

Newsletter

ISRAELI CENTER FOR Third Sector RESEARCH

GUILFORD GLAZER FACULTY OF BUSINESS AND MANAGEMENT

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ICTR's 14th Annual Spring Conference: Management Practices and Management Training in the Third Sector - Between Business and Social Conceptions

The past few years have seen the introduction of business models into the world of social services and nonprofit organizations. This is manifested in many ways. There is increased competition between Third Sector organizations and businesses in service provision, such as in the mixed market created in Israel under the long term care law. Nonprofit organizations have been adopting business techniques such as strategic planning, marketing, advertising, and

management of investment portfolios. Increasingly, nonprofit organizations move to selling at market prices to compensate for declines in government support and to deal with fluctuations in philanthropic donations, particularly in light of the economic crisis of recent years.

We also see a wide range of cooperation models between Third Sector organizations and businesses, such as joint ventures

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An Interview with Prof. Roseanne Mirabella, ICTR's conference keynote speaker **Prof. Mirabella: "Nonprofit managers identified the MBA degree as the most preferred for managers in the sector"**

Prof. Mirabella, as an expert on nonprofit management education, what are the major trends that have taken place in NP education over the past few years, and what has affected them most.

In the United States, the trend that I would point to as most relevant is the tremendous growth in the nonprofit management education (NME) field since the 1990s, both at the undergraduate and graduate level. There are 304 institutions now offering courses in nonprofit management

education compared with 179 institutions with courses 15 years ago, an almost 70% increase. In the United States we have seen an increase in the number of nonprofit organizations being called upon to provide services in the community accompanied by a decline in government provided services. In part this is the result of devolution of services from the federal to the local to the nonprofit, cutbacks in public funding for social service

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Director's Column

Dr. Hagai Katz

Between for-profit and non-profit: strengthening the Third Sector without liquidating its social values?

These days at ICTR we are busy with preparations for the Annual Conference, the Center's main annual event. The conference theme this year is the mix, and often the tension, between the social and business approaches to managing Third Sector organizations and training nonprofit leaders.

Indeed, the issue of infiltration of business management and leadership models to the Third Sector and to social services is a

Philanthropy Alone: Social Enterprises in Israel - Preliminary Mapping and Comparative Study", which examined a variety of expressions of business activity for social purposes.

Indeed, recent years have witnessed a growth in new integrative models mixing between for-profit and nonprofit models, and academic and public discourse followed suit.

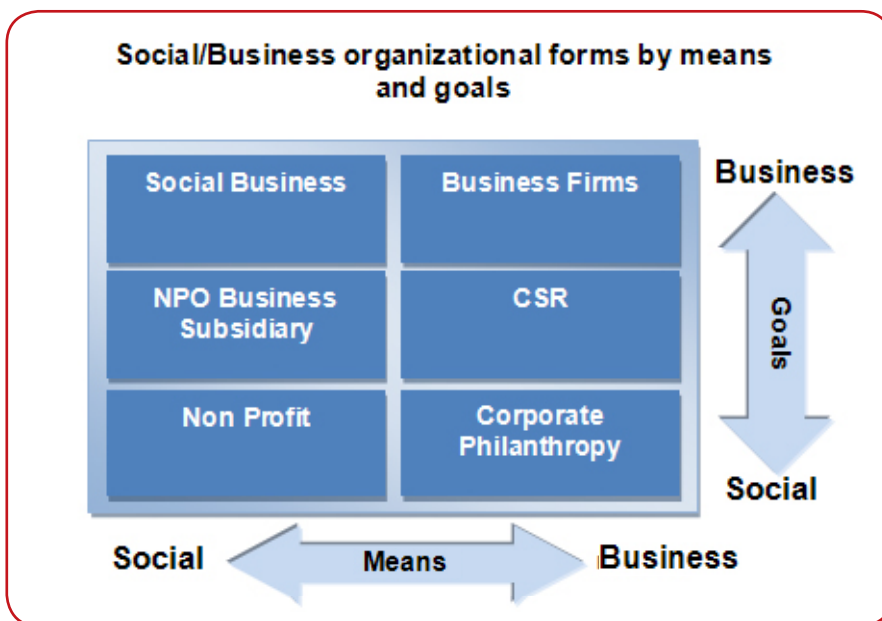
The literature on the integration of for-profit and nonprofit models to date

and strategies have a lot to prove. But there are also voices who claim there is a need to critically examine the manner of introducing business concepts and models into the Third Sector, the most prominent expression of which is the rise of social businesses.

These critiques raise organizational, social and political concerns. At a minimum, a number of core issues, organizational and managerial, conceptual and theoretical, should be addressed when referring to these phenomena, and when considering what are the contents and values to include in the training of future leaders for civil society.

Those who advocate the business model as a formula for success, easily forget that the business world doesn't only breed success, but also many failures, no less than the Third Sector. The failure rate of small and medium enterprises is substantial, probably not all that different than in the Third Sector.

The concept of social businesses and nonprofit run business ventures is based on a market model, which is not suitable for social services because these services' consumer's freedom of choice is often very limited. The market model is appropriate to produce private goods, but it is inappropriate in the production of public or semi-public services whose nature (free rider problem, difficulties in outcome measurement, information asymmetry, etc.) do not allow for the development of an efficient market. Even Dees, a prominent proponent of social entrepreneurship admits that "Markets do not work as well for social entrepreneurs. In particular, markets do not do a good job of valuing social improvements, public goods and harms, and benefits for ▶



burning issue in recent years, in Israel and globally.

At ICTR we have recently published a report on "Business Ventures by NPOs, Social Businesses, and Social Cooperatives -Different Forms of Hybrid Organizations Combining Social and Business Goals: Some Insights from a Survey in Israel" (by Benjamin Gidron and Dikla Yogev). Another Israeli study published last year was a study by Adv. Rachel Benziman – "Not by

has almost unequivocally presented them with a considerable note of optimism. Among others things they are portrayed as the salvation of nonprofit organizations at a period of declining philanthropy and cutbacks in government support, as a solution to unemployment, and as a solution to the problems of management and accountability manifested by Third Sector organizations.

In the face of such expectations, these new types of organizations

▶ Director's column

people who cannot afford to pay. These elements are often essential to social entrepreneurship. That is what makes it social entrepreneurship. As a result, it is much harder to determine whether a social entrepreneur is creating sufficient social value to justify the resources used in creating that value. The survival or growth of a social enterprise is not proof of its efficiency or effectiveness in improving social conditions". (Dees, 1998:2)

Even Jim Collins, in the sequel to his famous book Good to Great referred to what makes good social organizations – great, he argues that the adoption of business models is not the solution. He claims that we must reject this idea, despite the good intentions behind it. He claims that most businesses, like most things in life, run between average and good, and only few are great. Many business

models and norms correlate with mediocrity, and not necessarily with excellence. The tools that make a good organization excellent are not business tools, but rather solid management capabilities - the ability to distinguish between inputs and outputs and measure success, even when not in financial or business terms; self-discipline, intellectual integrity and rigorous management; recruiting the right people and placing them in the right positions; leadership that can achieve results also in a decentralized non-hierarchical organizational structure; focused and strategic action; use of achievements to develop the organization's public image and leverage it to promote the organization on (Collins, 2005).

Also, one must keep in mind that the social responsibility behind Third Sector organizations may contradict basic business

considerations - what should investors do with a social business that serves a significant number of customers in need, but consistently loses money? How will the priorities be set - what subjects addressed? Which populations to target?

Bottom line awareness can easily be translated into a goal displacement. The relative ease and speed with which you can demonstrate success in an enterprising business side, compared to the complexity of demonstrating success in achieving social goals, coupled with the patience such measurement requires, can lead to preference of business goals over social goals.

This can be expressed at different levels, ranging from what received more attention in board meetings, to implicit or explicit pressure from investors to trade social value for business value. At the very least, in ▶

2010 ARNOVA conference



As in other international third sector research conferences, ICTR was well represented in the recent ARNOVA conference in Alexandria, VA. In the conference Dr. Paula Kabalo and Dr. Hagai Katz (on the right) presented an article comparing civil society's response to the internally displaced problem in two Israeli wars – the 1948 Independence War and the 2006 Second Lebanon War. In another session Michal Strier and Dr. Hagai Katz (left) presented an article on social capital and involvement in grassroots organizations, based on Michal's Masters' Thesis, in which she studied democratic schools in Israel. Dr. Katz also served as chair of one of the conference parallel sessions.

▶ Director's column

the long run, this process affects the change in philanthropic discourse to a quantitative and economic one at the expense of moral and social discourse.

There are also effects on social policy and on policy towards the Third Sector. The result of introducing business models into social services is the commercialization of the welfare system and a gradual change in perception of the welfare state and the division of responsibility for the welfare of the citizens.

Provision of social services through business models and through for-profit entities, also means transferring the risk involved in developing social services from state to private investors.

It does in fact turn responsibility for financing social services over from government to clients and private investors.

Apart from legitimizing further withdrawal of the welfare state, it can also reduce the universality of social services. Should we allow for trends, interests, perceptions and preferences of the wealthy determine the composition of the social services system?

In addition, the penetration of social organizations into business activity blurs the boundaries between sectors, and may be perceived as a threat to business firms, and subsequently bring with it negative implications for the Third Sector. In Australia, for example, protest from business firms arguing that nonprofits are given unfair advantage in the competition in the market, brought the business sector to put pressure on government to cut the Third Sector's tax breaks.

It is important also to note the possible consequences of this process to democracy and citizenship (Eikenberry & Kluver, 2004). Third Sector organizations are not only tools to provide services efficiently and effectively. They have important role in developing civil society, strengthening democracy, and generating social capital.

Commercializing them may cause a decrease in their contributing to social change.

The business model, with its inherent need to supply results to business investors, influences the organization's preferences for services that can be quantified and measured, distancing them from long-haul, difficult and controversial activities such as ones that impact public policy, representation, citizen participation, etc., activities that are at the heart of the Third Sector's contribution to the development of civil society and democracy. In addition, the business logic underlying the concept of competition provides a negative incentive for networking and building relationships that are vital to the development of social capital and the creation of significant and sustainable social change.

If so, what is required? First it is important to distinguish between the adoption of business values and business techniques. Raymond Dart (2004) points out the difference between the adoption of business goals, which means selecting programs based on financial considerations, which often means preferring quantities, effectiveness and achieving measurable results rather than 'softer' ("social") considerations, and the adoption of business management and leadership patterns, similar to the characteristics of 'great' organizations, as pointed out by Collins.

We also need understanding on the part of donors, government and the public, that although the organizations are not-for-profit they must be given conditions which will allow them to perform their job properly. Dan Pallotta, in his book *Uncharitable* (2008) argues that the popular notions of what constitutes a nonprofit prevent the organizations from implementing management principles that could enable them to be more effective without losing their social spirit. Government is trying to limit their ability to pay competitive

wages for excellent managers; accounting procedures limit their options for investing financial surpluses and donations. Their use of advertising and marketing raises criticism over waste of philanthropic donations.

Finally, a deeper understanding of the term "social management" is a must. We still don't well enough what characterizes a nonprofit organization and what is the optimal way they should be managed. An understanding that management of these organizations is in essence the production of social value through professional management will enable the organizations to adopt superior management tools and enhance their ability to fulfill their missions.

In fact we need to better understand what is 'nonprofit-like', before we dismiss it and prefer 'business-like' over it. In order to achieve this, we must further study the management of Third Sector organizations, and identify what characterizes those who are great and what distinguishes them from those that are just good or average. Based on this understanding we must develop appropriate management training, one which provides solid administrative capabilities and tools, without business mindset indoctrination. ●

Sources:

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Social responsibility among Israeli Publicly Traded Firms

Early findings from a new research

Inbal Abou

Recent years have witnessed an increase in the scale of partnerships between business and nonprofits. These relationships range from monetary donations, 'in-kind' goods and services for "good causes", to complex partnerships which promote corporate, nonprofit, and nonprofit clientele's gains (Harris 2007).

Many firms have come to understand the advantage of pursuing multiple bottom lines: business, social and environmental. In recent years Israel has joined Western countries in which the business community is actively involved in the community and the implementation of corporate social responsibility is gradually becoming an accepted part of business strategy.

Social responsibility today is considered a significant factor in the ability of firms to survive and prosper, thus making it an essential component of the organizational culture of organizations in general, and business firms in particular.

This approach, expressed in activities aimed at diverse populations has substantial financial expression. It has turned the discussion of corporate social responsibility and its contribution to the community welfare into a meaningful and central social issue

(Nutman-Schwartz and Gadot, 2003).

The strategic importance of Corporate Social Responsibility (CSR) at large and community involvement in particular has been widely discussed in academic literature. Some claim the outcomes of CSR may become an important part in establishing and developing value based relationships with primary stakeholders.

In general, the relationship with the community may include variegated activities - creating social engagement through workplace volunteering, increasing awareness to social issues, allowing pooling of resources. Empowering both the invested resources and the people involved, social responsibility may actually produce future profits for the firm, which may become responsive to community needs, creating a better social environment for its business - a better society creates a better platform for making business.

Several studies, carried out in Israel, examined corporate social responsibility among firms (Reichel, Gidron and Shany in 2000; Shamir, 2004; Kriesler, 2004; Bar-Zuri, 2008). Their findings have showed that although more and more Israeli firms have engaged in corporate social responsibility practices, such as charitable programs, various social projects, fundraising and/or volunteer work and 'mission statements' which include social responsibility, the level of institutionalization of social responsibility in Israeli firms is low and their activities are predominantly merely philanthropic.

Effectiveness and Consistency

For CSR to be effective, it must be conducted in a professional fashion, as are other aspects of the firm. This means that a CSR strategy must be compiled which will then be activated through an annual and long-term work plan, which includes procedures, objectives and measurable outcomes. It should be implemented thoroughly and systematically, and communicated consistently to relevant stakeholders.

In light of this, we decided to conduct research which examines the patterns of social responsibility among business firms in order to contribute to understanding the phenomenon and its management in Israel.

The survey focused on two main aspects of social responsibility in Israel – the management of social responsibility in the firm, and its expression in community involvement. In this research, we sought to examine the scope of investment in the community against the institutionalization of CSR in the firm as it is expressed in a defined CSR policy, the assignment CSR officers, and systematic and planned resource allocation.

In the survey we decided to focus on firms for which there is evidence of existing CSR activities (donation, a declared policy, etc.). To do so we have reviewed the reports of the board of directors of all the publicly traded firms in Israel, which under the Securities Regulations (Regulations 6130 from 1.11.01) Act, are required to report their policy and scope of donations. We located the firms ▶

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Social responsibility among Israeli Publicly Traded Firms Early findings from a new research

that reported activity in the years 2007-2009, and contacted them with a request to participate in the survey.

The survey's findings reflect a diverse and interesting picture of the activities of the corporations in the community and the institutionalization of the social responsibility in them.

Participants

From the total number of companies traded on the Tel-Aviv Exchange in 2007-2009 (N=645) we have considered for the survey only those with some kind of activity in social responsibility (N=427), of them, 53 consented to take part in the survey. The survey consisted of close-ended questions on the scope of involvement in the community for the past 3 years (2007-2009) and the institutionalization of CSR, as it is reflected in the allocation of a designated department and officer, CSR policy and budget planning.

Participating in the survey are large firms (40% of which are in the top 25% of companies ranked by size), mid-size firms (46.5%) and small firms (13.5%).

Of the total number of firms participating in the survey, 41.5% belong to the industrial sector, 28.3% to the services and commerce sector, 17% to the construction and real estate sector, insurance, banking, and investment holdings.

Community Involvement

Most of the firms (82%) reported some kind of community involvement in the past year. Most reported more than 4 years of community involvement. Only two companies reported that they do not have community involvement programs and are not interested in engaging in one in the future.

Types of Donations

Almost every company donated money or in-kind (95%). Between 2007-2009 the biggest donation was NIS13 million, and the average donations was down from NIS 946.5 thousand in 2007 to NIS 913 thousand in 2009. One must note that when asked how much they will give in 2010 our respondents estimated their firms 2010 total donations of NIS1.075 million on average. Regarding 'in kind' giving, most of the companies (64%) reported that the donation was related to the firms' business activities (products, volunteer hours). Most companies reported a planned budget decision-making process (79%), although planning was considerably more frequent for monetary donations (54%) than it was for in-kind contributions (13%).

Volunteering Programs

Of the companies surveyed, 58.5% reported that they have an employee-volunteering program; most (80%) have a managerial position heading it. Only a third of the companies reported management volunteering. In slightly more than half of the companies who responded (56%), the person who headed the social responsibility department was also in charge of the companies' volunteering activities.

An interesting factor we discovered in the survey was that only in 22% of the companies which have an employee-volunteering program, the employees participate in the decision about the volunteering venue. Although not involved in the decision making process, the employees commitment to the program was very high, in two thirds of the companies surveyed, employees volunteer also on their free time.

Concerning long term/annual planning, the survey found that in

two thirds of the companies that have an employee-volunteering plan, also have an annual work plan and that most plan the volunteering commitments in advance (65%). That said, only 15% pre-plan the total cost of volunteering and number of volunteering hours.

Policy and Administration

A third of the companies surveyed reported an organized and defined policy in their social outreach as part of the firm's work plan, almost all (except one), publicize the policy publicly and openly. Yet, only a third of those who have a planned organized policy undergo evaluation to rate their performance using quantitative tools and metrics. Two thirds of the firms implement environmental, social and human rights standards. The most popular standards among Israeli companies traded in the Tel-Aviv Stock Exchange are ISO14000 (Environment), 8000SA (proper working conditions) and Oshas 18001 (Occupational health and safety).

Social Responsibility Officer

Of the companies surveyed, 40% have reported that they have a Director of Social Responsibility, in half of them the position has been staffed for over two years; in these companies the recognition of the importance of defining a framework and defining its scope, is apparent. Most of the officers in charge of CSR (76%) report directly to the CEO, in more than half (57%) the position is defined as a full time paid position, in 28% of the companies the position is voluntary and unpaid.

Additional findings from the research will be presented in a special session at ICTR's 14th Spring Conference which will be held on March 15, 2011. ●

The importance of Mentoring and Coaching in Nonprofit Management Training

Moti Perlmutter

Administrative and academic literature has often shown that managers differ in management styles. But in my experience, from an entry position to chairman of the board, a good manager will be a good manager in any sector in which he or she works. Successful management cannot, I believe, be attributed to a single management style and management of nonprofit and private sector organizations has many more common traits than one might expect at first glance. The common basis for both, whether for profit or not, - is their existence as economic organizations.

In the article I will examine the training needs of nonprofit directors that are brought in from other sectors outside of the Third Sector, or ones without prior experience in management; directors with experience from other sectors; directors who got promoted from inside the organization; 'political' appointments without prior experience and directors who come from the academic world.

All three lack the experience, knowledge and complexity to manage, and in particular, manage a nonprofit organization.

This article will not examine experienced managers who require only a short period of time to acclimatize themselves, and internalize the change in perception needed in the nonprofit sector.

In the 1960's, I worked at IBM Israel. The company has internally trained people appointed to management positions that were, in the opinion of the company lacking in basic managerial skills such as systemic vision, priorities, and a capacity to work concurrently with subordinates, peers and senior management

However, mostly they had no knowledge of what to do come morning: How to hire and fire employees, how to evaluate for promotion, how to provide feedback on employee's work and how to set goals. All, regular daily activities every manager faces. IBM's solution was a closed training workshop for a week at a remote location for a group of employees promoted to management positions. Graduates of the workshop did not become managers within a week, but the lectures, simulations and role-playing gave them basic management skills.

Although as noted, all nonprofit organizations act in accordance

to economic principles, there are several characteristics that distinguish nonprofit management from business management. We need to guide and train the manager so that he can confront the work on different levels.

Here are four key levels:

- **Board of Directors:** in a business firm the Chief Executive Director (CEO) is directed by a Board composed of representatives of shareholders who are often knowledgeable and experienced in business. The Nonprofit Board, on the other hand, consists of representatives of the public, government officials and the organization's target population. For example: in an organization that works in the field of health the Board will consist of doctors, researchers or representatives of patients. It is clear that their interests are essentially different from shareholders whose intent is economic gain.

- **Regulation:** Third Sector organizations are restricted beyond the Companies Act especially in areas such as tenders, conflict of interest, remuneration of volunteers, commercial activities, financial investment restrictions and restrictions stemming from the **Certification of Proper Management** requirements which among other restriction, include a limit to salaries and overhead. One can also add the draconian anachronistic 7.5% taxation on ▶

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The importance of Mentoring and Coaching in Nonprofit Management Training

wages, which is applied only to the nonprofit sector or inability to deduct VAT. All the above creates a unique context who one must understand and know how to manage.

- The customer: the nonprofit's costumers are many times its members. This is not the regular consumer which buys products or services and pays for them. This is a group awaiting the manager to work in any way possible to meet their needs. The major issue emerging in this case is how to finance the activity. This is a complex problem which needs to be learnt thoroughly.

- Volunteers: Volunteers are the backbone of the organization and require competencies such as, management, selection, operation, compensation and supervision of a dedicated group of people who don't receive salaries but want to be recognized for their contribution. Volunteer Management has special characteristics that do not exist in other sectors.

There are numerous other important areas which differentiate nonprofit, from business management. I am assuming that everyone in the Third Sector realizes that the success of the organizations' Executive Director is crucial, since it affects the success of the organization; the inevitable conclusion is that the training of new managers is well worth the investment and that it requires a unique and flexible approach.

There are two ways that I recommend to go about doing this: the first, through Mentoring. After theoretically studying the field in which he will manage, the new manager will spend several weeks of practical work with an experienced manager in order to absorb the unique management culture of the organization. Mentoring, beyond being personal, especially for managerial levels, comes to enrich and supplement the new manager's toolbox, enabling him to demonstrate his qualities to the organization.

The second method is through Coaching. In this technique, the new manager is coached in the first few months of entering a new position. Coaching combines knowledge, tools and professional skills that the Coach adds to the skills the new manager, brings from personal experience.

Both Mentoring and Coaching are tools used in the business sector. But they are particularly suitable for Third Sector organizations, with its complex management. Beyond the traditional business advice or formal training workshops such as that of IBM, which define for the new manager, the business objectives and tools need to realize them, Mentoring does not examine the business but concentrates on the manager – the Executive Director; improving weaknesses, teaching ways of control of resources to bring about change. Both are tools that allow the manager to reach a higher level of personal development by creating clarity and focus. ●

Finances and the Third Sector: Challenges and Opportunities – a look to the future

Gal Maharshak

Four essential positions are prerequisite for the success of every not-for-profit organization: the Visionary, the Executive Director or Chief Executive Officer (CEO), the Fundraiser and the Chief Financial Officer (CFO). Although the environment in which non-profit organizations function has radically transformed throughout the years, these four positions remain essential for the success of the organization

In this article we will discuss a pivotal skill required for the CFO—safeguarding the value of the organization's resources. This is one field which has undergone changes in recent years, and now requires exceptional skill, professionalism and care. The main reasons for change are: (A) increasing competition over resources (b) funder requirements (c) regulation and demand for transparency (d) diversification of sources of income (e) long-term sustainability, and (f) global economic instability and changing market factors that affect donors.

In the past, the main asset required from a nonprofit director, was proximity and access to decision makers in the public sector. Today requirements include

skills formerly associated with business studies: the ability to market, finance and manage the organization using business sector strategies. This entails the ability to raise funds and manage the balance for the various needs of the organizations in a way which would help the funds' effective management for achieving the organization's objectives and goals. The ultimate goal, and a seriously difficult challenge, not unlike in the private sector, is long-term sustainability.

As I argued in a past article, financial management of nonprofit organizations and public entities requires knowledge, responsibility, professionalism, conservatism and responsible management.

In order for an organization to grow and prosper, it is vitally important for it to be able to professionally manage its funds and be able to create proper financial statements and reports to donors. In order to do this it is essential to develop tools and platforms for documentation, internal control, budgeting, financial reporting, as well as gaining knowledge of professional financial services that are available for these aims (such as accounting, attorney services and banks). All the while, the organization's officers and their external advisors must be alert to the unique regulatory environment of the Third Sector in both taxation, legal and accounting environment.

There is a major fundamental difference between business management and management of NPO. While the purpose of the business is to make a profit for the

private gain of its investors and owners, the purpose of the NPO is to effectively spend its budget to fulfill its mission and provide the benefits it set out to provide for its audiences. Accordingly, the financial management differs also, aiming at different goals. The business CFO will seek to use every tool at his disposal to exploit and leverage available resources and maximize the firm's profit line, while nonprofit CFO will use all the resources available to maximize his ability to fund activities.

The global crisis has brought many organizations who's budgets relied on a small number of large contributions from philanthropists and donors from abroad to a state of fiscal uncertainty and even total demise in some cases. These organizations have found themselves facing shrinking and cancelled donations which undermined the viability of the organization. This made it clear that in order to achieve financial stability nonprofits need a plan to diversify funding resources as well as optimizing management of finances.

CFOs are now required to cope with extreme fluctuations in currencies rates, global economic uncertainty and the low interest rates which led to a significant reduction in both donations and the value of bank deposits. Israel's economy is also characterized by high inflation rates that cause constant erosion in the value of money. Furthermore there are legal advantages built in the Israeli nonprofit law exempting organizations from paying taxes on profits from ▶

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Finances and the Third Sector: Challenges and Opportunities – a look to the future

investments. These factors require professional expertise to manage the organization's monetary reserves, tailoring them to meet organizations' specific needs. The following are key questions which every organization encounters:

1. Should we convert foreign currency donations into shekels, and when?
2. How can we protect donation in foreign currency?
3. How can we prevent erosion in currency value?
4. How can we manage cash flow for future projects?

Nonprofit financial management must take into account several key points:

1. Tax aspects in relation to nonprofit organizations: Tax Authority policy and procedures for obtaining approval under section 46 of the law
2. Investment Management based on section 46 restrictions
3. Accounting aspects of nonprofit organizations
4. Utilizing the organization's tax benefits in securities portfolio management
5. Contribution designation for given timeframe
6. The currency in which donations are received
7. Long term budgeting of projects and future expenses
8. Transparency in decision-making

9. Compatibility with organizational needs, vision and goals
10. Legal compliance

We believe that the use of professional outsourcing services provided by an external investment manager who would be able to address all of these key questions and points is an important milestone in the organization's financial management strategy. Yet, before choosing an external investment manager, it is advisable to establish an internal investment committee. The committee will help the organization's CFO examine the organization's financial goals in face of its anticipated cash flow and future expenses. By this the committee will help earmark available funds and define precisely the objectives and range of funds for investment. This way the CFO will have accurate information to appropriately finance the organization's projects and maximize investment for the organization. After the investment committee has completed earmarking the organization's funds, it has to choose a professional investor which will manage the organization's reserves.

The following are key points the committee should consider:

1. Seniority and size of the investment house – it is a good idea to choose one that is among

the leading and largest in the money management industry.

2. Nonprofit Desk – does the Investment House have a department specializing in investment management for public entities, and proven experience in managing public money?

3. Examination of investment methodologies for Third Sector organizations, based on needs and aspects of taxation, legal and accounting matters

4. Service - is the Nonprofit Desk optimized for serving nonprofit organizations and is it familiar with nonprofit terminology and challenges

5. Service quality – does the investment house assign a unique contact person that takes care of all the organization's needs?

6. Commitment to participate in the nonprofit's finance committee meetings to explain the portfolio, its performance and its policies and forecasts

7. Commitment to support Third Sector activities

The current trends we discussed here caused nonprofits around the world to take the advantage of professional investment services to manage nonprofit funds. Nonprofit leaders must adjust to the changing financial environment, and acquire the relevant professional skills and tools, if they want to secure their organizations' sustainability, stability and effectiveness. ●

Register today!

The 14th Annual Conference

Tuesday, March 15, 2011

Marcus Family Campus, Ben-Gurion University Of The Negev



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ICTR's 14th Annual Spring Conference: Management Practices and Management Training in the Third Sector - Between Business and Social Conceptions

and cause-related marketing. Recently we saw the emergence of social businesses, business firms that promote social causes. In light of these developments, ICTR's conference will focus on the tension between business concepts and philanthropic and social perceptions in Third Sector organizations and in the training of Third Sector leadership. The conference's three plenary sessions will discuss these issues. In addition to that, in the parallel sessions researchers from academic institutions and Third Sector organizations will present new research on the Third Sector in Israel.

Our conference keynote speaker this year is Professor Roseanne Mirabella (see Interview with Prof. Mirabella in this issue). Prof. Mirabella's lecture, "Educating nonprofit leaders in the 21st Century: what does 'social entrepreneurship' mean for nonprofit management education?" will examine the effect of the penetration of business concepts and models of entrepreneurship to nonprofit management education programs.

Professor Mirabella is an acclaimed researcher in the field of Third Sector management education. For more than 15 years she has been collecting and analyzing data about executive education programs for Third Sector leadership, analyzing their academic and disciplinary affiliation, values and content. Prof. Mirabella's work brought to the fore the "best place" debate on the appropriate venues to train social leadership, the differences between training programs in business administration, public administration and specialized programs for managing non-profit organizations, schools of social work, and more. Prof. Mirabella's [Web site](http://academic.shu.edu/npo/) <http://academic.shu.edu/npo/> on education programs for managing non-profit organizations is an essential source of information, for

those interested in the phenomenon and those who seek an education program.

Our session in partnership with the Excellence-Nessua Investment House, who sponsors the conference, will address the tension between business and social considerations in investment management of non-profit organizations, and financial management in general. In [our last newsletter](#) issue Excellence-Nessua's NPO Desk Manager Gal Maharshak wrote: "financial management of Third Sector funding is characterized by the tension between regulative limitations, investment standards for investing donations, ethical considerations, and purely professional financial considerations". For example, organizations invest donations in bonds, although experience from the last global financial crisis suggests that this is not much less risky than is investment in regular shares. This tension will be discussed in the session by Excellence-Nessua top management and financial experts from the Third Sector.

An additional plenary session will discuss another aspect of the blurring of boundaries between the third and business sectors – that of corporate social responsibility. Corporate social responsibility has been actively promoted in Israel by a number of organizations (primarily - by 'Maala-Business for Social Responsibility'), and is gradually becoming an accepted norm among business firms. However, the management of Social Responsibility in businesses is still in its infancy. Studies conducted in the past decade, examined the phenomenon, including an ICTR study made a decade ago, and a research published by the Ministry of Industry, Trade and Labor three years ago. But these studies have focused on describing the phenomenon, particularly in terms of involvement in the community

- corporate philanthropy, and did not explore how corporate responsibility is managed in firms in Israel. This past year we have conducted a research that examines management of corporate social responsibility in publicly traded firms, their community involvement, and the relationship between these two aspects. In this session we will present the findings from the research and examine them through a panel of discussants who will discuss the issue from the business, Third Sector and social responsibility points of view.

We will conclude the conference with parallel sessions presenting new research on the Israeli Third Sector. The large number of research papers sent to the conference selection committee by researchers who wanted to present at the conference, are a good sign, indicating that research on the Third Sector in Israel is flourishing. While most research papers are from academic institutions, some are from the field, indicating the recognition by foundations and nonprofits, particularly infrastructure organizations, of the importance of knowledge that is based on systematic research. The research papers presented are on philanthropy and volunteerism, nonprofit management, policies towards the Third Sector and more.

The Conference will be held at the Ben-Gurion University campus, in the Senate Hall, and will provide as it annually does, a chance to not only catch up on what is new in the research on the Israeli Third Sector, but also a chance to meet colleagues and old friends from the Third Sector, business and government, researchers and students, managers and foundation representatives, and add new friends to your network. See you at the conference! ●



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An Interview with Prof. Roseanne Mirabella ICTR conference keynote speaker **Prof. Mirabella: "nonprofit managers identified the MBA degree as the most preferred for managers in the sector"**

programs as well as our nation's longstanding preference for the nonprofit solution as opposed to governmental approach.

A second major trend would be the development of more interdisciplinary and stand-alone nonprofit programs, as compared with those offered more within a Department of Public Administration or Business Administration as had previously been the case. This trend had held through last year and I will pay particular attention to this when I update the numbers for my presentation at the Ben-Gurion University of the Negev.

Finally, as the field grows the curricular options have become more standardized. In the United States, for example, the Nonprofit Academic Centers Council, a membership association of nonprofit centers, has promulgated curriculum guidelines that has resulted in more uniformity of course offerings across programs.

What are, in your opinion the advantages and disadvantages of an MBA based NPE program

The advantages of an MBA-based NME program would be the grounding in the business school curriculum with its emphasis on acquisition of sound management skills that are recognized in all three sectors as essential for quality management

and leadership, thus providing a depth of management education not available in the other degree programs. Business schools also continue to dominate as scholars in the fields of organizational theory and behavior the findings from which can be readily applied to nonprofit organizations. In addition, in a study we conducted several years ago, nonprofit managers identified the MBA degree as the most preferred for managers in the sector. In short, the MBA is often the most desired degree both for students and for employers.

The major disadvantage would be the incongruence between the major motivations for the private and nonprofit sectors with the former motivated by the profit motive and the latter by mission. How do we educate students side-by-side for employment in such different institutions? Our experience in the United States has shown that the nonprofit student and the curriculum of the sector often take a back seat to the for-profit focus in a business school setting. One must question if the skills developed for the business world can be easily transported to issues and problems of the Third Sector?

The economic crisis of 2008 stressed the importance of the financial stability of organizations, are educational NP programs

responding by updating their curriculum

I am studying this question at present and will have some preliminary answers when I arrive in Israel in March.

What are the demographics of the students enrolled to NPE programs, and have they changed over the years?

The students enrolled in the US programs continue to be in-service students, generally adults in their thirties or forties who have been employed in the sector for 10 years or more. The pursuit of the masters in nonprofit management is seen as a way to advance their career. We have also seen an increase in the number of individuals employed in the for-profit sector who have enrolled in our programs to re-tool. Many of these students are not finding fulfillment in their private sector jobs and want to pursue a career where they can make a difference. Finally, we have seen an increase in enrollment since the economic crisis began with the unemployed returning to school to retool and enhance their employment skills.

As the President of ARNOVA, One of ARNOVA's strategic goals is to create an integrated set of programs and activities that support effective education, as ARNOVA's president, how does the organization go about doing ►

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The 14th Annual Conference

Tuesday, March 15, 2011

Marcus Family Campus, Ben-Gurion University Of The Negev

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An Interview with Prof. Roseanne Mirabella ICTR conference keynote speaker **Prof. Mirabella: “nonprofit managers identified the MBA degree as the most preferred for managers in the sector”**

so, and does it affect educational programs outside the US

The Association is very committed to activities and programs in support of effective education. Towards that end, we have created an Education Committee that has been working diligently towards the creation of several web tools that will provide opportunities for faculty to share resources and approaches. At present we are BETA testing a case study repository that will allow faculty to share teaching approaches and cases. We are also working on a syllabi tool to permit sharing in this area as well. Both of these initiatives will be web-based and will therefore be accessible by all, whether in the US or outside the US. In addition, my first act as President was to create a high-level Website Task

Force charged with revamping the Association's website to better serve our members. I have charged the committee with bringing a prototype of the site to our Board retreat in June. A major component of this redesign will be to support ARNOVA's education function.

As both the president of ARNOVA and an expert in NP educational programs what would you tell an Israeli student who is about to choose a graduate program in NP Management and a career in the NP sector, about his chosen career?

I am often asked this question directly by those interested in pursuing graduate degrees in the nonprofit sector. Regarding selecting a program, although each case must be handled individually and each prospective

student presents unique issues, I generally instruct them to look closely at the curriculum of each program to determine if the content will sustain their interest over two or three years. And secondly, I strongly recommend that they look at the research projects and interests of the faculty who teach in the program. The cases and texts selected for each course will be based, in part, on the interests of those teaching. And of course I direct them to my website for additional information.

Regarding the selection of nonprofit management as a career, for pre-service students I strongly encourage them to undertake a series of internships to familiarize them with the field and the various types of positions that might be available to him or her in the future. ●



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