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Educating Executives for Managing Public and Non-Profit Organizations

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Abstract

The purpose of this research is to determine the extent to which AACSB (The Association to Advance Collegiate Schools of Business) Accredited Business Schools focus on preparing current and future leaders within the public and nonprofit sectors. To determine this information, a survey questionnaire recently was distributed to AACSB Accredited institutions in which they were asked a series of questions regarding programs and course offerings within the public and nonprofit areas. The main findings of this study indicated that ninety two (92%) of institutions offering coursework in the management of nonprofit organizations have seen a consistent, continuing and even an increased enrollment within their offerings. The results of this exploratory study also indicate that with the enormity of organizations holding nonprofit status and with the increased pressure for accountability for results within the public and nonprofit sectors, business schools must respond more fully to the challenge and need for educating managers for nonprofit organizations, particularly in the area of executive education.

Educating Executives for Managing Public and Nonprofit Organizations

Ten years ago, management was still a dirty word for those involved in nonprofit organizations. Nonprofits prided themselves on being free of the taint of commercialism and above such sordid considerations as the bottom line. As a former president of a leading nonprofit organization in the field of management training and education for the nonprofit sector, and as a Director of Executive Education for MBAs at a leading Graduate School of Business in the United States, this type of thinking became readily apparent to us. Today, nonprofit organizations have learned that they need management and leadership even more than business does, precisely because they lack the discipline of the bottom line, as well as for other significant considerations, such as the quality of public reporting by nonprofit organizations. Our experience in conducting many management training programs for public and nonprofit organizations as well as in MBA programs revealed these facts.

A recent report (GAO-07-1084T, July 2007) from the General Accountability Office reveals that as of September 2006, 1.8 million organizations are recognized as federal tax exempt by the Internal Revenue Service: 60% are public charities 501(c)(3) organizations, 7.7% are 501(c)(4) or social welfare organizations, and 32.2% represent all other types. Moreover, the 501(c) tax-exempt sector has grown steadily in reported assets, revenues, and expenses. For example, between 1998 and 2002 (the most recent year of data) its reported assets grew to over 2.5 trillion with 12% growth for 501(c) charities and 22% growth for other 501(c) entities (non-charities) (GAO-05-56IT, April 20, 2005).

The enormity of these statistics, as well as the lack of knowledge and understanding of the nonprofit sector in the United States, and the serious problem in public reporting by nonprofit organizations involved in the Baruch College/The City University of New York report (Enhancing the Quality of Public Reporting by Nonprofit Organizations, July 1991) make the need for more effective management and leadership even more critical.

During the past ten years, we have developed and been teaching a graduate and undergraduate course in the management of nonprofit organizations at an AACSB (The Association to Advance Collegiate Schools of Business) accredited School of Business. Based on our experiences as a chief operating officer and a director of a nonprofit organization, in teaching management to other chief executives and

managers of nonprofits, as well as on our research and writing in the field, we became interested in finding out at that time what other schools of business were experiencing and providing in this area while we continued to teach our course (s) in this area. Consequently, during the fall of 2000, we decided to conduct a survey of the membership of the American Assembly of Collegiate Schools of Business (AACSB) to determine what courses in the management of nonprofit organizations were being offered by these schools. The approach and results of the survey are described in the following section.

Approach

The Association to Advance Collegiate Schools of Business (AACSB) is a not-for-profit corporation of educational institutions, corporations, and other organizations devoted to the promotion and improvement of higher education in business administration and management. Organized in 1916, AACSB is the sole recognized accrediting agency for baccalaureate and master's degree programs in business administration and accounting by the U.S. Department of Education and by the Council on Postsecondary Education.

AACSB Membership Directory (1999/2000)	
The membership of AACSB as of July 1999 included:	
667	Educational institutions (domestic)
124	Educational institutions (international)
52	Business, government, and professional institutions
843 Total	AACSB membership

Of the 667 domestic educational institutions, approximately 57% are public and 43% are private. 347 (52%) are accredited and 320 (48%) are non-accredited.

Since the objective of the survey was to determine what courses in the management of nonprofit organizations other collegiate schools of business in the United States were offering, we decided to take a random probability sample of the 667 educational institutions (domestic only) under the assumption that it would be reflective of the entire population even

though surveying the entire population would have increased our number of responses. Therefore, the 124 educational institutions (international) and the 52 business, government, and professional institutions were excluded from the membership profile for purposes of the survey. Our rationale was that we were interested only in what the schools of business in the United States were experiencing in this area.

A 25% random probability sample was drawn by means of a table of random numbers from the population of 667 educational institutions. We selected 166 schools, and the dean was sent a questionnaire consisting of twelve questions (copy of questionnaire is contained in Appendix A).

Sixty Schools (36%) responded to the survey. The respondents closely approximate the profile of the AACSB membership. The responses to each question follows:

Results

- 1.) Does your unit of the university offer a course(s) in the management of nonprofit organizations?
Fourteen of the 60 schools responding to the survey (23.3%) answered "yes" to this question. Forty-six schools or (76.7%) did not offer a course.

- 2.) How often is the course offered?
More than 53% of the schools offered this course at least once a year, 20% offered it twice a year, and the remainder offered it on some other basis.

- 3.) Are courses in the management of nonprofit organizations offered by any other unit of this university?
Twenty-eight percent of the sixty schools responding to this question answered in the affirmative. About 16% were not sure and the remainder, 56%, answered "no".

Most frequently mentioned as units offering a course(s) in the management of nonprofit organizations were schools of public administration. Other listed schools were departments or divisions of Health Care, Education (Higher Education Administration), Theater (Management of Theater companies), Humanities College (Arts), Institute of Religious and Pastoral Studies, Continuing Education, Professional studies, and General Studies.

- 4.) If you do not offer such a course, do you think this course will be offered in your curriculum within the next four years?

Of the 41 schools responding to this question, seven or 17.1% felt that such a course would be offered. Twenty schools felt that such a course would not be offered, but 14 or 34.1% were not sure. Thus, more than 51% of the colleges not offering such courses currently may be offering them within the next four years.

- 5.) Is the course offered to undergraduate, graduate or other students?

Eighteen of the 33 schools responding to this question offer such courses at the graduate level only, while 13 offer at the undergraduate level. Two schools reported that such courses are offered to those persons with significant NPO experience.

- 6.) What is the name of the course(s)?

A list of the courses follows:

Business and the Not-for-Profit Enterprises

Nonprofit Management

Topics in the Management of Nonprofit Organizations

Management of Nonprofit Organizations

The Administration of Not-for-Profit and Voluntary Agencies

Public and Nonprofit Management-The Nonprofit Perspective

Introduction to Not-for-profit Management

Nonprofit Organizations in the Social and Political Context

Other schools listed courses, such as Nonprofit Marketing, Marketing for NPOs, Nonprofit Accounting, Finance for Nonprofits, and Resource Development which are really courses related to the functional areas of a not-for-profit business.

- 7.) What is the name of the text(s) used?

Most respondents to this questions indicated that many books were used. Several indicated no text, and the remainder listed Peter Drucker's text, *Managing the Nonprofit Organization*, or Walter Powell's *The Nonprofit Sector: A Research Handbook*, along with extensive journal articles.

Thus, there appears to be an absence of usable textbooks in the field judging from the responses received.

- 8.) How long has this course been offered in your unit of the university?

Responses to this question ranged from one to 15 years with the average being 6.5 years.

- 9.) What is the average of class size?

Ten of the Schools responding to this question checked 15-30 as being the average class size and seven indicated 31-45 as the average class size.

- 10.) How many sections are generally offered per year?

Ten schools responded to this question and seven indicated that one section was offered per year. Two schools indicated that several sections were offered and one school indicated that there were 20 sections in the program (apparently not understanding the question).

- 11.) Has there been a consistent and continuing enrollment in the course(s)?

All fourteen schools responded to this question and 13 or 92.9% indicated that there has been a consistent and continuing enrollment in this course. Only one school indicated in the negative.

- 12.) Has enrollment been increasing, decreasing or staying the same?

Twelve schools responded to this question. Six or 50% indicated that enrollment has been increasing and five schools or 41.7% indicated it has been the same. Only one school indicated that enrollment was decreasing.

Thus, it can be concluded that 92% of schools offering courses in the management of nonprofit organizations have seen a consistent and continuing enrollment in the course(s) and at least 50% have

been experiencing an increasing enrollment in the course(s) with 42% experiencing no decrease in enrollment.

Finally, of the 14 schools indicating that they had a course(s) in the management of nonprofit organizations, eight or 57.1% included a syllabus of the course. One of the more comprehensive of the syllabi is "Topics in the Management of Nonprofit Organizations," a portion of which is included as Appendix B as an example of the typical content areas for such courses. Ninety-four percent of the schools that responded to this questionnaire listed their name, address, and phone number on the questionnaire, and indicated that they would like a copy of the survey results. This high percentage was particularly evident for the schools planning to offer such courses in the next four years. Eighty-six percent of these schools requested a copy of the survey results. Hence, there's a need to know in this vital area of executive education.

If we extrapolate the result of this survey to the total list of 667 eligible schools comprising the AACSB domestic educational institutional membership, a sizeable number of business schools, approximately 240, representing management and executive leadership education in this country might be offering courses in the management of nonprofit organizations. A large number of schools in other units of these schools might also be offering such courses, for example, schools of public administration. In some cases, such as Baruch College's School of Business and Public Administration, schools of public administration are part of the same unit.

In a personal interview with Frederick S. Lane, Professor of Public Administration at the Bernard H. Baruch College, not-for-profits are generally most closely related in the goals, characteristics, functions, and environment to public agencies. It is time we did more to develop not-for-profit managers in schools of public administration. Finally, it may even be time to redefine public administration as governmental plus not-for-profit management. In a more recent correspondence with Professor Lane, who was also Project Director of the Nonprofit Management Group and very active in NASPAA (the accrediting agency in Public Administration education), he indicated to me that with the creation of a section on nonprofit management in the NASPAA in 1990 and the modification of NASPAA standards language to include nonprofits, the field has moved significantly. This expanded definition of Public Administration to include not-for-profit substantiates these positive results. In terms of masters-level and professional executive education, the most important developments regarding nonprofits have taken place in NASPAA member institutions.

As the pressure for accountability for results increases in the public and nonprofit sectors, the need for more effective training and development of managers in these sectors will also increase even though President Obama's administration in recent months has focused accountability upon for-profits and government agencies and not on 501 (c) (3)s and the other 24 nonprofit type entities given tax exemption by the Internal Revenue Service. It is time our Nation's business schools respond more fully to the challenge and the need for educating managers for nonprofit organizations, particularly in the area of executive education, as fewer than one quarter of business schools responding to our survey currently offer a course in nonprofit management education. In addition, the need to know more about the existence of the nonprofit sector is great based on the fact that this sector is growing in number and assets and needs the type of management education delivered by the business schools in contrast with private/public partnerships, philanthropic arms of for-profit companies, and for-profit executives who serve on nonprofit boards or committees.

According to an article by Mirabella and Wish (2000), "perhaps the strongest argument for establishing nonprofit programs within the business school is the school's dominance in the field of organizational theory and behavior." Van Loo (1996) and Comforth, Paton and Batsleer (1994) also suggest that business schools might have an advantage in the best place debate. First, they have the faculty in all the disciplines that provide management education. The business school, given the quality of its faculty and its research tradition, would also give nonprofit programs academic credibility. Further, being in a business school allows nonprofit managers to earn an MBA, which many desire. In addition, they argue that the business school offers a depth of management education not matched by any of the other options.

Although this survey was conducted in early 2000, our experience in conducting classes and training programs in the management of nonprofit organizations indicates that relatively little has changed in terms of the need for management skill training. The emergence of the internet and its attendant advances in communication has changed the world in which we manage, but it has still not made us better managers. In our survey of Generation X and Y (Montana and Petit, 2008), "getting along well with others on the job" surfaced as the leading motivator of Generation Y respondents, definitely a critical management skill. A recent study (Paton, et al, 2007) conducted in the United Kingdom argues that three broad trends—changes in nonprofit organizations, changes in the ways they are led and changes in available technologies of learning—combine

to challenge the long term viability of discrete full-time programs of nonprofit management of education. Although this is true to a large extent, our survey focused on the extent to which AACSB schools were offering programs and courses within the public and nonprofit areas. Perhaps a more extensive comparative survey a decade later in 2010 will reveal substantially different results.

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Appendix A

Questionnaire

- 1) Does your unit of the University offer a course(s) in the management of nonprofit organizations?
Yes No

- 2) If yes, how often is this course offered?
1x per year
2x per year
Other

- 3) Are courses in the management of nonprofit organizations offered by any other unit of the University?
Yes No
Not sure
If yes, please list unit name _____

- 4) If you do not offer such a course, do you think this course will be offered in your curriculum within the next four years?
Yes No
Not Sure

- 5) This course is offered to...
Undergraduates
Graduates
Other

- 6) What is the name of the course(s)? _____

Is this a required course? Yes No
Is this an elective course? Yes No

- 7) What is the name of the text(s) used?

8) How long has it been offered in your unit of the university?

9) What is the average class size?

15–30

31–45

46–60

61+

10) How many sections are generally offered per year?

11) Has there been consistent and continuing enrollment in the course(s)?

Yes

No

12) Enrollment has been...

Increasing

Decreasing

Staying the Same

13) Please attach a syllabus of the course(s) if possible. Comments (if any):

Please fill out the data below if you would like survey results.

Name:

College or University:

Address:

Phone:

Appendix B

Topics in the Management of Nonprofit Organizations

Course Description

This course will address special topics in the management of nonprofit organizations. It will be interdisciplinary in nature and build upon the course work of all areas in business administration. The focus will be on the management subjects which are not covered in regular courses but which are of great importance in managing a nonprofit organization.

Course Topics

- Size and Scope of Nonprofit Sector
- Differentiating Nonprofits from Profit-Making Institutions
- Legal Issues
- Public Policies Towards Nonprofit Organizations
- Boards of Trustees
- Special Topics in Human Resources Management
- Organizational Development
- Financial Management
- Patterns of Financial Support
- Marketing to Service Populations
- Strategic Planning
- Relations with the External Environment