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## Using Nonprofits as For-Profit Student Training Grounds

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# Academic Leadership Journal

## How Learning What's Not in the Textbook Develops Management Skills

Students can develop important management skills by requiring them to work in non-profits as a component of their curriculum. What they can learn will be information usually not found in textbooks because this type of organization focuses on a mission that blends the desire for long term success with the desire to serve special groups of people in need. The fascinating mix of social consciousness with any of a variety of business models creates dynamic environments that produce unusual situations not found in for-profit businesses. Exposure to these situations and occurrences can teach students management responsiveness, adaptability, and critical analysis techniques within a constrained social framework.

Nonprofits are big business and getting bigger each year as society relies more and more on meeting its needs through non-governmental efforts. Skimming the facts on the National Center for Charitable Statistics website maintained by the Urban Institute reveals exactly what is meant by “big”. The Urban Institute reports that there were 1,514,821 tax-exempt organizations registered with the Internal Revenue Service earning over \$1.4 trillion in total revenues and spending \$1.3 trillion in 2008. Though these businesses are called non-profits, they must of course generate enough revenue to cover all current expenses while creating a pool of funds for more capital needs. Calling them nonprofits seems a bit disingenuous in terms of financial management.

Coupled with the need to generate sufficient revenues is the desire to fulfill a socially recognized mission that transcends profit making. Nonprofits are often started by charismatic leaders who see an unmet social need related to issues such as poverty, drug addiction, domestic violence, incarceration, foster care and many others. In a nonprofit, it is not unusual to find a daily struggle to balance the need to run an efficient business with the need to assist the service recipients that are the nonprofit's customers.

### Converging Goals

The convergence of these two goals is where organizational volatility is most evident. The desire to serve, often deeply rooted in a faith based mentality, must co-exist with the practical need to survive financially. The retired national commander of the Salvation Army, Robert A. Watson, wrote, “In strictly business terms, our service recipients are our customers and our supporters are investors. Like any other company, the Army has employees to recruit, train, and retain. It has property to manage. It has revenue streams to monitor and costs to control. It has a brand to protect...If we and other successful nonprofits have any advantage over many commercial firms, it's that we're not nearly as vulnerable to the distraction so many of the top management gurus warn against-the distraction of short-range earnings demands.”

Yet it is the very fact that a nonprofit does not feel distracted by short term revenue needs when deciding which clients and how many clients to serve that creates the unusual, dynamic and even

explosive situations within the organization. For example, consider this very real situation. A residential substance abuse treatment facility has no available beds unless emergency beds are added. The financial condition of the facility is tenuous at best as fund raising has declined by 75 percent primarily due to the occurrence of an economic recession. The executive director began the facility using her personal funds while believing she had a faith based directive from God. A woman shows up at the front desk with five children and asks to enter the program. All the shelters in the city are full and she has nowhere to go. Does the facility accept 6 more mouths to feed, clothes, house and train?

Ask the financial manager and the answer is a resounding “No!” Ask the housing director and the answer is, “No!” Ask the executive director and the answer is, “Find room!” The budget gets stretched further, the staff is asked to take on additional clients, the facility becomes even more overcrowded, and one more much need project is postponed due to lack of resources. There are many books that have been written on the subject of the high rate of nonprofit failures, but this article proposes using nonprofits as fertile training grounds for business students in all disciplines. The theory is that students can develop critical management and decision making skills in a volatile environment not often addressed in traditional business textbooks. Students will also learn how to creatively approach financial and operational management issues using limited resources.

### Learning Negotiation Skills

Medium and small sized nonprofits are often staffed with family members. The person who starts the nonprofit with personal funds will often rely on family becoming the high level management staff. This creates a precarious decision making scenario because personal relationships can significantly impact the process. Do you want to tell the executive director his son is doing a poor job at managing the thrift store and that is why it is losing money? When the executive asks, how do you tell her that her niece is not a good choice for housing manager?

The art of negotiation requires a delicate balance between expressing fact based opinions or fair decisions with an appearance of reliability. The goal is to achieve the greatest good for the organization without finding yourself being treated unfairly. In a nonprofit, the student can learn how to make suggestions for organizational improvement; how to put forth opinions without offending; how to make workable decisions in a volatile environment; and how to function in a business model that relies heavily on personal relationships. These skills can be carried over into the for-profit business environment and applied with much less emotional strain and maybe a much greater sense of fairness.

### Learning to Achieve Results with Inadequate Resources

In 2002 Robert Egger became the interim director of the United Way in D.C. The organization had earned a reputation as being wasteful with donor money. It had too many employees, an overpaid executive staff, and agencies crying foul because they had not received their allocations. The first thing Mr. Egger cut was the director's salary by 57 percent. He did this because he knew it would be necessary to lay off employees and the salary reduction would enable him to retain essential management positions.

There is a discussion going on right now in the United States concerning the need to cap bank executive salaries based on bank financial results if the bank accepted government funds. The bank executives are not voluntarily offering to cut their salaries, and it will probably only happen as a result of

government action. On the other hand, Robert Egger voluntarily accepted a salary reduction for the good of the organization. Reducing a bloated payroll was just one of the many difficult financial decisions he had to make in order to restore donor trust and financial viability. The end goal was to create the revenue needed to give United Way agencies their allotments for the purpose of being able to fulfill organizational and social commitments.

Students completing internships in nonprofits can get firsthand experience in making tough financial decisions in an organization with a mission focused on society's needy. The path to take when cutting costs on a production line in a manufacturing plant can be much clearer and less emotionally wrought than the path to follow for cutting costs in an organization where reducing those costs could lead to fewer meals served to the homeless or fewer programs offered to domestic violence victims. In the nonprofit setting, students can learn how to evaluate financial operations and selectively reduce expenses in a way that does the least harm to the organization's ability to fulfill its mission.

### Learning to Deal with Difficult Clients (Customers)

In many cases, nonprofits are working with clients that have very serious problems. Their clients are also often people others prefer not to deal with on any personal level. These clients include the chronically homeless, drug addicted men and women, teenage prostitutes, men and women previously incarcerated, and many others. Compare the customer relations procedures needed for these clients to the customer relations needed for department store customers.

Students interning in nonprofits that are dealing with society's neediest members will learn to work with people who have serious problems, and to be absolutely honest, also often do not behave in predictable ways. Collecting program fees from a previously homeless client relying on a social security disability check is much different than collecting a past due account in a for-profit business. But the interpersonal skills that are learned can be transferred from the nonprofit to the for-profit setting.

### Learning How to Manage People Who Are Not Necessarily the Most Qualified

Nonprofits manage to get the job done using an eclectic mix of people. Unlike a for-profit, the not for profit organization usually relies heavily on both paid and non-paid staff. According to the US Department of Labor 26.4 percent of the population volunteered time to organizations in 2008. This equates to 61.8 million people.

Naturally with this many volunteers there will be a generous mix of skilled and unskilled people. Volunteers include PhDs, attorneys, ministers, office workers, and stay-at-home mothers to name a few. High school students often volunteer hours at nonprofits for community service. What this means is that nonprofit managers get extensive experience managing people at all skill and educational levels. Interning at a nonprofit provides a wealth of opportunity to work with all kinds of people.

As mentioned earlier, many nonprofits operate with inadequate financial resources. They rely heavily on volunteers to get much of the needed work done in a timely and affordable manner. The paid executive staff and managers work hand-in-hand with volunteers doing essential work like counseling, building maintenance, fundraising, and community event organizing. Students interning in this environment will learn how schedule work so that essential projects are completed in a timely manner for the lowest cost.

## Conclusion

Peter Drucker wrote an article titled *Managing Oneself* that discusses how people can achieve success in a knowledge society. The premise is that business people must take charge of their careers and not rely on the organization's executive staff to make critical career decisions on their behalf. The only way to take charge is to understand your strengths and how to capitalize on them. It is also necessary to have an excellent understanding of how you work under stress, the kinds of people you work best with on a daily basis, your values, and what you have to offer in the way of skills, talents and knowledge.

Obviously the more exposure students have to all forms of business and all types of business models, the more prepared they will be to make career decisions and the more they will be able to understand personal strengths. A good way to develop personal strengths is to put skills and abilities to the test. Exposure to less-than-ideal or challenging business circumstances can give students knowledge and experience they will not get from traditional textbooks.

Nonprofits do excellent work in the community and many manage to do so under circumstances in which traditional business models would fail. These circumstances can include family relationships, inadequate financial resources, difficult clients with severe problems, and a large volunteer staff. By learning to operate successfully in this kind of business the student will develop critical skills that can be used in traditional organizations even in the worst economic conditions.

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