first.

1033 Non-profit institutions exist for the sake of their
mission.

1034 They exist to make a difference in society and in
the life of the individual.

1035 They exist for the sake of their mission, and this
must never be forgotten.

1036 The **first task of the leader is to make sure that
everybody sees the mission, hears' it, lives it.**

1037 If you lose sight of your mission, you begin to
stumble and it shows very, very fast.

1038 And yet, mission **needs** to be **thought through**, needs to
be **changed**. ...

1039 The **basic rationale for the organization may** be
there for a very long time.

1040 As long as the human race is around, we'll be
miserable sinners.

1041 And as long as the human race is around, we will
have sick people who need to be taken care of.

1042 We know that no matter how well a society does,
there will be alcoholics, there will be people in
trouble with drugs, there will be people who need
the Salvation Army to bring compassion to them
and a little help, and an attempt to rehabilitate
them, and children will have to learn and go to
school.

- 1043 Boys and girls, as they grow up, will need scouting and experiences that form their character, that give them a role model, that give them direction and employ them intelligently so that they learn something. ...
- 1044 We will have to **look at the mission again and again to think through whether it needs to be refocused** because demographics change, because we should abandon something that produces no results and eats up resources, because we have accomplished an objective.
- 1045 A good example is the school that is largely in crisis because it has achieved its original objective of getting every kind of child to go to school and stay there for years, and now we have to think through what we really do expect of the school.
- 1046 And this will be, in many ways, quite different from what the schoolmasters through the ages were striving for when nine out of ten kids never had the opportunity of organized schooling.
- 1047 Therefore, it is **vitaly important to start out from the outside.**
- 1048 The organization that starts out from the inside and then tries to find places to put its resources is going to **fritter itself away.**
- 1049 Above all, it's going to **focus on yesterday.**
- 1050 One looks to the outside for **opportunity, for a need.** ...
- 1051 At the same time, **the mission is always long-range.**
- 1052 It needs **short-range efforts** and **very often short-range results.**
- 1053 And yet it starts out with a long-range objective.
- 1054 There is a wonderful sentence in one of the sermons of that great poet and religious philosopher of the seventeenth century, John

Donne: "Never start with tomorrow to reach eternity.

1055 Eternity is not being reached by small steps."

1056 So we start always with **the long range**, and then we feed back and say, **What do we do today?** ...

1057 "Do" is the critical word.

1058 And that's the difference between what so often passes for planning in American business and what the Japanese do.

1059 It's not that they are better planners.

1060 It is that they start out by saying, Where should we be ten years hence?

1061 And we start by saying, What should be the bottom line for the quarter—which contrary to what most people in the United States believe, is higher in Japan than it is in American business, precisely because they start with the long range and feed back.

1062 As did all the companies in this country that have succeeded in staying viable, producing results for long the term.

1063 We have had some amazingly successful long-term companies—the Bell Telephone System, for fifty or sixty years; Sears, Roebuck for sixty years; General Motors, until recently.

1064 They all started out with a very clear long-range concept.

1065 Sears said: Our business is to be the informed and responsible buyer for the American family.

1066 And then one feeds back, and that may lead to very short-term moves—to Sears going into diamonds, for instance, right after World War II when the GIs came back and got married.

1067 But one always starts out with the long term.

1068 This is particularly important for non-profit institutions, precisely because they do not have an immediate bottom line, but also because they are there to serve. ...

1069 But **action** is always short term.

1070 So one always has to ask: Is this action step leading us toward our basic long-range goal, or is it going to sidetrack us, going to divert us, going to make us lose sight of what we are here to do?

1071 This is the first question. ...

1072 But also we need to be result-driven.

1073 We need to ask, **Do we get adequate results for our efforts?**

1074 Is this their best allocation?

1075 Yes, **need is always a reason**, but by itself it is not enough.

1076 There also **have to be results**.

1077 There also has to be something to point at and say, We have not worked in vain.

1078 So we are always looking at programs and projects with the question, **Do they produce the right results?**

1079 The leader's job is to make sure the **right results are being achieved**, the **right things are being done**. ...

1080 One has the responsibility to allocate resources, particularly of course in organizations that depend heavily on volunteers, and heavily on donors.

1081 Leadership is accountable for results.

- 1082 And leadership always asks, **Are we really faithful stewards of the talents entrusted to us?**
- 1083 The talents, the gifts of people—the talents, the gifts of money.
- 1084 Leadership is **doing**.
- 1085 It isn't just thinking great thoughts; it isn't just charisma; it isn't play-acting.
- 1086 It is doing.
- 1087 And the **first imperative of doing** is to revise the mission, to refocus it, and to build and organize, and then abandon.
- 1088 It is asking ourselves whether, knowing what we now know, we would go into this again.
- 1089 Would we stress it?
- 1090 Would we pour more resources in, or would we taper off?
- 1091 That is the first action command for any mission. ...
- 1092 It is also the one way of keeping an organization lean and hungry and capable of doing new things.
- 1093 An old medical proverb says that the body can only take in the new if it eliminates the waste products.
- 1094 This is therefore the first action requirement: the **constant resharpener**, the constant refocusing, **never really being satisfied**.
- 1095 And the time to do this is when you are successful.
- 1096 If you wait until things have already started to go down, then it's very difficult.
- 1097 It is not impossible to turn around a declining institution, but an ounce of prevention is very much better than a ton of cure in the turnaround situation. ...

- 1098 The next thing to do is to **think through priorities**.
- 1099 That's easy to say.
- 1100 But to act on it is hard because it always involves abandoning things that look very attractive, that people both inside and outside the organization are pushing for.
- 1101 But if you don't concentrate your institution's resources, you are not going to get results.
- 1102 This may be the ultimate test of leadership: the ability to think through the priority decision and to make it stick. ...
- 1103 Leadership is also example.
- 1104 The leader is visible; he stands for the organization.
- 1105 He may be totally anonymous the moment he leaves that office and steps into his car to drive home.
- 1106 But inside the organization, he or she is very visible, and this isn't just true of the small and local one, it is just as true of the big, national, or worldwide one.
- 1107 Leaders set examples.
- 1108 The leaders have to live up to the expectations regarding their behavior.
- 1109 No matter that the rest of the organization doesn't do it; the leader represents not only what we are, but, above all, what we know we should be. ...
- 1110 **So it is a very good rule when you do anything as a leader, to ask yourself, Is that what I want to see tomorrow morning when I look into the mirror?**
- 1111 **Is that the kind of person I want to see as my leader?**

- 1112 And if you follow that rule, you will avoid the mistakes that again and again destroy leaders: sexual looseness in an organization that preaches sexual rectitude, petty cheating, all the stupid things we do.
- 1113 Maybe the individual does them; well, that's his or her business.
- 1114 But a leader is not a private person; a leader represents.
- 1115 And then ask yourself, as a leader, what do I do to set standards in the organization?
- 1116 What do I do to enable the organization to tackle new challenges, to seize new opportunities, to innovate?
- 1117 What do I do?
- 1118 Not what does the organization do?
- 1119 Take action responsibility.
- 1120 What are my own first priorities, and what are the organization's first priorities, what should they be?
- 1121 These are the action agenda.
- 1122 These are the things that must be done. ...
- 1123 You may think, that's fine for the CEO, but I'm only a volunteer putting in three hours a week, being a den mother or arranging flowers at a patient's bedside.
- 1124 **You are a leader.**
- 1125 The exciting thing, the new thing, is that we are creating a society of citizens in the old sense of **people who actively work**, rather than just passively vote and pay taxes.
- 1126 We are not doing it in business.

- 1127 There is a lot of talk of participative management; but there is not much reality to it, and in many ways, there never will be.
- 1128 The pressures are perhaps too great.
- 1129 In a country like ours, with almost 250 million people, even a small town has 50,000 inhabitants, and there is not very much a, citizen can actually do.
- 1130 We could not, even in the smallest town, meaningfully revive the New England town meeting of two hundred years ago, when that New England town had one hundred twenty people or so. ...
- 1131 But we are doing exactly this in the non-profit, the service institution, where increasingly there are only leaders.
- 1132 These are people who are paid and people who are not paid.
- 1133 In a church there are a very small number of people who are ordained, but one thousand people who work and do major tasks for the church who are not ordained, never will be, never get a penny.
- 1134 In the Girl Scouts of the U.S.A., there are one hundred volunteers for every paid staff member, and each is doing a responsible task.
- 1135 We are creating **tomorrow's society of citizens** through the non-profit service institution.
- 1136 And in that society, **everybody is a leader, everybody is responsible, everybody acts.**
- 1137 **Everybody** focuses himself or herself.
- 1138 **Everybody** raises the vision, the competence, and the performance of his or her organization.
- 1139 Therefore, mission and leadership are not just things to read about, to listen to.

1140 They are things to **do something** about.

1141 Things that you can, and should, convert from **good intentions** and from **knowledge** into **effective action**, not next year, but tomorrow morning.

1142 PART TWO

1143 ***From Mission to
Performance effective
strategies for
marketing, innovation,
and fund development***

1144

1145 1. Converting Good Intentions into Results

1146 2. Winning Strategies

1147 3. Defining the Market-Interview with Philip Kotler

1148 4. Building the Donor Constituency-Interview with
Dudley Hafner

1149 5. Summary: The Action Implications

1150 **Converting Good Intentions into Results**

- 1151 The non-profit institution is not merely delivering a service.
- 1152 It wants the end user to be not a user but a **doer**.
- 1153 It uses a service to bring about change in a human being.
- 1154 In that sense a school, for instance, is quite different from Procter & Gamble.
- 1155 It **creates** habits, vision, commitment, knowledge.
- 1156 It attempts to become a part of the recipient rather than merely a supplier.
- 1157 Until this has happened, the non-profit institution has had no results; it has only had good intentions. ...
- 1158 Napoleon said that there were three things needed to fight a war.
- 1159 The first is money.
- 1160 The second is money.
- 1161 And the third is money.
- 1162 That may be true for war, but it's not true for the non-profit organization.
- 1163 There you need four things.
- 1164 You need a plan.
- 1165 You need marketing.
- 1166 You need people.
- 1167 And you need money. ...

- 1168 The plan we have just talked about, in the first part.
- 1169 People we will be talking about a little later, in this book's fourth and fifth parts.
- 1170 In this part we talk about the **strategies that convert the plan into results.**
- 1171 **How do we get our service to the "customer," that is, to the community we exist to serve?**
- 1172 **How do we market it?**
- 1173 **And how do we get the money we need to provide the service?** m
- 1174 Non-profit institutions that do well used to think they didn't need marketing.
- 1175 But, as a famous old saying by a great nineteenth-century con man has it, "It's much easier to sell the Brooklyn Bridge than to give it away."
- 1176 **Nobody trusts you if you offer something for free.**
- 1177 **You need to market even the most beneficial service.**
- 1178 But the marketing you do in the non-profit sector is **quite different from selling.**
- 1179 It's more a matter of knowing your market—call it market research—of segmenting your market, of **looking at your service from the recipient's point of view.**
- 1180 **You have to know** what to sell, to whom to sell, and **when to sell.**
- 1181 Although marketing for a non-profit uses many of the same terms and even many of the same tools as a business, it is really quite different because the non-profit is **selling something intangible.**
- 1182 **Something that you transform into a value for the customer.**

- 1183 The sick patient in the hospital doesn't have to be sold.
- 1184 You are not marketing the sickness of that patient to the physician, who is the non-profit hospital's main customer.
- 1185 You are marketing what you can do to help the physician in his or her practice.
- 1186 That's a concept—an abstraction—and to sell a concept is different from selling a product. ...
- 1187 To run a non-profit effectively, **the marketing must be built into the design of the service.**
- 1188 This is very much **a top management job**, although, as in every other area, you need a lot of input from your people, from the market, and from research.
- 1189 A big national organization, such as the American Cancer Society, for instance, probably has the most elaborate market research, using detailed census data for fund-raising, a physicians' advisory committee to work directly with physicians who are in many ways its first market, and so on.
- 1190 The American Cancer Society doesn't design a service and then start peddling it. ...
- 1191 That uniquely American invention, the Community Chest—or the United Way, as it is often called—is in many ways a response to the market.
- 1192 People got awfully tired of being hit for a donation by twenty-nine different organizations and became suspicious that this meant exceedingly high collection costs, with most of the money going into doorbell ringing rather than feeding the hungry.
- 1193 The design of the United Way hasn't changed much over the years: the employers of the community are its collection agents.

- 1194 But the United Way has to keep its marketing up to date, has to adjust to the changing business population, has to know which employers to go to and which local societies to bring onto its board, so that it can work effectively with industry.
- 1195 It has to understand the changing structure of employment to design its most effective appeal.
- 1196 The non-profits who don't do that, who think they can rely on high-pressure selling, just don't do very well. ...
- 1197 An important point to remember, incidentally, in designing a non-profit's service and marketing is to **focus only on those things you are competent to do.**
- 1198 If you run a hospital, you'd better not try to do what you are not competent to do.
- 1199 For clinical neurology, you need a certain critical mass—forty beds, fifty beds—to do a decent job.
- 1200 If you are the only hospital in Silver Fish, South Dakota, and there's not another hospital around for one hundred miles, you have to do what has to be done.
- 1201 Even there, let me say, you probably would do better to fly that neurology patient by helicopter to the nearest medical center—not for financial but for competence reasons.
- 1202 You know the general advice is, don't go to a hospital to have a heart bypass if they don't do two or three hundred by-passes a year.
- 1203 You have to do these very demanding technical things again and again—and again.
- 1204 The same is true of colleges.
- 1205 In fact, a great disease of the liberal arts college is that it thinks it can do everything.
- 1206 **Don't put your scarce resources where you aren't going to have results.**

- 1207 This may be the first rule for effective marketing. ...
- 1208 And then, the second rule, know your customers.
- 1209 Yes, I said customers.
- 1210 Practically everybody has more than one customer, if you define a customer as a person who can say no.
- 1211 When you look at the soap manufacturer, the supermarket doesn't have to put a manufacturer's detergent on the shelf, and certainly not in a position where the housewife will see it.
- 1212 And yet, unless the housewife also wants to buy the detergent, you have no sale, so you have two customers.
- 1213 The Boy Scouts or Girl Scouts have even more customers: they have the parents, and they have the kids.
- 1214 But then there are the volunteers, without whom no scouting organization could be run.
- 1215 And the teachers in the school also have to be "sold" on scouting, or they could easily impede or perhaps even veto it. ...
- 1216 So, the design of the right marketing strategy for the non-profit institution's service is the first basic strategy task: the non-profit institution needs **market knowledge**.
- 1217 It needs a **marketing plan with specific objectives and goals**.
- 1218 And it needs what I call **marketing responsibility**, which is to **take one's customers seriously**.
- 1219 Not saying, We know what's good for them.
- 1220 But, **What are their values?**

- 1221 How do I reach them? ...
- 1222 The non-profit institution also needs a **fund development strategy**.
- 1223 The source of its money is probably the greatest single difference between the non-profit sector and business and government.
- 1224 A business raises money by selling to its customers; the government taxes.
- 1225 The non-profit institution has to raise money from donors.
- 1226 It raises its money—at least, a large portion of it—from people **who want to participate in the cause but who are not beneficiaries**. ...
- 1227 Almost by definition, **money is always scarce in a non-profit institution**.
- 1228 Indeed, a good many non-profit executives seem to believe that all their problems would be solved if only they had more money.
- 1229 In fact, some of them come close to **believing that money-raising is really their mission**.
- 1230 An example is some presidents of private colleges or universities who are so totally preoccupied with money-raising that they **have neither the time nor the thought for educational leadership**. ...
- 1231 But a non-profit institution that becomes a **prisoner of money-raising** is in **serious trouble** and in a **serious identity crisis**.
- 1232 The **purpose of a strategy** for raising money is precisely to enable the non-profit institution to carry out its mission **without subordinating that**

mission to fundraising.

- 1233 This is why non-profit people have now changed the term they use from "fund raising" to "fund development."
- 1234 Fund-raising is going around with a begging bowl, asking for money because the need is so great.
- 1235 Fund development is **creating a constituency** which supports the organization because it deserves it.
- 1236 It means developing what I call a **membership that participates through giving.** ...
- 1237 Your first constituency in fund development is **your own board.**
- 1238 One of the things we have learned about managing non-profit institutions is that the old-type board, the board that simply was **in sympathy with the institution,** is no longer enough.
- 1239 You need a board that takes an active lead in raising money, whose members give both of themselves and by being fund-raisers, fund developers.
- 1240 When a board member calls, say, a real estate developer, and says, "I am on the board of the hospital," the first response he gets from his friend is, "How much are you giving yourself, John?"
- 1241 If the answer is five hundred bucks, well, that's all you're likely to get. ...
- 1242 But you **also want** something else on the board which has to do with money: the ability to audit the **balance between your program and your resources.**
- 1243 That is what gives you **assurance.**

- 1244 The person who runs the church or hospital or school should be enthusiastic.
- 1245 You don't want nay-sayers in those positions.
- 1246 But somebody has to ask: "Is this the best balance between our available resources and our effectiveness?" ...
- 1247 A business earns its money on its own.
- 1248 The money of the nonprofit institution is not its own; it is held in trust for the donors.
- 1249 And the board is the guardian to **make sure** the money is used for the **results** for which it has been given.
- 1250 That, too, is part of the non-profit strategy. ...
- 1251 Not so long ago, many non-profit organizations were pretty self-supporting financially.
- 1252 They generally needed outside money only for extra projects—that new science hail, or a new cardiac wing.
- 1253 Now, more and more non-profit organizations need money for operating purposes.
- 1254 Another reason why the development of financial resources is becoming more important is because great wealth is becoming less important.
- 1255 It used to be that two or three rich people in the community supported the Church.
- 1256 That doesn't work anymore.
- 1257 Not only is the Church more expensive, but demands on people of great wealth have gone up out of sight.
- 1258 And, proportionately, there are so many fewer of them around.

- 1259 So, **non-profit executives must build a mass base.** ...
- 1260 You need people on your board willing to help develop that mass base by giving example and leadership. ...
- 1261 Of course, there will always be need for emergency relief and appeals to give for it—for the most recent earthquake, for starving children in Africa or the Vietnamese boat people.
- 1262 But it is increasingly dangerous to depend on emotional appeal alone.
- 1263 A friend of mine who heads a major international relief organization speaks of “compassion fatigue.”
- 1264 There is so much misery in the world that we are becoming quite hardened and callous to that constant plucking of our heart strings. ...
- 1265 In fund development you appeal to the heart, but you also have to appeal to the head, and try to build a continuing effort.
- 1266 The non-profit manager has to think through how to define results for an effort, and then report back to the donors, to show them that they are achieving results. ...
- 1267 You also have to educate donors so that they can recognize and accept what the results are.
- 1268 This is perhaps the newest development—this realization that a donor doesn’t automatically understand what the organization is trying to do.
- 1269 Donors are becoming too sophisticated to appeal to them simply on the basis that education is good or health is good.

- 1270 They ask, Whom are you educating?
- 1271 Educating for what? ...
- 1272 This moves us to constituency building over the very long term.
- 1273 It is how the Claremont Colleges, where I have been teaching now for twenty years, were built.
- 1274 In the 1920s, the president of Pomona College, the mother college of the group, realized that Southern California and its college population would grow fast and that he would need a great deal of money for the college.
- 1275 He started by actually founding local new businesses and running them for a couple of years until they broke even.
- 1276 Then he called in a top-flight new graduate, literally gave him the business and \$10,000 to boot (which was a great deal of money in those days), and said, "It's yours.
- 1277 You build it.
- 1278 But if it is successful, don't repay us.
- 1279 Remember us."
- 1280 That's why Pomona and the whole Claremont group are so well endowed today.
- 1281 He built an enormous constituency—long term.
- 1282 The fruits didn't come in for twenty years, but they came in a thousandfold.
- 1283 I'm not saying that this is the way everyone should do it.
- 1284 But it is one example of building up a long-term constituency, people who remember, who are not giving simply because someone rings a doorbell.

1285 They see the support of the institution as self-
fulfillment.

1286 That is the ultimate goal of fund development.

1287 2 Winning Strategies

1288 There is an old saying that **good intentions don't move mountains; bulldozers do.**

1289 In non-profit management, the **mission** and the **plan**—if that's all there is—are **the good intentions.**

1290 **Strategies are the bulldozers.**

1291 They **convert** what you **want to do** into **accomplishment.**

1292 They are particularly important in non-profit organizations.

1293 One prays for miracles but works for results, St. Augustine said.

1294 Well, strategies lead you to **work for results.**

1295 They **convert** intentions into action and **busyness into work.**

1296 They also **tell you what you need** to have by way of **resources** and **people to get the results.** ...

1297 I was once opposed to the term "strategy."

1298 I thought that it smacked too much of the military.

1299 But I have slowly become a convert.

1300 That's because in many businesses and non-profit organizations, planning is an **intellectual exercise.**

1301 You put it in a nicely bound volume on your shelf and leave it there.

1302 Everybody feels virtuous: We have done the **planning.**

1303 But **until it becomes actual work, you have done nothing.**

- 1304 **Strategies**, on the other hand, **are action-focused**.
- 1305 So, I've reluctantly accepted the word because it's so clear that strategies are not something you hope for; strategies are something you work for. ...
- 1306 Here is one example of a winning strategy: Brown University in Providence, Rhode Island.
- 1307 Twenty years ago it was a respectable "also ran," known as "Harvard's little sister."
- 1308 It had an excellent faculty.
- 1309 But it had no distinction; it did what everybody else did.
- 1310 Then a new president asked, **What do we have to do to become a leader despite the tough competition** where we have Harvard to the north and Yale to the south, and about twelve first-rate liberal arts colleges within an hour's drive?
- 1311 He focused on two things.
- 1312 First, make women full citizens of the university.
- 1313 Brown always had a women's college—Pembroke.
- 1314 But making women full citizens meant bringing in those women who wanted to go where women supposedly don't go—mathematics, the sciences, pre-med, computers—and systematically recruiting young women who were doing exceptionally well in these areas that tradition doesn't consider particularly feminine.
- 1315 Second, build closeness to students into the way the university runs.
- 1316 For each of these two goals the new president had a strategy: In the past ten years, Brown has become the "in" university for bright kids in the East. ...

- 1317 This is almost a textbook case of a successful marketing strategy.
- 1318 What that Brown president did was to **recognize changes in the market**: the emergence of career-focused young women, and the desire of students, after the turbulent sixties, to have a “community.”
- 1319 And then he **developed specific campaigns to reach his potential customers**—and went to work.

1320 ***Improving What We Already Do Well***

- 1321 In this country, in particular, we usually underplay the strategy of doing better what we already do well.
- 1322 This hit me the first time I went to Japan, when they were just beginning their meteoric rise.
- 1323 I looked for innovation strategies and there weren't any.
- 1324 But every place—whether university, business, or government agency—had a clear strategy for improving.
- 1325 They don't talk innovation.
- 1326 They ask, **How do we do better what we are already doing?**
- 1327 It may be something very mundane, like sweeping the floor.
- 1328 Or it may be a very major change: don't just bring in new machines and put them into the existing lineup; we really have to change the lineup and rearrange the whole process.
- 1329 But the focus is always on improving the product, improving the process, improving the way we work, the way we train.
- 1330 **And you need a continuing strategy for doing so. ...**

- 1331 To work systematically on the productivity of an institution, one needs a strategy for each of the factors of production.
- 1332 The first factor is always people.
- 1333 It's not a matter of working harder; we learned that long ago.
- 1334 It's a matter of working smarter, and above all, of placing people where they can really produce.
- 1335 The second universal factor is money.
- 1336 How do we get a little more out of the money that we have?
- 1337 It's always scarce.
- 1338 And the third factor is time. ...
- 1339 One needs productivity goals—and ambitious ones.
- 1340 Whenever I sit down with people to discuss productivity goals, they say, "You are way too high."
- 1341 I learned from an old friend, one of the great men of the black community, Kenneth Clark, the psychologist at City University of New York, that one should always set the objective twice as high as one hopes to accomplish because one will always fall by 50 percent short.
- 1342 That's a little cynical, but there's truth in it, so set your objectives high.
- 1343 Not so high that people say this is absolutely absurd, but high enough so that they say: we've got to stretch. ...
- 1344 Constant improvement also includes abandoning the things that no longer work; and it includes the innovation objective.

- 1345 Let's take 3M, which turns out two hundred new products a year.
- 1346 They start out by saying that 80 percent of the products that will be in the line ten years hence we haven't even heard of yet.
- 1347 And then they go to work, to work, to work.
- 1348 Almost everything human beings use becomes obsolete sooner or later, so we have to replace it.
- 1349 What is our innovation strategy?
- 1350 Where are we going to do something different, or do the same thing quite differently?
- 1351 Set the goals—and go to work. ...
- 1352 For non-profit managers, the signposts are less clear.
- 1353 How, for instance, in a mental-health clinic can you judge the effectiveness of a strategy, whether you're doing better this year than last? ...
- 1354 Well, you can define what "better" means.
- 1355 I know one major mental-health clinic that does a tremendous job in an area in which results are terribly hard to achieve—mostly paranoia cases.
- 1356 The head of that clinic is a good friend, and I said to him, "Working with paranoia must be terribly frustrating.
- 1357 In depression, we can help people today.
- 1358 In schizophrenia, we can help, not perhaps a great many, but quite a few.
- 1359 But with paranoia, there are very limited results."

- 1360 He answered, "You are wrong, Peter.
- 1361 We have a simple goal.
- 1362 We know we don't know how to cure it; we don't understand it at all.
- 1363 But there is a possibility of helping people who are sick with paranoia to realize that they are sick.
- 1364 And that is a tremendous step forward.
- 1365 Because then they know that they are sick, not that the world is sick.
- 1366 They are not cured, but they function." ...
- 1367 That's a qualitative goal.
- 1368 You can set goals that are not measurable but can be appraised and can be judged. ...
- 1369 The people in a really successful research laboratory cannot quantify their research results ahead of time.
- 1370 But they can sit down every three years and ask, What have we contributed in the last three years that did make a difference?
- 1371 And what do we plan to contribute?
- 1372 These are qualitative measures.
- 1373 And they are just as important as the quantitative ones.
- 1374 Let me say that you **have to define quality first.**
- 1375 **Quantity without quality is the worst thing and will result in total failure.** ...

- 1376 And how does a pastor set a strategy?
- 1377 First, the pastor has to define the goals.
- 1378 What is he or she trying to do?
- 1379 Sure, you make certain assumptions about people if you are a pastor.
- 1380 You make the assumption that it probably increases their chance of salvation if they do go to church. ...
- 1381 As an old schoolmaster, which I've been for sixty years, I assume that the longer kids sit on their backsides, the more they learn.
- 1382 These are not testable assumptions, but you've got to make them.
- 1383 So the pastor sets his or her goal, which is to build a congregation. ...
- 1384 What kind of a congregation?
- 1385 Not every pastor has the same vision.
- 1386 You may find people who say, I just bring them to church; that's the main goal.
- 1387 The next one will say, No, I only want to bring certain kinds of people in.
- 1388 Both are in the same profession, but see their mission quite differently.
- 1389 One sees it as to build a broad base; the other wants to start a small community of true believers who will stand fast at Armageddon. ...
- 1390 Then you have to ask, What are the specific results I want?
...

- 1391 Whether it's a church or a hospital or a Boy Scout troop or a public library, **your strategy will have the same structure.**
- 1392 First, you need the goal, and it's got to fit your mission.
- 1393 But it also has to fit the environment in which you work.
- 1394 Then you think through **specific results for specific areas.**
- 1395 The pastor who sees his or her church in terms of large masses of parishioners segments the market and **designs a service for each segment.**
- 1396 I once sat in on a meeting at which a very successful pastor said: "Any fool who is ordained can build a large church in five to seven years if he focuses on five market segments.
- 1397 He has a youth ministry, a singles ministry, a young-married ministry, a home ministry for the shut-ins, and a ministry for the elderly.
- 1398 The rest is hard work."
- 1399 Then he added, "Of course, the targets you set for these five depend on the community you are in." ..
- 1400 That's perhaps a little oversimplified, but I've heard hospital administrators talk very similarly.
- 1401 Look at the ultimate beneficiaries—call them the market—the ultimate clients.
- 1402 Whether that market is a church, a hospital, a Boy Scout troop, or a public library, you have the same structure for your strategy.
- 1403 If you are a public library, you have adults, young people, and preschoolers, and you serve the schools.
- 1404 I think of each of these groups as a separate market—they share a building, they share common

services, they share a lot of books; but I think you go after them separately.

1405 And you develop a marketing plan.

1406 You will need money, and will have to allocate it sensibly.

1407 You will have to communicate and you will have to have feedback. ...

1408 First, the goal must be clearly defined.

1409 Then that goal must be converted into specific results, specific targets, each focused on a specific audience, a specific market area.

1410 You may need a great many such specific strategies.

1411 The American Heart Association divides the American public from which it raises money into forty-one different segments.

1412 That's quite a lot.

1413 But it explains perhaps why they have been so successful. ...

1414 Next, you will need a marketing plan and marketing efforts for each target group.

1415 How are you really going to reach this specific segment?

1416 You now need resources—people, above all—and money.

1417 And the allocation of both. ...

1418 Next comes communication—lots of it—and training.

- 1419 Who has to do what, when, and with what results?
- 1420 What tools do they need?
- 1421 In what language do they have to hear it?
- 1422 One pastor told me that when he sits down with each of his groups and talks about goals and missions, even after twenty-five years, he still uses the language of the seminary.
- 1423 But the people who have to do the work are his lay volunteers, and to them these are strange words.
- 1424 Words like "implementation," "fulfillment," and "plan" when used by a hospital administration may sound strange, too, for somebody in physical therapy who knows all the muscles of the body.
- 1425 You have to ask who must do what, and in what form they should get it so that it becomes their work. ...
- 1426 Then you need logistics—for want of a better word.
- 1427 What resources are required?
- 1428 I'm always reminded of the old story that whenever Napoleon's brilliant marshals came out with great plans of moving against Prussia, or Spain, or what have you, Napoleon would listen silently and then ask, "How many horses does it require?"
- 1429 Usually they hadn't thought it through and their plan outran the available horses.
- 1430 That's very typical. ...
- 1431 Finally, you ask: "When do we have to see results?"
- 1432 Try not to be impatient.
- 1433 But you must be able to see whether you are on course when the results come in.

- 1434 What feedback do you need?
- 1435 How do you measure your achievement so that you realize that in this area, which is crucial, we are way behind our timetable?
- 1436 If we can't speed it up, we will have to scale everything back (the horses aren't there, in Napoleon's terms).
- 1437 Or, here we are ahead of our timetable?
- 1438 Is this an opportunity for us to speed it all up, or does it indicate that we are getting dangerously out of line?
- 1439 You need feedback and control points. ...
- 1440 I think the steps are the same for every organization.
- 1441 How you carry them out depends very much on what kind of an organization you are. ...
- 1442 To carry out the process, you need to use both written and verbal communication.
- 1443 A written process has the great advantage that you can hand out a sheet to everybody, go down the line, check it off, and say, "Any questions on point three?"
- 1444 And somebody says, "Are we on point three?"
- 1445 I thought we were still on point two."
- 1446 You talk about it.
- 1447 Above all, you invite questions. ...
- 1448 But you also have to encourage people to come

back and say, "This is what I heard.

- 1449 Am I right that you expect me to do this?"
- 1450 That is much better done in speaking than in writing.
- 1451 Partly because there is less misunderstanding and partly because it's freer and less formal. ...
- 1452 To my mind, the best example of a winning strategy in a nonprofit institution is that of The Nature Conservancy.
- 1453 Its clear goal is to preserve as much as possible of God's ecological diversity of flora and fauna, which is endangered by man.
- 1454 The board members developed one strategy to find the places that needed preserving; another to get the money to buy them; and a third to manage it.
- 1455 The market—the people from whom they get the money—is local.
- 1456 So they built state organizations that reach the local people, and a goal of, I believe, fifteen of these major nature preserves per year, which is very ambitious.
- 1457 They are meeting it because they were so clear about that goal and its implementation.
- 1458 I think that accounts for success pretty much across the board. ...
- 1459 But there is one don't on strategy.
- 1460 Don't avoid defining your goals because it might be thought "controversial."
- 1461 This strategy almost destroyed a major hospital, which attempted to brush under the rug one tough

and highly controversial question: Are we trying to fill as many of our beds as possible, or are we trying to deliver the best patient care?

- 1462 Their best-known eye doctors had proposed to move eye surgery into a free-standing ambulatory eye clinic, next door to the hospital.
- 1463 The eye surgeons saw this as improving patient care, indeed, as the first step toward the healthcare delivery system of tomorrow; and so did some of the hospital administrators.
- 1464 But the board saw only that this move would cut bed occupancy, which was their first priority.
- 1465 Eventually, the prominent eye surgeons got tired of the wrangle and left the hospital altogether, taking with them their patients, both ambulatory and bed patients.
- 1466 Other prominent physicians followed.
- 1467 Three years later the hospital had gone downhill so much—both in reputation and in occupancy rate—that it had to sell out to a for-profit chain. ...
- 1468 With strategy, one always makes compromises on implementation.
- 1469 But one does not compromise. on goals, does not pussy-foot around them, does not try to serve two masters. ...
- 1470 Here is another don't.
- 1471 Don't try to reach different market segments with the same message.
- 1472 Some years ago I helped develop an executive management program.
- 1473 We were crystal-clear on the goal; but we did not really spend enough time thinking through the market segments.

- 1474 We tried to sell the program to everybody the same way.
- 1475 After six or seven years of working very hard and not getting very far, we sat down and said, "Look, we really have three quite separate markets.
- 1476 They may all belong in the same program, but they are coming for different reasons."
- 1477 We organized it to the point that we now have different administrators for these groups.
- 1478 And it works.

1479 *How to Innovate*

- 1480 Usually, there is no lack of ideas in non-profit organizations.
- 1481 What's more often lacking is the **willingness and the ability to convert those ideas into effective results.**
- 1482 **What is needed is an innovative strategy.**
- 1483 The successful non-profit organization is organized for the new—**organized to perceive opportunities.**
- 1484 Innovative organizations systematically **look both outside and inside for clues to innovative opportunities.** ...
- 1485 One strategy is practically **infallible: Refocus and change the organization when you are successful.**
- 1486 When everything is going beautifully.
- 1487 When everybody says, "Don't rock the boat.
- 1488 If it ain't broke, don't fix it."
- 1489 At that point, let's hope, you have some character in the organization who is willing to be unpopular by saying, "**Let's improve it.**"

1490 If you don't improve it, you go downhill pretty fast. ...

1491 The great majority of major institutions that have gotten into real trouble over the last fifteen years are successes that **rested on their laurels**.

1492 Look at the American labor union in the early Eisenhower years.

1493 It was king of the jungle.

1494 But where is it now?

1495 The main reason for these calamities is that the people who said then, "We have obtained our objectives; now let's improve on them," were **forced out**.

1496 They were treated like the little boy who says a dirty word in church.

1497 Sears, Roebuck twenty years ago was the merchant prince, the first choice of seventy percent of American families.

1498 It became so complacent that it **ignored all signs of change in the American marketplace**.

1499 When you are successful is the very time to ask, **"Can't we do better?"**

1500 The best rule for improvement strategies is to **put your efforts into your successes**.

1501 **Improve the areas of success, and change them.** ...

1502 The responsibility for this rests at the top, as in everything that has to do with the **spirit of an organization**.

1503 And so the executives who run innovative organizations must **train themselves to look out the window, to look for change**.

- 1504 The funny thing is, it's easier to learn to look out the window than to look inside, and that's also a smart thing to do **systematically**. ...
- 1505 The most successful college I know has managed—at a time of shrinking student population—to increase the number of its applicants and improve the quality of those applicants by just such a discipline.
- 1506 The president and the director of admissions spend alternate weeks visiting high schools and **inquiring about the changing expectations of the kids**.
- 1507 The pastoral church, which is such a significant sociological phenomenon in today's America looks at changes in demographics, at all the young, professional, educated people who have been **divorced from their background** and need a community, need help, comfort, and spiritual sustenance.
- 1508 The **change outside is an opportunity**.
- 1509 You can **force yourself** to **drive a different route to work**; you can force yourself to **sit down and talk with students**, who are still in high school but thinking of college.
- 1510 You can force yourself to **look at demographics**—and that's your first source. ...
- 1511 Then you **look inside** your organization and search for the most important clue pointing the way to change: generally, it will be the **unexpected success**.
- 1512 Most organizations feel that they deserve the unexpected success and congratulate themselves on it.
- 1513 Very few see it as a **call to action**.
- 1514 My best story on this score is not an American

story, it's from India, which has converted itself in less than twenty years from chronic famine to food surplus.

- 1515 One of the keys to this change was the unusual success of a large farm cooperative that had become the sales agent for a cheap European bicycle with an auxiliary motor.
- 1516 The only trouble was the farmers didn't want it; they didn't buy it.
- 1517 Amazingly enough, while orders for bicycles didn't come in, orders for replacement motors for bicycles the farmers hadn't bought came in by the bushel.
- 1518 Everybody said, "Those stupid farmers, don't they know they need a bicycle?"
- 1519 Except for one co-op official.
- 1520 He went out and asked, "What are you doing with them?"
- 1521 Well, he found that the farmers were using that little single-stroke gasoline engine as a motor for irrigation pumps, which had always been powered by hand.
- 1522 Perhaps the greatest single contribution to India's tremendous agricultural success is the gasoline irrigation pumps that now bring available water to where it's needed. ...
- 1523 The first requirement for successful innovation is to look at a change as a potential opportunity instead of a threat. ...
- 1524 Everybody is worried about the "latchkey kids."
- 1525 But for the Girl Scouts of the U.S.A., the fact that there are so many young girls today whose mothers are out at work became a tremendous opportunity that led to the creation of the Daisy

Scouts.

1526 Faced with a change, we should always ask, **How can this give us a chance to contribute?** ...

1527 The second question is, **Who in our organization should really work on this?**

1528 That's a crucial question.

1529 Most new things need to be incubated.

1530 They need to be piloted by **somebody who really wants** that innovation, who wants it to grow, **who believes in it.**

1531 Everything new also gets into trouble, so look for somebody **who really wants to commit himself or herself** and who has **enough standing in the organization.** ...

1532 **Then think through the proper marketing strategy.**

1533 **What are you really trying to do?**

1534 When you look at successful businesses, they have very different strategies.

1535 A company like Procter & Gamble has always had one clear strategy in bringing out a product: to be the **first**, and to **dominate** the market.

1536 If it works, that's a winning strategy; but it's **terribly risky.**

1537 For fifty years, IBM never has brought out a new product; it has always been a creative imitator.

1538 It also always aimed at market dominance, but it **lets somebody else go in first** because the first version is likely not to be quite right.

1539 The Japanese strategy is very different.

1540 It **exploits** the mistakes of the leaders, their bad habits, especially their arrogance. ...

1541 Look into the possibility of developing a **niche**.

1542 One very successful non-profit hospital group does not develop community hospitals but examines what each local community needs.

1543 In one community there is room for a psychiatric hospital, in another room for a good gerontology center.

1544 Each is a specialty hospital.

1545 That is a strategy: if you come out with a specialty, don't try to do everything for everybody.

1546 ***The Common Mistakes***

1547 There are a few common mistakes **in doing anything new**. ...

1548 **One is to go from idea into full-scale operation.**

1549 Don't omit testing the idea.

1550 Don't omit the pilot stage.

1551 If you do, and skip from concept to the full scale, even tiny and easily correctible flaws will destroy the innovation. ...

1552 **But also don't go by what "everybody knows" instead of looking out the window.**

1553 What everybody knows is usually twenty years out of date.

1554 In political campaigns, the ones who look so promising at the beginning and then fizzle out are usually the ones who go by what they believe

everybody knows.

1555 They haven't tested it, and it turns out that "This was twenty years ago." ...

1556 **The next most common mistake is righteous arrogance.**

1557 Innovators are so proud of their innovation that they are **not willing to adapt it to reality.**

1558 It's an old rule that **everything that's new has a different market from the one the innovator actually expected.** ...

1559 I remember one of my pastoral friends saying of a new program: "Great, a wonderful program for the newly married."

1560 The program was indeed a success.

1561 But to the consternation of the young assistant pastor who had designed it and ran it, not a single newly married couple enrolled in it.

1562 All the participants were young people who were living together and wondering whether they should get married.

1563 And as the senior pastor told me, he had a terrible time with his brilliant young assistant, who became righteous and said, "We haven't designed it for them."

1564 He wanted to throw them out. ...

1565 Another common mistake is to patch up the old rather than to go all-out for the new.

1566 The present plight of General Motors clearly shows that in that case you will get only the costs of the new, and none of its benefits.

- 1567 When the Japanese came in and the American public changed its approach to the automobile, GM patched.
- 1568 GM improved a little bit what it already was doing, and spent enormous amounts of money and time and people on patching—far more than genuine innovation would have required.
- 1569 A few years later Ford ran around GM.
- 1570 Ford sat down and said, “What does the new require?”
- 1571 It designed new cars and new ways of selling them, and risked a good deal of existing investment.
- 1572 But Ford brought out something that looked and behaved differently, and that could really compete. ...
- 1573 There comes a point when **one has to look at what the job requires, and design for that job**, rather than saying, “This is how we’ve always done it.
- 1574 Let’s improve it a little bit.”
- 1575 This is one of the critical decisions.
- 1576 It is one of the crucial tasks of the executive to know when to say, “Enough is enough.
- 1577 Let’s stop improving.
- 1578 There are too many patches on those pants.” ...
- 1579 **Don’t assume that there is just the one right strategy for innovations.**
- 1580 Every one **requires thinking through anew.**
- 1581 Don’t say, “We have been successful six times in introducing the new this way, so that must be the right way.

- 1582 That's our formula now."
- 1583 And, if it doesn't work, don't blame the "stupid public."
- 1584 Say instead, "Maybe this needs to be done differently."
- 1585 Before you go into an innovative strategy, don't say, "This is how we do it."
- 1586 Say, "Let's find out what this needs.
- 1587 Where is the right place in the market?
- 1588 Who are the customers, the beneficiaries?
- 1589 What is the right way to deliver it?
- 1590 What is the right way to introduce it?
- 1591 Let's not start out with what we know.
- 1592 Let's start out with what we need to learn." ...
- 1593 When a strategy or an action doesn't seem to be working, the rule is, "If at first you don't succeed, try once more.
- 1594 Then do something else."
- 1595 The first time around, a new strategy very often doesn't work.
- 1596 Then one must sit down and ask what has been learned "Maybe we pushed too hard when we had success.
- 1597 Or we thought we had won and slackened our efforts."
- 1598 Or maybe the service isn't quite right.
- 1599 Try to improve it, to change it and make another major effort.

- 1600 Maybe, though I am reluctant to encourage that, you should make a third effort.
- 1601 After that, go to work where the results are.
- 1602 There is only so much time and so many resources, and there is so much work to be done. ...
- 1603 There are exceptions.
- 1604 You can see some great achievements where people labored in the wilderness for twenty-five years.
- 1605 But they are very rare.
- 1606 Most of the people who persist in the wilderness leave nothing behind but bleached bones.
- 1607 There are also true believers who are dedicated to a cause where success, failure, and results are irrelevant, and we need such people.
- 1608 They are our conscience.
- 1609 But very few of them achieve.
- 1610 Maybe their rewards are in Heaven.
- 1611 But that's not sure, either.
- 1612 "There is no joy in Heaven over empty churches," St. Augustine wrote sixteen hundred years ago to one of his monks who busily built churches all over the desert.
- 1613 So, if you have no results, try a second time.
- 1614 Then look at it carefully and move on to something else.

1615 ***3 Defining the Market***

1616 Interview with Philip Kotler *

- 1617 PETER DRUCKER: Philip, when you published your book *Nonprofit Marketing* in 1971—it's now called *Strategic Marketing for Non-Profit Institutions* and is in its fourth edition—there was **no awareness at all**, am I right, on the part of non-profit institutions that **they have to market** and **little receptivity for the idea?** ...
- 1618 PHILIP KOTLER: That's true.
- 1619 They were interested in doing a better job of accounting and finance, and your ideas in management were beginning to be used by them, but they had not talked about marketing.
- 1620 In fact, my observation is that some of them were doing it but without any awareness of how to do it well.
- 1621 I felt very strongly that marketing, like the other business functions, was generic and universal, and applied to all institutions, and that it ought to be brought into the non-profit world more consciously. ...
- 1622 PETER DRUCKER: Since then, a good many non-profit institutions have accepted the need in theory.
- 1623 By and large are they translating it into practice? ...
- 1624 PHILIP KOTLER: Different institutions took to marketing at different rates.
- 1625 Hospitals certainly recognized the importance of the marketing functions, but colleges are somewhat behind.
- 1626 Museums and the performing arts have taken to marketing.
- 1627 Many institutions **misunderstand** it.

1628 They **confuse** marketing with either hard **selling** or **advertising**, and therefore, don't show an aptitude for it. ...

1629 PETER DRUCKER: Well, then, how would you define marketing, especially in the non-profit institution?

1630 Most of my friends in non-profit, I think, would be somewhat nonplussed by what you just said, that they confuse it with hard selling or advertising.

1631 Most of them **think that's precisely what marketing is**. ...

1632 PHILIP KOTLER: The most important tasks in marketing have to do with **studying** the market, **segmenting** it, **targeting** the groups you want to service, **positioning** yourself in the market, and **creating a service** that meets needs out there.

1633 **Advertising and selling are afterthoughts.**

1634 I don't want to minimize their importance.

1635 But you put it so well years ago when you shocked a number of people by saying that the **aim of marketing is to make selling unnecessary**. ...

1636 What could marketing be if it isn't selling?

1637 The shortest definition I've heard is that it is **finding needs and filling them**.

1638 I would add that it produces positive value for both parties.

1639 The contrast between marketing and selling is whether you start with customers, or consumers, or groups you **want to serve well**—that's marketing.

1640 If you start with a set of products you have, and want to push them out into any market you can find, that's selling. ...

- 1641 PETER DRUCKER: A good many of my non-profit friends would agree with what you just said wholeheartedly.
- 1642 Then they would say, **But isn't the need we serve obvious?**
- 1643 There are people who are poor and somebody has to fill their stomachs.
- 1644 There are people out there who live in sin and somebody has to bring the Spirit to them.
- 1645 They consider themselves need-driven and they don't quite understand why you have to do anything else.
- 1646 Is that a very one-sided view? ..
- 1647 PHILIP KOTLER: Many organizations are very clear about the needs they would like to serve, but **they often don't understand these needs from the perspective of the customers.**
- 1648 They make assumptions based on their own interpretation of the needs out there.
- 1649 Let's take a hospital.
- 1650 The question often arises, Is it a sickness institution or a wellness institution?
- 1651 Most hospitals say that they are there to take care of people who are sick and to make them well.
- 1652 You could also argue that their real mission would be more meaningful if they set up to prevent illness.
- 1653 There are a lot of subtleties about needs that require interpretation and what I call customer research, consumer research.
- 1654 Basically, the issue is, are these organizations consumer-minded? ..

- 1655 PETER DRUCKER: Can you give me an example of a non-profit institution that understands marketing and practices it?
- 1656 What do they do? ...
- 1657 PHILIP KOTLER: **Stanford University and the way it raises money from its alumni and others.**
- 1658 Stanford took a totally market-oriented point of view.
- 1659 Their development office was organized with managers at the head of different alumni groups.
- 1660 Each group is reached in the most cost-effective way.
- 1661 For example, those who graduated from Stanford receive two letters, direct-mail pieces, before the university gives up on them.
- 1662 Those who give \$25 to \$75 receive three to four more letters.
- 1663 Those who give a little more than \$75 get a telephone call, and so on.
- 1664 Basically, **the whole development effort is based on segmenting the market and working up the most cost-effective marketing mix of tools for raising money.** ...
- 1665 PETER DRUCKER: Did Stanford do any customer research to see what the potential donors value in a university?
- 1666 Or did it simply say, as most colleges say, **Education is good, we need your money?** ...
- 1667 PHILIP KOTLER: True, that is the problem with many sales-oriented or product-oriented

organizations that think they have such a good product, they don't understand why people are not rushing to buy it or to use it.

- 1668 In Stanford's case, they have approached their fund-raising experimentally.
- 1669 They don't feel there's a universal appeal that you can make to all Stanford graduates.
- 1670 Different strokes for different folks works a lot better.
- 1671 They learned the best strokes by getting feedback and researching each market. ...
- 1672 PETER DRUCKER: Stanford has to recruit students.
- 1673 That's one marketing effort.
- 1674 It has to attract and hold first-rate faculty, that is, people who could go to twenty other schools.
- 1675 And it has to develop donors and raise money.
- 1676 That's equally a marketing effort.
- 1677 **You don't see any difference between the three, basically?** ...
- 1678 PHILIP KOTLER: Every organization is swimming in a sea of publics.
- 1679 A college will want to attract students.
- 1680 It will want to attract research money from government and other sources.
- 1681 The problem marketing has to solve is, **How do I get the response I want?**
- 1682 The answer marketing gives is that you must formulate an offer to put out to the group from

which you want a response.

- 1683 The process of getting that answer, I call **exchange thinking**.
- 1684 What must I give in order to get?
- 1685 How can I add value to the other party in such a way that I add value to what I want?
- 1686 **Reciprocity** and **exchange** underlie marketing thinking. ...
- 1687 PETER DRUCKER: And how important is it in this approach for the non-profit institution to **differentiate** itself?
- 1688 Stanford probably has a couple of hundred other colleges in competition; a local hospital may have three other hospitals in the same area.
- 1689 How important is it to differentiate yourself?
- 1690 And how do you do it? ...
- 1691 PHILIP KOTLER: Marketing is now thought of as a process of **segmenting, targeting, and positioning**—I call it STP marketing.
- 1692 That's opposed to LGD marketing—**lunch, golf, and dinner** marketing, which **may have its place**, but it's not the same as doing the right job of segmenting, targeting, and positioning. ...
- 1693 **Positioning** raises the question: **How do we put ourselves across to a market we're interested in?**
- 1694 **How do we stand out in some way?**
- 1695 You cannot be all things to all people.
- 1696 So most organizations engage in the search for

their own uniqueness, what we might call a competitive advantage or advantages.

- 1697 That comes by cultivating certain strengths and putting them across as meaningful to the market you're going after.
- 1698 Let me give you an illustration.
- 1699 A hospital could offer the normal range of services to the patients, but, in that regard, may not be different from any other hospital.
- 1700 What I've seen hospitals do is **identify needs in the community that were not being satisfied**.
- 1701 For example, there may be no sports medicine program; there may be no burn unit; and so on.
- 1702 If the managers of these hospitals are smart, they figure out which of these needs are **strong needs** or which ones they can **serve well**.
- 1703 By addressing those needs, the hospital actually adds a crown jewel to itself.
- 1704 It adds a point of distinction.
- 1705 **Differentiation** must proceed that way.
- 1706 Otherwise, **the customer has no reason for the choices that are going to be made.** ...
- 1707 PETER DRUCKER: So, one of the first steps in marketing for the non-profit institution is to **define its markets, its publics**.
- 1708 **Think through** to whom you have to market **your product**, and **your strengths**.
- 1709 That really comes before you think through the **message**, does it? ...
- 1710 PHILIP KOTLER: Yes.

- 1711 Let's take churches, for example, because what you said poses a real problem for churches.
- 1712 On the one hand, a church should go after **every person who wants religious experience**, and so on.
- 1713 It should therefore be a **very diverse institution**.
- 1714 On the other hand, marketing would suggest that it would be more successful if it defined its target group, whether it might be singles, divorced people, gay people, or whatever.
- 1715 The interesting thing about diversity is that **most customers don't like to be with people who are not like themselves**. ...
- 1716 And there's a problem of what I call **market orchestration**.
- 1717 **How do you orchestrate very diverse groups and have a successful institution?**
- 1718 That alone puts pressure on trying to define your market.
- 1719 It's not everyone; but it's more than one group.
- 1720 The church needs well-defined groups **who are looking for one or more particular satisfactions**. ...
- 1721 PETER DRUCKER: So the mission may well be universal.
- 1722 And yet to be successful, the institution has to think through its strategy and focus on the **main target groups in marketing and delivering its service**.
- 1723 The same thing is true for fund-raising, isn't it? ...
- 1724 PHILIP KOTLER: Fund-raising requires careful

identification of the **appropriate sources of funds** and the **giving motives**.

1725 **Why does that donor give money?**

1726 **To whom does the donor give money?**

1727 And so I would again say that **consumer research** is important in **the process of trying to direct your efforts**. ...

1728 PETER DRUCKER: And **to what extent** do you then have to **mold what you are**, do what you can for the market?

1729 In the Church, for instance, there is a community of older people that's your prime community, but they really want a very different church from the one that attracts the singles; and so each church **would then have to change what it does to serve its high potential market**. ...

1730 PHILIP KOTLER: The Church may establish different services and different ministries for its different groups.

1731 For example, it could have an early morning service for one group and a later morning service for another.

1732 I think the solution there is probably to have different leaders and lay ministries serving the different groups. ...

1733 PETER DRUCKER: But you don't seem to believe that, what in reaching markets one would call "boutiques," are very successful for non-profit institutions? ...

1734 PHILIP KOTLER: Translate boutiques into niches!

1735 I believe that **some organizations should definitely**

go the route of niching versus mass production.

- 1736 For example, take theater groups.
- 1737 The city of Chicago has over 120 performing art theatrical groups.
- 1738 What some of these theater groups have done is to niche into a certain class of performances.
- 1739 There's one that does Shakespeare only, another that does the classics in general, another that does only plays written in the last ten years.
- 1740 The question is, **Do you want to satisfy one type of audience deeply or do you want to satisfy a number of audiences more superficially?** ...
- 1741 PETER DRUCKER: You know, I've done a fair amount of work with museums, and the really successful ones are building niches very strongly.
- 1742 The **universal general museums** of the nineteenth century, of which the Metropolitan in New York is still the leading American example, are becoming ... well, old-fashioned.
- 1743 They have **no real clientele**.
- 1744 But museums can be too narrow.
- 1745 We have a wonderful museum here in Los Angeles of the American Indian and it's too narrow.
- 1746 But I think we see **more and more niching**, even in hospitals, where the community hospital is in a sense giving way to boutiques; there's a free-standing surgical unit, and there is a specialty hospital.
- 1747 I think we need **product differentiation** in the non-profit institution as much as we need it in business. ...
- 1748 PHILIP KOTLER: I have to agree with you.

- 1749 But that does pose a problem for the **nineteenth-century-type institutions**.
- 1750 Do they break themselves up?
- 1751 Should General Motors split itself into five different companies?
- 1752 The "supermarkets," basically, see themselves as having a marketing problem.
- 1753 The way the Art Institute in Chicago has handled this is by **forming groups of loyal donors and supporters around different art forms**.
- 1754 There's a modern art group that has a meeting once a month, and they always have a lecturer or they see some new developments in modern art.
- 1755 There's another group that's Ancient Greece and Rome.
- 1756 And so it is possible in a major museum still to **form interest groups**.
- 1757 You know, small is beautiful.
- 1758 How do you help your customers to **identify with** something that is as **ungraspable** and huge as a major museum? ..
- 1759 PETER DRUCKER: Well, we have that problem, I think, in a good many institutions.
- 1760 We have it in the church and the synagogue.
- 1761 And a good many of my friends in religious institutions have to grapple with being **identifiable** and yet at the same time **not becoming separatist**.
- 1762 We have it, I think, at its most extreme in the university where, if you look for the institution that has done the best marketing job, it's the fundamentalist college.
- 1763 Precisely because it is a boutique, it doesn't try to

do anything but a very narrow specialty.

- 1764 And, on the other hand, the research university has done quite well.
- 1765 But the comprehensive universities that did so well in the fifties and sixties are beginning to, I would say, lose character in the public mind.
- 1766 That explains why the good liberal arts college, which we all thought was going to be in severe trouble fifteen years ago when student populations began to go down, is doing so very well.
- 1767 It isn't so small; twenty-five hundred students isn't tiny.
- 1768 But the kid can get his or her arms around it, and it has a personality, whereas the University of Minnesota or UCLA are **very hard to describe**.
- 1769 I think we will see a good deal of—not niche marketing in the non-profit section but product identification, as you would call it in a business.
- 1770 The market, very largely, will determine the character of the institution and the character of the product. ...
- 1771 **Why does the non-profit institution have to be interested in marketing and have to engage in marketing?**
- 1772 Is it to be sure that it really fulfills the need?
- 1773 Will it satisfy the customer?
- 1774 Is it to know what it should focus its energies on?
- 1775 **What are the real reasons for doing marketing for a non-profit institution? ...**
- 1776 PHILIP KOTLER: Marketing really is spurred by the presence and the increase in competition that the institution faces in a way that it never faced before.

- 1777 Most organizations don't get interested in marketing when they are comfortable.
- 1778 Suddenly they find that they don't understand their customers very well, and their customers are leaving that church, or they're not signing up for that college, or coming to that hospital.
- 1779 And these institutions become aware of a competitive situation. ...
- 1780 How do you deal with a competitive situation?
- 1781 Well, one way some early hospitals dealt with it was to pray that the world hadn't changed and that they would just survive.
- 1782 Now, prayer may have its role to play, but it is not the answer.
- 1783 The normal answer is that maybe there's something in this thing called marketing that will help us understand why customers chose to be with us in the first place and why they're not choosing to be with us anymore. ...
- 1784 PETER DRUCKER: Philip, it's an old theological axiom that prayer is no substitute for right action.
- 1785 And that's what you're telling us.
- 1786 Who then should really do the marketing job in the non-profit institution? ...
- 1787 PHILIP KOTLER: The chief executive officer should, of course, be the chief marketing officer.
- 1788 Marketing doesn't get anywhere in an organization without the head of the organization getting interested in it, understanding it, and wishing to disseminate its logic and wisdom to the staff and people connected with the institution.

- 1789 Still, the CEO can't do the marketing.
- 1790 The work has to be delegated to someone who is skilled in handling marketing.
- 1791 Most institutions appoint a director of marketing or a vice-president of marketing.
- 1792 Those are, for example, the titles you will see in hospitals.
- 1793 There's a difference, of course.
- 1794 The director of marketing is seen as a person who has "skills will travel," and not someone who is in a policy-making or policy-influencing position.
- 1795 That's why I favor a vice-president of marketing position, because that person really should sit with all the other officers as they try to visualize what the future of their institution will be. ...
- 1796 PETER DRUCKER: And how can we tell whether marketing in a non-profit institution, this church and this synagogue, this hospital and this college, is making a genuine contribution? ...
- 1797 PHILIP KOTLER: Marketing is supposed to do the following.
- 1798 It is supposed to build up what I call share of mind and share of heart for the organization.
- 1799 At any point in time, the institution or organization has a certain level of awareness in its target market and a certain amount of favorable attitude.
- 1800 A good marketing program will build up more awareness and more loyalty or bonding with the public you are trying to serve.
- 1801 So, one way to measure the contribution of marketing is to see whether more people know about our church, and more people like our

church, or whatever the institution might be.

1802 There's a cost side.

1803 Budgets have to be developed for the work that must take place.

1804 And it is very hard to gauge the impact of marketing without setting objectives.

1805 If an institution said, We would like to go from 30 percent of the target market knowing about us and 80 percent of those who know about us, liking us, to 90 percent of those who know about us liking us, then that's measurable.

1806 It's measurable through normal marketing research.

1807 So, the key to knowing whether marketing is working is to set objectives and then to see if marketing has helped the organization to realize them. ...

1808 PETER DRUCKER: And the more specific the objectives, the more likely to be productive? ...

1809 PHILIP KOTLER: Absolutely.

1810 The problem has arisen in hospitals lately that the hospitals have used their budgets for advertising purposes.

1811 They have spent big dollars trying to communicate to their communities that they are a friendly hospital, they are a "caring" hospital, and so on.

1812 And they are all wondering now whether those ads have really established in the minds of the community an identity for that hospital and a preference for the hospital.

1813 Some CEOs are disturbed about the results; they don't see enough net gain. ...

- 1814 My analysis is that these hospitals have often put their budgets to the wrong use.
- 1815 They've gone into heavy advertising before they had a character to their hospital.
- 1816 Before they had a **true patient focus** in their hospital.
- 1817 And they haven't really gone into marketing in the right order.
- 1818 The order being: first, do some customer research to understand the market you want to serve and its needs.
- 1819 Second, develop segmentation and be aware of different groups that you're going to be interacting with.
- 1820 Third, develop policies, practices, and programs that are targeted to satisfy those groups.
- 1821 And then the last step is to communicate these programs.
- 1822 Too many hospitals and other non-profit organizations go right into advertising before they've gone into the other three steps, and that's really doing things backwards. ...
- 1823 PETER DRUCKER: And to talk hospitals, I know far too many that would resist to the bitter end the kind of communication their market research shows them the public wants, which is how many of the people who come in to have a hip replacement can walk after six months.
- 1824 Because not everybody does.
- 1825 If we say 98 percent can walk, that means 2 percent can't.
- 1826 And then we gloss it over by saying, "We love you."
- 1827 Patients facing major surgery have other worries than being loved.

- 1828 What you're saying is that you have to start out with **knowing what the customers really consider value**, what is important, before you communicate, **rather than** with telling the things you believe should be important to the customer.
- 1829 That's the **key to effective marketing**. ...
- 1830 PHILIP KOTLER: It is.
- 1831 I've often said that non-profit organizations that have no marketing, or little marketing, will **probably take five to ten years to really install effective marketing procedures and programs if** they're fully committed to installing them.
- 1832 And mind you, many organizations give up after one or two years, especially if the early results are so good that they think they are already there.
- 1833 It takes five to ten years because marketing is more than a department, it's really **everyone in the organization pursuing one goal and that is to satisfy the customer, to serve the customer**.
- 1834 So, getting the other departments in the museum, getting the curators to understand that, getting the janitorial and the maintenance staff and the guards to understand that—it's hard and takes time. ...
- 1835 PETER DRUCKER: What you are saying is that **marketing in an organization is everybody's business**, certainly everybody who has anything to do with the customer.
- 1836 So you are talking not about a function—though there is specific work—you're talking of a **basic commitment**.
- 1837 In talking of marketing in the non-profit organization, you are talking of **the basic action that results in an organization that is both dedicated and positioned to satisfy its basic purpose**. ...

1838 PHILIP KOTLER: Exactly.

1839 Marketing in a non-profit organization becomes effective when the organization is **very clear about what it wants to accomplish**, has **motivated** everyone in the organization to agree to that goal and to see the worthwhileness of that goal, and when the organization has taken the **steps to implement** this vision in a way which is **cost-effective**, in a way which brings about that **result**. ...

1840 PETER DRUCKER: So, would you agree that **marketing is** the work—and it is work—that brings the needs and wants and values of the customer into conformity with the product and values and behavior of the supplier, of the institution? ...

1841 PHILIP KOTLER: Marketing is a way to **harmonize** the needs and wants of the outside world with the purposes and the resources and the objectives of the institution.

1842

4 Building the Donor Constituency

1843 Interview with Dudley Hafner*

1844 *Dudley Hafner is executive vice-president and CEO of the American Heart Association.

1845 PETER DRUCKER: What we used to call fund-raising, we now call fund development.

1846 DUDLEY HAFNER: For some, it might be pure rhetoric, but for others it's recognizing that your **true potential for growth and development** is the **donor**, is someone you want to **cultivate** and **bring along in your program**.

1847 PETER DRUCKER: Does that apply only to national organizations such as yours?

1848 DUDLEY HAFNER: It **applies to all of the non-profit organizations**.

1849 One of the things that helps an organization move forward is to have a **broad, sound, solid advocacy base**.

1850 One of the places to develop that is **within your giver group**.

1851 PETER DRUCKER: But also, of course, it **must greatly reduce acquisition cost**; the cost of getting the money, when you have a donor base that is already sold.

1852 You don't have to sell every year.

1853 DUDLEY HAFNER: That's correct.

1854 It's just much more efficient to organize with the notion that you are going to have a long-term relationship with your donors, that you're going to **help them increase their support to the organization**.

1855 But from an effectiveness standpoint, it also makes a lot of sense because for a non-profit organization to be really successful, you have to **have a lot of**

people caring about how it does.

1856 PETER DRUCKER: What are some of the tools you use in your sixteen hundred local organizations?

1857 DUDLEY HAFNER: Ninety-nine percent of it is raised at the community level.

1858 DUDLEY HAFNER: You have to have a **very clear mission** and **very clear goals**.

1859 Our goals relate directly to our mission, which is **the prevention of premature death and disability from cardiovascular disease and stroke**.

1860 The kinds of goals that relate to that would be

1861 **the number of people that we convince to stop smoking or using tobacco or not start in the first place, or**

1862 **people that change their dietary habits, or**

1863 **biomedical research we want to fund.**

1864 PETER DRUCKER: Let's say you come to me.

1865 DUDLEY HAFNER: We present a **case for support which spells out the magnitude of the challenge, what we propose to do about it, how realistic it is to achieve that challenge, and how your gift can make a difference.**

1866 In cultivating you, we would do that perhaps in a series of mailings throughout the year.

1867 DUDLEY HAFNER: Do that, or help us give blood-pressure screening programs.

1868 PETER DRUCKER: And you have basic goals.

1869 DUDLEY HAFNER: Development means bringing the donors along, **raising their sights** in terms of how they can support you, giving them ownership in the outcome of your organization.

1870 PETER DRUCKER: You know I've heard it said the American Heart Association or the Cancer people have it easy because the donors **really give to**

themselves.

- 1871 We in the international field or in universities can't appeal to the donor's self-interest.
- 1872 DUDLEY HAFNER: People in the non-profit health community look at academia and the colleges and say, Oh, but they are blessed with those large corporate foundation-giver types that we wish we could have.
- 1873 DUDLEY HAFNER: That's exactly right.
- 1874 PETER DRUCKER: You know, Dudley, to me one of the most amazing things is how few people in the United States understand the importance and the uniqueness of the things you are talking about.
- 1875 My European friends always point out how low the taxation rate is in the United States I say, you are mistaken because we voluntarily cough up another 10 percent of GNP for things which in Europe are either not done at all, like your work, or run by the government with the individual having absolutely no say in where the money is to be spent.
- 1876 That's a point the public does not understand.
- 1877 DUDLEY HAFNER: I agree.
- 1878 There's a couple of things about this that are very, very important to me personally.
- 1879 First of all, campaigns such as the American Heart Association or the Salvation Army or the Girl Scouts let people get involved, and that becomes important because they do become advocates.
- 1880 The other thing I think that is unique about these United States is the fact that **charitable giving is as much a force in the freedom of democracy** as the right of assemblage or the right of vote or the right of free press.
- 1881 It's **another way of expressing ourselves very, very forcefully.**
- 1882 Someone who pays taxes does not think of himself or herself as getting involved in the welfare program.

- 1883 But if they become involved in a Salvation Army activity or the Visiting Nurses program, they are involved.
- 1884 They are involved spiritually and they are involved monetarily.
- 1885 PETER DRUCKER: We talk blithely about volunteerism without explaining what we mean.
- 1886 But to come back to creating that constituency of yours or the constituency for the local church or the local hospital or the local Girl Scout Council or Boy Scout Council, or for any national organization: What kind of materials do you supply?
- 1887 What kind of tools do you supply to the people who come to me and say, "Will you collect in your neighborhood and here is the kit?"
- 1888 DUDLEY HAFNER: We have a **prescribed structure that we offer to the local leadership.**
- 1889 We have **job descriptions.**
- 1890 We have a **way for them to formulate goals for now and five years out.**
- 1891 Those materials are created **after we look at the various segments of our giver groups.**
- 1892 We know through market research the preferences of, say, a family that's in their fifties and has an income of a certain level, and a family that's in their thirties and a different income.
- 1893 PETER DRUCKER: You said two things I heard loud and clear.
- 1894 One is, you said **market research.**
- 1895 You go to great lengths to study the market and to focus your message on what in' marketing we would call the values of the potential customers.
- 1896 And the second thing, you have **very clear goals for a marketing campaign in which you market the American Heart Association**

- 1897 to potential investors,
- 1898 to people willing to commit themselves,
- 1899 if only in the beginning to a token donation just to get rid of the collector.
- 1900 And I've had lots of people who said, "Tell me how much you want so I can go back to the TV set."
- 1901 I'm actually quoting.
- 1902 But next year the same person very often says, "That literature you left was very interesting."
- 1903 That's when I have learned to say, "Last year you gave ten dollars; how about twenty-five this year?"
- 1904 DUDLEY HAFNER: Peter, you are a fine fund-raiser because you are dealing with what is essential to a successful campaign—that every donor is very, very valuable to you.
- 1905 You may acquire that donor going door-to-door.
- 1906 And it may be a dollar gift to get rid of you so they can go back to the TV set.
- 1907 PETER DRUCKER: But you know, the most valuable training as a door-to-door fund-raiser I got was not from you but from another organization which said, "Don't go Sunday afternoon when the professional football games are on.
- 1908 Then you can't get them away from the television even for those two bucks."
- 1909 And I found out they are right.
- 1910 I'm impressed when I go around by the difference, by the way, between the support I get from your organization as against the weak support from another where I'm not able to answer the questions I get.
- 1911 The difference between your enabling your field salesman to be an effective spokesman for the organization and the ones where all I can do is appeal to "You know how many babies are dying."

- 1912 DUDLEY HAFNER: For long-term growth of an organization, you have to appeal to the rational in the individual as well as the emotional part of the individual.
- 1913 In building local campaigns, you have to think of the person who does door-to-door, who is treated as a salesperson by a potential contributor.
- 1914 See it as an opportunity to educate those potential donors about what they can do for themselves personally, if it's a disease.
- 1915 What they can do in terms of the overall mission, in terms of concerns, plus their gift.
- 1916 DUDLEY HAFNER: We are well ahead of inflation.
- 1917 Let me say something, Peter, about competition in this area.
- 1918 The American Heart Association or the American Lung Association cannot afford to create a strategy, in my opinion, that will cause one of them to do better at the expense of another non-profit health-care organization.
- 1919 So, what we have to do is to figure out how to get new monies that have not been previously given, rather than have someone transfer their allegiance from one non-profit program to another one.
- 1920 PETER DRUCKER: I never heard this before and I am impressed.
- 1921 It seems to me almost to be the opposite of what I hear all the time when that college, or that church, or that hospital, or that national organization says, "We want people who give to nobody but us."
- 1922 May we go back to something we began to talk about and then left aside—your market research?
- 1923 DUDLEY HAFNER: We do market research because we feel a commitment to the 2.5 million volunteers who go out as our ambassadors.
- 1924 We give them the best possible materials.
- 1925 DUDLEY HAFNER: What kinds of prior experience

in that person's life will cause them to be more responsive?

1926 What are they dealing with today that is the button you want to press in terms of having them see you as a unique organization?

1927 You have to rise above all that clutter of information out there about what to buy, what to do with your leisure time, and what charitable organizations, volunteer organizations you support.

1928 That information makes us more effective with our message and building our case for support.

1929 DUDLEY HAFNER: What we've found in asking for a specific gift is that it dramatically improves the return in our campaign.

1930 DUDLEY HAFNER: Let me tell you what I think is at play here.

1931 People who find the appeal sets its sights a little bit too high are not offended; they're usually flattered.

1932 For the individuals who are being asked to give less than they had in mind, we find they tend to go ahead and give what they had in mind anyway, and you can build from there.

1933 PETER DRUCKER: How do you do that?

1934 DUDLEY HAFNER: That's one way.

1935 Then you also have a strategy to increase the size of the gift you ask for each year from those people who have given the suggested amount.

1936 And I'm not talking about in a crass way; I'm talking about in a way that just gently nudges them to a higher level.

1937 I've been involved in local campaigns in which we didn't know individuals.

1938 We suggested a certain amount.

1939 PETER DRUCKER: So, your market research tries to

identify two things, to use technical terms: both market segmentation and market value expectations.

- 1940 DUDLEY HAFNER: For the Heart Association, I don't think so.
- 1941 Although if you're a fund-raiser as such, you might say there are **certain areas that you don't want to put a lot of time in because your contribution base is not going to grow that much.**
- 1942 But there's a piece of me that says that this is more than just raising monies for this organization.
- 1943 It's an **educational opportunity** and it's an opportunity to let somebody be involved.
- 1944 You cannot build your long-term growth strategies, income strategies, on that philosophy, however.
- 1945 PETER DRUCKER: Well, you have to go where the money is to get it, and that is very important.
- 1946 DUDLEY HAFNER: Absolutely, and that's part of the justification for having a broad-based annual campaign.
- 1947 You have to have a **strategy for your fund development and know what you expect out of the various strategies, what your return expectations are.**
- 1948 Then you measure your success against that.
- 1949 With the **larger givers**, you have one **strategy** and one **expectation.**
- 1950 PETER DRUCKER: Let's say, you single out one of those forty-one markets of yours by age and income, and maybe you have urban or suburban or rural.
- 1951 DUDLEY HAFNER: If we're going after people who are age fifty, which is a high-risk age, we want to show these individuals how they can reduce their risk of heart attack.
- 1952 How research or education is going to have immediate feedback, because that's their interest.

- 1953 PETER DRUCKER: Do you supply your fund-raisers, those local volunteers, with information about the potential donors before they go to them?
- 1954 DUDLEY HAFNER: You will receive materials based on the neighborhood in which you live.
- 1955 There is an awful lot of very good data now that we can roll out on any community in this country and say that within this section of the community these are the **materials that will be of most interest to people you call on.**
- 1956 These are general statements and certainly there will be exceptions.
- 1957 Put your materials together.
- 1958 What's emerging for the future, and I hope for the non-profit, is not organizing in the traditional fashion—special gifts, special events—but around **value groups.**
- 1959 Make each one of those value groups an identified market, with their own materials, their own strategies, their own support system.
- 1960 The **primary factors** in the value groups, of course, will be **age** and then **income.**
- 1961 DUDLEY HAFNER: I'd pick out the **care** and **treatment** and **cultivation** of the donor.
- 1962 That's number one.
- 1963 The second thing I would do is ask for a gift that is in relationship to the individual's **ability to give.**
- 1964 Those two things will give you **long-term, stable growth.**
- 1965 DUDLEY HAFNER: Donor acquisition is very, very critical.
- 1966 But I'm often disappointed to find that an organization has made a **considerable investment in donor acquisition and then failed to put that donor into their files in such a way that they can continue to cultivate him or her.**

- 1967 PETER DRUCKER: Well, let me try to pull out what I think are the central points.
- 1968 You have told us, first, of the central importance of the **clear mission**, and the importance of **knowing your market**, not just in generalities, but in fine detail.
- 1969 And then of **enabling those volunteers of yours to do a decent job** by giving them the **tools** that make it almost certain that they can succeed.
- 1970 And finally what I heard you say loud and clear is that you don't **appeal** to the heart alone, and you don't appeal to the head alone.
- 1971 PETER DRUCKER: Dudley, the one area we have not really talked much about is volunteers.
- 1972 Do you really need the volunteers, or can you do that today with the computer and TV?
- 1973 DUDLEY HAFNER: I'm really glad that you brought us back to that point because I think that many organizations may be facing a crisis in their future and I hope that they're aware of that.
- 1974 To answer your question, do we need volunteers to raise money next year?
- 1975 Technology has given us the means to go out and probably do a pretty good job of raising money through the computer, through mail drops or telemarketing that leave out the volunteer.
- 1976 But that would be a tragic mistake because in the process you've also lost the constituency, you've lost the volunteer base, you've lost the course of strength and growth in the organization.
- 1977 I see technology as a way of helping the volunteers do a more effective job; I do not see it as a replacement for a volunteer.
- 1978 PETER DRUCKER: Let me try again to sum up.
- 1979 I think the strongest thing you said just now to me is that **fund development is people development**.
- 1980 Both when you talk of donors and when you talk of

volunteers.

- 1981 You are building a constituency.
- 1982 You're building understanding, you're building support.
- 1983 You're building satisfaction, human satisfaction in the process.
- 1984 That is the way to create the support base you need to do your job.
- 1985 But it's also the way you use your job to enrich the community and every participant.
- 1986 And it's based on clear mission, on extensive and detailed knowledge of the market, of making demands on both your volunteers and your donors, but also on feedback from your performance, which, I think, is something on which a good many non-profit organizations are pretty weak.
- 1987 You never hear from them what the results are.
- 1988 And I think that what you said may be even more important for the purely local and small organization, precisely because on the local scene you have a lot of well-meaning people, but very often you have no sense of direction.
- 1989 You have a need, but no message.
- 1990 I hope what you told us will be heard and applied, particularly by the local organization, where the need is so great and where good intentions just aren't good enough.

1991 5 Summary: The Action Implications

- 1992 Strategy converts a non-profit institution's mission and objectives into performance.
- 1993 Despite its importance, however, many nonprofits tend to slight strategy.
- 1994 It seems so obvious to most of them that they are satisfying a need, so clear that everybody who has that need must want the service the non-profit institution has to offer.
- 1995 One central problem is that too many non-profit managers confuse strategy with a selling effort.
- 1996 Strategy ends with selling efforts.
- 1997 It begins with knowing the market—who the customer is, who the customer should be, who the customer might be.
- 1998 The whole point of strategy is not to look at recipients as people who receive bounty, to whom the non-profit does good.
- 1999 They are customers who have to be satisfied.
- 2000 An effective non-profit institution also needs strategies to improve all the time and to innovate.
- 2001 The two overlap.
- 2002 Nobody can ever quite say where an improvement ends and an innovation begins.
- 2003 When Frances Hesselbein and the Girl Scouts introduced their new service for five-year-olds, the Daisy Scouts, that was, in one way, just old-fashioned Girl Scouting.
- 2004 And then the non-profit institution needs a strategy to build its donor base.
- 2005 All three of these strategies begin with research and research and more research.

- 2006 They require organized attempts to find out who the customer is, what is of value to the customer, how the customer buys.
- 2007 The most important person to research is the individual who should be the customer, the people who are believers but who have stopped going to church.
- 2008 Traditionally, businesses have researched their own customers and know, or try to know, as much as possible about them.
- 2009 But even if you have market leadership, noncustomers always outnumber customers.
- 2010 The most important knowledge is the potential customer.
- 2011 The customer who really needs the service, wants the service, but not in the way in which it is available today.
- 2012 The typical college or university, after twenty years of an enormous number of young people reaching college age, is only now accepting the fact that it has to market the college to high school counselors, to prospective students, to their parents.
- 2013 You would imagine that people would be only too eager for services aimed at helping them prevent a heart attack, or recover from it.
- 2014 Yes, they are, but only if the service fits them—their age, their weight.
- 2015 The typical non-profit institution still goes around telling donors, "Here is the need."
- 2016 But the ones that get results—the ones that attract and build a fund constituency—say,
- 2017 "This is what you need.
- 2018 These are the results.
- 2019 This is what we do for you."

- 2020 They look upon the donor as a customer.
- 2021 This is the essence of a strategy: it always starts out with the other side.
- 2022 The next step in non-profit strategy (as in military strategy) is the training of your own people.
- 2023 Everyone in the hospital must be patient-conscious.
- 2024 That's a training job—not just preaching.
- 2025 It isn't attitude, it's behavior.
- 2026 In fact, we have learned that attitude training is not very effective.
- 2027 The way to train people is behaviorally: This is what you do.
- 2028 When it comes to introducing something new, when it comes to innovation, non-profit strategy requires careful thought and planning: where to start and with whom.
- 2029 Start with people who want the new to succeed.
- 2030 Don't try to have everybody in the organization run with the new first.
- 2031 Look for a target of opportunity, for somebody in the organization who wants the new, who is convinced of it, who is committed to it.
- 2032 The worst thing in strategy is to introduce something with great fanfare and great hope that it is going to change the world, and five years later say, "Well, it's doing all right.
- 2033 It's a little specialty."
- 2034 That's failure.
- 2035 Knowing the customer also enables the non-profit organization—whether it's the church, the synagogue, the Scouts, a hospital, a college—to know what results to expect.

- 2036 It is important to define goals and know what realistically should work.
- 2037 What are we trying to do?
- 2038 This college is trying to get in so many applicants, of what quality, so that it can maintain its size and quality.
- 2039 Then one can feed back from results.
- 2040 Then one can say, "Well, we are doing quite well here, but not really well over there.
- 2041 Let's put in a little more effort."
- 2042 Or, "We need a stronger person in charge."
- 2043 Strategy also demands that the non-profit institution organize itself to abandon what no longer works, what no longer contributes, what no longer serves.
- 2044 A church must get out of the singles ministry if it doesn't have the right person to run it and cannot guarantee a quality service.
- 2045 The American Heart Association must be willing to play down older people as potential donors because to people over seventy-five or eighty, death by heart attack is not the worst of all possible ways to go.
- 2046 That's abandonment.
- 2047 The question always before the non-profit executive is: What should our service do for the customer that is of importance to that customer?
- 2048 Then think through how the service should be structured, be offered, be staffed.
- 2049 End up with nuts and bolts: What to do, when to do, where to do.
- 2050 Strategy begins with the mission.
- 2051 It leads to a work plan.

- 2052 It ends with the right tools—a kit, say for volunteers, which tells them who to call on, what to say, and how much money to get.
- 2053 The last thing to say about strategy is that it exploits opportunity, the right moment.
- 2054 Greek theologians called it Kairos, the point when the new is received.
- 2055 Most of the needs non-profit institutions fill are likely to be there forever in one form or another; they are parts of the human condition.
- 2056 But the need presents itself in a specific form, and it is the function of research to find out, at this time, what that form is.
- 2057 Especially for the ones who should be customers but aren't because the service is not available in a form that serves them.
- 2058 Ask: "Is this something that fits our strengths?"
- 2059 Can we develop the service that satisfies?"
- 2060 Strategy commits the non-profit executive and the organization to action.
- 2061 Its essence is action—putting together mission, objectives, the market—and the right moment.
- 2062 The tests of strategy are results.
- 2063 It begins with needs and ends with satisfactions.
- 2064 For this you need to know what the satisfactions should be for your customers: the parishioners in your church, the sick in your hospital, the boys and girls in your Scout troops, and the volunteers who lead them.
- 2065 What is really meaningful to them?
- 2066 Non-profit people must respect their customers and their donors enough to listen to their values and understand their satisfactions.
- 2067 They do not impose the executive's or the

organization's own views and egos on those they serve.

2068 PART THREE

2069

Managing for Performance how to define it; how to measure it

2070

- 2071 1. What Is the Bottom Line When There Is No
"Bottom Line"?
- 2072 2. Don't's and Do's—The Basic Rules
- 2073 3. The Effective Decision
- 2074 4. How to Make the Schools Accountable Interview
with Albert Shanker
- 2075 5. Summary: The Action Implications

2076 1 What Is the Bottom Line When There Is No “Bottom Line”?

2077 Introduction

2078 Non-profit institutions tend not to give priority to performance and results.

2079 In a business, there is a financial bottom line.

2080 Profit and loss are not enough by themselves to judge performance, but at least they are something concrete.

2081 Whether business executives like it or not, profit certainly will be used to measure their performance.

2082 When non-profit executives, however, face a risk-taking decision, they must first think through the **desired results**—before the means of measuring performance and results can be determined.

2083 For each non-profit institution, the executive who leads effectively must first answer the question, **How is performance for this institution to be defined?**

2084 In a hospital emergency room, for instance, is performance how fast the staff sees people who come in?

2085 Is it the number of heart-attack victims who pull through the first few hours after they arrive?

2086 What is the performance of a church?

2087 One may look strictly at attendance; but there is also the impact on the community.

2088 Both are perfectly respectable ways to measure performance, yet each leads to a very different way of running the church.

2089 An organization to tackle AIDS does not have to worry about the need for its efforts.

- 2090 But it must be clear whether its performance is to be measured by success in prevention of the disease or in taking care of AIDS patients.
- 2091 It is not enough for non-profits to say: We serve a need.
- 2092 The really good ones **create a want**.
- 2093 Museums, for instance, used to see themselves as cultural custodians.
- 2094 Their administrators believed in keeping art in and people out.
- 2095 Most museums today work hard to create customers for taste, for beauty, and for inspiration.
- 2096 They see themselves as educational institutions.
- 2097 The Cleveland Museum became one of the world's great museums not only because it had a director who was a whiz at finding great objects; he was equally adept at making patrons out of "casuals," people who just dropped in to spend an idle hour out of the rain.
- 2098 He used terms such as "repeat sales" to measure the performance of his institution.
- 2099 As non-profit executives begin to **define the performance that makes the mission of their institution operational**, two common temptations have to be resisted.
- 2100 First: recklessness.
- 2101 It's so easy to say that the cause is everything, and if people don't want to support it, too bad for them.
- 2102 Performance means concentrating available resources where the results are.
- 2103 But equally dangerous is the opposite—to go for the easy results rather than for results that further the mission.
- 2104 Avoid overemphasis on the things the institution

can easily get money for, the popular issues, the easy things.

2105 Lately, I have been worrying over a similar problem with an art museum.

2106 A patron is offering to give the museum an outstanding collection, but under conditions that would impair the museum's main mission.

2107 One possible response is to be virtuous and say no.

2108 The other is to be dishonest and sign on the dotted line, knowing that the donor won't live forever; after all, you are being dishonest in a good cause.

2109 But if we accept, we'll pay a heavy price.

2110 The whole organization will become cynical.

2111 Yet the temptation is great.

2112 Both temptations have the same root: **the non-profit doesn't get paid for performance.**

2113 Even if it can charge fees for its service—the entrance fee the museum charges, for instance, or the money a well-run museum shop now earns—the non-profit cannot generally generate more than a fraction of the funds it needs to operate.

2114 In a business, performance is what the customer is willing to pay for.

2115 The non-profit does not get paid for performance.

2116 But it **does not get money for good intentions**, either.

2117 ***Planning for Performance***

2118 Performance in the non-profit institution must be planned.

2119 And this starts out with the mission.

2120 Non-profits fail to perform unless they start out

with their mission.

- 2121 One of the basic differences between businesses and non-profits is that non-profits always have a multitude of constituencies.
- 2122 It used to be that a business could plan in terms of one constituency, the customers and their satisfaction—the Japanese still do.
- 2123 Everybody else—employees, the community, the environment, maybe even the shareholders—were restraints.
- 2124 That this has changed for American business, and quite drastically, is the reason why many business executives feel the world is coming to an end.
- 2125 But in the non-profit institution there have always been a multitude of groups, each with a veto power.
- 2126 A school principal has to satisfy teachers, the school board, the taxpayers, parents, and, in a high school, the students themselves.
- 2127 Five constituencies, each of which sees the school differently.
- 2128 Each of them is essential, and each has its own objectives.
- 2129 Thirty years ago, community hospitals were run basically for the physicians.
- 2130 Physicians were the buyers.
- 2131 The physician said, "I'm going to put you into this hospital," and it did not occur to the patient to say no.
- 2132 That's now gone.
- 2133 And one of the reasons hospital management is becoming so difficult is that third-party payers, the companies who pay for their employees, have now become a constituency that has to be satisfied, both medically and economically.

- 2134 Uncle Sam, too, has become a very powerful constituent since about two fifths of the revenue of the typical community hospital comes from Medicare.
- 2135 The new health providers, the health maintenance organizations (HMOs), have become constituents.
- 2136 The success of the growing pastoral churches largely depends on their realizing that the needs of young people, young married couples, singles, and older people are different.
- 2137 The church has to **set a performance goal with respect to each group and use competent individuals who can deliver performance.**
- 2138 The first—but also the toughest—task of the non-profit executive is to get all of these constituencies to **agree** on what the *long-term* goals of the institution are.
- 2139 If you focus on short-term results, they will all jump in different directions.
- 2140 You'll have a flea circus—as I discovered during my own dismal failure some forty years ago as an executive in an academic institution.
- 2141 My own thinking has always been long term.
- 2142 But I thought I'd win friends and influence people by giving them some short-term goodies.
- 2143 What I learned was that unless you integrate the vision of all constituencies into the long-range goal, you will soon lose support, lose credibility, and lose respect.
- 2144 After I'd been beaten to a pulp, I began to look at non-profit executives who did successfully what I had unsuccessfully tried to do.
- 2145 This kind of planning is quite different from what business people usually mean by the term.
- 2146 **To formulate the plan successfully, non-profit executives **think through** the concerns of each of the institution's constituencies.**

- 2147 They try to **understand what is really important to** an elected school board, to the faculty of the school, to the parents of the students.
- 2148 **Long-term concerns must be identified**—not short-term concerns such as the parents who worry whether their Marilyn will get into the college of her choice.
- 2149 But for a school to be good enough so that its students have, a choice where they go to college is a legitimate long-range goal for both constituencies, parents and their high school children.
- 2150 **Integrating constituency goals into the institution's mission is almost an architectural process, a structural process.**
- 2151 It's not too difficult to do once it's understood; but it's hard work.

2152 ***Moral vs. Economic Causes***

- 2153 Non-profit institutions generally find it almost impossible to abandon anything.
- 2154 Everything they do is "the Lord's work" or "a good cause."
- 2155 But non-profits have to distinguish between moral causes and economic causes.
- 2156 A moral cause is an absolute good.
- 2157 Preachers have been thundering against fornication for five thousand years.
- 2158 Results, alas, have been nil, but that only proves how deeply entrenched evil is.
- 2159 The absence of results indicates only that efforts have to be increased.
- 2160 In an economic cause, one asks:
- 2161 Is this the best application of our scarce resources?

- 2162 There is so much work to be done.
- 2163 Let's put our resources where the results are.
- 2164 To believe that whatever we do is a moral cause, and should be pursued whether there are results or not, is a perennial temptation for non-profit executives—and even more for their boards.
- 2165 But even if the cause itself is a moral cause, the specific way it is pursued better have results.
- 2166 There are always so many more moral causes to be served than we have resources for that the non-profit institution has a duty—toward its donors, toward its customers, and toward its own staff—to allocate its scarce resources for results rather than to squander them on being righteous.
- 2167 The nonprofits are human-change agents.
- 2168 And their results are therefore always a change in people—in their behavior, in their circumstances, in their vision, in their health, in their hopes, above all, in their competence and capacity.
- 2169 In the last analysis, the nonprofit institution, whether it's in health care or education or community service, or a labor union, has to judge itself by its performance in creating vision, creating standards, creating values and commitment, and in creating human competence.
- 2170 The non-profit institution therefore needs to **set specific goals in terms of its service to people.**
- 2171 And it needs constantly to raise these goals—or its performance will go down.

2172 **2 Don't's and Do's – The Basic Rules**

- 2173 There are some don't's and some do's for non-profit institutions.
- 2174 Non-profits are prone to become inward-looking.
- 2175 People are so convinced that they are doing the right thing, and are so committed to their cause, that they see the institution as an end in itself.
- 2176 But that's a bureaucracy.
- 2177 Soon people in the organization no longer ask: Does it service our mission?
- 2178 They ask: Does it fit our rules?
- 2179 One good example of what not to do is the way a large community hospital tackled the nursing shortage.
- 2180 It worked out elaborate policies to make the nurses "feel better."
- 2181 But the nurses' turnover only increased, and the shortage of nurses grew worse.
- 2182 All the measures to make the nurses "feel better" only made them more conscious of the gap between what they knew they should be doing and what the hospital allowed them to do.
- 2183 Another hospital first asked the nurses, "How, do you define your performance?"
- 2184 Every nurse said, "My contribution should be patient care."
- 2185 But everyone also said, "You load me down with chores and paper shuffling which have nothing to do with patient care."
- 2186 The solution was quite simple: Hire clerks, one for each floor, who do the chores and the paperwork.
- 2187 This freed the nurses for what they knew they

- should be doing, that is, patient care.
- 2188 Nurses' morale rose dramatically, turnover all but disappeared, and instead of a nurse shortage, the hospital actually found itself with a surplus.
- 2189 Fewer nurses carried the load—and they enjoyed it.
- 2190 In every move, in every decision, in every policy, the non-profit institution needs to start out by asking, **Will this advance our capacity to carry out our mission?**
- 2191 Dissent, as we shall see shortly, is essential for effective decision making.
- 2192 Feuding and bickering are not.
- 2193 In fact, they must not be tolerated.
- 2194 Most people think that feuding and bickering bespeak "personality conflicts."
- 2195 They rarely do.
- 2196 They usually are symptoms of the need to change the organization.
- 2197 It may have grown very fast and in the process outgrown its structure; nobody quite knows what he or she is responsible for.
- 2198 Then people begin to blame each other.
- 2199 I've seen this happen in an organization that was serving meals to shut-ins.
- 2200 That's what all the volunteers thought they were doing, and so did the people who were running the organization.
- 2201 But over the years, the volunteers visiting the shut-ins also took on the visiting nursing care in mobile home parks, helping lonely older people get in touch with their relatives, helping them with their Social Security, taking them to physical therapy, and so on; altogether, a dozen different kinds of help for low-income, older, handicapped people.

- 2202 And yet the whole organization was still based around delivering meals.
- 2203 That's a sign that you'd better look at your organization.
- 2204 **Are you organized for yesterday rather than today?**
- 2205 Are you organized for the kind of small, cozy family operation you were, and now you've grown from a four-room boardinghouse into a six-hundred-room hotel without any change?
- 2206 When the noise level rises, it's a sign of discomfort.
- 2207 Your organization structure and the reality of your operation aren't congruent anymore.
- 2208 A final don't Don't tolerate discourtesy.
- 2209 Since the beginning of the world, young people have resented good manners as dishonesty.
- 2210 They think manners are substance.
- 2211 If you say "Good morning" while it rains outside, you are a hypocrite.
- 2212 But there is a law of nature that where moving bodies are in contact with one another, there is friction.
- 2213 And manners are the social lubricating oil that smoothes over friction.
- 2214 Young people always fail to see this.
- 2215 The only difference is that in my youth you got slapped if you were not courteous; but we didn't feel like being courteous either.
- 2216 One learns to be courteous—it is needed to enable different people who don't necessarily like each other to work together.
- 2217 Good causes do not excuse bad manners.
- 2218 Bad manners rub people raw; they do leave permanent scars.

- 2219 The most important do is to build the organization around information and communication instead of around hierarchy.
- 2220 Everybody in the non-profit institution—all the way up and down—should be expected to take information responsibility.
- 2221 Everyone needs to learn to **ask two questions:**
- 2222 What information do I need to do my job—from whom, when, how?
- 2223 When I first started working some sixty years ago, there simply was no information.
- 2224 Organizations had to be many-layered, tight hierarchies.
- 2225 Now we have enormous information capacity.
- 2226 This means that organizations can be much flatter and have many fewer layers.
- 2227 That's a great improvement.
- 2228 For we know that each level of management is a "relay"; and each relay in an information chain cuts the message in half and doubles the "noise."
- 2229 But it also means that individuals in the organization have to take information responsibility.
- 2230 There is an old example.
- 2231 A hundred years ago, two brothers, both surgeons in a small town in rural Minnesota, founded the first modern medical clinic—the Mayo Clinic.
- 2232 It was a total innovation, and everybody knew it could not work.
- 2233 Here were two country surgeons bringing in all kinds of high-powered specialists, and almost no layers of management.
- 2234 But it did work, perfectly.

- 2235 Every senior physician at Mayo reported directly to one of the two Doctors Mayo.
- 2236 And each month each Chief of Service sat down and wrote in full what was going on with each patient.
- 2237 In this report, he also discussed what changes were needed in the way the clinic was run or patients were treated, and where the clinic had to acquire new competence or improve its performance.
- 2238 And each Chief of Service, whether urologist or eye man, was expected to mobilize whatever team of physicians was needed across the whole Mayo organization to deal with whatever patient need existed.
- 2239 In the information-based institution, people must take responsibility for informing their bosses and their colleagues, and, above all, for *educating* them.
- 2240 This requires that everyone think through and put down in writing what the organization should hold him—or herself accountable for by way of contribution and results.
- 2241 This is also the one way to build mutual trust.
- 2242 Organizations are based on trust.
- 2243 Trust means that you know what to expect of people.
- 2244 Trust is mutual understanding.
- 2245 Not mutual love, not even mutual respect.
- 2246 Predictability.
- 2247 But there are also teachers who have tenure or pastors who are nobody's "subordinates."
- 2248 Then you need mutual trust—and if you don't know what to expect from one another, you will soon feel let down by that fellow or that woman next door.
- 2249 People assume—rightly so in a non-profit

institution—that they are all dedicated to the same cause.

2250 So, when they are betrayed, or feel betrayed, it hurts much more.

2251 Everyone believes in delegation.

2252 But it needs clear rules to become productive.

2253 It requires that the delegated task be clearly defined, that there are mutually understood goals and mutually agreed-on deadlines, both for progress reports and for the accomplishment of the task.

2254 Above all, it requires clear understanding of what the person who delegates and the person who takes on the assignment expect and are committing themselves to.

2255 Delegation further requires that delegators follow up.

2256 They rarely do—they think they have delegated, and that's it.

2257 But they are still accountable for performance.

2258 Finally, it is the duty of the person to whom a task is delegated to inform the delegator of anything unexpected that happens, and not to say, "But I can take care of it."

2259 ***Standard Setting, Placement,
Appraisal***

2260 For each person to take responsibility for his or her own contribution and for being understood requires standards.

2261 Standards have to be set high; you cannot ease into a standard.

2262 When we went in to work in developing countries, we all made the same mistake.

2263 We said: Here are untrained, unskilled people, so

let's start low.

- 2264 If you start low, you can never go higher.
- 2265 Slow is different from low.
- 2266 Sure, at the beginning of a new effort with a new person, you go slow.
- 2267 You make mistakes.
- 2268 But the standard is clear.
- 2269 There is a great deal to be said for the old schoolteacher of mine many years ago, who put examples of beautiful penmanship on the wall on the first day of second grade, and said: "This is how you are going to write."
- 2270 None of us kids could do it, and most of us never did, speaking for myself.
- 2271 Clear standards are particularly important in the non-profit institution that is both centrally run and a "confederation" of autonomous locals.
- 2272 Originally, there were only a few such organizations around—mostly very large ones.
- 2273 The oldest is, of course, the Catholic Diocese.
- 2274 Then came the American Heart Association, the Red Cross, the Scouts, and many others.
- 2275 Now you have hospital chains and state university systems.
- 2276 We have a number of large Protestant churches which staff and support several small "outreach" churches, each with its own Vestry, its own congregation, and its own locally raised budget.
- 2277 In all of them, **the standards have to be uniform across the board.**
- 2278 But each local organization—the council, the chapter, the parish, the diocese, the hospital—has to be autonomous and has to make its own decisions.

- 2279 Squaring these conflicting demands for autonomy and conformity requires, above all, clear and high standards.
- 2280 But this kind of confederation also requires that the central organization think through the two or three things—not just the things to say, but the **things to do**.
- 2281 In the Catholic Diocese, the bishop makes the critical personnel decisions; he alone appoints parish priests.
- 2282 The Scouts provide centrally the program material, the books for the badges, and the innovations such as the Daisy Scouts.
- 2283 Next, such organizations need control of standards.
- 2284 That’s the most difficult thing to do.
- 2285 That’s where the chief executive officer needs not so much skill as respect, so that a local council will accept a veto from the center even though it doesn’t like it.
- 2286 It helps if the central organization controls promotions in the system, the way the bishop does in the Catholic Diocese.
- 2287 But in most nonprofit confederations, the local organization picks its own people.
- 2288 A confederation therefore requires that the top people constantly visit the organization’s various locations—that they do so personally rather than through staff.
- 2289 And the people in the central organization must remind themselves all the time: We are the **servants of the local chapter**, the servants of the local hospital.
- 2290 It is part of our job to **make sure they have standards**; but **we are their servants**.
- 2291 They do the work.
- 2292 And the people in the local chapter, the local

hospital, the local parish, must remind themselves all the time: **we represent the larger institution.**

2293 **Standards** should be **very high** and **goals** should be **ambitious.**

2294 Yet they should be **attainable.**

2295 Indeed,

2296 they should be attained, at least by the **star performers** of the institution.

2297 The nonprofit institution therefore needs to work hard at placing people **where they can perform.**

2298 It needs to place people where their strengths are **relevant to the assignment.**

2299 But one also needs to **use the star performers to raise** the sights, the vision, the expectations, and the performance capacity of the entire organization.

2300 One features performers.

2301 The best way—and the way that conveys the most recognition and builds the most pride—is to use star performers as the **teachers of their colleagues.**

2302 Put them up front at the chapter meeting and **have them tell the rest of us how they obtain their outstanding results.**

2303 Nothing makes as much impact on a sales force as to have a successful salesman stand up before his peers and tell them, **“This is what has worked for me.”**

2304 And it does even more for the star performer.

2305 **People need to know how they do**—and volunteers more than anyone else.

2306 For if there is no paycheck, **achievement is the sole reward.**

2307 Once goals and standards are clearly established, appraisal becomes possible.

- 2308 Sure, it's the responsibility of the superior.
- 2309 An appraisal should always start out with what the person has done well.
- 2310 Never start out with the negative: You'll get to it soon enough.
- 2311 And it is the function of any organization to make human strengths effective in performance and to neutralize human weaknesses.
- 2312 This is its ultimate test.

2313 *The Outside Focus*

- 2314 One more basic rule: **Force your people, and especially your executives, to be on the outside often enough to know what the institution exists for.**
- 2315 There are no results inside an institution.
- 2316 There are only costs.
- 2317 Yet it is easy to become absorbed in the inside and to become insulated from reality.
- 2318 In one of the most successful large hospitals, for instance, each staff member (including accountants and engineers) works one week a year on a floor as a nurse's aide.
- 2319 And each of them every other year has himself or herself actually admitted under a fictitious name and spends twenty-four hours as a patient.
- 2320 And don't let people stay forever in a staff position in the office.
- 2321 Rotate them regularly back into work in the field.
- 2322 It's an old rule of effective armies that every officer rotates back into a troop command every few years.

2323 3 The Effective Decision

- 2324 Executives, whether in a non-profit institution or in a business, actually spend little time on decision making.
- 2325 Far more of their time is spent in meetings, with people, or in trying to get a little information.
- 2326 Yet it's in the decision that everything comes together.
- 2327 That is the make or break point of the organization.
- 2328 Most of the other tasks executives do, other people could do.
- 2329 But only executives can make the decisions.
- 2330 And they either make decisions effectively or they render themselves ineffective. ...
- 2331 The least effective decision makers are the ones who constantly make decisions.
- 2332 The effective ones make very few.
- 2333 They concentrate on the important decisions.
- 2334 And even people who work hard on making decisions often misapply their time.
- 2335 They slight the important decisions and spend excessive time making easy—or irrelevant—decisions. ...
- 2336 The most important part of the effective decision is to ask:
- 2337 **What is the decision really about?**
- 2338 Very rarely is a decision about what it seems to be about.

2339 That's usually a symptom. ...

2340 Some twenty years ago, a Girl Scout Council in a major suburban area realized that the ethnic composition of the area was changing rapidly.

2341 It had been lily-white, and so had the Scouts.

2342 But now the area was rapidly becoming highly diverse: blacks, Hispanics, Asians were arriving in large numbers.

2343 That the Council had to offer scouting to the children of the newcomers was obvious to everyone.

2344 But so was the enormous cost of providing scouting to very poor neighborhoods.

2345 The question that seemed to demand a decision was, therefore, seen as a financial one: How do we raise the money?

2346 And the answer to that question seemed obvious: Have separate troops for different ethnic groups.

2347 Otherwise, it was feared, financial support from the affluent group, the whites, might be endangered. ...

2348 Fortunately, one of the leaders then asked: What is this decision all about? is our mission to raise money, or is it to build a nation?

2349 It was clear at once that the decision was one of basic principle, to be decided contrary to all of the Council's precedents.

2350 The answer had to be that, whatever the financial risk, we are not going to have ethnic troops.

2351 That is the past.

2352 We have to emphasize that young women are young women—not black, not white, not Italian, not

Jewish, not Vietnamese—but young American women.

2353 That is what the decision was really all about.

2354 Once this was clear, the decision made itself.

2355 And the whole community accepted that decision without a murmur, once it was explained. ...

2356 A major university with severe budget problems had to accept that it must cut programs.

2357 But which ones?

2358 At first, this was seen as a financial decision: where do we spend the most?

2359 The ensuing civil war within the faculty almost destroyed the institution.

2360 But then one board member said, "We are tackling the wrong issue.

2361 We should be discussing whether to put our major emphasis on the continuing education of adults or whether to stick with teaching the young.

2362 That's what this decision is about.

2363 The rest is implementation."

2364 Suddenly it became clear why people had been so hot under the collar.

2365 The decision was not about the budget but about the future of American higher education and the university's role in it, and this is something on which good people should disagree.

2366 Such a decision is a strategic decision, and halfway measures won't do.

2367 If the university's future is in continuing education, it is not going to cut.

2368 It has to go out and raise the money; otherwise, it has no future. ...

2369 Decisions always involve risk taking.

2370 And effective decisions take a lot of time and thought.

2371 For this reason, one doesn't make unnecessary decisions.

2372 Again and again, non-profit institutions go through a painful reorganization, moving staff and activities around because two people are feuding with one another.

2373 But they have been feuding for twenty years and will keep on feuding whatever the organization structure.

2374 Leave them alone. ...

2375 And don't make decisions on trivia.

2376 I live sixty miles east of Los Angeles, with four freeways into the city.

2377 They all have the same mileage; it's totally unpredictable which one will be jammed.

2378 Whether you take one or the other is not a decision.

2379 Routine decisions are decisions that have no consequences, or at least no foreseeable consequences.

2380 Don't waste time on them.

2381 ***Opportunity and Risk***

2382 The next question in decision making is opportunity versus risk.

- 2383 One starts out with the opportunity, not with the risk:
- 2384 *If this works, what will it do for us?*
- 2385 Then look at the risks.
- 2386 And there are three kinds of risks: ...
- 2387 There is the risk we can afford to take.
- 2388 If it goes wrong, it is easily reversible with minor damage.
- 2389 Then there is the irreversible decision, when failure may do serious harm.
- 2390 Finally there is the decision where the risk is great but one cannot afford not to take it.
- 2391 Here's an example.
- 2392 Forty years ago a Brooklyn neighborhood in New York radically changed from white working class to a black slum.
- 2393 A major hospital in the area almost overnight became empty, going down to about 12 percent occupancy.
- 2394 Its regular physicians had left with their patients.
- 2395 Keeping the hospital open could not be economically justified but the community needed its services.
- 2396 The decision—and it was bitterly fought—was to keep the hospital open and to raise the money somehow for the three to five years until the hospital's patient base could be rebuilt.
- 2397 The decision came very close to total disaster.
- 2398 But to stay open was a risk the hospital had to take if it wanted to maintain its mission.

2399 ***The Need for Dissent***

- 2400 All the first-rate decision makers I've observed, beginning with Franklin D. Roosevelt, had a very simple rule: If you have consensus on an important matter, don't make the decision.
- 2401 Adjourn it so that everybody has a little time to think.
- 2402 Important decisions are risky.
- 2403 They should be controversial.
- 2404 Acclamation means that nobody has done the homework.
™
- 2405 Because it is essential in an effective discussion to **understand what it is really about**, there has to be dissent and disagreement.
- 2406 If you make a decision by acclamation, it is almost bound to be made on the apparent symptoms rather than on the real issue.
- 2407 You need dissent; but you have to make it productive. ...
- 2408 About seventy years ago, an American political scientist, Mary Parker Follet, said that when you have dissent in an organization, you should never ask who is right.
- 2409 You should not even ask what is right.
- 2410 You must assume that each faction gives the right answer, but to a different question.
- 2411 Each sees a different reality. ...
- 2412 A few years ago, as we saw earlier, a major-hospital was torn by internal conflict within its medical staff.

- 2413 One group advocated moving the eye clinic out of the hospital.
- 2414 Most eye operations have become ambulatory and it is far more economical to do them where they do not have to carry the whole overhead of the, big hospital.
- 2415 The other group saw such a move as the first step toward complete restructuring of the hospital.
- 2416 Both were right, but both saw only part of the reality. ...
- 2417 Instead of arguing what is right, assume that each faction has the right answer.
- 2418 But which question is each trying to answer?
- 2419 Then, you gain understanding.
- 2420 You also gain, in many cases, the ability to bring the two together in a **synthesis**.
- 2421 Then you can say: In this case we are not deciding on ophthalmology; that is just an incident.
- 2422 But the decision to move the eye clinic out commits us to restructuring the hospital.
- 2423 If we believe that moving out of the hospital is tomorrow's right structure, let's not talk economics, whether of the hospital or of eye surgery.
- 2424 And everybody understands it.
- 2425 Look upon dissent as a means of creating understanding and mutual respect. ...
- 2426 Emotions always run high over any decision in which the organization is at risk if that decision fails, or in one that is not easily reversible.
- 2427 The smart thing is to treat this as constructive dissent and as a key to mutual understanding. ...

- 2428 If you can bring dissent and disagreement to a common understanding of what the discussion is all about, you create unity and commitment.
- 2429 There is a very old saying—it goes back all the way to Aristotle and, later on became an axiom of the early Christian Church: In essentials unity, in action freedom, and in all things trust.
- 2430 And trust requires that dissent come out into the open, and that it be seen as honest disagreement. ...
- 2431 This is particularly important for non-profit institutions, which have a greater propensity for internal conflict than businesses precisely because everybody is committed to a good cause.
- 2432 Disagreement isn't just a matter of your opinion versus mine, it is your good faith versus mine.
- 2433 Non-profit institutions, therefore, have to be particularly careful not to become riddled by feuds and distrust.
- 2434 Disagreements must be brought out into the open and taken seriously. ...
- 2435 A second reason to encourage dissent is that any organization needs a nonconformist.
- 2436 If and when things change, it needs somebody who is willing and able to change.
- 2437 This is not the kind of person who says, "There is a right way and a wrong way—and our way."
- 2438 Rather, he or she asks, "What is the right way now?"
- 2439 You don't want only yes-men or yes-women.
- 2440 You want a critic—and one the organization respects. ...

- 2441 Bringing disagreement into the open also enables non-profit executives to brush aside the unnecessary, the meaningless, the trivial conflict.
- 2442 It enables them to concentrate on the real issues.
- 2443 When you bring conflicts out in the open, a good many disappear.
- 2444 People realize that they are trivia and not that serious.
- 2445 Yes, there is a conflict.
- 2446 You here in the surgery see one thing and you here in internal medicine see another.
- 2447 But is this pertinent to this specific case?
- 2448 If not, you say what our teacher of religion said to us when we were thirteen: "Boys, kill each other, but not in my class."
- 2449 Fight it out outside; it doesn't belong here.
- 2450 You don't resolve the conflict, but you do make it irrelevant.
- 2451 If you can do that, you are way ahead. ...
- 2452 Another example: I was present, not so long ago, at a meeting at a museum that degenerated into civil war.
- 2453 People were screaming at each other until one of the wise old men pointed out that the two groups were both right.
- 2454 One, in arguing for a big new building, assumed the kind of museum we are now building, which is a museum that is a community asset.
- 2455 So, members of this group assumed we were talking about a tremendous expansion.
- 2456 The other group assumed the opposite.

- 2457 It wanted to concentrate on a very small number of real masterpieces and create a standard of excellence in which every single object was the best in its class, which is very much the way the great nineteenth-century collectors went about their business.
- 2458 The word "museum" was the same, but that was the only thing. ...
- 2459 Once the position of each group was understood, it became clear that the conflict had nothing to do with the matter under discussion.
- 2460 Sooner or later a decision will be made to go one way or the other, and then half the board will resign—maybe to start a new museum.
- 2461 But that wasn't what we had to decide at that meeting.
- 2462 Suddenly there was peace, harmony, even laughter.

2463 ***Conflict Resolution***

- 2464 You use dissent and disagreement to resolve conflict.
- 2465 If you ask for disagreement openly, it gives people the feeling that they have been heard.
- 2466 But you also know where the objectors are and what their objections are.
- 2467 And in many cases you can accommodate them, so that they can accept the decision gracefully.
- 2468 That also enables them very often to understand the arguments of the winning side.
- 2469 Maybe not to accept them; but to see that these people are neither stupid nor malicious.
- 2470 They only differ.

- 2471 In this way you resolve conflict.
- 2472 You do not prevent disagreement, but you do resolve conflict. ...
- 2473 Another way to resolve conflict is to ask the two people who most vocally oppose each other, especially if both of them are respected community members, to sit down and work out a common approach.
- 2474 They do this by starting out with the areas in which they agree. ...
- 2475 The third way is by defusing the argument.
- 2476 You say, "Let's start out by finding out what we agree on."
- 2477 Then disagreements often turn out to be peripheral.
- 2478 On essentials there is common ground and you can work out things.
- 2479 In some cases you say, "Let's split the difference," or, "Let's postpone this," or, "Is this really that important?"
- 2480 You play down the areas of disagreement and play up the areas of agreement. ...
- 2481 These are by no means new techniques; there are examples in the Old Testament.
- 2482 Finding common ground especially is what the elders of any tribe do to maintain unity.
- 2483 One cannot prevent conflict.
- 2484 But one can make it—I wouldn't say irrelevant, but

secondary.

2485 And the best tool for this is the constructive use of dissent.

2486 *From Decision to Action*

2487 A decision is a commitment to action.

2488 But far too many decisions remain pious intentions.

2489 There are four common causes for this.

2490 One is that we try to “sell” the decision rather than to “market” it.

2491 In the West, we tend to make the decision fast—and then we start to “sell” it to the people in the organization.

2492 That takes three years, and by the time the decision has been “bought,” it has become obsolete.

2493 Here we can learn from the Japanese.

2494 They build the implementation in before they make the decision.

2495 In the Japanese organization, **everyone who will be affected by the decision—and especially everyone who will have to do something to carry it out—is asked to comment on the issue before that decision is made.**

2496 This looks incredibly slow.

2497 Westerners watching the process climb up the walls.

2498 But then the Japanese make the decision the point at which we in the West begin to “sell.”

2499 Not so the Japanese.

2500 Bingo!

2501 The next day everyone understands it, everyone acts on it.

- 2502 A second way to lose the decision is to go systemwide immediately with the new policy or the new service.
- 2503 This jumps the testing stage.
- 2504 We disregard what Frances Hesselbein of the Girl Scouts told us in her interview in Part One of this book: Find the targets of opportunity in your non-profit institution and concentrate on them.
- 2505 Don't try to convert everybody right away. ...
- 2506 I like to try the new in three different places with three different people—something I learned forty years ago from the people who introduced physical therapy in the American hospital.
- 2507 There was almost universal resistance to the idea.
- 2508 Most hospitals said it was none of their business.
- 2509 The innovators didn't even try to convert the non-believers.
- 2510 They picked three hospitals in three communities that were eager to do physical therapy: a large teaching hospital with many older people, stroke victims, and so on; a small semi-rural hospital that had lots of industrial and farming accidents; and a fair-sized suburban community hospital with a lot of ordinary cases, broken bones, arthritis, and so on.
- 2511 They worked only with these three hospitals for five years.
- 2512 By then, every hospital in the country wanted physical therapy. ...
- 2513 But by then, also, the product had become quite different from the original design.
- 2514 The three pilots showed, for instance, that

psychological counseling and work with the patient's family are just as important in rehabilitation as exercise and physiology—something which had not even occurred to the innovators but which made an enormous difference in effectiveness.

- 2515 In industry we learned long ago that we are going to be in trouble if we jump the pilot stage.
- 2516 We have to learn that this is just as true for social projects and services. ...
- 2517 The third caveat: no decision has been made until someone is designated to carry it out.
- 2518 Someone has to be accountable—with a work plan, a goal, and a deadline.
- 2519 Decisions don't make themselves effective; people do. ...
- 2520 Finally—common mistake number four—I've seen wonderful decisions come a cropper because nobody really thought through who had to do what.
- 2521 In what form should the decision be communicated to each person who has to implement that decision so that he or she can actually act?
- 2522 What training does each need?
- 2523 What tools?
- 2524 I have seen a decision couched in a brilliant mathematical model which forklift drivers in the warehouse were expected to carry out.
- 2525 It didn't become effective.
- 2526 You not only have to translate a decision into the language of the people who have to do the work; you also have to fit it into their assumptions.

- 2527 You have to build the new behavior into their instructions, their training, their compensation.
- 2528 And then you have to follow up.
- 2529 Don't depend on reports.
- 2530 Go to the warehouse and look.
- 2531 Otherwise, you'll find a year later that nothing has happened. ...
- 2532 Every decision is a commitment of present resources to the uncertainties of the future.
- 2533 This, according to elementary probability mathematics, means that decisions will turn out to be wrong more often than right.
- 2534 At the least they will have to be adjusted.
- 2535 Practically every single decision American hospitals made in the sixties and seventies has been shot out of the water by changes in government—particularly reimbursement policies on Medicare.
- 2536 As a result, hospitals suddenly have a surplus of beds.
- 2537 But that's a normal outcome for decisions on the future. ...
- 2538 The decision always has to be bailed out.
- 2539 That requires two things.
- 2540 First, that you think through alternatives ahead of time so that you have something to fall back on if and when things go wrong.
- 2541 Second, that you build into the decision the responsibility for bailing it out, instead of going in and arguing about who made what mistakes.

- 2542 One weakness of non-profit institutions is that they believe that they have to be infallible—far more so than businesses.
- 2543 Businesses somehow know mistakes are being made.
- 2544 In non-profit institutions, mistakes are not permitted.
- 2545 And so if something goes wrong, a court-martial begins.
- 2546 Whose fault is it?
- 2547 Instead, we need to ask, Who is going to bail this out?
- 2548 Who is going to redirect the program or operation, and how?

2549 4 How to Make the Schools Accountable

2550 Interview with Albert Shanker ^{*}

2551 ALBERT SHANKER: The way to deal with this is to ask: What kind of human being are we trying to produce?

2552 Most educators deal with the question very narrowly in terms of test scores, SAT scores, or narrow performance.

2553 But essentially performance in education occurs along three dimensions.

2554 One, of course, is knowledge.

2555 The second dimension, I would say, is being able to enter the world as a participating citizen and perform within the economy.

2556 PETER DRUCKER: But it makes sense to say that unless a person has those tangible, measurable, knowledge skills, a foundation is lacking.

2557 ALBERT SHANKER: I think the priority is to assess achievement longer range.

2558 When you measure small gains each semester or each year, you get down to things that don't mean very much.

2559 Rather trivial things that a student can study for an exam.

2560 They don't mean anything a week later.

2561 PETER DRUCKER: I think I'm a living example of this.

2562 My school grades were always excellent.

2563 ALBERT SHANKER: Let me illustrate **what learning is not and what it is.**

2564 Teachers are required to give a course in Nature, so they put bird charts around the room.

- 2565 They show flash cards and have the children give the names of the birds.
- 2566 The end result is an examination where the students regurgitate the names of the birds.
- 2567 In the Boy Scouts, when I was a youngster, they had a bird-study merit badge.
- 2568 You actually had to see forty different birds.
- 2569 You soon find you can't do that by walking across the street to a park.
- 2570 You have to get up early in the morning and go to a swamp or woods.
- 2571 You don't want to do it alone, so you find one or two friends who will go with you.
- 2572 Soon you find that the birds you see out there don't look the way they do in pictures.
- 2573 What happens over the months of going out with your friends and looking at these birds is **you begin to feel a sense of power.**
- 2574 A key problem for schools is to organize learning for youngsters in such a way that it doesn't become something memorized and instantly forgotten, but **something that becomes part of you.**
- 2575 PETER DRUCKER: The implication of this is, first, that **you put the learning responsibility on the student** rather than the **teaching responsibility on the teacher.**
- 2576 ALBERT SHANKER: Essentially, the way schools are organized is to get a lot of activity and work on the part of teachers while the students sit and, you hope, listen.
- 2577 You **hope** that they are remembering something.
- 2578 And you create a few **punishments** or rewards in terms of grades or leaving students back.
- 2579 ALBERT SHANKER: The school is organized on the

assumption that the student is a thing to be worked on, not that the student is the worker.

- 2580 A school is something like an office.
- 2581 That is, the students are required to read reports and write reports.
- 2582 It's more like an office than any other place.
- 2583 But it's an office in which the student is given a desk and told, "Your boss there, the teacher, will tell you what to do.
- 2584 But every forty minutes you will move to a different room and you will be given a different desk and you will be given a different boss who will give you different work to do."
- 2585 Now, no one would organize an office that way.
- 2586 The student is not being viewed as a worker who has to be engaged, but as raw material passing through a factory.
- 2587 PETER DRUCKER: I've been a teacher-watcher since fourth grade, when I had the great good luck of two exceptional teachers.
- 2588 And I've been a teacher myself since I was twenty.
- 2589 I have yet to see a great teacher who teaches children.
- 2590 All the great teachers I've seen made no distinction between children and adults.
- 2591 Only the speed is different.
- 2592 Whatever the task is, you do it on an adult level.
- 2593 The task may be a beginner's task; the standards are not.
- 2594 The fourth-grade teacher whom I still remember once said many years later that there are no poor students; there are only poor teachers.
- 2595 ALBERT SHANKER: When I taught, I was very rarely

approached by a principal or assistant principal and asked whether the children were really learning or really engaged.

- 2596 I had a very tough class, mostly youngsters that had just flown in from Puerto Rico, who had great difficulties with the language.
- 2597 I was hoping that someone would come in to help me.
- 2598 Then, the door opened one day and there was the principal.
- 2599 After what seemed to me like a half hour, but must have been maybe thirty seconds, he said: "Mr. Shanker, there are a lot of pieces of paper on the floor throughout your room.
- 2600 That's very unprofessional.
- 2601 Would you see to it that they're picked up?"
- 2602 Then the door closed and he went away.
- 2603 ALBERT SHANKER: It needs that.
- 2604 And it also needs a system to accomplish that.
- 2605 One can't expect school board members not to be responsive to their constituents.
- 2606 PETER DRUCKER: Now if I may move to your own work in your own organization, that big union you have built.
- 2607 ALBERT SHANKER: The first thing I did was to try to move the union away from its orientation during the previous fifteen years.
- 2608 Let me take one step back.
- 2609 When I started to build the union as a teacher, and later as a staff member, the toughest thing I had to do was **convince teachers that they had a right to pursue their own self-interest economically.**
- 2610 The notion of belonging to a union as against a professional association was just anathema.

- 2611 However, by the time I became president of the American Federation of Teachers, it had gone too far in that direction.
- 2612 **Teachers were viewed as** people who went on strike every year—not interested in the children, not interested in educational issues.
- 2613 There was a tremendous backlash.
- 2614 As a result of the GI Bill and the expansion of higher education in the United States, we also had a much more educated public that was far more critical of the public schools.
- 2615 **The first thing I worked for** at that time was to develop new alliances with the business community.
- 2616 We had to have a magazine that was a professional journal, not a union journal.
- 2617 Our industry going down has a much broader impact than will it hurt the union, or will it hurt school boards.
- 2618 Public education in this country is the place where people of different races and religions come together.
- 2619 It's what we used to call the institution that "Americanizes," a rather old-fashioned word.
- 2620 In this country if this institution goes down, it's not just a narrow problem for the American Federation of Teachers.
- 2621 It's a broad problem, because our private schools tend to be Catholic, Protestant, Jewish, Black, Hispanic, language-oriented, even politically oriented.
- 2622 What would be the consequences for the future of the country if the overwhelming majority of children in the future were brought up only with their own kind?
- 2623 PETER DRUCKER: You know, Albert, you have talked about one of the key problems in running any organization—**balancing long-run and short-run**

objectives.

- 2624 When you moved in, you had to introduce a long-run objective in which the survival and success of the institution becomes the long-run critical point.
- 2625 On the other hand, you had to maintain the intermediate goal of defending the teachers' immediate interest in next year's contract.
- 2626 ALBERT SHANKER: It's very tough.
- 2627 We know that teachers need a union if they're going to engage in conflict.
- 2628 But do they need a union to cooperate with management?
- 2629 PETER DRUCKER: What you said just now is important.
- 2630 It's important for the whole union movement and not just in this country.
- 2631 In every developed country, the labor union is faced with that problem.
- 2632 But it isn't just an issue for unions.
- 2633 International charitable organizations get an immediate outpouring of funds by showing starving children in Ethiopia.
- 2634 But it is terribly hard to get support to prevent the Ethiopian famine and to do development work, where results take eight or ten years.
- 2635 That problem is likely to create a tendency in the staff to say, "Don't talk about long-range goals; it only confuses people.
- 2636 That's **self-defeating** in the end.
- 2637 After five or eight years, people get awfully tired of it.
- 2638 I've been working with **hospitals** where we have been saying for twenty years the **long-run goal** is to **get patients out of the hospital**, not in.

- 2639 If we don't do it, the way medicine is going, we'll be in a severe crisis.
- 2640 Everybody said, yes, that's the long-range goal, **but don't let's talk about it.**
- 2641 Doctors **don't want to hear it**; nurses don't want to hear it; the donors don't want to hear it.
- 2642 Most hospitals are in desperate straits because they were totally unprepared when the patients began to be treated outside the hospital.
- 2643 ALBERT SHANKER: That's exactly the experience we're beginning to have with some schools.
- 2644 Those who are pursuing the long-term rather than the short-term objective find that the short-term objective falls into place.
- 2645 In Rochester, New York, for instance, union and management stuck their necks out several years ago and decided to put in some very controversial programs.
- 2646 They included experienced teachers training new teachers; peer review; deciding which teachers would train other teachers and evaluate them, and ultimately decide that some of them couldn't make it at the end of their probationary period.
- 2647 We tried the same kind of program in Toledo, Ohio.
- 2648 These are both districts that had a lot of conflict.
- 2649 They'd had strikes; they had people starting to move out of the school district or into private schools.
- 2650 And the radical turnaround in the relationship between the union and management and what they were willing to do to change the roles and relationships of people shocked the public into awareness.
- 2651 People in the business community said, "We ought to support this."
- 2652 The result is that in each of these cities, the city

governments and the local unions came to agreement on spectacular contracts in terms of salary.

- 2653 The recent Rochester contract provides that in three years the top teachers will earn close to \$70,000 a year.
- 2654 In the previous contract, the top was about \$40,000 a year.
- 2655 That is now providing a spur to others.
- 2656 PETER DRUCKER: Basically, the implication of this experience for non-profit institutions is to keep an eye on the fundamental, long-term goal.
- 2657 Make sure you move toward it, and you'll gain credibility.
- 2658 ALBERT SHANKER: That's right.
- 2659 I think the public may have given up on many of our public institutions because of a feeling that these people have their jobs, their security, their tenure, their Civil Service regulations; but **they've really stopped trying.**
- 2660 ALBERT SHANKER: That's correct.
- 2661 They are right.
- 2662 But even an old institution like the school can be turned around.

2663 5 Summary: The Action Implications

2664 Performance is the ultimate test of any institution.

2665 Every nonprofit institution exists for the sake of performance in changing people and society.

2666 I'm always being asked what the differences are between business and non-profit institutions.

2667 There are few, but they are important.

2668 Perhaps the most important is in the performance area.

2669 Businesses usually define performance too narrowly—as the financial bottom line.

2670 If that's all you have as a performance measurement and performance goal in the business, you are not likely to do well or survive very long.

2671 It's too narrow.

2672 But it's very specific and concrete.

2673 In a non-profit organization, there is no such bottom line.

2674 But there is also a temptation to downplay results.

2675 There is the temptation to say: We are serving in a good cause.

2676 We are doing the Lord's work.

2677 Or we are doing something to make life a little better for people and that's a result in itself.

2678 **That is not enough.**

2679 If a business **wastes its resources on non-results**, by and large it loses its own money.

2680 In a non-profit institution, though, it's **somebody**

else's money—the donors' money.

- 2681 Service organizations are accountable to donors, accountable for putting the money where the results are, and for performance.
- 2682 So, this is an area that needs special emphasis for non-profit executives.
- 2683 Nonetheless, non-profit institutions find it very hard to answer the question: **What, then, are "results" in our institution?**
- 2684 It can be done, however.
- 2685 Indeed, results can even be quantified—at least some of them.
- 2686 The Salvation Army is fundamentally a religious organization.
- 2687 Nevertheless, it knows the percentage of alcoholics it restores to mental and physical health and the percentage of criminals it rehabilitates.
- 2688 It is highly quantitative.
- 2689 For many organizations in the non-profit sector, to be specific about results is still odious.
- 2690 They still believe their work can only be judged by quality—if at all.
- 2691 Some of them still quite openly sneer at any attempt to ask: "How well are you doing in terms of the resources you spent?
- 2692 What return do you get?"
- 2693 One sometimes has to remind them of the **Parable of the Talents** in the New Testament: **Our job is to invest the resources we have—people and money—where the returns are manifold.**
- 2694 There are different kinds of results.
- 2695 First, you have immediate results.
- 2696 Then, you have the long-term job of building on

those first results.

2697 Maybe it's not easy to define precisely what results you have, but it's got to be done in such a way that one can ask: "Are we getting better?

2698 Are we improving?"

2699 We need to remind ourselves again and again that the results of a non-profit institution are always outside the organization, not inside.

2700 Results for the Salvation Army are among the alcoholics and the prostitutes and the hungry.

2701 And can good intentions and hopes ever justify non-results?

2702 A few Jesuit Fathers managed to sneak into China as missionaries in the seventeenth and early eighteenth centuries.

2703 They were brilliant men; they endured persecution and hardships and dangers.

2704 They worked terribly hard and they stayed in China year after year after year—with no results.

2705 Yet they kept on hoping, kept on trying to find a few people who would be receptive to Christianity.

2706 In the process they became very respected men in China—astronomers, mathematicians, painters.

2707 But it was a misallocation of very scarce resources to work that produced no results.

2708 In Heaven there is joy over one sinner who repents.

2709 But in Heaven, there is also, I am sure, joy over the right allocation of resources to the mission, to the goals, to results.

2710 One starts with the mission, and that is exceedingly important.

2711 What do you want to be remembered for as an organization—but also as an individual?

- 2712 The mission is something that transcends today, but guides today, informs today.
- 2713 The moment we lose sight of the mission, we begin to stray, we waste resources.
- 2714 Only when a non-profit's **key performance areas** are defined can it really set goals.
- 2715 Only then can the non-profit ask: "Are we doing what we are supposed to be doing?"
- 2716 Is it still the right activity?
- 2717 Does it still serve a need?"
- 2718 And, above all, "Do we still produce results that are sufficiently outstanding, sufficiently different for us to justify putting our talents to use in that area?"
- 2719 Then, you can do the next important thing, which is every so often to ask: "**Are we still in the right areas?**"
- 2720 Should we change?
- 2721 Should we abandon?"
- 2722 The Salvation Army began, 128 years ago, by building shelters for the streetwalkers of London.
- 2723 Nobody cared then about those unfortunate women, any number of whom were poor country girls adrift in the big city.
- 2724 The Salvation Army still has a program to look after prostitutes.
- 2725 But it has given up providing hostels to shelter innocent and ignorant country girls.
- 2726 Those country girls now come equipped with employable skills, and they are by no means ignorant anymore; they are just as sophisticated as anybody else.
- 2727 **One needs to define performance for each of the non-profit's key areas.**

- 2728 In a non-profit institution, where people want to serve a cause, you always have the challenge which Max De Pree discussed in his earlier interview: **getting people to perform so that they grow on their own terms.**
- 2729 They are then accomplished and fulfilled, and that makes its way down to the performance of the organization.
- 2730 **Results are achieved, too, by concentration, not by splintering.**
- 2731 That enormous organization the Salvation Army concentrates on only four or five programs.
- 2732 Its executives have the courage to say, "This is not for us.
- 2733 Other people do it better."
- 2734 Or, "This is not really what we are good at."
- 2735 Or, "This is not where we can make the greatest contribution.
- 2736 It does not really fit the strength we have."
- 2737 One of the most important things for a non-profit executive to be able to acknowledge is that "there we are not competent; we can only do harm.
- 2738 **Need alone does not justify our moving in.**
- 2739 Good intentions, good policies, good decisions **must turn into effective actions.**
- 2740 The statement, "This is what we are here for," must eventually become the statement,
- 2741 "This is how we do it.
- 2742 This is the time span in which we do it.
- 2743 This is who is accountable.
- 2744 This is, in other words, the work for which we are responsible."

2745 Effective organizations take it for granted that work isn't being done by having a lovely plan.

2746 Work isn't being done by a magnificent statement of policy.

2747 Work is only done when it's done.

2748 Done by people.

2749 By people with a deadline.

2750 By people who are trained.

2751 By people who are monitored and evaluated.

2752 **The ultimate question**, which I think people in the non-profit organization should ask again and again and again, both of themselves and of the institution, is:

2753 "What should I hold myself accountable for by way of contribution and results?"

2754 What should this institution hold itself accountable for by way of contribution and results?

2755 What should both this institution and I be remembered for?"

2756 PART FOUR

2757

People and Relationships : your staff your board, your volunteers, your community

2758

2759 1. People Decisions

2760 2. Key Relationships

- 2761 3. From Volunteers to Unpaid Staff-Interview with
Father Leo Bartel

- 2762 4. The Effective Board-Interview with Dr. David
Hubbard

- 2763 5. Summary: The Action Implications

2764 1 People Decisions

- 2765 People decisions are the ultimate—perhaps the only—control of an organization.
- 2766 People determine the performance capacity of an organization.
- 2767 No organization can do better than the people it has.
- 2768 It can't reasonably hope to recruit and hold much better people than anybody else, unless it is a very small organization, let's say a string quartet.
- 2769 Otherwise it can only hope to attract and hold the common run of humanity.
- 2770 But an effective nonprofit manager must try to get more out of the people he or she has.
- 2771 The yield from the human resource really determines the organization's performance.
- 2772 The quality of these human decisions largely determines
- 2773 whether the organization is being run seriously,
- 2774 The rules for making good people decisions are well established, though, alas, **very few of us follow them correctly.**
- 2775 Any executive who starts out by believing that he or she is a good judge of people is going to end up making the worst decisions.
- 2776 To be a judge of people is not a power given to mere mortals.
- 2777 Those who have a batting average of almost 1.000 in such decisions start out with a very simple premise: that they are not judges of people.
- 2778 Medical educators say their greatest problem is the brilliant young physician who has a good eye.
- 2779 He has to learn not to depend on that alone but to go through the patient process of making a

diagnosis; otherwise, he kills people.

- 2780 Properly done, the selection process starts with an assignment not merely with a job description but an assignment.
- 2781 Next, the executive forces himself or herself to look at more than one person.
- 2782 All of us think we know who the "right" person is, as a rule.
- 2783 But effective non-profit executives shouldn't decide impulsively.
- 2784 They should look at several people so they have a safeguard against being blinded by friendship, by prejudice, or merely by habit.
- 2785 Thirdly, while reviewing candidates, the focus must always be on performance.
- 2786 Don't start with personality.
- 2787 Don't start with the usual silly questions such as does he get along with people, or does she have initiative?
- 2788 These characteristics may be meaningful in describing a personality, but they don't tell you how people perform.
- 2789 The right questions are: How have these people done in their last three assignments?
- 2790 Have they come through?
- 2791 Then, fourth, look at people's specific strengths.
- 2792 Once you come to the conclusion, yes, Mary Ann is the right person, go—the final step—to two or three people with whom she has worked.
- 2793 If they all say, My only regret is that Mary Ann no longer works for me, then go ahead and make the job offer.
- 2794 Selecting a person to carry out an assignment does not end the decision process.

- 2795 The second stage comes ninety days later, when you call that newly appointed person in and say: Mary Ann, you have now been on this new job ninety days.
- 2796 Think through what you have to do to be successful, and comeback and tell me.
- 2797 When she returns with her report, you can finally judge whether you have selected the right person for the assignment.

2798 ***How to Develop People***

- 2799 Any organization develops people; it has no choice.
- 2800 It either helps them grow or it stunts them.
- 2801 It either forms them or it deforms them.
- 2802 Fortunately for us as a nation, even though formal schooling in the United States has gone downhill over the last forty years, informal learning and training have exploded.
- 2803 These activities are now as big, in terms of both people enrolled and money spent, as formal schooling.
- 2804 In fact, I wish we could translate into the schools some of the **lessons learned by large non-profit institutions in training people.**
- 2805 The best of these have learned
- 2806 how to appraise and judge performance,
- 2807 and then use these tools
- 2808 to make each job bigger,
- 2809 to scale up demands, and
- 2810 What do we know about developing people?
- 2811 Quite a bit.

- 2812 We certainly know **what not to do**, and those don't's are easier to spell out than the do's.
- 2813 So, don't make the obvious mistakes.
- 2814 First, one doesn't try to build on people's weaknesses.
- 2815 Schools, of necessity, focus on what the kid can't do.
- 2816 When you're called in to a conference with the teacher of your fourth-grade child, the teacher is unlikely to say, "Your Johnny writes very well; he ought to do more writing."
- 2817 She's more likely to say, "Your Johnny is weak in arithmetic; he needs work on the multiplication table."
- 2818 That's okay from the point of view of the school because the school doesn't know what that child is going to do ten, twenty, or thirty years later.
- 2819 So it has to give him or her the basic skills and work on the weaknesses.
- 2820 But if you want people to perform in an organization, you have to use their strengths—not emphasize their weaknesses.
- 2821 By the time people come to work, their personalities are set.
- 2822 One can expect adults to develop manners and behavior and to learn skills and knowledge.
- 2823 A second don't is to take a narrow and shortsighted view of the development of people.
- 2824 One has to learn specific skills for a specific job.
- 2825 But development is more than that: it has to be for a career and for a life.
- 2826 Another thing we now know is not to establish crown princes.
- 2827 It used to be very fashionable (and still is today in

some organizations) to evaluate the new young hires and pick out the “comers.”

2828 I have been working with organizations now for around fifty years and my experience is that **the correlation between the high-promise people at age twenty-three and the performers at age forty-five is very poor.**

2829 Lots of people I know who are world beaters at age fifty were drab and dull when they were twenty-three.

2830 Lots of high flyers come out of business schools at the top of their class and are burnt out six years later.

2831 One of the most successful developers of people I know is the pastor of a large church.

2832 An amazing number of first-rate leaders have come out of his church, so I once asked him to explain how his church has become the breeding ground, the cradle of volunteer leaders.

2833 He told me the church tries to provide four things to young people who show up for services:

2834 (1) a mentor to guide him or her;

2835 (2) a teacher to develop skills;

2836 (3) a judge to evaluate progress; and finally,

2837 (4) an encourager to cheer them on.

2838 I then asked him which of those four roles he took for himself, and he answered: “I am the encourager.

2839 Nobody else can really do that except the person at the very top.

2840 It’s an urgently needed source of help to these young people because I want people to make mistakes.

2841 They can’t develop otherwise.

- 2842 So when they fall flat on their faces, somebody has to pick them up and say, go on.
- 2843 With the focus on performance rather than potential, the nonprofit executive can make high demands.
- 2844 One can always relax standards, but one can never raise them.
- 2845 So, with the beginner, take more time.
- 2846 Make things easy.
- 2847 There are two rules I've learned that help me understand what needs to be done.
- 2848 One is the slogan of the Association of the Handicapped: "Don't hire a person for what they can't do, hire them for what they can do."
- 2849 You put blind people where you need sensitivity to voice, where blindness is a tremendous asset.
- 2850 The other piece of wisdom I learned when I was eleven.
- 2851 Next, the non-profit executive must learn how to place people's strengths.
- 2852 A very great leader of men, General George C. Marshall, Chief of Staff of the U.S. Army during World War II, had the most remarkable record in putting people into the right place at the right time.
- 2853 He appointed something like six hundred people to positions as General Officer, Division Commander, and so on, almost without a dud.
- 2854 And not one of these people had ever commanded troops before.
- 2855 A discussion would come up, and Marshall's aides would say, "Colonel So-and-So is the best trainer of people we have, but he's never gotten along with his boss.
- 2856 If he has to testify before Congress, he'll be a

- disaster.
- 2857 He's so rude."
- 2858 Marshall would then ask, "What is the assignment?
- 2859 To train a division?
- 2860 If he's first rate as a trainer, put him in.
- 2861 The rest is my job."
- 2862 The lesson is to focus on strengths.
- 2863 Then make really stringent demands, and take the time and trouble (it's hard work) to review performance.
- 2864 Sit down with people and say: This is what you and I committed ourselves to a year ago.
- 2865 How have you done?
- 2866 For all this to come together, the mission has to be clear and simple.
- 2867 It has to be bigger than any one person's capacity.
- 2868 It has to lift up people's vision.
- 2869 The worst thing an organization can do is limit its development of people by importing society's class system into its own operations, like organizations today that decide very early which are the comers, or that you are not going to get any place if you don't have an MBA from the Harvard Business School.
- 2870 Performance is what counts.
- 2871 Not in one job, but in a series of jobs, because people are not that predictable.
- 2872 You may put somebody into a specific job and the chemistry is wrong, it doesn't work.
- 2873 People don't always get along with a boss.

- 2874 So, you try them in another job.
- 2875 The old rule is, if they try, work with them.
- 2876 One of the great strengths of a non-profit organization is that people don't work for a living, they work for a cause (not everybody, but a good many).
- 2877 Hospitals, it seems to me, do the poorest job of keeping that spirit alive.
- 2878 So many jobs there are **just routine**.
- 2879 Partly because people do need protection against the suffering, they become callous.
- 2880 The leadership challenge in a hospital—for a good administrator, for a good director of nursing—is to bring people from half a dozen departments together again and again and ask:
- 2881 What can we be proud of?
- 2882 Have we really made a difference?
- 2883 We've had six cardiac arrests in one night and not one of the patients died.
- 2884 There's a children's cancer ward not very far from where I live, in the City of Hope in Pasadena, where the atmosphere is joyous because the focus is on the success: on making dying, suffering children enjoy their childhood.
- 2885 Everybody feels the mission, despite the hard grind.
- 2886 Much of the work is just wiping up after vomiting children.
- 2887 That sense of mission should be a tremendous source of strength for any non-profit organization.
- 2888 But it comes with a price tag.
- 2889 The non-profit executive is always inclined to be reluctant to let a non-producer go.

- 2890 You feel he or she is a comrade-in-arms and make all kinds of excuses.
- 2891 So, let me repeat the simple rule once more: **If they try, they deserve another chance.**
- 2892 Effective non-profit organizations also have to ask themselves all the time:
- 2893 Do our volunteers grow?
- 2894 Do they acquire a bigger view of their mission and greater skill?
- 2895 They look at the people who work for them not as a static resource, but as a **dynamic, growing force.**
- 2896 In many ways, the successful institutions do as the Girl Scouts does.
- 2897 They measure themselves as much by the development of their staff and volunteers as by the development of the young girls.
- 2898 Make sure that volunteers are given responsibility; they must be able to spread their wings and have autonomous commands.
- 2899 In the Scouts, they start as troop leaders and camp leaders, as teachers for badges.
- 2900 Then they receive task force assignments, are asked to lead teams and to develop materials.
- 2901 The most important way to develop people is to **use them as teachers.**
- 2902 Nobody learns as much as a good teacher.
- 2903 Selecting someone to be a teacher is also the most effective recognition.
- 2904 The final development tool is needed less for volunteers than it is for regularly employed staff workers, who can so easily become inbred and ingrown.
- 2905 It is a common complaint that many bosses do not really want top-performing subordinates because

they put pressure on them.

- 2906 That's just what an effective organization does want, and that's where a volunteer organization has an advantage.
- 2907 The volunteer who performs isn't out to get the paid executive's job, as a rule, and is not seen as a threat.
- 2908 There's an old story about the symphony orchestra which a great composer, Gustav Mahler, built in Vienna a hundred years ago, just before the turn of the century.
- 2909 He made such fiendish demands on the instrumentalists that the Emperor, who was the orchestra's patron, called him in and said, "Don't you think you're overdoing it?"
- 2910 You want performers to put on the pressure.
- 2911 You want them to ask:
- 2912 Why can't we do more?
- 2913 Why can't we do better?

2914 ***Building the Team***

- 2915 The more successful an organization becomes, the more it needs to build teams.
- 2916 In fact, nonprofit organizations most often fumble and lose their way despite great ability at the top and a dedicated staff because they fail to build teams.
- 2917 A brilliant man or woman at the top working with "helpers" functions only to a very limited extent; **the organization outgrows what one person can do.**
- 2918 To build a successful team, you don't start out with people—you start out with the job.
- 2919 You ask: What are we trying to do?

- 2920 Then, what are the key activities?
- 2921 I watched from the sidelines while a very effective team management built the fastest-growing labor union in this country.
- 2922 The fellow at the top was an egomaniac, but he knew how to ask the right questions:
- 2923 What are we trying to do?
- 2924 The answer was, We are trying to build a labor organization of poorly paid, unskilled workers doing menial work in hospitals.
- 2925 Next question:
- 2926 What are the key activities needed to achieve our results?
- 2927 Then, and only then, do you ask, What does each of the dozen people at the top have by way of strength?
- 2928 How do the activities and skills match?
- 2929 Within a year, they had a team that would go ahead and expand its union from a membership of fifty thousand to a membership of close to a million in less than ten years.
- 2930 Everybody on the team knew what to do.
- 2931 And, just as important, everyone knew what each one of the other people was going to do.
- 2932 You identify individual strengths, then you match the strengths with key activities.
- 2933 A common mistake is to believe that because individuals are all on the same team, they all think alike and act alike.
- 2934 Not so.
- 2935 The purpose of a team is to make the strengths of each person effective, and his or her weaknesses irrelevant.

- 2936 One manages individuals on a team.
- 2937 The focus is to look at the performance and the strengths of individuals combined in a joint effort.

2938 ***Personal Effectiveness on the Job***

- 2939 Once the right match is made, there are two keys to a person's effectiveness in an organization.
- 2940 One is that the person understands clearly what he or she is going to do and doesn't ride off in all directions.
- 2941 The other is that each person takes the responsibility for thinking through what he or she needs to do the job.
- 2942 That done, the person goes to all the others on whom he depends—the superior, the associates, the subordinates—and says,
- 2943 "This is what you are doing that helps me.
- 2944 This is what you are doing that hampers me.
- 2945 And what do I do that helps you?
- 2946 What do I do that hampers you?"
- 2947 That's 80 percent of working effectively.
- 2948 The individual who goes through these steps every six months will find that most obstacles disappear.
- 2949 An executive's first responsibility is to **enable** people who want to do the job, who are paid for doing the job, who supposedly have the skills to do the job, to be able to do it.
- 2950 Give them the tools they need, the information they need, and get rid of the things that trip them up, hamper them, slow them down.
- 2951 But the only way to find out what those things are is to ask.

2952 As an organization grows, the non-profit executive must also encourage people at all levels to ask themselves: What does our top management really have to know?

2953 I call that educating the boss.

2954 It fosters cohesion by forcing individuals to look beyond the scope of their own efforts, their own departments, their own regional needs.

2955 ***The Tough Decision***

2956 There is an old saying that every soldier has a right to competent command.

2957 An effective nonprofit executive owes it to the organization to have a competent staff wherever performance is needed.

2958 One common problem is the person who has been in the same job twenty-two years and clearly finds no more stimulus left in it.

2959 While a first-class artist never gets tired of his or her work, the rest of us usually get bored if we do the same thing for too many years.

2960 The solution is "repotting"—to put the person in a different environment and again I've seen a controller leave a business and move into a hospital.

2961 He or she does exactly the same work; only the language is slightly different.

2962 But suddenly that person is twenty years younger.

2963 A tougher problem is the conflict non-profit executives often face between the need to ensure competence and the need for compassion.

2964 But the executives who agonize over this decision do worse than those who say,

2965 "We made a mistake.

2966 I cut.

2967 It's going to hurt, but I cut."

2968 It's usually cleaner, faster, and less painful.

2969 *The Succession Decision*

2970 The most critical people decision, and the one that is hardest to undo, is the succession to the top.

2971 It's the most difficult because every such decision is really a gamble.

2972 The only test of performance in the top position is **performance in the top position**—and there is very little preparation for it.

2973 Every time we elect a president in the United States we pray that Providence hasn't forgotten America.

2974 What not to do is fairly simple.

2975 You don't want a carbon copy of the outgoing CEO.

2976 If the outgoing CEO says, "Joe [or Mary] is just like me thirty years ago," that's a carbon copy—and carbon copies are always weak.

2977 Be a little leery, too, of the faithful assistant who for eighteen years has been at the boss's side anticipating his or her every wish, but has never made a decision alone.

2978 By and large, people who are willing and able to make decisions don't stay in that role very long.

2979 Stay away, too, from the anointed crown price.

2980 Nine times out of ten that's a person who has managed to avoid ever being put in a position where performance is essential, measured, and where he or she might make a mistake.

2981 What are the positive ways to handle the succession decision?

2982 Look at the assignment.

2983 In this community college, in this hospital, in this Boy Scout Council, in this church, **what is going to be the biggest challenge over the next few years?**

2984 Then look at the people and their performance.

2985 In the end, what decides whether a non-profit institution succeeds or fails is its ability to attract and to hold committed people.

2986 Are we attracting the right people?

2987 Are we holding them?

2988 Are we developing them?

2989 I think you want to ask all three questions about the organization's people decisions.

2990 Are we attracting people we are willing to entrust this organization to?

2991 Are we developing them so that they are going to be better than we are?

2992 Are we holding them, inspiring them, recognizing them?

2993 Are we, in other words, building for tomorrow in our people decisions, or are we settling for the convenient and the easy today?

2994 2 The Key Relationships

- 2995 One of the most basic differences between non-profit organizations and businesses is that the typical non-profit has so many more relationships that are vitally important.
- 2996 In all but the very biggest businesses, the key relationships are few—employees, customers, and owners, and that’s it.
- 2997 Begin with the board.
- 2998 In most businesses, boards take little interest in the company until **there is a crisis**.
- 2999 In the typical nonprofit organization, on the other hand, the board is **deeply committed**.
- 3000 Indeed, non-profit executives and staff often complain that the board is too much concerned with managing, and that the **line between board function and management is constantly being violated**.
- 3001 To be effective, a non-profit needs a strong board, but **a board that does the board’s work**.
- 3002 The board not only **helps think through the institution’s mission**, it is the **guardian of that mission, and makes sure the organization lives up to its basic commitment**.
- 3003 The board has the job of making sure the non-profit has **competent management—and the right management**.
- 3004 The board’s role is to **appraise the performance of the organization**.
- 3005 The board is also **the premier fund-raising organ** of a non-profit organization—one important role it does not have in the for-profit business.
- 3006 If a board doesn’t actively **lead in fund development**, it’s very hard to get the funds the organization needs.
- 3007 **A board that understands** its real obligations and

sets goals for its own performance won't meddle.

3008 Wherever I've seen a non-profit institution with a **strong board that gives the right kind of leadership**, it represented very hard work on the part of the chief executive officer—not only to **bring the right people onto the board** but to **meld them** into a **team** and **point them in the right direction**.

3009 In my experience, the **chief executive officer is the conscience of the board**.

3010 That may explain why the strong, effective boards I've seen are almost all boards where members come on through a **nominating process**.

3011 I very rarely have seen a truly strong board in co-ops, for instance, where boards are **elected by the membership**.

3012 There the chairperson has no say about who sits on the board, nor has the CEO.

3013 Then you get boards which may represent this or that segment of the membership, but they don't represent the organization, at least in my experience.

3014 Over the door to the non-profit's boardroom there should be an inscription in big letters that says: **Membership on this board is not power, it is responsibility**.

3015 Some non-profit board members still feel that they are there for the **same reason** they used to go on hospital boards in the old days—recognition by the community—rather than because of a commitment to service.

3016 Which brings up a very controversial question, that of an **age limit**.

3017 For a good many older people, membership on the board of a service organization is the last activity they have.

3018 They have retired from everything else.

3019 So they hold on to it.

- 3020 All my life I've been opposed to age limits.
- 3021 But when it comes to boards, I have reluctantly come around to the idea that it is best to **limit membership to two terms of, say, three years each.**
- 3022 After that you go off the board.
- 3023 **Three years later** you may come back on again.
- 3024 Another common problem is the **badly split board.**
- 3025 Every time an issue comes up, the board members fight out their basic policy rift.
- 3026 This is much more likely to happen in non-profit institutions precisely because the mission is, and should be, so important.
- 3027 In my experience, the role of the board then becomes both more important and more controversial.
- 3028 At that point, teamwork between chairperson and chief executive officer becomes absolutely vital.

3029 ***Two-Way Relationships***

- 3030 Only two-way relationships work.
- 3031 Every organization wants stars and needs stars.
- 3032 But in a good opera performance, the star is not separate from the cast.
- 3033 The cast supports the star and then, as the great singer delivers an outstanding performance, the supporting cast is suddenly lifted out of its mediocrity.
- 3034 **Everybody suddenly has a new dimension.**
- 3035 An effective non-profit executive starts building this two-way relationship
- 3036 with the staff,

3037 with the board,
3038 with the community,
3039 with donors,
3040 with volunteers, and
3041 with alumni
3042 by asking:
3043 *“What do you have to tell me?”*
3044 Not, “This is what I am telling you.”
3045 That question brings problems out in the open.
3046 And the funny thing is that most of the problems
that bother people so much *turn out to be non-*
problems when you bring them out in the open.
3047 A friend of mine calls them “pebbles in the shoe”
for which you don’t need an orthopedic surgeon.
3048 The true test of a relationship is not that it can
solve problems but that it can function despite
problems.
3049 Problems don’t become irrelevant.
3050 But they don’t get in the way of what’s important.

3051 ***Relations With the Community***

3052 The Visiting Nurses, the Cancer Society, the
community college, and any number of other
nonprofit institutions serve one specific community
interest.
3053 Each has to maintain relations with governmental
agencies, with all the other institutions in the
community, and with the community’s people in
general.
3054 This is not a matter of public relations (though
you’d better have good PR).

- 3055 It requires that the service organization lives its mission.
- 3056 That is why volunteers are so important.
- 3057 They live in the community and they exemplify the institution's mission.
- 3058 Effective non-profits train their volunteers to represent them in the community.
- 3059 I know an area where there are three competing hospitals.
- 3060 Everyone in the community is full of praise for one of the hospitals, which on any objective evaluation is probably the poorest of the three.
- 3061 What does that hospital do that makes it so visible in the community?
- 3062 Two weeks after a patient is discharged, somebody from the hospital calls up and says, "Mrs. Smith, I'm calling you on behalf of Memorial Hospital to find out how you are."
- 3063 If Mrs. Smith reports she is not doing well, that recovery is slow, the hospital calls again three weeks later.
- 3064 At the end of the year she gets a calendar from the hospital saying, We hope we don't have to see you again, but we still care about you—something sentimental.
- 3065 Everybody knows that this is pure routine.
- 3066 Far too few service organizations even know who their "alumni"—ex-patients or graduates—are.
- 3067 That, I think, is probably the one area where each non-profit manager can easily improve the institution's community standing.
- 3068 Results can be achieved with little effort.

3069 3 From Volunteers to Unpaid Staff

3070 Interview with Father Leo Bartel *

3071 PETER DRUCKER: Am I right, Father Leo, that your diocese has greatly increased the size and scope of its services even though you have **far fewer priests and Sisters than you used to have?**

3072 LEO BARTEL: **In part by hiring lay people to do work that used to be done by priests and Sisters.**

3073 **But primarily we are expanding through volunteers doing a larger and larger share of the diocese's work.**

3074 PETER DRUCKER: That's news?

3075 LEO BARTEL: Of course.

3076 But the volunteers of the past were "helpers."

3077 **Our volunteers now are "colleagues."**

3078 In fact, we shouldn't even talk of "volunteers" anymore; they are really **"unpaid staff."**

3079 LEO BARTEL: Exactly.

3080 LEO BARTEL: The **need** became evident, and on a parish level in particular.

3081 The need, I think, shot up first when the **Sisters were no longer able to staff the religious education programs for youngsters.**

3082 Sometimes there are no Sisters now at all even to lead the religious education programs.

3083 And so we began to ask lay people.

3084 At first as an expedient.

3085 Later on we learned that it is not only a good thing, but **in many respects** it strengthens and encourages and enriches the lives of the

volunteers, of the folks who are coming to help.

3086 So the pastor might invite people to come into the religious education program—and then we try to provide as well as we can the sort of **training and support** that will enable our unpaid staff people to do what they're setting out to do.

3087 We have an event we call the Rockford Area Religious Ed Conference, which is becoming pretty well known in our area.

3088 Our lay teachers come to Rockford for three or four days and participate in workshops there.

3089 LEO BARTEL: The formal training in the Lay Leadership Program runs over a two-year period.

3090 We have seven courses, which range from scripture to communications to evangelization to theology.

3091 PETER DRUCKER: That's a remarkable achievement.

3092 PETER DRUCKER: Then volunteers have a common vision and they have dedication and you provide the training.

3093 LEO BARTEL: It seems to me, Peter, that the quality control is maintained because of the common vision.

3094 These people are truly dedicated.

3095 LEO BARTEL: The fact is though that if people are properly motivated—and these people are deeply motivated—**developing competence becomes part of their very need**.

3096 My biggest difficulty in asking people to serve is that they are **painfully aware** of their **lack of experience** and **lack of preparation**.

3097 PETER DRUCKER: So, what you are saying is rather than lack of competence, the thing you have to worry about is lack of self-confidence.

3098 You have to encourage and cheer them on, praise them, help them, be there to support them.

- 3099 LEO BARTEL: Besides that, Peter, we **hold them to high standards.**
- 3100 We have high expectations for them.
- 3101 I believe firmly that **people will tend to live up to the expectations that others have for them.**
- 3102 And I try, as best I can, to hold high expectations for the people around me, and in many cases they seem to find this a compliment.
- 3103 **They seem to be honored that I would expect them to do well.**
- 3104 PETER DRUCKER: In the hospitals or the schools which are under your direct jurisdiction, how do you do that?
- 3105 LEO BARTEL: We use many of the common management tools.
- 3106 Then we spend time together **trying to develop and articulate a vision, articulate ideals, and articulate priorities that we can all share.**
- 3107 We are very careful to develop **opportunities for individuals to share their difficulties** as well as their **triumphs** with each other.
- 3108 PETER DRUCKER: So you don't treat them as "volunteers" but as staff members.
- 3109 The only difference is that they are **part time** and they are **not being paid.**
- 3110 LEO BARTEL: Absolutely.
- 3111 LEO BARTEL: Sometimes I have to go to somebody and say, "Mary, I'm sorry this is not coming off the way that you want it to and I know that you're not satisfied.
- 3112 PETER DRUCKER: Perhaps for most of them it's a relief.
- 3113 The person knows perfectly well that he or she doesn't do the job, but isn't able to face up to it and come to you and say, "Get me out of there."

3114 PETER DRUCKER: And you come and say, "We have looked at you and what you are good at is over here.

3115 It's not where you are."

3116 You are really helping the person.

3117 But very few executives understand that.

3118 LEO BARTEL: The relief is frequently there.

3119 But it takes a lot of courage to say a discouraging word.

3120 It takes a lot of courage to face somebody and offer them an alternative, because it's easy for the supervisor to think that person is going to feel devalued.

3121 PETER DRUCKER: May I switch, Father, and ask you now whether you have any question regarding the management and development of people?

3122 LEO BARTEL: There are many questions, I'm sure, but two occur to me very quickly.

3123 One is a matter of inspiration.

3124 How does one excite and motivate folks who are apathetic?

3125 PETER DRUCKER: I'm delighted that you're asking questions I can answer.

3126 It doesn't happen too often.

3127 Those two questions are very closely connected.

3128 But if you talk about inspiring the laity, all I can tell you is that it's the wrong question.

3129 We have learned that **one inspires the leaders**.

3130 I once helped run a rapidly growing professional school in which I had to hire very young people who had never taught.

- 3131 And I had to throw them in and run large classes of advanced and demanding students.
- 3132 Every one of these green teachers came to me and asked, "What do I do?"
- 3133 I said, "Make sure you don't lose the top 10 percent of the class.
- 3134 If you lose those, you've lost everybody.
- 3135 But if the top 10 percent are excited and learn, then the average student will learn."
- 3136 The bottom—for those, one prays.
- 3137 But if you don't get the top inspired, you have lost everybody.
- 3138 So, you are doing the right thing with that volunteer program of yours.
- 3139 You are creating a community of achievers.
- 3140 Now, your second question, the planning of the parish councils you've formed, and the parish school boards.
- 3141 Make sure that you are not abdicating your responsibility as the CEO, the chief executive Officer, the parish priest.
- 3142 Boards have to be given their work plan.
- 3143 They need leadership, they need to know what the parish needs from them.
- 3144 They need to be told, "You are our associate.
- 3145 We need this from you.
- 3146 We need planning.
- 3147 We don't need you to clean the floors, we need you to plan."
- 3148 And I, the parish priest, or I, the Diocesan Vicar, need somebody to whom I can talk freely.

- 3149 The parish needs you to plan ahead the money-raising campaign for next year.
- 3150 It needs you to think through whether we should rebuild the school through sixth grade.
- 3151 And do we now tackle again that junior high school or high school we were forced to abandon fifteen years ago?
- 3152 We still have the building but that's all we have.
- 3153 And then the board is there for specific assignments.
- 3154 One says, "Louise, are you willing to go up to Rockford and sit down with Father Bartel and discuss this problem we have here where we need a little more money to do this or do that?"
- 3155 Typically, non-profit organizations don't use that tremendous asset, the board—its excitement, the willingness, the commitment.
- 3156 As a result, the board then meddles and becomes petty.
- 3157 And it's up to the CEO right away to say, "This is the work of the board, the work of the advisory council."
- 3158 LEO BARTEL: That's a big help, Peter.
- 3159 That's exactly the sort of thing that I've been concerned about.
- 3160 We're looking at revitalizing some boards.
- 3161 PETER DRUCKER: And as to that apathy, **don't forget that Jesus picked only twelve Apostles.**
- 3162 If he had picked sixty, he couldn't have done it.
- 3163 He had a hard enough time with those twelve, always saying to them, "**Don't you understand?**"
- 3164 And it took a long time even for those handpicked, very exceptional young people.

- 3165 So, **one works with the leaders** because there is a rule in human affairs that the gap between the leaders and the average is a constant.
- 3166 You see it in sports, you see it in music, you see it in almost any area.
- 3167 The job of the leader is to **set high standards, by example.**
- 3168 LEO BARTEL: Once there is a precedent, then it can be done again.
- 3169 PETER DRUCKER: I go back to the days where the five-minute mile was considered beyond human capacity.
- 3170 I was in high school then, and all of us knew "Five minutes for the mile, the good Lord hasn't created the human body to run any faster."
- 3171 Then one fine day, in the early twenties, a Finn broke it, and six weeks later all of us had whittled six seconds off our mile.
- 3172 LEO BARTEL: Peter, I try more than anything to keep central my conviction of the dignity of each person.
- 3173 There's another aspect of this that has to do with the task.
- 3174 A person is never going to have a sense of his own, her own, dignity unless they are able to **fulfill the expectation of completing the tasks and discharging the responsibilities that they take on.**
- 3175 As their supervisor, it seems to me that I have to, on the one hand, keep in mind most importantly that they are children of God, but also, that they probably will not be successful in understanding this and perceiving this for themselves unless they are able to do very well at the responsibilities they are assigned to.
- 3176 PETER DRUCKER: One of my mentors and teachers during World War II said to me: "Young man, if you ever grow up, you will learn that one needs both St. Paul and St. James."

3177 PETER DRUCKER: This is one of the profound insights, and one learns that in managing people.

3178 But you also told me something about **how you make operational that belief in the dignity of each human being as a creature of the Lord.**

3179 LEO BARTEL: The person who is **constantly falling short** of his own expectations, the person who is constantly thwarted in the things that he or she takes on, will never get to the point where he or she has a sense of their **dignity, a sense of their own worth.**

3180 If they fail, I've failed.

3181 PETER DRUCKER: Yes, **there is no greater achievement than to help a few people get the right things done.**

3182 That's perhaps the only satisfactory definition of being a leader.

3183 4 The Effective Board

3184 Interview with Dr. David Hubbard *

3185 PETER DRUCKER: You have built an outstandingly effective board at Fuller Theological Seminary, David.

3186 DAVID HUBBARD: We need to think of the management of schools, hospitals, churches, and of non-profit institutions altogether as a partnership between the board and the professional staff.

3187 I use a side-by-side organization chart, with the board of trustees in one column and the faculty in another column, and the president's office and the various members of the administrative team in between.

3188 All three are centers of power, and centers of authority.

3189 DAVID HUBBARD: A board needs to know that it owns the organization.

3190 But it owns an organization not for its own sake—as a board—but for the sake of the mission which that organization is to perform.

3191 Board members don't own it as though they were stockholders voting blocks of stock; they own it because they care.

3192 I would say there's often a wrong understanding on the parts of boards of what that ownership means.

3193 DAVID HUBBARD: It starts, of course, with the way the mission of the institution is stated.

3194 And that mission itself needs to be stated with sufficient breadth to allow for flexibility.

3195 The mission needs to be welcoming of change.

3196 Then you need people who are open to that mission.

- 3197 If you find that the board becomes inflexible, you have to look for ways of renewing the board with fresh appointments, with two or three key people who change the balance of power on the board.
- 3198 Our board at Fuller does not have a rotation system where members go off the board automatically every three or five years.
- 3199 Many organizations do, and there is much to commend it.
- 3200 We have chosen to take a tougher line—to evaluate performance when a board member’s term is up.
- 3201 If we think that a trustee has performed effectively in terms of attendance and participation and stewardship, and understanding and so forth, then we will ask that trustee whether he or she is willing to serve further.
- 3202 If not, then we thank them for their service, and tell them that we will be replacing them with someone else, and that the newcomer will bring perhaps another quality that we need.
- 3203 We are fair on our performance evaluation.
- 3204 But for board members who do perform, we like long, continuous service.
- 3205 In higher education, continuity is important.
- 3206 **Learning how the institution works takes literally years.**
- 3207 DAVID HUBBARD: The Trustee Affairs Committee makes that.
- 3208 That’s a group of half a dozen senior trustees.
- 3209 PETER DRUCKER: And you mentioned another function of the board, which is the money-raising function.
- 3210 DAVID HUBBARD: We do.
- 3211 In fact, I might just tick off how I would see the functions of a board member and we can talk

about each specifically.

- 3212 Board members are governors.
- 3213 When they sit around the table and vote their "I so move," they govern the institution.
- 3214 Board members are sponsors, and here we get to their role in giving money and raising money.
- 3215 They are ambassadors—interpreting the mission of the institution, defending it when it's under pressure, representing it in their constituencies and communities.
- 3216 Finally, they are consultants; almost every trustee will have some professional skill which would be expensive if you had to buy it.
- 3217 I can call certain trustees and ask a legal question or an administrative question or an educational question and get an almost instant reaction.
- 3218 Now, when it comes to the sponsor role, when we recruit trustees we say to them: "We expect you to give proportionate to your means, and in your giving to assign a high priority to our institution.
- 3219 Your local church and perhaps one other organization can be as important to you as Fuller, but we don't want Fuller to be any lower than third, and we would prefer Fuller to be second behind the commitment to the local church."
- 3220 I also will talk to them about including Fuller as part of their estate, because ultimately with trustees you not only want year-by-year contributions.
- 3221 PETER DRUCKER: So you want a very active board member.
- 3222 You have regular trustee meetings.
- 3223 He or she serves on committees.
- 3224 You want them to be available to you for consultation in their area of expertise.

- 3225 And you look to them as the leaders in money-raising.
- 3226 DAVID HUBBARD: It averages eight to ten days a year, including board meetings, perhaps a special committee assignment, extra reading, and then some duty of entertaining on behalf of the seminary or serving it in some way in their own community.
- 3227 We also take them periodically on study tours.
- 3228 We found that very effective.
- 3229 DAVID HUBBARD: I think a CEO has two primary areas of service.
- 3230 I have to care for the vice-presidents, whom I supervise, and who have no other boss but me.
- 3231 And I have to care for the trustees, who have no other direct and immediate and ongoing contact with the institution beside me and what my office staff does.
- 3232 PETER DRUCKER: How do you balance board involvement with the possibility of board meddling?
- 3233 For example, a board member who gets to know the head of a department and begins to meddle.
- 3234 DAVID HUBBARD: You try to take that innovative energy and channel it into the process.
- 3235 You try to get the board member to talk about his or her concern in the board meeting.
- 3236 Our board meets three times a year; in every session there will be at least one hour when board members can form their own agenda on the spot.
- 3237 We call it open forum.
- 3238 The board member can bring up the subject he wanted to discuss with the department head at that time and if the board wants to take a look at it, they can kick it back to the administration for review.

- 3239 They can put it on the agenda of the appropriate board committee.
- 3240 PETER DRUCKER: Again and again I hear the professional heads of a non-profit institution say, "Let's not go to the board with this.
- 3241 It's much too controversial."
- 3242 You've heard that, haven't you?
- 3243 I've always felt that one of the things CEOs have to learn is that a subject belongs at the board level precisely because a subject is controversial—and the sooner the better.
- 3244 DAVID HUBBARD: You are right on target, Peter.
- 3245 (A) We share bad news first.
- 3246 (B) We tell bad news at 110 percent and good news at 90 percent in order to compensate for our tendency to cheat, almost unconsciously, because we want to tell the board all the good news and we want to minimize the bad news.
- 3247 And that is exactly wrong.
- 3248 PETER DRUCKER: The last thing a non-profit executive should want is for their board to read in the paper something about the institution they run that they didn't learn before.
- 3249 DAVID HUBBARD: It's the old principle of **no surprises for the boss**.
- 3250 Keeping a board well informed is hard work.
- 3251 It takes time, it takes communication—time on the phone and sending out a notice or a report in a preliminary way, or mobilizing the staff and saying to each vice-president, You call these seven or eight trustees and you tell them this.
- 3252 And do it today, on the phone, get the message through.
- 3253 Then the calls come back and the correspondence starts.

- 3254 That's all labor-intensive.
- 3255 DAVID HUBBARD: We always try to work for a win situation.
- 3256 We try to help the trustees to change their minds or to expand their vision without feeling that they are letting go of their own cherished goals.
- 3257 Those things are best done one on one.
- 3258 Presentations to an entire board without a lot of spadework, when feelings are strong and attitudes are entrenched, is very difficult.
- 3259 A board can con itself into unity and take a unanimous adversary stance to a proposal unless there is a lot of preliminary conversation on a one-on-one basis to develop advocacy for the idea within the board.
- 3260 The style I have developed over the years is to use a point person, the committee chairperson, for instance, for the kind of change that I am proposing.
- 3261 PETER DRUCKER: How do you do this and avoid the board splitting into factions?
- 3262 DAVID HUBBARD: No.
- 3263 You have to talk to the people who would be viewed as the point person on a particular issue.
- 3264 If it's an academic issue, you ordinarily would work through the chair of that committee.
- 3265 Ditto with facilities or development.
- 3266 Then there are untitled board leaders.
- 3267 There are patriarchs and matriarchs who have the esteem of the board because of their wisdom or their financial contribution and their loyalty, their stature.
- 3268 You try to work with them, too.
- 3269 And you look particularly for pockets of opposition

and work with them.

- 3270 You know on any given issue that someone will help you lead it, but someone else will be very sensitive to that.
- 3271 You have to work both sides and prepare the person, who may not, at first glance, look like a supporter, for the fact that the subject is coming up.
- 3272 You say, "You may not like it or support it.
- 3273 I'm not asking you to, but let me explain in a little detail why I think we need to do it."
- 3274 You give that person perfect freedom to oppose it.
- 3275 If someone loses in a board vote, I make it my aim at the first possible break to go to the person who lost and thank him or her for the courage to express a contrary opinion.
- 3276 As president, my task is not only to shape the majority so we move in a positive direction, but also to comfort, support, and encourage the minority.
- 3277 I would sum it up under a heading, something like integrity.
- 3278 What you're doing is just not a matter of strategy.
- 3279 PETER DRUCKER: It's hard to do what you have just told us with boards which, unlike yours, are outside boards by intent—the elected school board, the city council.
- 3280 There the CEO, the school superintendent or the city manager, tends to see board members as enemies or adversaries.
- 3281 The less we tell them, the better.
- 3282 But in my experience, even on such boards, your way is the only way to operate, especially on school boards, which have become very political.
- 3283 The school board I knew the best had the very

difficult problem of desegregating a community that had been gerrymandered to keep black kids out of white schools.

- 3284 It was a highly explosive issue.
- 3285 And the superintendent succeeded because he had respect for the integrity and function of the board.
- 3286 It wasn't always easy because the board was badly split.
- 3287 But he started out by asking: What do we all have in common?
- 3288 We all are dedicated to enabling the kids to learn.
- 3289 Let's start out with this.
- 3290 Over five tough, bitter years, he succeeded.
- 3291 A neighboring community had a very much smarter superintendent who felt the board could never agree on anything, so it was his job to prevent doing harm by not telling them anything, by being clever.
- 3292 He lasted only eighteen months.
- 3293 DAVID HUBBARD: You know, they are called trustees because they are trusted.
- 3294 But trustees also need to be *trustors* to function well—they have to trust the CEO.
- 3295 There is nobody clever enough to outsmart a board over any length of time and succeed.
- 3296 Even if you succeed short term, the whole thing turns to chalk because you don't have that sense of integrity.
- 3297 In your writing, Peter, you've stressed—so much that the process is essential to the quality of the product.
- 3298 And the process of trusteeship is one of the central processes in organizational life.

- 3299 The most important thing I heard, you didn't say, you implied—that it is to the benefit of an institution to have a strong board.
- 3300 The tendency of so many CEOs is to try to have a board that won't do any harm because it won't do anything.
- 3301 It is the wrong tendency.
- 3302 You depend on the board, and therefore you can be more effective with a strong board, a committed board, an energetic board, than with a rubber stamp.
- 3303 The second reason is that to get this strong board, the non-profit executive has to do a lot of very hard work.
- 3304 Good boards don't descend from Heaven.
- 3305 It requires continuing work to find the right people, and to train them.
- 3306 They come in knowing what you expect of them, and they have very tough expectations in terms of time and money and work and responsibility.
- 3307 DAVID HUBBARD: That's an excellent summary, Peter, and I would just underscore the value of all of this to an organization.
- 3308 An organization hasn't come anywhere near its full potential unless it sees the building of a great and effective board as part of the ministry of that organization.

3309 5 Summary: The Action Implications

- 3310 In no area are the differences greater between businesses and nonprofit institutions than in managing people and relationships.
- 3311 Although successful business executives have learned that workers are not entirely motivated by paychecks or promotions—they need more—the need is even greater in non-profit institutions.
- 3312 Even paid staff in these organizations need achievement, the satisfaction of service, or they become alienated and even hostile.
- 3313 Furthermore, there are people working in non-profit organizations that businesses have no experience dealing with.
- 3314 They are called “volunteers,” though that no longer is quite the right word.
- 3315 They are different from the paid workers in a non-profit only in that they are not paid.
- 3316 There is **less and less difference between the work they do and that done by the paid workers**—in many cases it is now identical—and the volunteers are becoming increasingly important to non-profit organizations.
- 3317 Not only is the number of volunteers increasing.
- 3318 They are **taking on more and more leadership functions**.
- 3319 This trend is likely to continue as we have many more older people in our society who are capable of working physically and mentally and are also **eager to stay active, to stay involved, to contribute**.
- 3320 Altogether, the non-profit executive deals with **a greater variety of stakeholders and constituencies than the average business executive**.
- 3321 The non-profit institution’s relationship with its donors, for instance, is not known to business enterprises.

- 3322 A company's shareholders and customers have **completely different expectations** from donors.
- 3323 The non-profit board also plays a **very different role** from the company board.
- 3324 It is more active and, at the same time, more of a resource if managed properly—and more of a problem if not managed properly.
- 3325 Because of the complexity of relationships for the non-profit executive, it is important to **understand and apply** what we **know about the management of people and the management of relationships**.
- 3326 People require clear assignments.
- 3327 That's true of volunteers; that's true of the board; that's true of the employed staff.
- 3328 They need to know what the institution expects of them.
- 3329 The non-profit executive must work both with employed staff and with volunteers so that they can think through their contribution, spell it out clearly, and evolve by joint discussion a specific work plan, with specific goals and specific deadlines.
- 3330 The non-profit must be information-based.
- 3331 It must be structured around information that flows up from the individuals doing the work to the people at the top—the ones who are, in the end, accountable—and around information flowing down, too.
- 3332 This flow of information is essential because a non-profit organization has to be a learning organization.
- 3333 Emphasis in managing people should always be on performance.
- 3334 But, especially for a non-profit, it must also be compassionate.
- 3335 People work in non-profits because they believe in the cause.

- 3336 They owe performance, and the executive owes them compassion.
- 3337 People given a second chance usually come through.
- 3338 If people try, give them a second chance.
- 3339 If people try again and they still do not perform, they may be in the wrong spot.
- 3340 Then one asks: Where should he or she be?
- 3341 Perhaps in another position in the organization—or perhaps elsewhere, in another organization.
- 3342 A recurring problem for non-profit organizations such as churches, hospitals, and the Scouts are the people who volunteer because they are profoundly lonely.
- 3343 When it works, these volunteers can do a great deal for the organization—and the organization, by giving them a community, gives even more back to them.
- 3344 But sometimes these people for psychological or emotional reasons simply cannot work with other people; they are noisy, intrusive, abrasive, rude.
- 3345 Non-profit executives have to face up to that reality.
- 3346 Perhaps there is a job, in some corner, which they can do.
- 3347 But if there isn't, they must be asked to leave.
- 3348 The non-profit board is both the tool of the non-profit chief executive and the chief executive's conscience.
- 3349 For this relationship to prosper, the chief executive must develop a clear work plan for the board.
- 3350 A non-profit executive can—and must—manage even a board that is elected by outside (sometimes critical) forces and that cannot be dismissed by the professional executive.

3351 But, to be productive, **the board must be informed.**

3352 The worst thing a chief executive can do is try to hide things from the board, play little games, focus on finding a friend or two on the board and ignore building an overall relationship.

3353 That's always a temptation.

3354 Everyone in the non-profit institution, whether chief executive or volunteer foot soldier, needs first to think through his or her own assignment.

3355 What should this institution hold me accountable for?

3356 Next are the learning and teaching responsibilities:

3357 What do I have to learn?

3358 What does this organization have to learn?

3359 Not in five years—but now, over the next few months.

3360 If you are an executive in a non-profit institution, make sure you sit down next week with your key people and say, "I am not here to tell you anything.

3361 I am here to listen.

3362 What do I need to know about you and your aspirations for yourselves—and for this organization of ours?

3363 Where do you see opportunities that we don't seem to be taking advantage of?

3364 Where do you see threats?

3365 What are we doing well?

3366 What are we doing badly?

3367 Ask every one of the people who report to you or with whom you work: "What am I doing that helps you with your work?"

- 3368 What am I doing that hampers you?"
- 3369 Act on what they tell you.
- 3370 If the complaint is, for instance, that you don't give information unless asked, make sure that the required information goes out every Friday, or whenever.
- 3371 If they say they don't know how they are doing, build feedback into your system.
- 3372 They have their jobs to do, and the non-profit executive's job is to enable them to do it, successfully and satisfactorily.
- 3373 What you may need most, along with your associates, is clear information about the results of your organization's work.
- 3374 We go out and solicit money by talking needs.
- 3375 That's fine.
- 3376 But both donors and people who work for a non-profit inevitably ask—What are the results?
- 3377 The effective non-profit executive finally takes responsibility for making it easy for people to do their work, easy to have results, easy to enjoy their work.
- 3378 It's not enough for them, or for you, that they serve a good cause.
- 3379 The executive's job is to make sure that they get results.
- 3380 PART FIVE

3381 ***Developing Yourself as
a person, as an
executive, as a leader***

3382

- 3383 1. You Are Responsible
- 3384 2. What Do You Want to be Remembered For?
- 3385 3. Non-Profits: The Second Career-Interview with Robert Buford
- 3386 4. The Woman Executive in the Non-Profit Institution-Interview with Roxanne Spitzer-Lehmann
- 3387 5. Summary: The Action Implications
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3389 1 You Are Responsible

3390 The first priority for the non-profit executive's **own development** is to **strive for excellence**.

3391 That brings satisfaction and self-respect.

3392 Workmanship counts, not just because it makes such a difference in the quality of the job done but because it makes such a difference in the person doing the job.

3393 Without craftsmanship, there is neither a good job, nor self-respect, nor personal growth.

3394 Many years ago I asked the best dentist I ever had, "What do you want to be remembered for?"

3395 And he answered, "When they have you on the autopsy slab, I want them to say that fellow really had a first-rate dentist!" ..

3396 How different that attitude is from the person who does the job to get by, who hopes that nobody will notice.

3397 Self-development is **very deeply meshed in** with **the mission of the organization, with commitment and belief that the work done in this church or this school matters**.

3398 You cannot allow the lack of resources, of money, of people, and of time (always the scarcest) to overwhelm you and become the excuse for shoddy work.

3399 Then you begin to blame the world—"they" won't let me do a good job.

3400 And that's the first step down a steep, slippery slope.

3401 Paying serious attention to self-development—your own and that of everyone in the organization—is not a luxury for non-profit executives.

- 3402 Most people don't continue to work for a non-profit organization if they don't share, at least in part, the vision of the organization.
- 3403 Volunteers, particularly, who don't get a great deal out of working for the organization aren't going to be around very long.
- 3404 They don't get a check, so they have to get even more out of the organization's work.
- 3405 In fact, you don't want people who stay on with the organization just because that's what they've always done but **who don't believe in it anymore.**
- 3406 And in a well-run, results-oriented organization, you should be making such **demands on people for time and work** that it's unlikely too many with that jaded outlook would stay on.
- 3407 You want **constructive discontent.**
- 3408 That may mean that many of the best of the paid staff or volunteers come home exhausted after a big meeting, complaining loudly about how stupid everybody is and how they don't do things that are obvious, and then respond, "**But it's so important!**" if someone asks why they stay on. ...
- 3409 The key to **building** an organization with such a spirit is **organizing the work so everyone feels essential to a goal they believe in.**
- 3410 One of the church people I work with has a clear goal that in this church of twelve thousand members, there are no parishioners.
- 3411 There are only paid and unpaid ministers—everyone is put to work at that level.
- 3412 That's a goal; not yet an accomplishment.
- 3413 Nevertheless, working toward that goal, from fifty to a hundred people a year are added to the force taking on church responsibilities.
- 3414 By now the church has almost no paid staff.

3415 Instead of the usual paid, ordained, youth minister, this church has six unpaid and unordained individuals who, together, do the one full-time job.

3416 And each of these volunteers sits down twice a year and writes a letter to himself or herself (a copy to the pastor) answering the questions: "What have I learned?"

3417 What difference to my own life has my work with kids at the church been making?"

3418 The pastor has no difficulty attracting volunteers.

3419 In fact, his problem is a waiting list.

3420 *To Make a Difference*

3421 From the chief executive of a non-profit on down through the ranks of paid staff and volunteers, **the person with the most responsibility for an individual's development is the person himself—not the boss.**

3422 Everyone involved must be encouraged to ask themselves: **What should I focus on so that, if it's done really well, it will make a difference both to the organization and to me?**

3423 A hospital floor nurse, for example, under terrific pressure of time and money, with doctors demanding more and the paperwork out of control, looks at the thirty-two orthopedic patients and says, "They are my job.

3424 All the rest, basically, are impediments.

3425 **What can I do to concentrate on that job?**

3426 Maybe it is something procedural.

3427 Can we change the way we deliver our services to enable me to be a better nurse?" ...

3428 You can only make yourself effective—not anyone else.

- 3429 Your first responsibility to the non-profit organization for which you work is to **make sure you get the most out of yourself—for yourself.**
- 3430 You can work only with what you have. ...
- 3431 **Creating a record of performance** is the only thing that will encourage people to trust you and support you.
- 3432 Complaining about stupid bosses, a stupid board, and subordinates who sabotage you, won't create that record.
- 3433 It's your job and your responsibility **to talk to** those on whom you depend, and who depend on you, to **find out in a systematic way what helps, what hinders, and what needs to be changed.** ...
- 3434 All the people I've known who have grown **review once or twice a year what they have actually done,** which part of that work **makes sense,** and **what they should concentrate on.**
- 3435 I've been in consulting for almost fifty years now and I've learned to sit down with myself for two weeks in August and **review my work over the past year.**
- 3436 First, where have I made an impact?
- 3437 Where do my clients need me—not just want me but need me?
- 3438 Then, where have I been wasting their time and mine?
- 3439 Where should I concentrate next year so as not only to give my best but also to get the most out of it?
- 3440 I'm not saying that I always follow my own plan.
- 3441 Very often something comes in over the transom

and I forget all my good intentions.

3442 But so far as I have become a better and more effective consultant and have gotten more and more personally out of consulting, it's been because of this practice of focusing on where I can really make a difference. ...

3443 Only by **focusing effort** in a **thoughtful and organized way** can a non-profit executive move to the **big step in self-development**: how to **move beyond simply aligning his or her vision with that of the organization to making that personal vision productive**.

3444 Executives who make a **really special contribution enable** the organization to **see** itself as having a **bigger mission than the one it has inherited**.

3445 To expand both the organization and the people within it in this way, the top executive must ask the key questions of himself—the questions I ask myself each August.

3446 Indeed, each member of the staff must do it, and each volunteer.

3447 And the senior people must sit down regularly with each other and consider the questions together. ...

3448 The form for this kind of exchange can be quite flexible.

3449 In fact, one of the best examples I've ever heard of was improvised by Bruno Walter, the great conductor, much loved by the musicians he led.

3450 At the end of each season, Walter wrote a letter to each member of the orchestra something like this: "My dear [First Trumpet], you taught me quite a bit when we rehearsed the Haydn symphony by the way you handled that difficult passage.

3451 But what have you learned this season as a result of our working together?"

- 3452 Probably half the musicians simply sent back a perfunctory postcard.
- 3453 But the other half sat down and wrote serious letters: "I now suddenly understand what I, as a twentieth-century trumpeter, have to do to sound like an eighteenth-century trumpeter in the Haydn symphony."
- 3454 Playing in Bruno Walter's orchestra became a constant developmental challenge for his musicians. ...
- 3455 The critical factor for achieving this kind of success is accountability—**holding yourself accountable**.
- 3456 Everything else flows from that.
- 3457 When you are president or vice-president of the university or the bank, the important thing is not that you have rank, but that **you have responsibility**.
- 3458 To be accountable, you must take the job seriously enough to recognize: **I've got to grow up to the job**.
- 3459 Sometimes that means **acquiring skills**.
- 3460 Even harder, you may find that the skills you worked so hard to acquire over the years **no longer apply**: you spent ten years learning all about computers, but now you have to learn to **work with people**.
- 3461 By putting accountability first, you build the commitment to **mobilize your own resources**.
- 3462 You ask: **What do I have to learn and what do I have to do to make a difference?**
- 3463 A wise person I worked with many years ago said to me, "For good performance, we give a raise.
- 3464 But **we promote only those people who leave behind a bigger job than the one they initially took on.**" ...

3465 Self-development seems to me to mean both acquiring more capacity and also more weight as a person altogether.

3466 By focusing on accountability, people take a bigger view of themselves.

3467 That's not vanity, not pride, but it is self-respect and self-confidence.

3468 **It's something that, once gained, can't be taken away from a person.**

3469 It's outside of me but also inside of me.

3470 *Setting an Example*

3471 In all human affairs there is a constant relationship between the performance and achievement of the leaders, the record setters, and the rest.

3472 In human affairs, we stand on the shoulders of our predecessors.

3473 The leader sets the vision, the standard.

3474 But he or she is not the only one.

3475 If one member of an organization does a markedly better job, others challenge themselves. ...

3476 Leadership is not characterized by stars on your shoulder; an executive leads by example.

3477 And the greatest example is precisely the dedication to the mission of the organization as a means of making yourself bigger—respecting yourself more.

3478 2 What Do You Want to Be Remembered For?

- 3479 To develop yourself, you have to be doing the **right work** in the **right kind of organization**.
- 3480 The basic question is: "Where do I belong **as a person**?"
- 3481 This requires understanding what **kind of work environment** you need to do your best.
- 3482 When young people come out of school, they know very little about themselves.
- 3483 They do not know whether they work best in a big organization or a small one.
- 3484 They rarely know whether they like working with people or working alone, whether they prosper in a situation of uncertainty or not, whether they need the pressure of deadlines to perform efficiently, whether they make decisions quickly or need to sleep on them.
- 3485 The first job is a lottery.
- 3486 The chances of being in the right place are not very good.
- 3487 It takes a few years to find out where you belong and to begin self-placement. ...
- 3488 We all tend to take temperament and personality for granted.
- 3489 But it's very important to take them seriously and to understand them clearly because they're not too subject to change by training.
- 3490 People who have to understand a decision completely before they can act don't belong on a battlefield: when the right flank suddenly caves in, an officer may have eight seconds to decide whether to fight or retreat.

3491 The kind of person who likes to reflect on decisions might force himself to decide—but is very likely to make the wrong decisions. ...

3492 If the thoughtful answer to the question “Where do I belong?” is that **you don’t belong where you currently work**, the next question is **why?**

3493 Is it because you can’t accept the values of the organization?

3494 Is the organization corrupt?

3495 That will certainly damage you, because you become cynical and contemptuous of yourself if you find yourself in a situation where the values are incompatible with your own.

3496 Or you might find yourself working for a boss who corrupts because he’s a politician or because she’s concerned only with her career.

3497 Or—most tricky of all—a boss whom you admire fails in the crucial duty of a boss: to support, foster, and promote capable subordinates. ...

3498 The right decision is to quit if you are in the wrong place, if it is basically corrupt, or if your performance is not being recognized.

3499 Promotion itself is not the important thing.

3500 What is important is to be **eligible**, to be equally considered.

3501 If you are not in such a situation, you will all too soon begin to accept a second-rate opinion of yourself.

3502 ***“Repotting” Yourself***

3503 Sometimes a change—a big change or a small change—is essential in order to stimulate yourself

again.

- 3504 Recognizing this need will grow in importance as people live for many more years than they used to and are active so much longer.
- 3505 A great many volunteers, for instance, move on to another organization after ten or twelve years of working for one non-profit.
- 3506 The usual need they feel is to **change the routine**.
- 3507 An unexpressed need may be that they **no longer are learning**.
- 3508 Be aware of that touchstone yourself, because when you stop learning in a job, you begin to shrink. ...
- 3509 The switch doesn't have to be to something far afield.
- 3510 Richard Schubert, for instance, for many years president of the American Red Cross, came up as a labor lawyer and human resources manager in private industry.
- 3511 In his forties, he switched to government and then back to private industry—and then to the Red Cross.
- 3512 He is so effective precisely because he has worked with a wide variety of different people in quite different work cultures. ...
- 3513 When you begin to fall into a pleasant routine, it is time to force yourself to do something different.
- 3514 "Burnout," much of the time, is a cop-out for being bored.
- 3515 Nothing creates more fatigue than having to force yourself to go to work in the morning when you don't give a damn. ...

- 3516 Perhaps, all that is needed is a small shift—the school principal who accepts a few invitations to visit other school districts and talk over problems with other principals and teachers.
- 3517 The other possibility is to take on a volunteer job with another organization.
- 3518 That might seem impossible to non-profit executives who are already working sixty to seventy hours a week; but three hours a week spent in an entirely different activity might do the trick.
- 3519 Precisely because you are overworked, you **need the extra—and different—stimulus to put different parts of yourself to work, both physically and mentally.**
- 3520 The Girl Scouts now have many more volunteers than they ever had in their history because they discovered that busy women working as lawyers and accountants and bank officers also need the challenge of working hard in an entirely different environment. ...
- 3521 Most work is doing the same thing again and again.
- 3522 **The excitement is not the job—it is the result.**
- 3523 Nose to the grindstone, eyes on the hills.
- 3524 If you allow a job to bore you, **you have stopped working for results.**
- 3525 Your eyes, as well as your nose, are then on the grindstone. ...
- 3526 To build learning into your work, and keep it there, build in organized feedback from results to expectations.
- 3527 Identify the key activities in your work—perhaps even in your life.

- 3528 When you engage in such activities, write down what you expect to happen.
- 3529 Nine months or a year later, compare your expectations to what actually happened.
- 3530 From that you will learn what you do well, what skills and knowledge you need to acquire, what bad habits you have (which might be the most important discovery).
- 3531 Or you may find out, as I did, that you stopped too soon in your push for results.
- 3532 I soon realized that I'm terribly impatient.
- 3533 You may also realize that, again and again, your best intentions do not produce results because you don't listen—the most common bad habit. ...
- 3534 **You're certainly not limited to learning only from your own activities.**
- 3535 Look at the people in your own organization, your own environment, your own set of acquaintances.
- 3536 What do they do really well—and how do they do it?
- 3537 In other words, look for successes.
- 3538 What does Joe do that seems so hard for the rest of us to do?
- 3539 Then try to do it yourself.
- 3540 **It's up to you to manage your job and your career.**
- 3541 To understand where you best belong.
- 3542 To make high demands on yourself by way of contribution to the work of the organization itself.
- 3543 To practice what I call preventive hygiene so as not to allow yourself to become bored.

3544 To build in challenges.

3545 *Doing the Right Things Well*

3546 Most of us who work in organizations work at a **surprisingly low yield of effectiveness.**

3547 I've been working with executives for close to fifty years and most of them work hard and know a great deal.

3548 But **fully effective ones are rare.**

3549 The difference between the performers and nonperformers is not a matter of talent.

3550 Effectiveness is more a **matter of habits of behavior**, and of a **few elementary rules.**

3551 But the human race is not too good at it yet because organizations are pretty recent inventions.

3552 The rules for effectiveness are different in an organization from what they were in the one-man craft shop.

3553 In solo work, the job organizes the performer; in an organization, the performer organizes the job. ...

3554 The first step toward effectiveness is to **decide what are the right things to do.**

3555 Efficiency, which is doing things right, is irrelevant until you work on the right things.

3556 **Decide your priorities, where to concentrate.**

3557 **Work with your own strengths.**

3558 The road to effectiveness is not to mimic the behavior of the successful boss you so admire, or to follow the program of a book (even mine).

3559 You can only be effective by working with your own set of strengths, a set of strengths that are as distinctive as your fingerprints.

3560 Your job is to make effective what you have—not what you don't have. ...

3561 You identify strengths by performance.

3562 There is some correlation between what you and I like to do and what we do well.

3563 There is a strong correlation between what we hate to do and what we do poorly simply because we try to get it out of the way as fast as possible, with minimum effort and postpone, postpone, postpone working on it at all.

3564 Albert Einstein said he would have given everything, including the Nobel Prize, for the ability to play the fiddle well enough to play in a symphony orchestra.

3565 But he simply didn't have the coordination between his two arms and hands that are the prerequisite for being a master string instrument player.

3566 He loved playing—he practiced four hours a day and enjoyed it.

3567 But it wasn't his strength.

3568 He always said he hated doing math.

3569 He was only a genius at math. ...

3570 Strengths are not skills, they are **capacities**.

3571 The question is not, can you read, but are you a reader or a listener, for instance?

3572 This particular characteristic is almost as strongly determined as handedness.

3573 Franklin D. Roosevelt and Harry S. Truman were listeners.

- 3574 Roosevelt rarely read anything; he had it read to him.
- 3575 Eisenhower was a reader but didn't know it.
- 3576 When he was Commander-in-Chief in Europe his press conferences were widely admired.
- 3577 His aide insisted that journalists hand in their questions—written-up to a few minutes before the conference.
- 3578 Ike read them and his responses were superb.
- 3579 Then he became president, following Roosevelt and Truman, who had set the style of taking questions from the press from the floor (as listeners, they were good at it).
- 3580 Ike, however, performed poorly; the press disliked him because they said he never answered the question.
- 3581 His eyes glazed over.
- 3582 He didn't even really hear the questions. ...
- 3583 People have become more understanding in recent years of how strengths vary from person to person—that there are morning people, or perceptive people, or conceptual people.
- 3584 What many people do not know about their strengths and weaknesses, however, is whether they are comfortable with other people or have to learn how to work with them.
- 3585 Too many think they are wonderful with people because they talk well.
- 3586 They don't realize that being wonderful with people means listening well.

3587 ***Self-Renewal***

3588 Expect the job to provide stimulus

- 3589 **only if** you work on your own self-renewal,
- 3590 **only if** you create the excitement, the challenge, the transformation that makes an old job enriching over and over again.
- 3591 **Seeing** both **yourself** and the **task** in a **new dimension** can sometimes expand this capacity.
- 3592 There is an old story about the great clarinetist in an orchestra who was asked by the conductor to sit in the audience and listen to the orchestra play.
- 3593 For the first time, he heard music.
- 3594 He wasn't simply playing the clarinet expertly, he was making music.
- 3595 That's self-renewal.
- 3596 Not doing anything differently but giving it new meaning.
- 3597 The most effective road to self-renewal is to **look for the unexpected success and run with it.**
- 3598 Most people brush the evidence of success aside because they are so problem-focused.
- 3599 The reports executives usually work with are also problem-focused—with a front page that summarizes all the areas in which the organization underperformed during the past period.
- 3600 Non-profit executives should make the first page show the areas where the organization overperformed against plan or budget, because that is where the first signs of unexpected success begin to appear.
- 3601 The first few times you will brush it aside: Leave me alone, I'm busy solving problems.
- 3602 Eventually, though, a suspicion may begin to surface that some of the problems would work themselves out if we paid more attention to the things that were working exceptionally well.

- 3603 I know a very able woman who runs a small community service agency.
- 3604 She began to notice that her Visiting Nurses were putting in steadily increasing claims for overtime.
- 3605 First, like all of us, she tried to control the increase.
- 3606 She met with the nurses, asked them why their overtime bills were climbing, and discovered that they were treating more people after 6:00 P.M., when they came home from work.
- 3607 As a result of improved medical care, the caseload was shifting from invalids and shut-ins to people who functioned but who needed help with services such as insulin therapy, physical rehabilitation, injections.
- 3608 Now she is in a new field.
- 3609 She is a missionary to meet this new need—and she has become a newly vigorous and effective person. ...
- 3610 The **three most common forcing tools for sustaining the process of self-renewal** are teaching, going outside the organization, and serving down in the ranks.
- 3611 When an individual is asked to explain to a group of colleagues how she did something that worked very well, she learns, and so do the listeners.
- 3612 Spending time doing volunteer work in another organization also opens up alternatives.
- 3613 And one of the oldest techniques for keeping executives alive to the realities of implementing an organization's mission is for them to work once or twice a year at the level where service is delivered to the organization's clients.
- 3614 One well-trained medical bureaucrat I know was forced by a strike or some sudden epidemic years ago to work as a floor nurse for a week.
- 3615 Suddenly he was down where the heartbreaks and

the successes were played out.

3616 It forced him to learn and, as he admitted to me, "It forced me to be honest with myself."

3617 Now the hospital's rule (and it is one of the finest hospitals I know) is that he and all his administrators spend one week a year working on the floor with the people who take care of the patients. ...

3618 All the individuals who have the greatest ability for self-renewal **focus their efforts**.

3619 In a way, they are self-centered, and **see the whole world as nourishment for their growth**.

3620 ***What Do You Want to Be Remembered For?***

3621 When I was thirteen, I had an inspiring teacher of religion, who one day went right through the class of boys asking each one, "What do you want to be remembered for?"

3622 None of us, of course, could give an answer.

3623 So, he chuckled and said, "I didn't expect you to be able to answer it.

3624 But if you still can't answer it by the time you're fifty, **you will have wasted your life**."

3625 We eventually had a sixtieth reunion of that high school class.

3626 Most of us were still alive, but we hadn't seen each other since we graduated, and so the talk at first was a little stilted.

3627 Then one of the fellows asked, ...

3628 "Do you remember Father Pfliegler and that question?"

- 3629 We all remembered it.
- 3630 And each one said it had made all the difference to him, although they didn't really understand that until they were in their forties. ...
- 3631 At twenty-five, some of us began trying to answer it and, by and large, answered it foolishly.
- 3632 Joseph Schumpeter, one of the greatest economists of this century, claimed at twenty-five that he wanted to be remembered as the best horseman in Europe, the greatest lover in Europe, and as a great economist.
- 3633 By age sixty, just before he died, he was asked the question again.
- 3634 He no longer talked of horsemanship and he no longer talked of women.
- 3635 He said he wanted to be remembered as the man who had given an early warning of the dangers of inflation.
- 3636 That is what he is remembered for—and it's worthwhile being remembered for.
- 3637 Asking that question changed him, even though the answer he gave at twenty-five was singularly stupid, even for a young man of twenty-five. ...
- 3638 I'm always asking that question: What do you want to be remembered for?
- 3639 **It is a question that induces you to renew yourself, because it pushes you to see yourself as a different person—the person you can become.**
- 3640 If you are fortunate, someone with the moral authority of a Father Pfliegler will ask you that question early enough in your life so that you will continue to ask it as you go through life.

3641 3 Non-Profits: The Second Career

3642 Interview with Robert Buford *

3643 PETER DRUCKER: Tell me, Bob, when you decided to add a major non-profit institution, Leadership Network, to your activities and to be the chief executive of it in addition to running your own business, you were in your mid-forties.

3644 ROBERT BUFORD: I hold the same values I've had all along.

3645 PETER DRUCKER: I take it, while you have been very successful in business, you never saw money, even in business, as "the" goal.

3646 ROBERT BUFORD: Clearly so.

3647 But as a **score-keeping mechanism**, it was important to me and easy to see.

3648 I find now that I've undertaken this second career, that the **score-keeping mechanism changes**, and I need to be very conscious of that.

3649 You can choose the game you're in but not the **rules of the game**.

3650 As I have chosen a different game to play as a primary source of my own activity and identity, I've had to be very conscious of changes in the rules of that game.

3651 It has required for me a real sense of **clarity about mission and goals** and about **what comes first**.

3652 ROBERT BUFORD: It's critical to **know who your master is**.

3653 And I think it's **critical to update that understanding periodically**.

3654 ROBERT BUFORD: The latter, I think.

3655 I find that what I do for my company is very similar to what I do for Leadership Network.

- 3656 In both cases, I **have to be clear about what the vision is** so that other people can function successfully and can function as a team.
- 3657 In both cases, I have to encourage and support other people in their work and make the work of either the business or Leadership Network clearly their work.
- 3658 ROBERT BUFORD: Leadership Network is that which is exciting to me now.
- 3659 Though I'm still in business, my business is now subordinated.
- 3660 ROBERT BUFORD: I didn't find it difficult.
- 3661 I found it rather like a change of season.
- 3662 It just seemed to me in my mid-forties that it was **time to get around to things that were eternal and of great significance and importance.**
- 3663 PETER DRUCKER: **What made you realize that the time had come?**
- 3664 ROBERT BUFORD: I think, first of all, I accumulated enough "score" to feel comfortable that I'd finished one game.
- 3665 Secondly, a series of experiences have taught me that I am what St. Paul calls a "citizen of eternity."
- 3666 ROBERT BUFORD: Perhaps the difference is that I am now willing to listen to the calling that was there all along.
- 3667 I find I use the **same entrepreneurial skills** that I've had all along.
- 3668 But I use them for a **different purpose** and in a **different cause.**
- 3669 I find that it's very important as you're making these kinds of changes to have a little self-knowledge.
- 3670 PETER DRUCKER: **Self-knowledge** is as important as **task knowledge.**

- 3671 And if you are **skill-focused** rather than **task-focused**, you miss a turn, so to speak.
- 3672 You keep going down the old road but, all of a sudden, it **leads nowhere**.
- 3673 **Start on the outside** is what you are saying.
- 3674 **Start with: What is the purpose?**
- 3675 **Who is the master?**
- 3676 ROBERT BUFORD: I think the two questions are the ones which you've taught in your books, and they're enduring and important questions: **Who is the customer?**
- 3677 And **what does the customer consider value?**
- 3678 PETER DRUCKER: You've had significant achievements in both of your careers.
- 3679 ROBERT BUFORD: Perhaps two experiences that came early in my life.
- 3680 My mother gave me a great deal of responsibility early in life and a great deal of freedom to fail.
- 3681 The second thing that was important to me is that I got caught off base a couple of times when I was quite young.
- 3682 For the rest of my life I've assumed that anything I did in violation of the rules, I would get caught doing.
- 3683 So, I've made it a rule that I'm simply not going to take shortcuts and cheat, because I assume I'll get caught.
- 3684 PETER DRUCKER: Can you remember any one person in your own company or in your own community who made you realize who really you are and who you might become?
- 3685 For instance, I've heard you talk a great deal about how much you gave, but also how much you got from the Young Presidents Organization.

- 3686 ROBERT BUFORD: The Young Presidents Organization has been important in my life because it's given me a window into the real worlds of other executives.
- 3687 I have chosen to live all my life in a town with a population of seventy-five thousand because it seems to me to be a sane environment to function from, and a caring and warm environment.
- 3688 But it is a small town.
- 3689 PETER DRUCKER: That's why it's so important, I think, for people who **work in an organization to have an outside interest**, to meet people and not just become totally **absorbed in their own small world**.
- 3690 And **all worlds are small worlds**.
- 3691 That's particularly important for people in non-profit organizations because their work is **so much more absorbing** than it is in a business.
- 3692 When you say to a business executive, you're working hard from nine to five, make sure you have some other interest—be a Scout Master, well, that gets a resonance.
- 3693 But when you say to a pastor, perhaps you should go on the board of the local hospital, he says, **I'm too busy**.
- 3694 He becomes a **victim of his own organization**.
- 3695 One of the most successful—and busy—non-profit executives I know sits on several company boards.
- 3696 Let me ask you what important advice you have on self-development for people in non-profit service organizations?
- 3697 You have seen more of them than almost anybody I know, worked with more of them through your pastoral churches and the service organization executives you work with in Leadership Network.
- 3698 ROBERT BUFORD: On either the business side or the non-profit side, **stay in touch with your constituency**, or you run the risk that they will

change and you won't.

3699 PETER DRUCKER: I'm reminded that Gustav Mahler told his orchestra members they should sit in the audience at least twice a year so that they know what music sounds like to the listener.

3700 A great pastor I knew years ago made it his habit to take off about four or five Sundays a year, go to other churches, and sit in the congregation.

3701 ROBERT BUFORD: A great pastor I know summers in the country and goes to small local churches all summer.

3702 So that's one of the important development things.

3703 ROBERT BUFORD: It's very important that the leader, and, for that matter, the whole leadership team, **stay in touch with the seasonal changes within themselves.**

3704 We all have different experiences and levels of intensity in our mid-forties than we had in our mid-thirties.

3705 And we will be entirely different in our mid-fifties when, perhaps, we're, bored with our current careers, where we have achieved virtuosity and mastery in things which we used to think very challenging, but which are now **yesterday's work.**

3706 4 The Woman Executive in the Non-Profit Institution

3707 Interview with Roxanne Spitzer-Lehmann *

3708 PETER DRUCKER: Roxanne, what did the people who first promoted you from a nurse to a manager see in you that made them promote you? ...

3709 ROXANNE SPITZER-LEHMANN: Organization skills, communications ability, and a great concern for the people I cared for as patients. ...

3710 PETER DRUCKER: Can you identify where some of those traits came from? ...

3711 ROXANNE SPITZER-LEHMANN: I was fortunate to have several mentors.

3712 I think nursing education has also played a great role in terms of developing the ability to prioritize, to determine how and when to do something.

3713 I think what's going to happen in the health-care sector, particularly hospitals, is that more nurses will be moving ahead because of that **organization ability**, because of that **ability to prioritize**, because of **communications skill** and the **technological knowledge** that comes with it. ...

3714 PETER DRUCKER: What role did your mentors play, Roxanne, in **developing these organizational and human skills** and in making you **aware of their importance**? ...

3715 ROXANNE SPITZER-LEHMANN: I tend to be impatient.

- 3716 And they've helped me look at the data before making a decision.
- 3717 Helped me understand that my basic reaction to problems and/or situations was probably good, but I had to slow up prior to implementing or determining a course of action.
- 3718 Certainly, they've taught me patience.
- 3719 They've also **allowed me to make mistakes** as well, and I think that's an important factor. ...
- 3720 PETER DRUCKER: Any of them ever point out **what you do well?** ...
- 3721 ROXANNE SPITZER-LEHMANN There was a lot of positive reinforcement ...
- 3722 PETER DRUCKER: Now let me switch to something totally different, Roxanne.
- 3723 Are you the only woman in the top management of the hospital chain today? ...
- 3724 ROXANNE SPITZER-LEHMANN: Yes, I'm the only corporate officer who's a woman. ...
- 3725 PETER DRUCKER: And how many women are there in top management of major hospitals other than the Catholic Orders? ...
- 3726 ROXANNE SPITZER-LEHMANN: Not many, but I

think it's increasing.

- 3727 At the present time more are moving into chief operating officer and chief executive officer positions.
- 3728 But certainly relative to an industry that has a very high percentage of females in it, it is very low.
- 3729 Hospitals are very traditional; they are modeled very much on the military.
- 3730 But I think necessity is the mother of invention.
- 3731 And as the need for greater productivity, greater flexibility in roles, and ability to organize becomes imperative in this competitive marketplace, more women will be assuming those roles. ...
- 3732 PETER DRUCKER: *What advice would you give to women moving into positions of leadership in an institution in which women were very much subordinates, owing absolute obedience to the all-powerful physician who always was a man?* ...
- 3733 ROXANNE SPITZER-LEHMANN: Any advice I'd give to an executive would probably not be limited to gender.
- 3734 I think that women probably have to do it a little better, and a little harder.
- 3735 But, in fact, the greatest attribute a woman can have going into any organization, and health-care particularly, is to *play as a team member*.
- 3736 Not to be isolationist, not to be territorial.
- 3737 To be willing to give up in order to have the organization move.

- 3738 To help others give up departments, give up responsibilities; look at matrix organizations as opportunities, not as a loss of power; look at the development of others. ...
- 3739 It's been very interesting to my colleagues and myself (and I don't believe I'm alone in this) that as more females enter the medical staff, it has been more difficult for them to work with the other females in the organization than it is for the male physician. ...
- 3740 Maybe these women physicians are having such difficulty in making it in the male-dominated medical world that they need to be a little bit more aggressive and not quite as supportive to their female colleagues.
- 3741 I think that's a major mistake—for any woman to play the role of queen bee.
- 3742 That is pushing herself away from other women and not working with them to develop them.
- 3743 Of course, women did not usually learn how to play football on a team or baseball, and when one becomes an executive, learning how to play football or baseball with the guys is a real key to success. ...
- 3744 PETER DRUCKER: You work pretty closely with a very powerful, very proud board.
- 3745 Did they find it awkward to accept a woman at first?
- 3746 Especially the women on the board? ...
- 3747 ROXANNE SPITZER-LEHMANN: My board, like any other hospital board, is predominantly male-dominated.

- 3748 It's only been the last several years that women have been on the board, and there is only one woman now on the executive committee of the board.
- 3749 The women board members have been highly supportive.
- 3750 Those women are generally competent, well-developed business women in their own right, are very comfortable with themselves, and don't need to achieve at the expense of someone else.
- 3751 The women are not a problem at all on the board. ...
- 3752 The men are very interesting, depending upon age groups.
- 3753 The older age group certainly had some difficulty accepting a woman in a corporate position.
- 3754 The younger age group is used to working with women, I think, out in the real world.
- 3755 There's a strong sense of paternalism in hospitals.
- 3756 On one hand, it's very protective of me as their only woman vice-president.
- 3757 On the other hand, they make it somewhat clear that they don't really consider me chief executive officer material.
- 3758 That's not universal, but we do talk about it a little. ...
- 3759 PETER DRUCKER: Can you think of a specific example of a time when you felt you had broken through these barriers? ...
- 3760 ROXANNE SPITZER-LEHMANN: When I did a presentation to the board about a financial

program, instead of just reporting on patient care and aspects of clinical delivery services and patient satisfaction and quality-assurance kinds of things.

3761 The board suddenly realized that I knew a lot about the profit and loss statement.

3762 In fact, I'm about to do another report to the board on my Home Care Department, which is highly profitable.

3763 As they see that I'm responsible for the financial aspects as well as the delivery of services, I'm watching a breakthrough occur. ...

3764 PETER DRUCKER: How did you acquire the skills necessary for you to do that? ...

3765 ROXANNE SPITZER-LEHMANN: First, from a mentor in my very early years as a director of nursing.

3766 I was fortunate to have a mentor from the university who insisted that I learn up front what man-hours per patient per day meant, and how to determine salaries.

3767 So, I was always a little bit ahead, I think, of the market in terms of that.

3768 Then, of course, being responsible teaches you.

3769 My budget now is about \$75 million.

3770 One learns very rapidly how to look at bottom lines and how to make sure expenses do not exceed revenue, although that's quite difficult today.

3771 And, of course, pursuing my doctoral degree in Executive Management at Claremont has been tremendously helpful by crystallizing the details.

3772 I had no great problems with overall bottom lines, but I've become almost as astute as our financial department, I think, which makes them a little nervous. ...

3773 PETER DRUCKER: What about the people skills?

3774 A nurse is aware of people and their needs.

3775 But she is not really aware of working in an organization.

3776 How did you acquire people skills when you moved into the director of nursing position and suddenly worked with sixty, seventy, two hundred other nurses and patients, and had to coordinate nursing with other departments of that New York hospital in which you started out?

3777 Did you have to learn the skills, or did they just come naturally? ...

3778 ROXANNE SPITZER-LEHMANN: I think some people skills come naturally.

3779 The ability to coordinate and communicate is something that one learns somewhat through trial and error, somewhat through humility by being willing to listen and to learn when one has made an error in communication.

3780 One learns to say, "I'm sorry, I didn't mean it that way."

3781 I think that's a real factor. ...

3782 I think I've always had a vision about what I thought patient care should be and how I thought it should be delivered.

3783 I've never had a great problem communicating my vision and then moving toward it.

- 3784 And I've been fortunate in how people buy into that vision with me.
- 3785 It's easy to work with people **when you have something in common that makes some sense, that's goal-oriented.**
- 3786 So, I think people skills are very much based upon communicating a common goal.
- 3787 And then, of course, you learn over time how many errors you make when you didn't communicate correctly. ...
- 3788 PETER DRUCKER: So, you would say the first thing is that **vision**—which is probably the **reason why you went into nursing** in the first place, or at least **why you stayed in nursing**—that vision is really the basis? ...
- 3789 ROXANNE SPITZER-LEHMANN I believe so.
- 3790 I think I also had a cause about women, since nursing is predominantly a female profession.
- 3791 I graduated in the sixties when women were not in very powerful positions, so I had kind of a cause for nursing. ...
- 3792 PETER DRUCKER: So you came in with a vision and a cause and the desire to communicate it—really the desire to be a leader.
- 3793 And nobody ever said in those early years, "Roxanne, don't be pushy"? ...
- 3794 ROXANNE SPITZER-LEHMANN: Oh, they still say that.
- 3795 And I was very pushy.

- 3796 I don't know how many times my bosses and my colleagues have said to me: "Girl, you are aggressive!"
- 3797 But when one really believes in something, it's very hard not to be aggressive.
- 3798 How can anyone argue with "We're not delivering patient care in a way that is best for the patient"?
- 3799 The patient should determine how his or her body should be serviced.
- 3800 That shouldn't be determined by procedures that hospitals design.
- 3801 I came out believing that in the very early years. ...
- 3802 PETER DRUCKER: Roxanne, you shock me.
- 3803 In forty years of working in the health-care sector, I've heard nothing but people saying,
- 3804 "Don't listen to the patient.
- 3805 We know what's right." ...
- 3806 ROXANNE SPITZER-LEHMANN: I don't know how that's possible.
- 3807 I think patients may not have all the knowledge necessary to make decisions.
- 3808 But it's our responsibility to help them gain that knowledge so that they can make informed decisions. ...
- 3809 PETER DRUCKER: So you would say that for any institution that is the starting point—What are we really here for? ...

- 3810 ROXANNE SPITZER-LEHMANN: If you don't know the mission, you shouldn't be around. ...
- 3811 PETER DRUCKER: Roxanne, you're clearly a woman with a mission.
- 3812 I'd be curious to know how you structure your life and your work to make that mission a reality. ...
- 3813 ROXANNE SPITZER-LEHMANN: Well, it's very hectic, I can tell you that—having a full-time job, and a teenage daughter, and still going to school.
- 3814 In fact, going to school and working helped me keep my mission very focused.
- 3815 As does a fifteen-year-old daughter who is one tremendous conscience asking, "Why, Mommy, do you do all of these things?" ...
- 3816 One is, of course, self-driven, not always just by a mission but by a need to accomplish.
- 3817 If I didn't have the mission, I'd get a much easier job.
- 3818 Or I'd lie on the beach all day in Southern California.
- 3819 That temptation frequently comes to mind—until a situation occurs in which a really focused intervention can improve either the service delivery or the quality of life of my employees, then the temptation to lie on the beach disappears fast and I am glad I have a tough job. ...
- 3820 And now we, in the hospital, face more and more of these challenges. ...

- 3821 PETER DRUCKER: A little before your time, the hospital was a very simple organization, with doctors and nurses and a few people who cleaned up.
- 3822 Now it's becoming terribly complicated all those specialties, all those services.
- 3823 And you see your mission as focusing all of them on **that common objective, the patients, who should leave the hospital at least no worse than when they came in.** ...
- 3824 At the end of the year, **how do you know whether you have helped make that mission a greater reality?**
- 3825 **What are the areas of success?**
- 3826 **What are the areas where you have to do better?** ...
- 3827 ROXANNE SPITZER-LEHMANN: Well, there are two ways.
- 3828 One is concrete and one is abstract.
- 3829 The concrete is really easy to describe.
- 3830 **I keep a pad** on the right side of my desk which I add to or modify, perhaps every two weeks, once a month.
- 3831 On one side it lists the major undertakings that I have to do, and on the other side it lists those that are in process, to whom they've been delegated, and what the status is.
- 3832 When they're completed, I just put a single line through them.
- 3833 At the end of the year, I take a look at this and I'm always overwhelmed at how much we have accomplished.
- 3834 We put together an annual report based upon that. ...

- 3835 I also use **management-by-objectives to some degree.**
- 3836 That is a really concrete way of seeing how we've moved forward. ...
- 3837 On an abstract level, I certainly take a look at how I do on my academic work toward my doctorate.
- 3838 Every course I pass seems to be a benchmark toward the future. ...
- 3839 But other than that I think it is very difficult.
- 3840 **I never feel that I've done enough or that I've achieved enough.** ...
- 3841 PETER DRUCKER: May I switch completely?
- 3842 You talked about your being responsible for, a budget of well over \$70 million and for the financial performance of quite a few services.
- 3843 Where do you see the most important differences, in your work as an executive and professional, between a business organization and a non-profit service organization? ...
- 3844 ROXANNE SPITZER-LEHMANN: In the health-care sector, we have become so like industry in terms of having to be competitive, in terms of having to be bottom-line-oriented, that I see my role little different from anyone working at General Motors, or Xerox, or IBM.
- 3845 I have a product to deliver.
- 3846 I have to deliver it cost-effectively.

- 3847 I have to make sure that the consumers are satisfied.
- 3848 And they shouldn't have to return—though, certainly, if the need arises, you want them to come back to your institution.
- 3849 We're in a business.
- 3850 We have competition around us, especially in Southern California.
- 3851 We have to deliver something better.
- 3852 Something better and at the right price.
- 3853 That's not very different than Procter & Gamble. ...
- 3854 PETER DRUCKER: Roxanne, you haven't really talked much about self-development.
- 3855 You have mentioned mentors.
- 3856 You have mentioned that pad of yours in which you put down your tasks and your accomplishments.
- 3857 But you haven't really talked much about developing yourself. ...
- 3858 ROXANNE SPITZER-LEHMANN: I think the best self-development is developing others.
- 3859 I'm fortunate enough that people will tell me when I'm wrong, when I come on too strong, and when I don't give them enough time to do their own thinking. ...
- 3860 PETER DRUCKER: What are you doing to encourage your associates to grow and develop themselves?

3861 What are the things that have been most effective? ...

3862 ROXANNE SPITZER-LEHMANN: My role is not to give the answers.

3863 My role is to facilitate their brainstorming and thinking.

3864 And then to pull it together into something that we all go out and implement.

3865 My job is to establish the goal and the vision.

3866 *Their* job is to figure out how we can do it together.

3867 And I believe that allowing, promoting, giving people the time—time is an important element—the skills, the tools, and the environment to do that has enhanced my self-improvement.

3868 I've become relatively well known in the industry because my staff has been so creative in what we determine together.

3869 If I were to leave tomorrow, I don't think it would make much difference.

3870 They would carry on. ...

3871 PETER DRUCKER: You come from a profession which is known for a high degree of what's frequently called burnout—people feeling the pressures are just too great.

3872 There must be days or weeks when you feel that pressure.

3873 How do you renew yourself? ...

3874 ROXANNE SPITZER-LEHMANN: That's a question the whole industry is asking, with the nursing

shortage looming as a major catastrophe.

3875 Self-renewal comes from feeling good about oneself.

3876 The nurses at the bedsides can feel good about themselves if they're given the autonomy and control to do what they do best.

3877 My 'self-renewal comes from being given autonomy, respect, the control to take a project from the beginning to the end without a lot of interference in getting it done.

3878 The best example I can give you of that was when we first opened our outpatient surgery center.

3879 Everybody had been diddling with it for years until I finally said, "Would you just let me do it?"

3880 Would you just let me put together the elements and carry it through?"

3881 It was given to me lock, stock, and barrel, and we did it.

3882 I got a great deal of self-renewal from that.

3883 My other self-renewal comes from a personal life.

3884 I like to cook.

3885 I love the theater.

3886 I love music.

3887 I've learned how to ski in the last year and fall down a great deal, which has been great for self-renewal.

3888 And I like to travel.

3889 That's all self-renewal. ...

- 3890 PETER DRUCKER: Well, that's a classical answer to burnout.
- 3891 The way to overcome burnout is to work much harder.
- 3892 And it apparently works for you.
- 3893 I must testify it also works for me.
- 3894 But then you have enough things that are totally different from your work.
- 3895 The theater, falling down on the ski slope, music—you change mental and emotional gears a little bit.
- 3896 I think that's very important. ...
- 3897 Let me try to pick out a few major strands.
- 3898 To me, the most telling thing you said is, "If I were to leave tomorrow, I don't think it would make much difference.
- 3899 They would carry on."
- 3900 That's about the proudest boast any executive can make, to have built the team that will perpetuate my work, my vision, my institution. ...
- 3901 That, in my experience, really distinguishes the true achiever. ...
- 3902 Then you stressed the importance of the mission and of the focus on the desired results: cured patients.
- 3903 And you stressed again and again team building.
- 3904 That is leadership in developing others, which can be the most important key to self-development.

3905 5 Summary: The Action Implications

3906 The best way for me to start this summary on self-development is to tell you about the man who first made me aware of what that means as a lifelong process.

3907 He was a Jewish rabbi whom I first met in the early 1950s on a mountain trail.

3908 We became hiking companions for many years because we both spent vacations in the same summer resort and liked hiking.

3909 Joshua Abrams had been in law school when World War II broke out, went into the Navy and was badly wounded.

3910 In fact, he never fully recovered, and the injuries eventually caused his death thirty-five years later. ...

3911 He went into a seminary when he came out of the service and, when I first met him, he had just begun to build—from scratch—a synagogue and Jewish community center in a major Midwestern city.

3912 Just ten years later it was one of the largest Reformed Jewish synagogues in the country, with four to five thousand members. ...

3913 So, I was very surprised on a walk one day when he said, "By the way, Peter, I've decided to leave the synagogue and start all over again."

3914 I looked at him, clearly without understanding, and he continued, "I don't learn anything anymore."

3915 A year later, he told me he had decided to go into youth ministry and take over the chaplainship at a major Midwestern university.

- 3916 This was about 1964-65.
- 3917 Joshua explained:
- 3918 "I'm still young enough so that I understand what troubles the kids and I'm old enough to have experience with most of the things that they are going through.
- 3919 They're going to be in trouble."
- 3920 Sure enough, the student unrest started not too long afterward and my friend was a tower of strength.
- 3921 Through the years I've met people who say, "I understand you know Josh Abrams?"
- 3922 He saved my life when I was twenty years old and about to destroy myself by going into drugs ... or by doing this, that or the other stupid thing." ...
- 3923 Then, around 1973-74, Josh surprised me again during one of our walks:
- 3924 "I think I've done all I can do as a university chaplain.
- 3925 I'm no longer young enough to be in tune with the kids.
- 3926 I've been thinking about it and have decided that the need now is for a ministry for old people.
- 3927 That's where the population growth is."
- 3928 He quit the university a year or two later, moved to one of the retirement cities in Arizona, and started all over again building from scratch.
- 3929 By the time he died, his new community of retired people was three to four thousand strong.

3930 He looked for people who were lonely, who had lost their spouses, who were sick, and he not only brought them spiritual comfort but helped meet their physical needs as well as he could. ...

3931 Joshua was the first person who explained something to me that I have, in turn, repeated to many, many people:

3932 "You are responsible for allocating your life.

3933 Nobody else will do it for you."

3934 And the pattern of his life makes clear that when we talk of self-development, we mean two things:

3935 developing the person, and developing the skill, competence, and ability to contribute.

3936 These are two quite different tasks. ...

3937 Developing yourself begins by serving, by striving toward an idea outside of yourself—not by leading.

3938 Leaders are not born, nor are they made—they are self-made. ...

3939 To do this, a person needs focus.

3940 Michael Kami, our leading authority on business strategy today, draws a square on the blackboard and asks:

3941 "Tell me what to put in there.

3942 Jesus?

3943 Or money?

- 3944 I can help you develop a strategy for either one, but you have to decide which is the master." ...
- 3945 I do it by asking people what they want to be remembered for—that's "the beginning of adulthood," according to St. Augustine.
- 3946 The answer changes as we mature—as it should.
- 3947 But unless that question is asked, a person works without focus, without direction, and, as a result, does not develop.
- 3948 You start by developing your own strengths, adding skills and putting them to productive work.
- 3949 There is much a boss can do to contribute to this development.
- 3950 But no matter how much a boss drives you—or ignores you—ultimately it is the individual's own responsibility to work on his or her own development. ...
- 3951 Developing your strengths does not mean ignoring your weaknesses.
- 3952 On the contrary, one is always conscious of them.
- 3953 But one can only overcome weakness by developing strengths.
- 3954 Don't take shortcuts.
- 3955 You don't have to be a perfectionist but you certainly should refuse to accept your own shoddy work.
- 3956 Above all, workmanship builds your own self-respect as it builds your own competence. ...
- 3957 Next, you work on the tasks to be done, the

opportunities to be explored:

- 3958 And you start with the task, not with yourself.
- 3959 Achievement comes from matching need and opportunity on the outside with competence and strength on the inside.
- 3960 The two have to meet—and the two have to match. ...
- 3961 Effective self-development must proceed along two parallel streams.
- 3962 One is improvement—to do better what you already do reasonably well.
- 3963 The second is change—to do something different.
- 3964 Both are essential.
- 3965 It is a mistake to focus only on change and forget what you already do well.
- 3966 One works constantly on doing a little better, identifying the little step that will make the next step possible.
- 3967 But it is equally foolish to focus only on improvement and forget that the time will inevitably come to do something new and quite different. ...
- 3968 Listening for the signal that it is time to change is an essential skill for self-development.
- 3969 Change when you are successful—not when you're in trouble.
- 3970 Look carefully at your daily work, your daily tasks, and ask:
- 3971 "Would I go into this today knowing what I know today?"

- 3972 Am I producing results or just relaxing in a comfortable routine, spending effort on something that no longer produces results?" ...
- 3973 Self-development becomes self-renewal when you walk a different path, become aware of a different horizon, move toward a different destination.
- 3974 This is a time when outside help, a mentor, can provide useful help.
- 3975 The more achievement-minded and successful you are, the more likely you are to be immersed in the task at hand, immersed, above all, in the urgent.
- 3976 A wise outsider who knows what you are trying to do, who has often been doing similar things, is the one who can ask you:
- 3977 "Does it still make sense?
- 3978 Are you still getting the most out of yourself?" ...
- 3979 The means for self-development are not obscure.
- 3980 Many achievers have discovered that teaching is one of the most successful tools.
- 3981 The teacher usually learns far more than the student.
- 3982 Not everybody is in a situation where the opportunity to teach opens up, nor is everyone good at teaching or enjoying it.
- 3983 But everyone has an associated opportunity—the opportunity to help develop others.
- 3984 Everyone who has sat down with subordinates or associates in an honest effort to improve their performance an results understands what a potent tool the process is for self-development. ...

- 3985 Probably the best of the nuts and bolts of self-development is the practice of keeping score on yourself.
- 3986 It's also the best lesson in humility, as I can tell you from personal experience.
- 3987 It is always painful for me to see how great the gap is between what I should have done and what I did do.
- 3988 But, slowly, I improve—both in setting goals and in achieving results.
- 3989 Keeping score helps me focus my efforts in areas where I have impact and to slough off projects where nothing is happening, where I'm wasting not only my own resources but also those of my clients or students. ...
- 3990 Self-development is neither a philosophy nor good intentions.
- 3991 Self-renewal is not a warm glow.
- 3992 Both are action.
- 3993 You become a bigger person, yes; but, most of all, you become a more effective and committed person.
- 3994 So, I conclude by asking you to ask yourself, what will you do tomorrow as a result of reading this book?
- 3995 And what will you stop doing?
- 3996 _____
- 3997 ¹ See my *Innovation and Entrepreneurship* (Harper & Row, 1985).
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