

Evolution of a Nonprofit, Part 1: Determining the Organization's Orientation

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- *City staff receive complaints from citizens that a city-funded nonprofit is not fulfilling expectations. A program audit reveals that the nonprofit has achieved little that it promised. A financial audit reveals inadequate record keeping. When challenged, the charismatic, visionary chair of the board of directors deflects attention to the next big project to be launched by the nonprofit.*
- *A staff member of the county department of social services serves on the board of a local nonprofit, which has experienced significant growth during its first decade of existence. She notes that the organization's turn-around time on requests for specific budget and program information has slowed*

to a standstill. A cursory review of internal processes reveals that all paperwork and decision making stops on the desk of the founding director, who is not visible behind the piles of paper on his desk.

- *A nonprofit director tries to protect her overloaded program staff by taking responsibility for all administrative functions. She has a sudden illness and is unable to communicate for an extended time. A foundation grants administrator contacts the nonprofit to inquire about overdue reports and reimbursement forms, only to learn that staff do not know how to complete these forms or even where the records are kept.*

Governments and nonprofits are two key players in the public sector. Governments are charged with the broad mission of serving all citizens. Nonprofits are created with specific functions or populations in mind. Particularly at the local level, the dynamics of the relationship between the two players influence the success of community problem-solving efforts.

The internal management of nonprofits can be of interest to government

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The Public Intersection Project

The Public Intersection Project, an undertaking of the School of Government at UNC at Chapel Hill, helps businesses, philanthropies, governments, nonprofits, and faith-based organizations improve communication, relationships, and collaboration, and develops materials for use in addressing local problems. For more information, see www.publicintersection.unc.edu.

staff and elected officials for several reasons:

- Local governments contract with and provide allocations to nonprofits for public purposes. Governments are interested in the nonprofits' stewardship of these public funds.
- Local governments and nonprofits partner to address public issues. They rely on each other to fulfill the expectations they have set.
- Local government staff and elected officials make personal contributions of money and effort to nonprofits, often serving on their boards of directors or otherwise volunteering for them.

Many variables, from political influences to economic climate, can affect government-nonprofit interactions. One such variable is the extent to which any single person—a founder, a director, a volunteer, a chair of the board of directors, or a financial supporter—controls a nonprofit.

Any organization benefits from its strengths being spread across many people instead of being concentrated in one person. If the nonprofit equivalent of the Lone Ranger drives the organization, then the agency assumes that person's strengths and weaknesses, for better or for worse. Such imbalance is likely to be unhealthy. When the Lone Ranger decides to ride into the sunset, the nonprofit might be left without the internal capacity for leadership or even a true sense of identity.

This article describes a series of characteristics that indicate when a nonprofit might be more accountable to and controlled by one person than it is to the community that it was created to serve. It is the first part of a two-part article. Part 2 suggests a process that nonprofits might use to evaluate whether they have the interest and the capacity to shift from

being a leader-dominated organization to being a community-based organization. Part 2 is available online at www.sog.unc.edu/popgov/.

The Difference between a Leader-Dominated and a Community-Based Orientation

At any stage in a nonprofit's life, the effort or the personality of one person can hold it together. The centralization of authority and energy may be temporary, due to circumstances such as several key employees leaving at once, or essentially permanent, based on personal characteristics or practices, like the founder being strongly charismatic or the director not liking to delegate responsibility.

If a nonprofit organization primarily depends on the strength, the influence, or the willpower of one person, it risks a crisis if that person disengages from the organization. Also, the whole organization may be operating under the unacknowledged biases, natural habits, or personal preferences of one person. It may be inadequately positioned to listen and respond to the community it is intended to serve.

The Normalcy of Leader Domination Early On

Nonprofit organizations often originate from the inspiration and the energy of one person or a few people. Nonprofit management expert Maureen Robinson

refers to these dynamic founders as "gorgeous monsters."¹ They might be driven to create new services as a result of their own experiences and interests, or those they witness. They might be trying to stop bad things from happening again or to make good things happen for the first time. Communities can benefit substantially from this kind of motivation when it is turned into action.

No matter what the issue is or how the community is defined, the phases of nonprofit development are generally similar, even if they do not always happen in the same order or with adequate success:

1. Someone recognizes and articulates an unmet need.
2. Founding supporters introduce the concept of a useful service that responds to the unmet need, and encourage others to buy in to the idea.
3. The founders begin the program by organizing a board and a staff structure and obtaining start-up funds.
4. As the initial financial support runs out, the organization tries to diversify and stabilize its funding sources.
5. While the service itself develops, the organization formalizes and enhances its internal structure.
6. The organization stretches its limited resources by recruiting, training, and supervising volunteers.
7. The board and the staff evaluate and improve the program over time—for example, by developing complementary services for the target population.

Throughout the phases the nonprofit has a responsibility to check back with its community continuously in order to ensure that it is fulfilling its intended mission and serving its designated population.

All the phases require different skills and an ever-increasing circle of support and interaction. People who are wonderfully suited for one phase may not be interested in, comfortable with, or proficient in another. Usually, leadership

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Table 1. **Characteristics of Leader-Dominated and Community-Based Organizations**

In a Leader-Dominated Organization . . .	In a Community-Based Organization . . .
One person primarily drives the service.	A broad range of people within the community support the service.
The organization depends on one person to handle most responsibilities.	The organization relies on an interconnected system of people with different responsibilities.
The director serves as an officer on the board of directors.	The director serves as staff support to the board of directors.
The leader drives the board's agenda; the board rubber-stamps the leader's wishes.	The leader relies on board members, with their organizational knowledge and community perspectives, to drive the agenda for the organization.
Staff retain critical information mostly in their heads.	Staff document processes, decisions, etc., for future reference.
The organization depends on a few funding sources, often one-time grants from outside the community.	The organization has a diversified funding base that includes support from local individuals and organizations.
Jobs are created for particular people, who are the leader's choice.	Jobs are designed to help the organization meet the expressed needs of the community.
The leader does not explain staff transitions or the reasons behind job restructuring.	The leader shares information and allows time for staff and volunteers to process the impact of transitions. When possible, the leader, the staff, and the volunteers jointly plan how to handle the impact.
The leader varies the hiring process according to the circumstances or the people involved.	Hiring practices are objective, thorough, and standardized, inviting participation from staff, volunteers, and members of the community.
Staff, board members, and volunteers share information on the basis of their personal agendas.	Staff, board members, and volunteers share all relevant information and jointly decide how to use it.
The organization focuses on getting the community to accept and support a service.	The organization focuses on ensuring that services contribute to the good of the community.
The fundamental struggle is to promote a particular vision and manipulate others to support it.	The fundamental struggle is to find ways and means to do what the community wants.

styles and organizational processes need to be modified as the organization itself evolves.²

In the beginning of a nonprofit's life, one person may drive its development. This inspired person may be a staff member, a board member, a volunteer, or even a financial supporter of the nonprofit. No matter who the person is, certain symptoms are likely to appear if only one person controls the nonprofit's development and daily practices.³

It is no small feat for a nonprofit to shift from being one person's "baby" to being owned by the community—meeting community needs, encouraging community participation, and welcoming community oversight. The shift can take years to accomplish, depending on available resources, the environment, and the people involved.

Control by Action or Inaction

People generally visualize a person gaining domination by taking specific,

direct action. Yet passivity also can be an effective tool when used indirectly to manipulate people, activities, or decisions. The result of the two strategies is the same: control of the organization.

By not sharing all relevant information early enough for the board to make informed evaluations, a leader can control the decisions that the board makes. By establishing a culture that does not welcome questions and by giving the board only one perspective, a leader can ensure that his or her ideas prevail. By ignoring requests for reports, a leader does not have to organize, seek, or share information. By passively resisting accountability, a leader can avoid unflattering feedback.

(For a list of some characteristics that distinguish a leader-dominated organization from a community-based organization, see Table 1.)

Management Styles of Leaders

Humans are so variable that making accurate generalizations about any type

of leadership or management style is difficult. People may fall clearly into one category, or they may blend several styles, adopting one for policy issues, for example, and another for personnel issues. They also might adjust their approaches to the circumstances, becoming more or less inclusive according to the conditions, such as when they perceive a personal threat to their power or they are engaged in a power struggle over turf.

Examples of three management styles follow. The first two illustrate the risks of having an organization oriented around one person. The third demonstrates the balance advocated by this article. The examples assume that the dominant leader holds the position of executive director.

Inspirational Leaders: Managing by Personal Vision

The first director of a nonprofit often is a visionary who is instrumental in defining the mission of the organization. Visionaries can be energetic, charismatic

people who are skilled at getting board members and others to share in their enthusiasm and confidence for effecting positive change, and in their vision of what the change should be.

Inspirational leaders, by nature, focus on possibilities—what the organization or the service could be. Because the big picture generates their energy, they might not be inclined to focus on the details of administration or program operation. They also might not be inclined to direct adequate resources toward the actual implementation of a vision.

Generally these leaders do not want to spend their time figuring out the intricacies of logistical support and financial management. Wise inspirational leaders surround themselves with people to perform those functions for them, and they make sure that those people have what they need to do their jobs well. However, some directors in this category might underestimate or ignore how essential it is for the health of the nonprofit to ensure strong administrative practices.

Inspirational leaders' emphasis on creativity over implementation and accountability can create trouble for an organization, and it may not be fully discovered until they move on to a new opportunity. Their successors may be left to deal with inquiries from funders about overdue reports, fines from the Internal Revenue Service for overdue payroll taxes, staff members who were hired for all the wrong reasons, or clients who were promised something that was not delivered.

Driving Leaders: Managing by Personal Initiative

With their busy lives, board members may find it attractive to hire a director who appears to be willing and able to do everything. This may be particularly true if the board has been operating without paid staff since the organization began or since the last director left. Board members may be fatigued from running the day-to-day business and feel justified in relying entirely on paid staff to provide the necessary oversight. It might be all too tempting for the board members to relax and abdicate responsibilities to someone who is willing to work diligently on their behalf. Also, if

the previous director emphasized big-picture thinking and exercised weak managerial oversight, a board might overreact by hiring someone who promises to do the opposite. The new director might focus on cleaning up the messes, have little interest in guiding the agency's overall direction, and not realize when the organization has gained enough strength that the director can begin sharing responsibility for day-to-day management with others.

Sometimes directors do have to support the weight of the organization because of inadequate resources to hire all the staff required to manage its work and supervise the volunteers. There simply is not anyone else to do all that needs to be done, and the problem becomes self-perpetuating.

Other times, nonprofits may have adequate resources, but directors may carry the burden alone anyway. The motivation not to delegate responsibility might stem from a desire to maintain total control over the organization or a fear that the work will not be performed at the desired standard.

These directors might honestly believe that they are shielding other overloaded staff from the burden of additional responsibilities by trying to manage all administrative functions directly. They might retain control by default because their board is not strong enough or informed enough to provide adequate oversight for the organization or constructive feedback for them. The directors might not make any effort to diversify the agency's strength simply because doing so might seem impossible. Also, they might not know how to adopt a more inclusive managerial style. Finally, adopting an inclusive managerial style might require changes that make them feel uncomfortable or threatened.

When a leader is strong enough to obtain what the organization needs to operate simply by working alone, other people who might be willing to share responsibility are not called on to take action. They also might be unwilling to challenge the status quo. For example, board members might be less motivated to work on fund-raising if the director is successful at getting grants. Community members might not speak out in support of the organization's programs if they

are never invited to do so. Staff and volunteers might not have the opportunity to learn new skills if the director does everything.

Having a leader who exercises tight control over internal organization, information flow, and work activities might be useful when an agency works in a hostile environment. However, if one person receives and disseminates all information, then the information is colored by the lenses—rosy or otherwise—through which that person views the world. The whole organization can lose access to information that is not what the central person wants to hear, share, or validate. The organization may not develop the balance required to meet the expectations of all its constituencies—clients, funders, professional peers, staff, volunteers, and the community at large.

Community-Based Leaders: Managing by Inclusion

Community-based directors blend both vision and administrative strengths—the best attributes of the previous two directors—with an actively inclusive style of management. They use pronouns like “we” and “our” more frequently than “I” and “my.” They share attention, responsibility, and power with others. They focus on creating a strong supportive system of people rather than on being the strongest ones themselves. Their goal is to create an environment in which individuals can do excellent work in order to accomplish the mission of the organization, even if that sometimes means the director must let go of favorite ideas.

This is not to say that inclusive managers do not have specific goals or do not exercise the authority of their positions. Their emphasis is on practices that support transparent organizational operation, not on manipulation of circumstances or people. For example, they create opportunities to collect input from inside and outside the organization, encourage objective discussion, and respond to the information provided, instead of avoiding or fearing it. Inclusive directors define expectations and demonstrate accountability by sharing feedback and other information openly and regularly with stakeholders.

Inclusive leaders have informed and passionate opinions, just as inspira-

Table 2. **Indicators of Leader-Dominated and Community-Based Organizations**

Leader-Dominated or Stressed Organization	Mature, Community-Based Organization
The organization tells the community what it needs.	The organization asks the community what it needs.
The leader imposes an agenda on the board. The organization imposes an agenda on the community.	The leader and the organization describe options for action and seek community feedback when making decisions.
The organization participates in larger community activities when there is an obvious self-interest to do so.	The organization regularly stays informed of and participates in the activities of the larger community.
The organization focuses on obvious beneficial or necessary relationships (clients, funders, volunteers, professional peers, etc.)	The organization builds a broad network of relationships.
Relationships are cultivated for their potential direct benefit (money, services, or influence).	Relationships are cultivated broadly throughout the community without an emphasis on potential direct benefits.
The organization does not share information unless there is a clear benefit in doing so.	The organization regularly shares information about issues, activities, and outcomes.
The organization resists when asked to justify, explain, or document actions.	The organization expects to be fully accountable to the public for all actions.
Communication is one-way, often with an informal hierarchy based on personalities rather than job responsibilities.	Communication is multidirectional, respecting but not limited to hierarchy.

tional and driving leaders do. The difference lies in how they respond to others. Responsiveness, transparency, and accountability distinguish the operational practices of community-oriented leaders.

Reasons for Shifting Orientation

Building a strong board takes the effort of many people, including the director. The director has to be willing to establish a partnership with the board; to devote energy to building a structure of relationships among people with specific responsibilities; to maintain those relationships through individual, committee, and board meetings; and to train those involved so that they can provide guidance for the agency. This is hard work for everyone. It might seem easier to skip all the effort and let the director run the whole show.

Yet nonprofits, by definition, have missions that are intended to contribute to the greater good of their defined communities. To do so successfully, nonprofits must be responsive to the people or the systems they serve. To create an environment that encourages responsiveness and responsibility for the long term, a nonprofit cannot depend on one person to receive and disseminate all necessary information or to decide the organization's direction.

Table 2 lists practices that distinguish leader-dominated and community-based

organizations. Reviewing the list might help build understanding of how individual practices, many of which might be justifiable in the moment because of limited resources or stressful circumstances, serve collectively to build organizational culture.

Neglecting to build a system of board, staff, and volunteers who are strongly connected with one another and with the community can have unintentional negative consequences for the nonprofit. When symptoms such as the following begin to arise, it may be time to begin a process of change:

- The pursuit of money, not the community's needs, is driving the nonprofit's programs. When a leader's interests and skills are devoted to obtaining grants to start new programs and the leader is less interested in finding money to sustain existing programs, the types of services provided might constantly change as old programs die for lack of funding and new programs start up. Members of the community might not know what to expect when they walk in the door to inquire about services. A vital program might disappear because the director does not enjoy doing the kinds of activities necessary to obtain sustainable revenue, and the board does not strongly support and encourage the director to do so.

- The program is not developing the capacity to strengthen itself by using feedback to drive improvements. If a leader resents and resists the tedium of program evaluation, the organization and its funders cannot be sure if the program makes a difference. The agency cannot prove to the community that it deserves continued support. Clients suffer by being forced to accept a service that is offered to them, not designed for them.

- The nonprofit is not being accountable to supporters. A leader who detests detail work might not be able to effectively share information about a program's outcomes with a funder. The leader might not have the ability or the desire to organize information carefully, document activities, track financial support to the program, evaluate changes experienced by the clients, or create a report that communicates the impact of the program.

Being accountable to supporters not only creates a lot of detailed work, but it also opens the leader up for advice or criticism, either of which may be unwanted. Some leaders might equate sharing information with losing control of a situation.

- The director is behind in filing reports and documenting agency activities. The pile of work might eventually

grow so large that the director cannot catch up and meet all the demands alone. However, asking for help from the board or the staff will necessitate admitting shortcomings and could actually put the director's job in jeopardy. The sense of overload not only creates a disincentive for honesty but also provides a motivation for the director to bolt from the agency rather than stay and try to repair the problems.

- The necessary records are not being kept in a manner that ensures documentation of institutional memory. This situation is a remarkable demonstration of inadequate risk management. An organization that centers itself on one person flirts with crisis when that person leaves or is incapacitated. This is especially true if the director does not document critical information for a successor to use.

If the director leaves abruptly, without the time or the inclination to train new staff and document the status of ongoing projects, the transition can be devastating. The staff and the board may be left floundering, not knowing how to obtain installments on grants payments, whom to contact to get something important done, when to file payroll or program reports, where to find existing financial resources, or how to accomplish any number of daily logistical processes that make regular activities happen.

- There is no reassurance from the community that the organization should exist. The staff and the volunteers of an organization that is truly community based constantly receive informal feedback that their programs meet expressed community needs. They receive support in many different forms, such as a check from a donor, an in-kind contribution from a merchant, a volunteer's time, an effort to coordinate policy with local governments, or a public expression of thanks from a client. There should be a variety of indicators—large and small, financial and otherwise—to confirm to the nonprofit that its community benefits from its services.

The sources of support for a program over time can speak volumes about its place in its own community. Receiving a generous start-up grant from a funder outside the agency's service area is a vote of confidence in the potential of a single idea. Receiving an assortment of contributions from people and organizations at home as well as elsewhere is a profound expression of trust and acceptance.

When it comes time for a nonprofit to shift from being a leader-dominated organization to being a community-based organization, dominant leaders face these choices:

- Adapt their style of management to the changing needs of the organization
- Decide to leave for a work environment that does not require personal change
- Try to stay and resist change, in the process diverting the organization's energy from its mission

It is delightful to see a director grow. It also is pleasant to celebrate a director's accomplishments and convey good wishes for new endeavors. It is detrimental to the whole organization for a director to stay in what now is the wrong job, for what are likely to be the wrong reasons. Obviously, the third choice is not the desired one.

Opportunities for Self-Evaluation

Different circumstances can stimulate a nonprofit organization to evaluate its focus and practices in relation to the community it serves. One such opportunity occurs if a nonprofit draws negative public scrutiny by failing to be accountable to the public.

But other, more positive opportunities for self-evaluation happen. For example, an organization might simply be motivated to engage in a thoughtful process of self-improvement; a founding director, or one of long tenure, may leave the agency; or a leader who has held tight controls over the organization may depart. No matter what the circumstances are, the organization can use the situation as an opportunity constructively to evaluate whether it actually is, truly

wants to be, and can be a community-based organization.

Shifting to a community-based perspective requires sustained effort on the part of the many people associated with a nonprofit. By taking time to evaluate why they desire to make the shift, what they expect to happen as a result of it, and what the logistical, philosophical, and emotional implications will be, stakeholders can ensure that the organization will be around in the future to accomplish its mission.

Why an organization begins this process of contemplation, evaluation, and action may not be as important as its simply doing so. Even an organization and a leader with strongly inclusive practices might benefit from an occasional reexamination.

Part 2 of this article poses six questions for nonprofit organization personnel to discuss as they consider the ramifications of shifting from being a leader-dominated organization to being a community-based organization. It also suggests some practices to help make the shift. Again, it is available online at www.sog.unc.edu/popgov/.

Notes

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1. MAUREEN K. ROBINSON, *NONPROFIT BOARDS THAT WORK 103* (New York: John Wiley & Sons, 2001).

2. For more discussion of the evolution of organizations, see Larry E. Greiner, *Evolution and Revolution as Organizations Grow*, *HARVARD BUSINESS REVIEW*, July–Aug. 1972, at 37.

3. Organizations working through the challenges described in this article might find these two online publications useful: HILDY GOTTLIEB, *FOUNDER'S SYNDROME? WHO ME?* Copyright 2003 by ReSolve, Inc., available at www.help4nonprofits.com/NP_Bd_FoundersSyndrome_Art.htm (last visited July 7, 2004); and CARTER MCNAMARA, *FOUNDERS SYNDROME: HOW CORPORATIONS SUFFER—AND CAN RECOVER*, Copyright 1999 by Carter McNamara, available at www.managementhelp.org/misc/founders.htm (last visited July 7, 2004).