



# The Evolution of the Not-for-Profit CEO

---

*Lives of great men all remind us we can make our lives sublime, and departing,  
leave behind us footprints in the sand of time.*

Henry Wadsworth Longfellow

## INTRODUCTION

To attain and then successfully retain a CEO position in a not-for-profit, an individual needs to understand the role that the CEO plays from an historical perspective. Those who know this historical path are more likely to obtain the Corner Office. The information in this book will be useful for people from a number of different walks in life and career paths, including the following:

- Students who aspire to become a CEO someday
- Not-for-profit professionals who seek advice on what to do to attain a CEO position
- Individuals who wish to enter the not-for-profit community from the for-profit arena
- Not-for-profit CEOs who want to retain their positions
- CEOs who wish to attain even greater leadership positions

All of these individuals need to fully understand the origins of the not-for-profit community. Volunteer boards of directors are charged with the responsibility of securing quality leadership for their not-for-profits, and they have a fiduciary duty to take the utmost care in this process.

Throughout history, humans have grouped together and leaders have emerged. They grouped together for protection and for social reasons, and the pattern has not really changed all that much. While some of us have had the privilege of being leaders from time to time, most of us play the follower role.

Each role, either leader or follower, is equally important if the group is to be successful. The professional leader or CEO of a not-for-profit organization is generally chosen because the governing body of the group, or at least the majority of the group, feels that he or she has the capacity to lead the organization. How this is determined and how one prepares for becoming a CEO will be detailed in later chapters.

It is impossible to place in a single chapter the entire evolution of group activity as it relates to the development of the not-for-profit sector. The purpose of this chapter is to document the origins of the not-for-profit organization, as well as documenting the leadership role that famous and ordinary people played in achieving one of the major social changes of humankind. One of the most exciting parts of this history is the realization that this evolution was one of the underpinnings of a new kind of government that would someday be emulated throughout the world.

Group selection was not generally the practice for humans during the early origins of societies. The group leader was often self-appointed, based on who had the most strength and power. This phenomena can still be observed in a number of species of wildlife today. In fact, the “king of the mountain” methodology still exists in our human culture as exemplified by neighborhood bullies or mighty nations clanging their swords. Although humans have made significant progress, basic social instincts continue to play a crucial role in the selection and retention of CEOs by not-for-profit boards.

To better understand the underlying process and the human factors that determine who will serve as a CEO of a not-for-profit, one needs to look beyond the leadership opportunity and the not-for-profit itself. The truly successful not-for-profit CEO builds his or her success on the overall historical aspects that made this position available in the first place.

## **THE PROCESS BEGAN MUCH EARLIER THAN YOU THINK**

The link to present-day not-for-profits can be traced to the beginning of humankind. Groups or associations fulfill a fundamental function that is as natural as life itself. Organizations bring individuals together for a common purpose. Not-for-profits provide a safe haven, including strength in numbers, and provide a natural outlet for imagination and innovation to flourish.

From the very beginning, humans gathered together into tribes for protection and survival. Yet, ample evidence also reveals that humans found other, more deeply rooted needs to form groups, including socialization factors and the need to help each other. Although little is known about early humans, ample evidence reveals that every group had a leader. Through this group process and the leadership of individual, humans began the process of becoming the dominant species on earth.

## The First Recorded Messages

James L. Fisher and Gary H. Quehl noted in their book *The President and Fund Raising* that the first recorded message of people helping others can be found during the Egyptian Civilization within the *Book of the Dead*, which dates to around 4000 B.C. Passages can be found that praised those who gave bread for the hungry and water for the thirsty. Ancient Egyptian artifacts even show evidence of organized trade groups. China, Japan, and India had trade groups as well.

Records were found in the Egyptian tombs of Harkhuf and Pepi-Nakht that encouraged giving and doing good to improve an individual's after life. These tombs date to the sixth dynasty around 2500 B.C. Although these recorded messages are based on individual thought rather than group action, they were some of the core resources for thought, influencing future cultural developments that would emerge in the western world.

It is in the ancient Greek and Roman Empires that the first clear record of charity emerges. "They gave for the benefit of any worthy citizen or for the state, rather than out of pity for the needy." "In Roman terms, people owed it to themselves and to society to establish a sound economic base for their lives and, subsequently, to fulfill their duties as citizens." The Roman Empire also had trade groups that served regulatory protective functions and trained apprentices. More than 2,000 years ago, Phoenician merchants worked together to protect their vessels from pirates.

The Jewish faith fosters sharing what we have with the poor and doing good deeds. Jesus taught that the spirit of the givers is more important than the size of the gift. From ancient Egypt through early Christianity, there was a movement toward religion as a way to influence individuals to help each other. The convergence of religion during these times greatly influenced all behavior.

## The Evolution to Nonreligious Groups

In the late Middle Ages when the power of religion began to decrease, a new order started to emerge. Individuals with wealth assisted the growth of the secular state. Those of like interest formed groups, called *guilds*, based on the type of work or trade they performed. Medieval guilds had many reasons for existence similar to not-for-profits today. They were organized for mutual interest. Guilds, however, became rigid and were used to maintain social status and self-interest. They tended to protect the interest of a few at the expense of the craft they represented. Guilds became quite powerful, often taking control of local governments. They began to die, however, in the eighteenth century with the tide of inventions and rise of factories and mass production.

## The European Influence

A major benchmark, according to Fisher and Quehl, in the development of the group process occurred in England, during Queen Elizabeth's reign, when "An Act to

Redresse the Misemployment of Lendes, Goodes, and Stockes of Money Heretofore Given to Charitable Uses” became law in 1601. This law is more commonly known as “The Statute of Charitable Uses.” This statute marked the first time that a government assumed responsibility for what had been deemed at the time a *charity*.

“The English poor laws marked the watershed between medieval and modern philanthropy.” Modern philanthropy and the essence of what we know today as a not-for-profit organization would come much later, however.

The American system of benevolence, both public and private, originated in Europe before colonization began. American immigrants brought their culture with them—a culture that included charity. In fact, American institutions sought and received support from abroad for centuries, and early institutions in America reflected the European models.

“The real founders of American Philanthropy,” as Robert H. Brenner noted in *American Philanthropy*, “were men and women who crossed the Atlantic to establish communities that would be better than, instead of like or different from the ones they had known at home.”

Thus it was and still is the individual action within a group, either positive or negative, that can strengthen or weaken the cause. Some choose to lead while others choose to follow, but all make the decision to participate, and that is what makes the difference.

Professional societies have their roots in the late Renaissance. The Academia Secretorum Naturae of Naples was organized in 1560 to collect and disseminate knowledge. Several other societies were organized during that period to perform similar functions.

## The New World—New Order

The Puritan John Winthrop (1588–1649) came to the New World to create a community for the common good. While European influences helped to shape the new order, the role of freedom cannot be overlooked as a key component of adapting these traditions to better serve everyone in the group.

Susan J. Ellis and Katherine H. Noyes’s book, *By the People*, provides a rich history of the volunteer experience in America. The authors noted that the Pilgrims who founded Jamestown, Virginia, in 1607 instituted the Social Compact of 1620 that affirmed the necessity for a government based on the consent of the governed. This document served as a governing force for all of the activities of the Massachusetts Bay Colony. Although the chief reason to come to America was to flee from religious persecution in Europe, the main concern upon arrival was to survive in a land where most of the familiar organizational structures were missing. The Social Compact helped provide some of the organizational structure, but new and different methods were needed to perform tasks for the common good.

The first formal institutions that the Pilgrims formed tended to focus on the reason why they had come to America in the first place, namely religious freedom. By

forming their government based on the consent of the governed, the Pilgrims joined in a covenant that bound them strictly to care for each other's goods and for everyone as well. They also accepted the advice and cooperation of Native Americans, who taught the Pilgrims how to live off the land through hunting, fishing and trapping techniques.

From the start, the settlers understood the need to come together for the common cause. Although the early objectives of the pioneers were to survive, they soon used these same principals in every aspect of life. This process has been refined in America for nearly four centuries and is the basis of everything we do including the operation of a not-for-profit.

While America cannot claim to have invented the not-for-profit concept, it can be said that America has refined the process to its greatest height. How did this happen? It wasn't really designed as a grand plan. It occurred mostly out of necessity. There was simply no other way to get things done. Those who settled in the Americas came from countries that had social order, but it was often one sided in favor of a few. The opportunity to challenge and replace this reality existed in the new country. Just as important, those who settled in the New World wanted to create a new order—one that all people could share.

Most things start small, then grow. The not-for-profit evolution in America did as well. At first it was simply neighbors helping neighbors; everything from helping harvest crops to barn raising. Everyone knew that survival depended on helping each other.

One of the first government structures adopted in New England was based on channeling individual thought through a group process—the town meeting. This forum provided an open opportunity to discuss the town's current activities and to achieve a consensus on issues.

In other parts of the country, due to distances between settlements, the family unit became the primary way of tending to needs such as work, education, caring for the sick, and ensuring that each member of the family was a good citizen. In the south, for example, each plantation was self-contained and self-governed. Local parishes maintained a self-help system for other citizens. These early group activities depended on citizens who were willing to volunteer.

Religion played a strong part in early group activity in America. Whatever church was dominant in the community would often direct the social welfare of citizens. For example, William Penn, founder of the Quaker Colony, emphasized religion, charity, and philanthropy. The Quakers felt that there was no conflict between the efforts to live together in the world and the endeavors to improve it. The Quaker meeting, for example, served both a religious and a governmental function.

Social welfare during those early days in America depended largely on individual volunteer participation. Before long, however, clubs, societies, and fraternal orders began to appear. The Scots Charitable Society of Boston, founded in 1657, and St. Andrew's Society of Charleston, South Carolina, established in 1730, are examples.

Private legacies also became common. For example, in 1716, Matthew Godfrey of Virginia bequeathed to Norfolk County his slaves and the income of his 100-acre estate for assistance to the poor. Many of the early colonists were clearly caring and charitable people.

In 1749, the Weekly Society of Gentlemen in New York was formed to seek higher medical standards. The society would evolve into the Medical Society of the State of New York in 1794. Other medical societies formed to more fully address medical concerns, including New Jersey Medical Society established in 1766 and the Philadelphia Medical Society founded in 1765. By 1770, the Philadelphia Medical Society became the American Medical Society. Associations that existed in the colonies were local in scope due to transportation limitations. Carryovers from the guilds in the old country would continue among craftsmen.

Caring for the sick was done on an individual basis. Caring during epidemics often occurred in *pesthouses*. These places were designed to quarantine the sick more than to treat them. Hospitals as permanent facilities were unknown until 1751, when the Philadelphia Hospital was formed as a voluntary philanthropic enterprise.

The first schools were founded and supported by religious groups. Many of the first teachers were clergy. From the beginning, colonists believed that public schools would advance the general welfare of the community. Funding for schools came from fees paid by parents or from wealthy individuals who would endow the schools. The poor were allowed to attend for free. Volunteers would often teach needy children to read and write.

Upon his death, James Logan of Philadelphia left his collection of scientific works to be used as a library. Such donations occurred throughout America dating back to 1656. Ben Franklin organized the Library Company of Philadelphia in 1731 by pooling individual resources to establish a subscription library.

In 1636, Massachusetts clergy founded the first American college. The school was made possible through the generosity of John Harvard and it was named Harvard College. In 1700, Connecticut clergy established an institution that would become Yale College. American colleges differed from their English counterparts in that they were governed by lay boards rather than by clergy. It was the community that organized, funded and controlled them.

Clubs, fraternal orders, and societies had grown considerably by the early 1700s. Philadelphia had a Masonic Lodge as early as 1715. By 1770, Masonic Lodges could be found in most of America's seacoast towns. Other clubs were formed to exchange knowledge or for social reasons. Sportsmen formed jockey clubs in the south and middle colonies.

The group approach was used by religious dissenters in England to offset ineffective efforts from established institutions such as the church or government. In America, this concept was utilized for more practical matters. By 1775, the voluntary organization had become the standard way to deal with any civic problem that the government refused to face.

Lotteries became popular to fund needed services from lighthouses to schools. More than 158 lotteries were conducted before 1776; over 130 of them were for civic or state purposes.

Commercial banking did not exist in America until after the Revolutionary War. Ben Franklin started one of the first savings banks. He also organized the first volunteer fire company in 1736—a concept that soon spread to every major city. He founded the American Philosophical Society in 1743. This is the oldest society still in existence. The American Academy of Arts and Sciences had its start in Boston in 1780.

From 1740 to 1780, American magazines were produced by club-like associations and had a very limited circulation. While the magazine clubs were designed to make money, most contributors had other jobs. Authors and editors usually volunteered their time and received no money for their contribution. By 1820, private-subscription magazines had disappeared. What survived as the main communication vehicles were the newspapers and pamphlets that had advocated the revolution.

In 1764, The Society for the Promotion of Arts, Agriculture and Economy was formed in New York to foster local manufacturing of linens and woolens.

## **Independence from Old Group Structures**

The Committees of Correspondence became the chief network for the American colonists. This was an effective way to react to hostile British activities. In 1772, the Massachusetts Committees of Correspondence was formed and Virginia took similar action in 1773. The committee process gave structure to the growing protest and mobilized volunteer activity across the colonies. The committees became an important symbol of unity and demonstrated democracy at its best. In 1774, the British closed Boston as punishment for the Boston Tea Party. Due to the new unity of the colonies, other colonies responded with generous aid.

Risking charges of treason, the writing and signing of the Declaration of Independence in the heat of the summer of 1776 is one of the best examples of what group activity can produce for the common good. Individuals representing thirteen diverse colonies united together to start a new country and a new way of life. In many ways, the American Revolution was an act of good works by individuals who volunteered to form groups to protest, to defend, and to establish a new type of government that would allow organizations to represent citizens' interests.

## **THE RISE OF VOLUNTEER-DRIVEN ORGANIZATIONS**

The end of the Revolutionary War brought new problems for Americans. The need to self-govern and the methods of accomplishing this task created a great deal of discussion, and it seemed painful at the time. The process they created has stood the test of time, however.



In the early days after the Revolutionary War, most of the social welfare, education, arts, and other functions were handled by individuals. As the country began to grow in population and area, individualized methods gave way to more collective concepts.

Communication became an important issue. The postal service was improved. Samuel Morse worked for more than 10 years without pay to develop the telegraph. Newspapers were gaining a following, and their editors were looked upon as community leaders. The editors sought authors to write stories on a variety of topics. Most of the authors were not paid but they were provided with the opportunity to express their opinion. In the early nineteenth century, well-known American writers formed the Copyright League, which helped to establish international copyright laws to protect writers.

In 1787, the Philadelphia Society for Alleviating the Miseries of Public Prisons was formed and it still exists today as the Pennsylvania Prison Society. The society advocates the humane treatment of prisoners.

The Abington Horse Association was formed in 1847. This organization and others like it were formed as vigilante groups and mutual insurance institutions. Members would patrol other members' pastures and, if a horse was stolen, the association would reimburse the owner out of the association's treasury. These organizations were common until the invention of the automobile.

In St. Louis, The Travelers Aid Society was formed in 1851 to aid travelers. This volunteer-driven group was so successful that other cities formed similar groups.

The Revolutionary War opened a new chapter for American farmers as well. They began to establish business ties with European countries. During this period of organizing for political and social reasons, a number of agricultural societies were formed. The Society for the Promotion of Agriculture, established in 1785, and the Patriotic Society in Virginia, formed in 1886, are examples.

Due to the dominant role that farming played during this time, many business and trade associations did not develop as early; most formed after 1850. However, a few early examples are the New York Chamber of Commerce established in 1768 and the New York Stock Exchange formed in 1792.

American banking had volunteer roots as well. In 1780, a committee of Philadelphia citizens found ways to provide supplies to the Revolutionary army. This produced the first bank in the United States, the Bank of North America. Many of these organizations that began as volunteer citizen groups have evolved over the years into thriving commercial enterprises. Many others, however, remain as not-for-profit organizations. (We briefly discuss their history here, roughly categorizing them for easier review.)

## **Charitable Organizations**

Philanthropy has always been a part of the American scene, although it was traditionally done on an individual basis. Prior to 1850, philanthropy remained a private affair



in America. Both the rich and not-so-rich volunteered their time to various groups and provided funding for them. The rich generally left part of their wealth to charitable organizations. The first American Charity Organization Society began in Buffalo in 1877. By 1893, nearly 100 similar organizations were established throughout the country. The New York Charity Organization Society trained workers who became the first paid employees of a charity. In 1887, the first federated fundraising effort began in Denver as the Charity Organization Society. This format would act as the model for the United Way of America.

Charitable organizations were formed in response to the war of 1812. The war was fought with a combination of both regular and voluntary militia. The war also produced the first peace movement. The New York Peace Society was the first organization of its kind not affiliated with a religious movement. By 1828, the group had grown so much that it was renamed the American Peace Society.

The first efforts to coordinate charity and a social welfare plan began to appear in the early nineteenth century. The Pennsylvania Society for the Promotion of Public Economy and the Prevention of Pauperism in the City of New York, established in 1817, are examples that were managed by volunteers. Outbreaks of yellow fever and cholera between 1790 and 1835 lead to the formation of secular orphan asylums. Dorothea Lynde Dix was a notable advocate against the harsh treatment of the mentally ill during the 1840s. She traveled the entire country gathering facts on the subject and reported her findings to Congress. Although governmental action did not result from her efforts, her work helped to motivate voluntary action.

The National Association of the Deaf was founded in 1880 but it would not have professional assistance until 1949. The Volunteers of America was founded in 1896 by Ballington and Maud Booth. They received support in launching the organization from the leaders of the day, including Theodore Roosevelt, John Wanamaker, Bishop Manning and Rabbi Stephen Wise.

A number of organizations were created to address various social problems. Others began to refine previous missions to address social needs. The Salvation Army, for example, while still promoting religion to the poor, began to address the overall needs of the needy.

## **Educational Societies**

Increased interest in adult education occurred in the early 1800s. The concept of the day focused on spreading knowledge to all classes of people. The Mechanics Institute, established in 1826, the Society for the Diffusion of Useful Knowledge, established in 1829, the Lowell Institute, formed in 1836, and the New York City Cooper Union, started in 1859, were among the many organizations formed.

Nationwide, associations were formed in all branches of science and health. The Philadelphia Academy of Natural Sciences, established in 1812, was founded to support

scientific study as an avocation. The American Chemical Society was formed in 1876, and the American Psychological Association was established in 1892.

In 1876, librarians founded the American Library Association in Philadelphia to promote the establishment of free libraries. By 1900, more than 9,000 libraries had been built throughout the country.

## **Health Organizations**

Local boards of health began to be founded as early 1797. Concern about public health grew quickly. In 1802, New York established a Vaccination Institute; the next year Boston did the same. Volunteer doctors staffed these group efforts. In 1839, the Nurses Society of Philadelphia was formed. The purpose of the society was to train women to care for ailing poor and to ensure that they were paid for their services. Other medical areas soon began to be addressed. The Asylum for the Deaf and Dumb, established in 1827, the New York Institution for the Blind, founded in 1831, and the New York Ophthalmic Hospital, formed in 1852, were all started by New York citizens.

Health became a major issue in the 1860s. The relationship of health and sanitation became a political issue. In 1866, the Metropolitan Board of Health was formed, which later became the American Public Health Association. The members of this organization were both doctors and lay people. In 1881, Clara Barton helped to organize the American National Red Cross. In 1892, Lawrence Flick founded the Pennsylvania Society for the Prevention of Tuberculosis—the first organization that was devoted exclusively to conquering an individual disease.

## **Religious Organizations**

Religion continued to be a major factor in the lives of early Americans. Therefore, many of the institutions of this time reflected this influence. In 1815, the American Bible Society was founded. Within five years, it had established more than 200 local chapters. The Jewish Independent Order of B'nai B'rith, established in 1843, and the Catholic Society of Saint Vincent de Paul, founded in 1845, were formed to help children and to promote religious beliefs.

In 1851, Thomas V. Sullivan established the first Young Men's Christian Association (YMCA). The purpose of this group was to serve boys who came from rural areas or who had immigrated to America by providing them with a home and good moral base. Protestant volunteers were responsible for carrying out all the activities. The Young Women's Christian Association (YWCA) soon followed.

In New York, the Union Temperance Society of Moreau and Northumberland was formed to stop the use of alcohol in 1808. By the end of 1829, more than 1,000 such societies had been formed. The importing of spirits into the United States fell

from \$5 million in 1824 to \$1 million in 1830. More than 50 distilleries were closed. In 1836, Canadian and United States societies joined to form the American Temperance Union.

## **Civil Rights Organizations**

Early in America's history, free blacks organized self-help groups. Richard Allen and Absalom Jones led the formation of the Free African Society in 1787 in Philadelphia. In Baltimore alone, more than 35 societies existed by 1835.

The time before the Civil War marked a time of major citizen involvement in the concerns of that period. The women's rights movement began with the Seneca Falls Convention in 1848. A proslavery group called the Know Nothings, or American Party, became a strong force beginning in 1854. Movements of the day often tended to be rooted in secret societies such as the Blue Lodge, The Social Band, and Sons of the South. Some of the groups supported illegal acts in order to attain political victories.

Women's suffrage became a major issue. The American Women's Equal Rights Association favored the Fourteenth Amendment. Elizabeth Cady Stanton and Sojourner Truth spoke against the passage of this Amendment due to the fact that it only allowed men to vote. When the amendment passed in 1870, two new feminist groups were established. Stanton broke off and established the National Woman's Suffrage Association to work on women's rights at all costs. The American Women's Suffrage Association took a more conservative direction. By 1890, the groups merged to once again provide a united front for women's suffrage. The new group was called the National American Women's Suffrage Association.

Susan B. Anthony urged the formation of independent unions for women, which led to the Working Women's Association and Protective Association for Women. In 1903, the National Women's Trade Union League was formed by working women, women's clubs, and social workers.

Immigrant groups began to form in the latter part of the nineteenth century. In 1894, the Alianza Hispano Americana was formed to aid Mexican Americans. In 1878, Six Companies was formed to aid Chinese immigrants in representing members to both the U.S. government and to the Emperor of China.

## **Leisure Organizations and Social Clubs**

Early Americans had little time for leisure activities. In fact, there was a widespread disapproval of using free time for fun. As the nineteenth century progressed, however, some holidays began to emerge, and each one was celebrated eagerly. Picnics and other outings became a tradition for families and friends to celebrate a common American holiday such as the Fourth of July.

In 1842, a group of New York business and professional men began to play a sport called town-ball at Elysian Fields in Hoboken, New Jersey. They formed the Knickerbocker Club and adopted a code of rules in 1845. By 1858, the National Association of Base Ball Players had 25 charter club members. The National Rifle Association was incorporated in 1871 to promote recreational gun use and safety.

Secret fraternities began to increase in the late part of the nineteenth century. The Odd Fellows, The Freemasons, The Knights of Pythias, and the Ancient Order of United Workmen were among the largest groups. These groups were open to men only.

Women, however, had a number of groups as well, including The New England Woman's Club of Boston, the National Council of Women, and the Woman's Christian Temperance Union. Many of these organizations joined the General Federation of Women's Clubs in 1889. By 1914, more than one million women were represented by the General Federation of Women's Clubs.

Youth-related organizations began to emerge. By 1906, 50 boys' clubs formed the Boys' Clubs of America and the YMCA helped to establish the League of American Wheelmen to promote bicycle riding. The Big Brothers Association was formed in 1903 in Cincinnati and the Big Sisters Association was established in 1908. Volunteers initially dominated both but paid staff became the dominant force due to the need of having full-time experts.

The Boy Scouts of America was founded in 1910 based on a British model and it soon became the preeminent boys' organization in America. The Camp Fire Girls started in 1910 and the Girl Scouts of America began in 1912. Both became significant girls' institutions.

Conservation of our natural woodlands and wildlife became hot issues at the end of the nineteenth century. The American Forestry Association pressured Congress and state legislatures to protect woodlands. In 1896, the National Forest Commission was formed and aided financially by Congress for a public education campaign. Various outdoor and sportsmen's clubs and associations became directly involved with the conservation of wildlife. They are still the key leaders today.

## **Trade Associations**

The first labor organizations were formed to provide benefits to workers. In the early 1800s more than 20 were formed in New York alone.

The early 1800s also gave rise to professional societies, including the American Statistical Association, established in 1839, and The American Psychiatric Association, founded in 1844. The American Institute of Marine Underwriters was formed in 1820 to support marine underwriters who appraised risk to determine an insurance premium and to collect information so claims could be paid.

In 1847, the American Medical Association was formed. Trade associations began to boom in the years from 1865 to 1877 due to the industrial expansion in America.

More than 100 were formed between those years. The earliest recorded model trade association was the American Brass Association, established in 1853 for the purpose of sharing raw materials and customers.

The majority of trade associations were volunteer driven. In 1868, a federation of local chambers of commerce formed the National Board of Trade to represent member businesses, both nationally and internationally. The American Bankers Association was formed in 1875 to assist its member banks with various aspects of the business as well as for providing social functions for its members.

In 1887, the American Association of Public Accountants developed a code of ethics for accountants. They also helped to open an accounting college and obtained legal recognition for the Certified Public Accountant status (CPA). In 1890, the National Association of Life Underwriters was formed and adopted standards for its industry. In 1895, the National Fire Protection Association was formed by insurance and industry representatives to enact standards, rules, and regulations that would result in lower fire hazards in factories.

In 1854, the American and Foreign Emigrant Protection and Employment Society was formed through philanthropic means to assist in finding jobs for immigrants. Social welfare continued to be a concern for many. The Association for Improving the Condition of the Poor led housing reform. The Working Men's Home Association was formed to build model tenements.

One unusual example of religious groups helping in the industrialization of America happened in the late 1860s. Mormon volunteers constructed 37 miles of railroads between Salt Lake City and Ogden, Utah. The railroad workers began to organize by forming protection associations in 1855, many of which were short in duration.

The Brotherhood of Locomotive Firemen was established in 1873 to help the widows of workers killed in train accidents.

Incidents of strikes began in the early 1870s. The American Federation of Labor was established in 1881 and Samuel Gompers' "Doctrine of Voluntarism" emerged as an influential force.

The Grange was founded as the Patrons of Husbandry in 1867. It was the most popular farm association in the Midwest and the South and it was headquartered in Washington, DC. It was supported by the Department of Agriculture. The Grange attracted mostly small farmers. By 1878, however, the Grange was replaced by various alliances including the National Farmers' Alliance and the Industrial Union.

Several mergers and name changes occurred in the groups that represented farmers. For example, the Wheel and National Alliance became the Laborers' Union of America and became better known as the Southern Alliance starting in 1889. A Northern Alliance was formed in 1880. These alliances all merged becoming known as the People's Party and, eventually, the Populists.

In 1890, the first election the Populists participated in, they managed to gather 21 electoral votes and they elected 5 senators, 10 congressmen, 50 state officials, and

more than 1,500 country officials. By 1896, the Populist Party had disbanded, but it had made its point that farming issues were important to the future of the country. The impact of the Grange and other farming organizations that would follow made a lasting impact throughout the country, even in urban areas. Other unions began to form and emulated them. In 1873, for example, the Wyoming Stock-Growers' Association was established, and some say it became as powerful as the Wyoming territorial government.

By the 1890s, trade associations were entrenched as business institutions maintaining offices, electing officials, and holding regular meetings. They served mainly for social functions at the time, but they also lobbied in Congress and state legislatures and developed programs in areas such as standardization and quality inspections. Some trade associations, however, attempted to create unfair market conditions through the use of monopolies and price fixing. Congress passed the Sherman Antitrust Act in 1890 to curb this abuse. Consumers also formed groups to protect their interests. The National Consumers League was formed in 1899 and led a number of fights to improve working conditions and rally for minimum wage laws.

## **TRANSITION FROM A FRONTIER NATION TO AN INDUSTRIAL NATION**

America was changing from a frontier nation to an industrialized nation. Not-for-profits and their leaders, mostly volunteers, played a key role in that transition.

The Niagara Movement called for the end of discrimination. This group lasted only five years, but it led to the formation of the National Association for the Advancement of Colored People (NAACP) in 1909. The National League on Urban Conditions Among Negroes was formed from a conference held in New York City in 1910. This group would later be known as the National Urban League. The League and NAACP brought the issue of racial prejudice to the public's attention.

The National Federation of Women's Clubs approached Congress in 1908 to request the establishment of a Department of Education. They also asked that their director be a member of the president's cabinet.

Health-related associations began to be formed in the first part of the twentieth century. This was due to a number of factors including new medical discoveries and urbanization issues. A sampling of these organizations include The American Social Hygiene Association, established in 1905, the American Child Health Association, founded in 1909, the American Society for the Control of Cancer, formed in 1913, the Association for the Prevention and Relief of Heart Disease of New York, begun in 1915, the Ohio Society for Crippled Children, started in 1919, and the National Tuberculosis Association, formed in 1904.

The Modern Health Crusade was a national campaign to encourage proper hygiene among youth. Tuberculosis Association volunteers established Modern Health Crusade



Chapters in schools and, by 1920, more than 7 million children had pledged to lead a healthier lifestyle. The Modern Health Crusade was so successful that most schools adopted its principles and the program was discontinued.

In 1907, Emily Bissell created the Christmas Seal program to secure funds for the Delaware Anti-Tuberculosis Society. The seals were so successful they were used nationwide.

The Rockefeller Foundation was formed in 1913 through the leadership of John D. Rockefeller and Frederick T. Gates, a Baptist minister. The group was established to assist a number of educational and medical projects. The foundation became a model for how businesses can support good works.

Throughout this period, trade associations continued to be run by volunteers. New associations were also being formed to answer unmet needs that the more generalized existing associations did not fully address. The number of trade associations grew from around 100 in 1900 to more than 1,000 by 1920. By the 1950s, the number had jumped to around 2000. Trade associations eventually became more professional, hiring full-time staff and forming their own professional society in 1920, the American Trade Association Executives. This group currently operates as the American Society of Association Executives.

The American Hotel Association was formed in 1910; although its mission at the time was a little different than its mission today: “apprehension and punishment to the fullest extent of the law, of professional deadbeats, check forgers, dishonest and undesirable employees and crooks of all descriptions.” This is a great example of how a not-for-profit’s mission needs to be updated regularly.

The Association of Iron and Steel Electrical Engineers was the driving force for the first Congress of the National Council for Industrial Safety. This group became the National Safety Council in 1914. The council tackled all aspects of industrial, home and street safety. The American Association of Public Accountants voluntarily established a written exam for accountants in every state.

Civic clubs began to appear and became national movements. Their mission was to directly help the community by providing good will and a networking for their members. The Rotary Clubs, established as early as 1910, the Kiwanis Clubs, formed as early as 1916, and the Lions Clubs, started as early as 1916, were among these new entities. Civic clubs like the Kiwanis Club began to focus on youth support at the high school and college level. Kiwanis Key Clubs and Circle K Clubs offered career and community services.

The YMCA helped to form yet another organization called the Toastmasters Clubs in 1924. The program helped members to develop effective speaking habits.

Alcohol became a leading topic during first part of the twentieth century. In 1920, America ushered in Prohibition through the Volstead Act. This was due to the decades of work on behalf of the temperance movement and its leaders. By 1933, the amendment had been repealed through the effort of unions and several associations



like the Women's Committee for Modification of the Volstead Act, which later became the Women's Organization for National Prohibition Reform. Alcoholics Anonymous began as a support group in 1934.

War became a major concern by the end of the 1930s. As the United States entered World War II, associations took on major supportive roles. The Association of American Railroads, for example, helped to transport 600,000 troops during the first few months of the war. The Council of Machine Tool and Equipment Services inventoried and cross-indexed 250,000 pieces of production equipment and machinery in more than 450 plants.

## POSTWAR EXPANSION

After World War II, not-for-profits began to play an even greater role in America. Some of the war-directed organizations were kept. In 1946, the Civil Air Patrol was reorganized and chartered by Congress. The USO was actually terminated for a brief time, and then reactivated. The War Advertising Council became the Advertising Council.

In the 1950s the American Automobile Association's School Safety Patrol became a common sight in schools.

Voluntary health agencies continued to grow. In 1946, the National Heart Association changed from a group of medical professionals to a lay group. The National Association for Mental Health was organized in 1950, the Multiple Sclerosis Society was established in 1946, and the Muscular Dystrophy Association of America was formed in 1950.

The conservation movement continued to grow with the aid of the Department of the Interior and local, regional and national associations. The American Forestry Association held three conferences from 1946 to 1963 to promote forest protection. The United States Forest Service and the network of national forests would not have been possible without volunteer support and the action of conservation and sportsmen's associations.

During the 1950s and 1960s, a number of organizations continued to advocate their original mission while other not-for-profits refined or expanded their missions to better serve their constituents. There were a number of new organizations that were formed to address a variety of issues from civil rights to the Vietnam War. The American Friends Service Committee maintained its historic mission while protesting the Vietnam War. The National Welfare Rights Organization was formed in 1966 to address public policy relating to poor families.

Government-directed programs became popular during this era. These groups included the Peace Corps, established in 1961, the Volunteers in Service to America (VISTA), and the Serve and Enrich Retirement by Volunteer Experience (SERVE). These programs had varying degrees of success.

The National Alliance of Businessmen (NAB), through the leadership of Henry Ford II, addressed the challenge of unemployment through a highly organized approach that involved thousands of businesses that pledged to hire the hard-core unemployed. The concept was quite successful.

John Gardner created a not-for-profit called Common Cause to encourage America to help rebuild the nation during the Vietnam era of the late 1960s. The organization became a watchdog for legislative issues by motivating volunteers to monitor local government activities. Gardner was also responsible for starting the Independent Sector, which is still an important think tank for not-for-profit issues.

The rise of the use of political action committees (PACs) occurred during the 1970s and 1980s. By the late 1980s, more than 4,000 PACs were registered with the Federal Election Commission. PACs have become a powerful force in informing government officials of the concerns of special interest groups.

The formation of new organizations continued to increase. An organization formed to address the older population in America, the American Association of Retired People (AARP), was founded in the 1960s. AARP became a major power with over 25 million members. The World Federation of Friends of Museums was founded in 1975, and the U.S. Association of Museum Volunteers began in 1979 to address American museum issues.

In Columbus, Ohio, a major grass-roots voter initiative to ban trapping in the state was successfully stopped in 1977 and sportsmen from other states began to ask for assistance on similar issues. As a result, The Wildlife Legislative Fund of America was formed to provide both national and grassroots representation for sportsmen. It is currently named the United States Sportsmen's Alliance. This organization would become the leading advocate group for sportsmen at both the federal and state level.

Habitat for Humanity was established in 1976 to provide housing for the poor, and Mothers Against Drunk Driving (MADD) was formed in 1980 to stop drunk driving. Local and regional organizations continued to be created to address the issues of the day. The Aliveness Project in Minneapolis promoted AIDS awareness. The Points of Light Initiative proposed by President George H. W. Bush encouraged more volunteering and, eventually, gave rise to the Points of Light Foundation which is the leading not-for-profit advocate of volunteering today.

From the latter part of the twentieth century to today, thousands of new not-for-profits were formed, others have merged to better serve their constituents, and still others have ceased to operate at all. In all, the process has worked well. The key for successful not-for-profits has been the quality service they provided through their volunteer and professional talent.

What is so interesting to see is the number of worthwhile organizations that came into existence for a particular purpose and, when the purpose was fulfilled, ceased to exist. We often think that not-for-profits organizations should last forever. The truth

is that this is not the case at all. Most of the not-for-profits that were around a hundred years ago are no longer in existence.

The most interesting part of the development of the not-for-profit sector and its leaders has not been told yet. The evolution is still underway. Some of the most powerful organizations of today may be gone in a generation, while the small struggling associations of today may become the giants of the future. Mergers, name changes, refinement of missions and many other factors will play a role in this process.

Just think—at this moment, someone or a small group of like-minded people are probably gathering together to start a new not-for-profit. While the chances of that organization surviving may be low, those organizations who do survive may have a profound influence on our way of life in less than a generation. That is why it is so exciting to have a leadership role in this process.

In my previous book, *The Legislative Labyrinth: A Guide For Not-For-Profits*, I encouraged all not-for-profit leaders to make sure that their organizations are fully represented through an active government-affairs program at the appropriate level, based on the mission of the association. The longevity of any organization is based on worth. If an association can demonstrate true value through various means, then people will join or contribute. Strong mission, good visibility, creative programs, and a sound government affairs program are essential.

Government-affairs programs need to be a key strategic factor for all not-for-profits. This includes 501(c)3 organizations that are able, with certain limitations, to represent their constituents in this fashion. Thousands of not-for-profits do not take advantage of this fundamental right and forgo what our founding fathers meant by a representative government.

## DEFINING THE NOT-FOR-PROFIT

The not-for-profit sector is immense. According to the Independent Sector's most recent report on the status of the not-for-profit sector, *The New Nonprofit Almanac in Brief*, 1.2 million not-for-profit organizations exist in the United States with IRS designations of 501(c)3 and 501(c)4. They employ 10.6 million workers and have revenues of over \$664.8 billion. They employ 7.1 percent of the work force and represent 6.1 percent of the national income. In addition, 44 percent of the population, or 89 million adults, volunteer. This is the equivalent of more than 9 million full-time employees at a value of \$239 billion. More than 89 percent of households donate to not-for-profits; the average annual contribution is \$1,620.

The Independent Sector's report did not include 501(c)6 organizations, however. The North American Industrial Classification System 2001 Report estimates that over 100,000 additional civic and social organizations and professional and trade associations exist in America. The bottom line is that the not-for-profit sector is a major factor in the social and economical success of the United States.

Just like the for-profit sector, the not-for-profit community cannot function without leaders who understand how best to serve their market. Not-for-profits come in a number of packages including their IRS classification, but almost all of the not-for-profits in America fall into the 501(c)3, 501(c)4, 501(c)6 categories. Although these groups represent different missions and different constituents, and come in various sizes, each not-for-profit has similar challenges.

It is easy to dwell on the differences between not-for-profits, but successful CEOs focus on the similarities. These similarities provide a base to build a standard in which to measure the effectiveness of the not-for-profit, as well as providing an opportunity to study the qualities that are needed to successfully lead these organizations.

## THE VOLUNTEER'S ROLE

Volunteering is one of the core functions of a not-for-profit organization. In many cases, thousands of volunteers make it possible for a not-for-profit to dramatically expand its capacity to better serve its constituents. Volunteering is one of the most exciting parts of the process.

Some not-for-profit professionals consider volunteers more of a nuisance than an asset, and they rely on full-time employees to do most of the work of the organization. These professionals are not students of the not-for-profit process, nor do they understand the historical origins of the sector. If they did, they would understand that almost all not-for-profits were started by volunteers. They would also recognize that volunteers and members are the true owners of the organization and, most importantly, that much more can be accomplished if volunteers are used efficiently in conjunction with the staff.

However, the volunteer role is increasingly threatened due to a number of factors, including the lack of time individuals have to volunteer, individual and collective financial concerns, and how new generations view the volunteering process. Today's successful not-for-profit CEO understands the key role that volunteers play. They also strive to discover new ways to attract and retain quality volunteers.

## INTRODUCTION OF THE PROFESSIONAL LEADER

Paid staff and leaders in not-for-profits can be found in the United States as early as the late nineteenth century. Although their job description differed greatly from today's CEO, the implied role of overseer of the organization was in place. Ultimately, the role of the professional leader emerged when volunteers began to understand that the mission of their organizations could not be maintained without full-time assistance.

The original roles of paid individuals often related to the mission of the organization rather than administrative issues. For example, a health group might have hired nurses to tend to the sick or an advocacy group might have hired lawyers to represent them in court.

Eventually, as the not-for-profit grew, they may have appointed an individual to oversee the administration of the organization. In many cases, the individual was given the title of secretary. This title was still in use as late as the mid-twentieth century to identify the top professional in a not-for-profit. Clearly, the volunteer leaders had absolute power in these organizations.

## Today's CEO

Today's not-for-profit CEO role blends the traditions of the past with many of the characteristics of the for-profit CEO. This blend reflects the increased role that CEOs play in a not-for-profit. Today, CEOs need to focus on achieving a core mission, as well as making sure that the fiscal integrity of the organization is maintained. These duties may include the following:

- Supervising large staffs that support thousands of volunteers
- Developing hundreds of programs, including activities that benefit individual members on up-to-full-scale government-affairs functions for the benefit of the group as a whole
- Raising millions of dollars annually to support these activities

The relationship of the CEO with the volunteer leadership has been transformed into a partnership relationship. The leadership, both volunteer and professional, of successful not-for-profits understands the administrative balance that is needed to get things done. Although this relationship is based on a for-profit model, the bonds between the board of directors and the CEO are much more cooperative. In fact, the for-profit sector could learn a few things from the not-for-profit community in the area of governance.

Just like the for-profit community, the not-for-profit community has had its share of scandals. As a result, boards of directors of not-for-profits are requiring more checks and balances. Successful CEOs welcome these changes. They understand the need for them and have the vision to see the opportunities that they bring in attracting quality volunteer leaders and long-term members and donors.

## The Future Role of the Not-for-Profit CEO

One of the questions that every CEO of a not-for-profit needs to ask is: Will my association exist in the future? Do not assume that the most visible and successful not-for-profits will be around in 50 years. This is true for a number of reasons. Exhibit 1.1 provides an opportunity to measure how well your not-for-profit organization will adapt to the future.

Every not-for-profit is formed to fill a void. They are designed to achieve a mission that cannot be accomplished by individuals, other groups, government, or for-profit

## EXHIBIT 1.1 THE NOT-FOR-PROFIT SURVIVAL TEST

- |   |                                       |                                       |
|---|---------------------------------------|---------------------------------------|
| 1. <i>Do you think that your not-for-profit's core mission will be needed in the future?</i>  | Yes<br><input type="checkbox"/>       | No<br><input type="checkbox"/>        |
| Now ask yourself, on what empirical study did you base your answer? If none, it is time to conduct a study.   |                                       |                                       |
| 2. <i>Is the average age of your members above the current average age in America?</i>  | Yes<br><input type="checkbox"/>       | No<br><input type="checkbox"/>        |
| If so, your organization needs to focus on younger members.   |                                       |                                       |
| 3. <i>Has the quality of your volunteer leadership improved or declined in the last five years?</i>   | Improved<br><input type="checkbox"/>  | Declined<br><input type="checkbox"/>  |
| Less interest in volunteering may be due to a number of factors including less interest in your mission.  |                                       |                                       |
| 4. <i>Have you increased your members/donors by an average of 5 percent or more per year in the last five years?</i>  | Yes<br><input type="checkbox"/>       | No<br><input type="checkbox"/>        |
| If you are not increasing your membership/donor base, discover if your competitor is or if your entire field is on the decrease.  |                                       |                                       |
| 5. <i>Is your member/donor base diverse enough?</i>   | Yes<br><input type="checkbox"/>       | No<br><input type="checkbox"/>        |
| If your organization has not begun to address how to attract a more diverse participation base, you may find a large drop in numbers in the next decade.  |                                       |                                       |
| 6. <i>Could your association survive three or more years if your income was cut by 50 percent?</i>  | Yes<br><input type="checkbox"/>       | No<br><input type="checkbox"/>        |
| The methods not-for-profits use to raise funds is changing; is your organization staying ahead of the curve?  |                                       |                                       |
| 7. <i>Is your competition gaining on you?</i>   | Yes<br><input type="checkbox"/>       | No<br><input type="checkbox"/>        |
| Your competition may be another not-for-profit, a government agency, or even a for-profit that you have never considered a threat before. You should widen your focus to determine who may be aiming to take your customers.  |                                       |                                       |
| 8. <i>Has public opinion toward your mission increased or decreased in your favor?</i>  | Increased<br><input type="checkbox"/> | Decreased<br><input type="checkbox"/> |
| For many not-for-profits, favorable public opinion helps to fulfill the mission and to raise the funds needed to exist. A not-for-profit's survival will depend on identifying both the positive and the negative signs, and through that process, creating a strategic effort to enhance the positive aspects while finding solutions to turn the negative aspects around. |                                       |                                       |

entities. What would happen if your not-for-profit's mission was being fulfilled by some other means? Could you compete, or even survive? Students of the history of not-for-profits know that thousands of not-for-profits are founded each year while thousands fail, merge, or just fade away.

The entire playing field is changing for not-for-profits as well as every other kind of entity. For example, access to information used to be the major reason why individuals joined associations. Now, individuals can find any information they want with a simple Internet search; they no longer need to get their information through an association membership. Ironically, they are probably finding the information they desire for free on your association's Web site.

Other kinds of organizations are feeling the heat as well and many are expanding their missions into areas traditionally filled by not-for-profits. For-profits are competing for a share of the not-for-profit market in ways that were previously unthinkable. Many for-profits are holding major conferences or, even, conducting extensive fundraising campaigns for the not-for-profit groups that they have formed. While their "mission" is to gain a greater customer base or to create positive community relations, the result is that they are often competing for the same members or funding base as the traditional not-for-profit community. Future CEOs need to understand this trend as well as having the ability to find viable ways to compete with this changing environment.

Diversity and generational issues continue to be major factors as well. Who do you want to be your members or donors in the future? My association's foundation recently conducted a study to determine that question based on current and future interests. We concluded that the current trends over the next decade seem to indicate growth in our field as well as growth for the organization in terms of both members and donors.

While the short-term prospects were good, the long-term outlook was not as positive. The trends showed that the fastest growing populations of minority groups, urban dwellers and individuals under 35 considered our field and our organization's mission to be of a moderate or low level of concern to them. The study, however, recommended ways to reverse these trends over the long term.

Every not-for-profit needs to know how outside trends may affect the organization's stability. More importantly, these studies need to be designed to identify specific challenges as well as to explore practical solutions for strategically reconfiguring the organization to meet the future head on.

Technology is one of the major challenges that CEOs face both now and in the future. For many associations, the difference between success and failure can be categorized by these factors:

- The level of information that they collect
- The ways that they distill that information



- The speed and methods that they use to distribute it to their members and beyond

The shelf life of the average computer system is around three years. This presents a challenge for associations from both an economic and a learning standpoint. Not-for-profits that find ways to overcome these challenges will be the winners in the future.

CEOs that correctly determine the true values and needs of current and potential members will be very successful. A major transitional change is underway, and only those who fully understand it will survive, but lessons from the past can be used to determine how to proceed. Many groups were formed hundreds of years ago to meet various needs. Some survived; most did not. The organizations that did not survive ceased to be relevant to their constituents. CEOs need to determine the following:

- Does your organization have a sound mission for the future?
- If not, can the mission be updated?
- Can the organization survive on its own?
- Should the association merge with another organization?
- If not, should it go out of business?

## SUMMARY

The opportunity for individuals to work together for the common good through a collective process within the not-for-profit organization has become the standard way in which we get things done. Although this process evolved as a stopgap measure to fill a void that the community or the government could not perform, it has become the preferred method of operation.

The not-for-profit model is based on an individual's fundamental need to form groups for increased security, socialization and freedom. These early forms of group activity provided the base for the current not-for-profit model.

In the United States, expressing individual thought through the group process became one of the key ingredients in the formation of a new form of government that would become the envy of the world. Immigrants who came to America wanted a form of government that promoted individual freedom and they wanted to be part of the process. The new form of government encouraged citizens to meet in groups and, through the collective process, to persuade elected representatives to advocate their opinions. This process has been successful in promoting both majority and minority opinions for more than 225 years.

The thought of becoming the chief executive officer of a not-for-profit organization may seem like a far-fetched dream. For some it is. Others determine that it is not worth the time or effort and some never really figure out how to attain it. The

Corner Office is not for everyone, but it should not be lost due to a lack of knowledge of how to get there.

Successful CEOs begin their journey to the top position by first obtaining a basic understanding of the origins of the not-for-profit community. Once you understand the historical context in which not-for-profits exist, you will begin to understand the unique role played by those who lead them.

Providing leadership in the not-for-profit community is not just a way of making a living. Instead, it is a profession that is important to the people who you represent, and it is fundamental to the continued advancement of individual freedom and our way of life. Successful not-for-profit professionals, both CEOs and others, understand that careers in this sector are not only rewarding, they are privilege to hold.

The role of the not-for-profit CEO has come a long way. CEOs are no longer playing the secretary's role. They are key players acting as both the chief professional and as a key partner with the volunteer leadership of the association. The CEO is a highly trained and experienced professional who has the educational and professional background to serve her or his constituents well.