What Can We Learn From the Best Non-Profit Organizations?

by Dr. Philip Fung

Peter Drucker is my most admired teacher in the world of management. He passed away in 2005 and Harvard Business Review published an article in February 2006 as a tribute to this greatest management thinker of our century. The title of this article is “What Executives Should Remember”. It is in fact the excerpts of eight articles written by Peter Drucker and published in Harvard Business Review from 1963 to 2004. One excerpt that catches my eye is called “What Business Can Learn From Nonprofit”. Later I read the full article and find that Peter Drucker has so much insight for NGOs. Peter Drucker says that the Girl Scouts, the Red Cross and the pastoral churches are among some of the best- run nonprofits in the US. He urges the business community to learn from them in three areas.

First, it is the importance of mission. He says these best nonprofits devote a great deal of thought to define their organizational mission. With a well-defined mission, they start to look at the environment, the community and the customers. The American businesses, same as those in Hong Kong, tend to start with financial return in their thinking. In fact, Drucker observes that many Japanese executives also start with the mission rather than their own rewards. In the long run, a mission focused organization becomes the real winner. The success of Toyota and downfall of the General Motors is a vivid example.

Second, it is the functioning board. In U.S. law, the board of directors has the ultimate responsibility for a corporation. But many big corporations no longer have a functioning board. Quite often, the board is the last to realize that the company is in deep trouble. The Enron case clearly shows that the board is not the guardian for integrity and honesty. Peter Drucker says that good nonprofits have very committed board members. They usually serve as volunteers for many years and have deep knowledge about the organization. Comparing with the nonprofit, many directors in the commercial sector are just outsiders. Peter Drucker quotes one nonprofit as an illustration. It has ten board committees, one for every board member. Each committee has a specific work assignment such as community relations,
service standard and personnel matters. Peter Drucker reminds us that “precisely because the nonprofit board is so committed and active, its relationship with the CEO tends to be highly contentious and full of potential conflict”.

Third, it is the contribution made by volunteers. Volunteers don’t get a pay check. They can leave any time. Volunteers devote their time and effort because they identify with the values and missions of the nonprofits. And they also gain deep satisfaction by serving people. The world of work has changed a lot in the past twenty years. Most employees are knowledge workers. They earn a living by contributing their professional knowledge and experience. They want to have continued growth and development. Yet, many companies still manage them in the old ways. Peter Drucker says that in the future, most people should be led similar to the volunteers. Peter Drucker likes to ask volunteers why serve in church or as scout leaders. He often gets the same answer: Because in my job, there isn’t much challenge and not enough achievement.

The original intention of Drucker is to tell the American business world that nonprofits have lots to teach them. As a board member of NGO, I think that his message is equally relevant to us. Do we have a focused mission? Does our mission drive our actions? Do we have a functioning board? Do we manage our staff and keep them motivated same as the volunteers?

The U.S. Girl Scouts