



**Eugene Fram**

Professor Emeritus, Saunders College of Business, Rochester Institute of Technology

# Is There Truth in the Statement That ALL Nonprofits Are Actually Businesses?

Posted: 03/08/2015 12:23 am EST Updated: 03/08/2015 10:59 am EDT

In my opinion, too many board and staff members in the nonprofit environment:

*Do not realize* that a nonprofit can focus even more effectively on "caring" missions, visions and values while operating under a business model. Many functions of a business and are the same for both types of organizations -- financial operations, human resources, marketing, board governance, etc.

*Mistakenly conclude* that using business titles for management (such as CEO, President, vice president) appear more prestigious than is merited for nonprofit organizations. This mistaken attitude can impede the growth of the nonprofit.

*Associate business boards with financial disasters* such as Enron and Tyco, while failing to perceive the business board model's benefits, such as having only a few standing board committees and demanding audit committees that operate robustly.

*Fail to appreciate* that today's nonprofit managers must have the tools of professional executives to lead their organizations towards greater accomplishment and sometimes survival.

*Choose to continue to implement the 20th century governance practices* in which staff members, often without the requisite managerial expertise, are promoted to chief executive positions. A few succeed by growing into the job but most continue to do little more than "mind the store." This effectively is a significant waste of board and staff resources.

*To effectively change the course for a nonprofit: the board needs to:*

- Reduce the number of board standing committees that hamper effective board operations and misuse board personnel
- Build a high level of trust between board members, management staff
- Overview organizational operations and management development, not attempt to micromanage them
- View the CEO as a professional peer, not as a servant
- Conduct a robust evaluation of the CEO and the organization annually
- Pinpoint management's responsibility and clarify its accountability
- Develop a partnership between the board and management to develop funds
- Allow for more management flexibility to develop a more entrepreneurial culture
- Increase focus on productivity and impacts at the expense of bureaucratic processes

In summary, many nonprofit boards, managers and staff figuratively stand ten feet tall for what they accomplish. They deserve to have the appropriate tools used by business boards and business managers to do their jobs.