

The Lindsey Letter



Negotiating Today's Business Landscape

Late in 2005, just short of his 96th birthday, Peter Drucker died. To those outside the business mainstream, the name may not be familiar. Suffice it to say that what Shakespeare was to literature, and what Einstein was to physics, Peter Drucker was to business.

His pioneering work in the field of enlightened and responsible management spanned both profit and non-profit organizations. The relevance of his ideas and insights made him among the most influential business leaders and thinkers of the 20th century.

Sixty years ago, he created the management consulting industry and forever changed the face of the American economy. From the legendary head of General Motors in 1942, Alfred P. Sloan, to Jack Welch, Andy Grove, and Bill Gates, Drucker's writings directly or indirectly influenced three generations of business leaders.

In essence, Drucker's theories linked management with social and behavioral science, demonstrating that no management problem could be addressed from a single discipline. In a pithy and to-the-point style, his clear and succinct articles and books offered extraordinary insight into every facet of business and its role in society and history.

His ideas turned businesses away from treating employees as cogs, persuading management to think of workers as assets and partners. He explained how managers could get the most from themselves, their co-workers, and the institutions they served – which is how the best for-profit and not-for-profit organizations behave today.

Taking nothing away from Shakespeare or Einstein, if you are not familiar with the work of Peter Drucker, I recommend that you put him on your reading list.

J.A. Lindsey Jr.

Standards for Excellence

Trust, once lost, is not easily restored. Since non-profits operate for the public good, they are expected to be ethical and accountable in their practices. But how can non-profit leaders develop standards for ethical management and governance and prove to the public that they adhere to them?

To assist leaders and organizations, The Maryland Association of Nonprofit Organizations has developed the Standards for Excellence program. Participation in the program is voluntary, and permits organizations to examine themselves through the lens of eight guiding principles and 55 standards in such areas as mission and program, governing body, and conflict of interest.

Educational resource packets, including sample policies, provide applicants with guidance as they implement the Standards. Implementation can prove to be a rigorous process, and may take an organization a year or more to complete. Trained peer reviewers examine the applications to ensure compliance, and a committee of experienced non-profit leaders completes a final review.

Once an organization has demonstrated its compliance with the Standards, it earns the right to display the seal of excellence. Throughout the process, The Maryland Association of Nonprofit Organizations provides technical assistance and support in promoting this mark of distinction to the general public, as well as funding sources, staff, and the constituents these organizations serve.

Today there are more than 100 Standards-certified organizations nationwide, and the mission of The Maryland Association of Nonprofit Organizations is to strengthen and support its 1,600 members' ability to serve the public while promoting ethics and accountability in governance and management.

For more information on the Standards for Excellence, or The Maryland Association of Nonprofit Organizations, please visit www.nonprofitsyoucantrust.org or www.marylandnonprofits.org. To request a Standards for Excellence starter kit, email Julia Aggen at: jaggen@mdnonprofit.org or call 1-800-273-6367 extension 13.

The following is excerpted from *The Nonprofit Leadership Team* by Fisher Howe and reprinted with permission of Jossey-Bass, (www.josseybass.com) a division of Wiley Publishing.

Governance, Management, and Leadership

The board of a non-profit organization is the source of control and authority, with the power to make decisions on all matters related to the organization. The board stands accountable for the mission, overall policy, operations and the financial integrity of the institution – literally for all that the organization does and does not do. That is governance.

Governance Responsibilities of the Board:

1. Select, compensate, evaluate, and if necessary dismiss the chief executive officer.
2. Define the organization's mission, purpose, programs and priorities. Set out the vision for what the organization wants to be and do in the years ahead.
3. Ensure financial responsibility and accountability by approving the budget, overseeing financial reports and controls, contracting for an independent audit, and controlling investments of capital assets including endowment funds.
4. Oversee and evaluate all operations and programs, support the executive and staff, and advocate for the organization in the community it serves.
5. Participate in identification, cultivation, and solicitation of prospective supporters.
6. Conduct regular self-assessment to ensure diligent participation and avoidance of conflict of interest.

The first thing a board does in fulfilling its overall responsibility is to hire an executive officer to whom it delegates the running of the organization. The executive directs the programs to fulfill the mission, has charge of and administers the operations of the organization to promote and support the mission, and otherwise implements the board's determinations of how the organization is to be run. That is management.

Management Responsibilities of the Executive:

1. Direct educational, cultural, healthcare, and community service programs in fulfillment of the organization's mission.
2. Direct programs to sell or otherwise provide the organization's services and products to users, members, or beneficiaries.
3. Manage the people responsible for day-to-day financial operations.
4. Provide the initiative and impetus to support the board in programs to raise contributed funds.
5. Manage the human resources, office space, facilities, and any related or unrelated business activities.
6. Assist the board to achieve its full effectiveness.

Leadership, then, is the partnership of the board and the executive jointly fulfilling the responsibilities of governance and management.

Fisher Howe retired as the assistant dean and executive director of the School of Advanced International Studies at Johns Hopkins University. His books include *The Board Member's Guide to Fund Raising*, *Welcome to the Board: Your Guide to Effective Participation*, and *The Board Member's Guide to Strategic Planning*, all published by Jossey-Bass.

Board Insurance – A Must!

Non-profit organizations perform a service for specific groups or the general public, and the same is true of the involved individuals who serve as board members without compensation or remuneration.

Today, it is a universal practice for non-profit organizations to indemnify their directors for liabilities, but indemnity is only as good as the organization's ability to back it. Therefore, it is incumbent on the organizations leadership to ensure that there is adequate insurance for any and all operational contingencies.

In today's litigious society, a review of all potential liability and risk should be conducted annually, preferably by an independent third party. Any general questions can probably be answered by an outside counsel or industry trade association.

And now a few words from Peter Drucker

"Knowledge is the only meaningful resource today."

"All organizations need a discipline that makes them face up to reality."

"Above all management is responsible for producing results."

"Noneconomic institutions need a yardstick that does for them what profitability does for business."

"In a moral society the public good must always rest on private virtue."

"The most effective way to manage change successfully is to create it."