8 Managing Employment Challenges

No matter how well managed, every human service organization inevitably faces employee challenges. If they are handled well, managers can then concentrate on achieving the agency's mission. If they are handled poorly, however, managers can become consumed with people problems and the organization could be diverted from focusing on its mission. This chapter highlights some of the more common employment issues.

Diagnosing Employment Problems

Analyzing the Problem

Some employees perform poorly because management has not clarified organizational policies or because supervisors have not properly spelled out work priorities and expectations. Other employees may take advantage of lax office procedures by coming in late or socializing excessively. Still others may require more structured work assignments or may have been mismatched with their jobs.[1] These problems are generally correctable in supervisory discussions. Policies can be enunciated, work priorities delineated, expectations clarified, office procedures tightened, assignments structured, and reassignments (if feasible) made. Following corrective action, unproductive staff presumably can improve their job performance and functioning.

By discussing the problem directly with the employee, you can determine whether extenuating circumstances should be addressed. For example, you may discover that an otherwise productive employee is frequently late to work because he needs to take his child to day care in the morning. You could consider altering the rules about lateness so he can make up the time by working an extra half-hour at lunch. This is, of course, a judgment call based on your overall assessment of the situation. It is possible that providing flexible time for one employee could create problems with the rest of the staff. Hence in making your analysis, consider both the circumstances particular to the employee and the likely responses of the rest of the organization.

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The next section identifies some common people problems and suggests ways managers can deal with them.

Dealing with Problem People

The Dead-ender. Staff at the top of their job classification with no place to advance can feel stymied and may need special motivation. To prevent their high motivation from deteriorating, consider the following:

- Seek their advice and suggestions on how they can continue as high performers even if they are at the top of their pay scale. By doing so, you demonstrate that you value their opinions.
- If possible, give them additional decision-making responsibilities.
- Assign trainees to them; they may gain satisfaction from serving as mentors.
- Provide out-of-the-ordinary assignments that offer challenge and a chance to shine. For example, put them on loan to another department where their talents and abilities can be appreciated.

Frequently, staff who feel they are at a dead end do not communicate their concerns directly but show their disinvestment with below-average performance. Excessive absences, increased socializing, or argumentative behavior may be symptoms, and they require corrective action. Convey your concerns and expectations before the behavior turns into complete indifference.[2] Spell out what has gone astray with the employee's performance and discuss what steps can be taken to turn the situation around. Ask the staff member to explain the reason for performance decline and determine together how to rearrange priorities. As with other employees who may be performing poorly, it is important to keep proper documentation to justify any action you take now or in the future.[3]

The Passed-over Employee. Being denied a promotion can be discouraging and frustrating and may result in staff disengaging from their work. The first step is to talk privately to explain why another person was selected. The emphasis here should be on what makes the other person more qualified, not what makes the employee less qualified. If the employee has shortcomings, you might suggest how these shortcomings might be addressed and improved. In addition, you could work out a plan for additional assignments or special studies that would enhance the employee's competitiveness for future job openings. By reinforcing employee self-esteem and providing practical assistance, you help them re-engage in their work.

The Technophobe. Sometimes an otherwise competent employee is unable to take on new assignments or deal with new technologies, especially involving the use of electronic devices. Frequently the employee fears failure, and

moreover, experiences tremendous discomfort in having to be taught by younger staff who are more familiar with new technology. This could, after all, involve role reversal in which a subordinate becomes the leader, even the critic. If possible, select peers instead of junior staff to teach new technology. Even if this is not possible, supervisors must be clear and unequivocal: While accepting the resistance as an understandable temporary response, the organization is committed to having staff grow with the new technologies.

In addition to conveying clear expectations, the organization needs to show its support and recognize the anxiety of the technophobe. This supportive atmosphere can create a spirit of camaraderie wherein everyone participates in a "community of learning." Managers need to understand that staff productivity may be lower for a time while employees learn new skills. Staff may even need to be relieved of some duties to lessen overall work pressures. The organization must provide training—not only one-time workshops, but also ongoing consultation and troubleshooting.

The Mismatched Employee. Sometimes, employees are hired into jobs that subsequently prove to be a poor fit for them. Though mismatched, staff have other skills, talents, and commitments that warrant their being retained but perhaps not in the position for which they were hired. Rather than letting employees go, one option is to assign them to other positions for which they are better qualified, even if they are lower paying. Reducing salary is a calculated risk, but if the alternative is terminating a worthwhile employee, it is important to help the staff understand and accept the situation.

The Work Climate Spoiler. Some employees poison the work atmosphere with a sour demeanor. Their grumpy mood negatively affects the rest of the staff, though they may be quite competent in their main job responsibilities. If their work requires only minimal interaction with staff or clients, then some latitude can be allowed. An accountant in the back office with this attitude might be more tolerable than a counselor working directly with clients. Other work spoilers are employees who constantly gossip, spread malicious rumors, or seek gratification by pitting one employee against another. You need to convey the magnitude of your concern and your desire for a more constructive attitude; work spoilers cannot be tolerated. If all else fails, the disruptive staff member may need to be dismissed.

The Work Laggard. Sometimes, new staff who may not be used to the work ethic of the organization tend to slough off work or generally be unresponsive to requests to produce. They may be dilatory in carrying out work assignments. Ordinarily, these behaviors could be grounds for dismissal, but if you feel these employees can be turned around, you need to remind them in unambiguous terms of the consequences of indolent behavior. A good practice is to provide a handbook to all new employees that spells out work performance expectations. Sometimes you may need to allow a period of

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time for adjustment and a considerable amount of discussion regarding tardiness, absenteeism, excessive use of sick time, personal phone calls, or reading non work-related material on the job to allow staff to acclimate to the work ethic of the organization.

The Poorly Trained Employee. You may find some staff to be unproductive because no one has ever taken the time to fully explain their responsibilities and walk them through their assignments. They may be thrust into situations for which they are ill prepared because of poor hiring decisions. For these employees, training and supervision are key elements. They may need to be sent to a formal training program or at least be provided with a mentor who can work with and guide them during their learning period.

All of these "types" have two things in common: they are not performing up to the standards of the organization, and they could potentially be fired. In fact, some managers take the understandable position that the excessive concentration required to turn around unproductive employees presents a serious drain of time and energy and creates resentment among produc-tive staff. You need to discern whether straightening out an unproductive employee is worth the effort. Yet there are few things more rewarding than salvaging a formerly unproductive employee and taking pride in his or her new and sustained achievements and contributions.

Dealing With Legally Protected Employees

In recent years employment law has been developed to protect staff of human service agencies. Effective managers must keep current with employ-ment laws and regulations so that they can treat their employees responsibly and avoid expensive lawsuits. Consult legal counsel or your human resource department for possible changes in the law.

Older Persons

Covering all employers with 20 or more employees, the *Age Discri-mination in Employment Act* (ADEA) prohibits discrimination against older workers. It generally eliminates mandatory retirement at any age, provides protection to any employee over the age of 40, and disallows denying pro-motion or transfer of anyone over 40 because of age. When hiring or pro-moting covered employees, you cannot hint at a preference for younger ones. You must also make sure that older workers receive the same training opportunities as do younger ones.

In terminating older workers, as with any employee, you must provide good documentation through written evaluations and disciplinary reports.

You must apply performance standards uniformly, and you cannot make subtle hints that the employee might be laid off if he or she does not take retirement. Your reason for terminating can never be age related; the reason has to be connected with inability to perform the job satisfactorily. If you need to reduce your workforce, avoid the trap of simply transferring duties from older, higher-paid employees to younger, lower-paid ones. Determine which functions—rather than people—need to be eliminated. In offering early retirement, make sure that the plans are completely voluntary.[4]

Persons With Substance Abuse Problems

Many human service agencies have adopted a drug and alcohol policy to educate their employees about the dangers of substance abuse and to take disciplinary action when it occurs. Any agency receiving federal grants must comply with the *Drug Free Work Act* of 1988, which requires agencies to make good faith efforts to maintain a drug-free workplace. Some agencies provide for alcohol and drug testing when there is reasonable suspicion through personal observation or from reports based on specific facts, symptoms, or observations of other persons believed to be reliable.[5] The employee remains on probation during treatment. Those who voluntarily choose treatment should, if at all possible, be provided with medical insurance benefits and counseling programs.[6]

The 1990 *Americans with Disabilities Act* (ADA) protects recovering drug users and alcoholics in organizations with 25 or more employees. The ADA makes it unlawful for employers to refuse employment, deny promotion, or otherwise discriminate against recovering drug abusers or alcoholics. Current abusers of alcohol or drugs are not protected by the ADA.[7] An appraisal record can document declining performance that may indicate a substance abuse problem and can give the employer "reasonable suspicion" required by many states to test and to take disciplinary action, including discharge.

The key to helping rehabilitate an employee is a fair, firm, and conscientious manager. Managers can help best by focusing on job performance, by following the discipline policy explicitly, and by periodically reviewing the employee's performance.[8] Develop a recovery plan with the employee that spells out how he or she will obtain help for the substance abuse problem.

Accommodating Employees With HIV Infection or AIDS

Applicants and employees with HIV or AIDS are protected by the ADA. Discrimination is prohibited in recruitment, hiring, promotion, training, job assignments, leave, and layoffs. Qualified individuals must be able to perform the essential functions of the job with or without reasonable accommodation, which is defined as a change or adjustment to a work environment that allows qualified individuals to perform the essential functions of the job. Examples

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include restructuring a job, changing work schedules, and modifying equipment. If the reasonable accommodation imposes an undue hardship (unduly costly, extensive, or disruptive) on the organization, it is not required. It is *not* considered an undue hardship if clients refuse to come to an agency knowing that someone with HIV/AIDS is either working in or being served by the organization.

Managers can not reject a qualified applicant because they fear the person may become too ill to work or incur high medical insurance in the future. The hiring decision must be based on how well the individual can currently perform. Managers must honor HIV/AIDS employees' requests for confidentiality, set clear job performance expectations, and hold employees accountable for their work.[9]

Managing Persons With Disabilities

The ADA makes it unlawful for employers to discriminate against individuals with disabilities in regard to hiring, firing, compensation, training, advancement, and all other conditions of employment. The ADA applies to all employers with 15 or more employees (except government agencies). It protects any individual with a "physical or mental impairment that substantially limits one or more major life activities." It protects people with hearing impairments, mental illness, learning disabilities (e.g., dyslexia), and severe obesity. It does not cover compulsive gambling, kleptomania, and transvestism.

The agency with responsibility for enforcing the ADA is the Equal Employment Opportunity Commission (EEOC). Employees have a right to a jury trial and punitive and compensatory damages after a finding of intentional discrimination.[10]

If the organization has a fair and rational appraisal system (see Chapter 11), actions taken by the organization can stand up in court. An employee with a disability who is not performing the job in spite of being given reasonable accommodation can be subject to disciplinary action, including termination. The EEOC expects to see a record of substandard performance appraisals. Further, the ADA does not require that an employee with a disability be promoted or offered training that would make advancement possible if either action would place undue hardship on the employer.[11]

An employer can hold staff with disabilities to the same standards of productivity and performance as other staff without disabilities. A double standard should not be applied in such a way that persons with disabilities receive less discipline than any other employee. Again, it is important that the appraisal process document poor performance in order to avoid claims of discrimination.

Persons with disabilities can provide an organization with challenges that must be addressed. For example, a person with epilepsy whose disease is under control because of medication does not necessarily present a risk to the children under her care. A person with a stuttering problem who meets

the qualifications of being a counselor must be considered for that position. A person who is somewhat obese is not covered by the ADA, but one who is severely obese—more than 100% of the norm—is under its protection. This is the purpose of the ADA.[12]

In considering a person who might qualify under the ADA for a position in the organization, all questions must be focused on the job and not on the person. For example, you would not ask:

"Are you taking medications that would make you drowsy?"

"Have you ever been treated for mental health problems?"

"How did you become disabled?"

"Have you ever been treated for an inability to handle stress?"

"How often have you used illegal drugs in the past?"

These questions cannot be asked because they focus on the disability. The provisions of the ADA were designed to prevent discrimination against individuals with hidden disabilities.[13]

You could ask persons with disabilities, however, whether they could perform the functions of a particular job with or without reasonable accommodation. You could inquire about how they would perform particular job-related functions and whether they could meet job attendance requirements. You could ask whether they currently are using illegal drugs. These questions must be aimed at determining their ability to perform essential job functions, not at discovering the existence or severity of a disability.

Agencies may have to make reasonable accommodations, such as wheelchair ramps for employees with physical handicaps, or telephone devices for the hearing impaired. If a supervisor receives a request from an individual with a disability, there should be an informal process to clarify what the individual needs and identify the appropriate reasonable accommodation. If there are two possible options and one costs more or is more difficult to provide, the supervisor may choose the one that is less expensive or easier to provide as long as it is effective.

Some jobs may need to be restructured. If an employee is unable to perform a minor job task, the supervisor can require the employee to do a different minor job function in its place. However, a supervisor does not have to eliminate a primary job responsibility, nor have to lower productivity standards that are applied to all employees. A supervisor never has to excuse a violation of a uniformly applied rule that is job related and consistent with business activity. Finally, a supervisor does not have to provide a reasonable accommodation that is significantly difficult or expensive. If employees with a disability are not able to perform their job despite being given reasonable accommodations, the organization has the right to terminate employment. To obtain assistance in accommodating workers with disabilities, check with the Job Accommodation Network (see Web Sites for Human Service Managers).[14]

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Family and Medical Leave Act (FMLA)

Managers should review the agency's family and medical leave policy with legal counsel to make sure that it complies with the *Family and Medical Leave Act* (FMLA). The purpose of this law is to help employees balance their work and family lives by allowing them to take unpaid leave for illness, birth or adoption of a child, or care of a child, spouse, or parent who has a serious health condition. A full time employee is entitled to a total of 12 weeks of leave during any 12-month period. The employer must allow the employee to return to the same job or one of equal position with equal pay and benefits. The FMLA applies to any employer that has more than 50 employees.

Taking Corrective Action to Change Behavior

When employees manifest attitudes or behaviors that interfere with meeting performance standards, corrective action must be taken. Usually, the supervisor takes the initiative and formulates a performance plan that clarifies acceptable performance standards, identifies actions needed to meet those standards, spells out a specific timetable, and states consequences if improvement does not occur.

In preparation for the performance interview, the supervisor should document substandard performance and behaviors. The interview itself should be straightforward, firm, and non-threatening. The supervisor should convey that, although the organization values the staff member, there can be no compromise on job performance.

Confronting an unproductive employee can be a profound experience for both the supervisor and the employee. It requires a consistent and direct approach to help employees face issues they might want to deny or minimize. Ultimately, it should help unproductive employees accept responsibility for their behavior and implement specific steps to improve job performance.

In confronting an unproductive employee, the following are specific guidelines that are useful in most situations:

Document specific, concrete behaviors that reflect the deteriorating work performance or unacceptable behavior and the circumstances under which they occurred. Concentrate on the results of behavior rather than on the individual's shortcomings. For example, emphasize the lateness of reports rather than the employee's tendency to procrastinate. This approach helps diminish the employee's feelings of being personally attacked.

Discuss the unacceptable behavior as soon as possible after it occurs. Do not wait for the end-of-the-year evaluation to discuss events that happened four months earlier. Immediacy adds potency to the discussion.

Conduct the discussion in private. Public reprimands can embarrass staff, and their "losing face" makes them more resentful and resistant to change.

To emphasize the caring and supportive concern you have about the employee, identify strengths as well as limitations. Few people do everything wrong, and most do far more things right. By being positive, you provide a context within which the criticism can be tolerated more easily. When the employee does make progress, acknowledge the turnaround. Applaud the new behavior as a way of reinforcing it.

Avoid making value judgments and moralizing. If personal or emotional problems are offered as explanations, you can be sympathetic without abandoning your expectations of quality work performance. Employees must be seen as adults responsible for their own behavior, but you may need to encourage some to seek counseling with the understanding that doing so would not jeopardize job or promotion opportunities.[15] Because of the recognition that employees' personal lives can spill over into their work attitudes and behaviors, many organizations offer Employee Assistance Programs that provide confidential interviews to troubled staff.

Focus on changing behavior. Be clear about specific actions you want the staff to change. Furthermore, you should involve the employee in finding a solution, remembering that your purpose is not punishment but changing unacceptable behavior. Because the employee may feel defensive, it may be helpful to use "I statements," which indicate your point of view: "I am concerned about your attendance" or "I want you to make an effort to be more cooperative."[16]

Progressive Discipline

Many states follow the *employment at will* doctrine, which states that unless a definite period of service is specified in an employment contract, hiring is considered to be "at will." Subject to specific legal restrictions, an employer has the right to discharge an employee at any time without notice and for any reason or for no reason at all. This has been upheld by the United States Supreme Court as being constitutional.[17] Progressive discipline must be seen within the context of this *employment at will* doctrine.

In contrast to those affected by employment at will provisions, human service professionals are sometimes covered by collective bargaining agreements or civil service rules, which provide for due process and *just cause* standards. Normally, agency personnel practices provide for a grievance appeal process, usually limited to an internal appeal within the agency, with no opportunity for an impartial third party. Some unionized agencies, under their collective bargaining agreement, permit an employee to have representation at the point of discipline and throughout the grievance procedure. The grievance is submitted to arbitration if the management and the union cannot resolve the discharge grievance. This third party arbitrator is jointly selected by the parties and conducts an impartial hearing that is binding on both. Typically, selected arbitration agreements require progressive discipline—counseling,

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Whether agencies operate under employment at will or just cause, they typically follow a set of procedures or deliberate steps in addressing performance problems or disciplining their employees, depending on the extent to which employees have violated the rules or exhibited unprofessional behavior. These explicit progressive discipline policies provide guidelines for both management and employees regarding expected staff behaviors and consequences for noncompliance. By observing the following five steps, you are fair to the employees, you avoid capricious actions, and your disciplinary process will hold up in court.[19]

1. Provide the employee with explicit expectations for behavior and performance. Generally, most problems can be solved by clarifying ambiguous expectations.

2. If the problem continues, convey a verbal warning specifying how expectations are not being met. Reach an agreement as to how the employee can correct the problem. Depending on the problem, you may wish to issue more than one verbal warning. During this phase, individual or group counseling may need to be provided to help the person correct the problem.

3. The next step is to send a written warning, including a description of the behavior that is expected of the employee and what the employee is perceived to be doing wrong. Convey how you expect the employee to correct the behavior or overcome the problem. Indicate what the consequences are if the employee does not correct the problem within a specified time period. It is possible that an employee may request a transfer to another unit. He or she may be in the wrong job, or chemistry between staff and supervisor may be affecting work performance. A change in position may therefore resolve the problem. Whether the employee remains or is transferred elsewhere, indicate, if appropriate, what kind of support will be given. Specify that further disciplinary action may be taken if the problem persists. If the employee refuses to sign the warning, another supervisor should immediately be brought in to sign the written document to acknowledge the employee's refusal.

4. If the problem persists, the next step is a consequence, often in the form of one to three days' suspension without pay, to convey how serious the problem has become. If you tell your employee that a suspension will result from repeating the problem, you have to follow through on it unless the staff member offers a reasonable explanation. Some organizations use a variation by providing a paid suspension, with the requirement that the employee return with a written plan on how he or she will correct the problem. To convey that employee attitudes and behavior will be closely scrutinized upon return, inform the employee that he or she is on probation.

The employee must understand that termination may result if performance problems continue.

5. The final step is termination. This will be discussed in more detail below.

Under some special circumstances, you may need to bypass the progressive approach outlined above. For example, in a children's residential treatment center, if staff have been irresponsible in monitoring children's behavior, several days' suspension may be necessary immediately to convey the severity of the situation.

Moving beyond the verbal warning to a more serious consequence should, if at all possible, be spelled out in advance.[20] In all the steps prior to termination, it is important to convey that you think that the employee is capable of changing behavior. In some instances, it may be better to place staff on probation, perhaps up to three months, to emphasize that there will be a period of close scrutiny. Some behaviors may be serious enough to warrant immediate termination, such as misusing or stealing agency property, sleeping on the job, or physically abusing a child. Each organization should determine its response to unprofessional behavior in its personnel practices.[21]

To protect employees from capricious, arbitrary acts, organizations should develop a grievance procedure that permits staff to appeal decisions. This procedure should be clearly spelled out in the organization's personnel practices manual.

Handling the Incompetent Employee

In some extraordinary situations, you may find it very difficult to fire an incompetent staff member. Requirements of civil service or union procedures may prevent this, and in the real world, political considerations may be a factor. These barriers do not automatically mean that you should not terminate an unproductive employee. Some effective managers confront obstacles to terminating an unsatisfactory employee with credible documentation and tremendous resolve and conviction even to the point of putting their own jobs on the line. Nevertheless, if termination is not possible, the manager must develop a strategy to ensure that the incompetent staff does not "contaminate" productive employees with his or her bad work habits and poor attitude.

Some organizations develop an unimportant special assignment for the unproductive employee that is unlikely to result in much damage to the organization if it is not performed competently. Some even go so far as to isolate the incompetent staff person in the least desirable physical space. These are "last resort" desperate actions, which should not continue indefinitely. Be aware that putting an employee in an undesirable situation can be construed as a *constructive discharge*; this could invite a lawsuit in which the employee

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Another approach is to assign the least essential function to a team of poor performers, sometimes called a "turkey farm."[23] This could, of course, backfire and create embarrassment for the organization. A variation of this idea is to loan an unproductive member who has some redeeming qualities to another unit or another organization, thereby removing the troublesome staff person and breaking up patterns of dysfunctional behavior. In some instances, this could be a positive move for both the employee and the organization. By placing the unproductive staff member in a new setting with different work relationships and job requirements, it is possible that improved performance can occur. Again, these suggestions are made with extreme caution; some managers have an unequivocal policy not to keep incompetent employees. Service to clients is their overriding concern.

Terminating Employees

Because human service organizations are in the business of rehabilitating people, there may be a tendency to hang on a little longer and hope the incompetent employee will improve. Recognizing that some circumstances make it exceedingly difficult to terminate employees, managers nevertheless must be willing to act with the conviction that terminating staff is a necessary and essential part of keeping an organization productive. The reality is that employees may be mismatched with their jobs, may lack motivation, may evidence behavior that warrants termination, or may be unwilling to carry out the tasks that help the organization achieve its mission. If attempts to improve performance seem to go nowhere, then termination is necessary for the continued health of the organization. Grounds for firing include the following:[24]

- Physical violence
- Sexual harassment or assault
- Gross insubordination
- Alcohol or drug use during work hours
- Repeated shirking of responsibilities
- Lack of skills to perform required tasks or to meet objectives
- Chronic or excessive absences
- Dishonesty, including falsification of employment records and expense accounts
- Carelessness that causes actual or potential harm
- Continued incompetence, despite training

Staff incompetence is not always easy to spot. A person may be generally destructive but may still perform an important function. An incompetent staff member may be a nice person. Termination should occur when the organization's work becomes threatened or when hanging on to a poor performer

significantly affects the work of others or the organization's ability to function. Keeping unproductive staff members is unfair to others in the organization who must make up for their failures and untangle their messes.[25]

Legally Sound Disciplinary and Termination Processes

In taking disciplinary action or terminating employees, effective managers must carefully avoid the organization's becoming entangled in costly and time-consuming lawsuits. If employees feel that their employer does not adopt or enforce fair and consistent procedures, litigation alleging discrimination or violation of implied contractual obligations can occur. Watch for the following problems:

Lack of Clear and Consistent Policies. The absence of clear written policies can lead to the inconsistent treatment of employees. If staff feel they are treated differently because of gender, race, ethnicity, sexual orientation, age, or physical or mental disability, they may resort to litigation. Policies should spell out conditions under which termination can occur. Supervisors must be instructed on the importance of impartially enforcing regulations; otherwise, staff could claim bias. Progressive discipline policies should be circulated so that all staff clearly understand the ground rules for professional behavior.

Inconsistent Evaluation History. Terminated employees may insist that their appraisal history be reviewed; therefore, you should avoid being trapped in the inexplicable situation of having given acceptable performance appraisals or merit salary increases to marginal employees. Consistently document unsatisfactory performance by providing a *paper trail* that records disciplinary actions and performance reviews. Indicate on the record where even small problems are occurring so that a pattern of marginal performance becomes clear. The best approach for dealing with unproductive employees is to keep extensive, fully documented records so you can establish just cause for any eventual terminations. Documentation is the single most effective weapon in any type of legal action.[26]

This record should be free of any statements mentioning age, race, sex, national origin, religion, or disability. It should also be free of derogatory statements and subjective descriptions. For example, instead of saying the employee has a "bad attitude," the employee's conduct should be specifically described. All previous written disciplinary warnings or performance reviews should have been signed by the employee, acknowledging awareness of supervisory concern.

Letting Subjective Biases Affect Termination Decisions. If supervisors show partiality in the enforcement of regulations by favoring one employee over others, the result could be a charge of bias. Be certain that you treat discipline

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and termination actions consistently by reviewing whether other employees in similar circumstances would be treated in the same way. Check potential biases with other members of the administrative staff to ensure you have followed correct procedures. By focusing on performance, supervisors reduce the risk of being accused of capricious and discriminatory behavior. Inform employees of performance criteria in advance, and clarify expectations in measurable and identifiable terms.[27]

Be aware that wrongful discharge lawsuits can be filed if discrimination can be shown regarding age, disability, race, religion, and sex discrimination. Firing or demoting someone over the age of 40 without documented proof, letting go an employee with a disability before exhausting all the accommodation efforts, discharging a minority person for an offense for which non-minority employees were not discharged, terminating an employee who has a sincerely held religious belief, and demoting a female employee because she did not get along with men in the organization are all situations that can result in challenges in the court.[28]

Failure to Inform Staff That Their Positions Are in Jeopardy. Litigation is likely to occur when employees can claim they were unaware that their performance could result in adverse consequences; they can say they were denied the opportunity to take corrective action.[29] Occasionally, a supervisor may place negative observations in an employee's files but then not share the information—a procedure that can backfire when a lawsuit is filed. Negative written reviews must include specific problem areas or mention of inadequate performance, ideas for improvement, and a stipulation that continued similar problems will result in adverse action. A good procedure provides the employee with the opportunity to comment on, or even dispute, the performance appraisal. At the very least, the employee should sign the appraisal form.

Discipline Documents

Most organizations have written policies and formal warning systems to address possible employee problems. Assuming that a progressive discipline system is in place, a supervisor should be able to provide documentation that lists both the positive and negative aspects of staff performance and behavior. If the employee's record includes previous favorable appraisals, then you would prepare a detailed description of the reasons performance is no longer considered satisfactory. Furthermore, the reports should be prepared on a regular basis and should avoid any bias.[30]

If an employee has received a final warning notice, the language should be clear and specific: termination will result from one more of the same infraction. It is a good idea to have all disciplinary documents signed by both you and the employee before a copy is put in the personnel file.[31]

To avoid being legally burned in a lawsuit, managers should observe the following:[32]

1. Initiate training or counseling to indicate that you have been fair in trying to improve performance.

2. Document verbal warnings and provide for the employee to sign off on your notes to indicate that he or she has been made aware of your concerns.

3. Make certain that the employee is aware of consequences should the situation be repeated.

4. Obtain a second opinion from upper management before you actually fire an employee to make sure your termination is based on concrete evidence and not subjective factors.

5. Provide the employee with a valid reason for termination and a copy of the rule that has been violated.

6. Consider having the employee voluntarily sign a release from future legal claims. This may require providing the employee with more than the normal severance pay. Encourage the employee to obtain legal advice before signing.

7. To avoid a potential defamation or slander lawsuit, indicate in response to a reference request only that the person worked for the organization in a given period of time.

In summary, check with an attorney regarding the possible charge of *unjust dismissal* if you have any doubts. Effective managers realize that although there is no absolute way to prevent lawsuits, by operating fairly, communicating frequently and candidly, and documenting thoroughly, litigation can be avoided.[33]

Conducting the Termination Interview

If you must terminate an employee, the following guidelines may assist you:

- Avoid poor timing of the termination: birthdays, anniversaries, holidays, or Fridays.
- Termination early in the week allows time to wrap up loose ends promptly instead of allowing the individual to "stew" over the weekend.
- Determine in advance the termination interview benefits that the person is entitled to, including unused vacation, pension disbursement, and severance pay.

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- Arrange, if feasible, for outplacement counseling.
- Determine in advance exactly what you will say in the interview. Be specific about when the person is to leave the organization.
- Allot no more than 30 minutes for the interview to communicate and come to closure.
- Accept what the employee has to say in his or her defense but do not become argumentative. Anticipate and respond without being defensive to the question, "Why me?"
- Say something positive about the individual, but do not be excessive. Avoid transmitting "mixed messages" that may convey hope to the employee that something can be negotiated.
- Immediately following the meeting, contact all those persons who need to hear about your action firsthand.
- Minimize discussion with other staff about dismissed employees. Respect their dignity and the confidentiality of your decision. Discuss the situation only with those who absolutely need to know.
- Take pride in knowing that you acted constructively, honorably, courteously, and aboveboard.[34]

Under some circumstances, employees could be encouraged to resign. They benefit because they preserve their dignity in the outside world, and they improve their chances for reemployment. The organization benefits because it avoids potential legal battles.[35] Some organizations resort to a generous "severance" payment in exchange for a signed waiver indicating the resignation was voluntary and no lawsuit will be forthcoming. This should be considered with utmost caution, however, because of possible repercussions from staff who may resent the special consideration given to the departing, unproductive employee.

Questions for Discussion

1. Jane S. is a three-year, loyal, and competent staff member who has just returned from a 12-week family leave to care for her hospitalized child, who is now in day care. As a single mother, she indicates that she is exhausted and that she cannot continue to carry the full responsibilities of the job. As a supervisor of the unit, you have the responsibility to assign large caseloads to your staff. How would you handle the situation with her?

2. Carl M., a 55-year-old employee, has worked for your agency for the past 10 years. Within the past 10 months his work performance has begun to deteriorate: he is coming in late almost every day, he is consistently behind in his reports, and a few clients have called you to say that he seems disinterested in their problems. As his supervisor, how would you handle the situation?

3. You have just hired a recent honors graduate who had good references. Her reports are well written and she is obviously bright and intellectually well prepared. She seems to be doing well as a counselor. Her only problem is that she tends to be arrogant and supercilious with her colleagues, and they in turn are complaining to you about her superior attitude. How would you deal with this?

4. You know that Jim L. has had a problem with taking drugs, and you are also aware that he is covered under the ADA as long as he is in counseling and taking action to deal with his situation. One of the reasons you hired him is that he could be in a good position to provide counseling to homeless addicts who come to your agency for health services. Recently, a staff member has informed you that she has seen him drinking at lunch. You have no other corroborating evidence. You are concerned that if this situation is true, he could be impaired in performing his counseling responsibilities. What would you do?

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9 Humanizing the Organization

Setting the right tone in an organization by creating a positive, humanizing environment contributes immeasurably to staff effectiveness. Creating an organizational culture in which values are clearly stated and staff are encouraged to invest in achieving the agency's mission can have a significant impact on service consumers. Still, even though managers may mean to do the right thing, interpersonal and emotional problems affecting work performance are bound to occur. If not handled properly, these problems tend to fester until they cause great damage and require a tremendous investment of time and energy—efforts that could be better spent on achieving the agency's mission. By inspiring positive values, helping staff deal with stress, fostering diversity, minimizing harassment, and being sensitive to inequities, managers can make their agencies more humane and more productive.

Creating a Culture of Caring

Organizational culture is the operating style, traditions, rituals, beliefs, and fundamental values of the organization. This culture influences the way staff think and behave.[1] It is the system of values that a service organization has invented, discovered, or developed over time while learning to cope with its problems of external adaptation and internal integration.[2] *Culture* is the way staff perceive that there is a right way to do things in the organization.

Shared values give the organization a sense of direction so that staff see how to fulfill their professional goals in relation to the organization's goals. Above all, organizational values provide a profound sense of meaning to staff work. When influenced by a strong organizational culture, staff truly care about their work; they significantly invest themselves in what the organization represents. Where a strong culture exists, either people buy into organizational norms or they are encouraged to leave. Those who remain identify deeply with the organization's value system, and their professional lives have greater significance because of their affiliation.

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Although managers in most organizations strive to develop a strong culture as a way of influencing staff performance, cultural strength may or may not be associated with effectiveness.[3] Sometimes an older organization with a strong culture benefits from having units with diverse perspectives that question the usual way of doing things, thereby allowing adaptation to environmental changes. The challenge for effective managers is to harness the organizational culture's benefits while staying in sync with the needs of the community. Enlightened managers can avoid cultural blind spots by accommodating selective nonconformity in their organizations and by themselves deviating from it when this makes sense.[4]

Effective managers serve as the primary shapers and communicators of organizational values. They influence the organizational culture by what they pay attention to, measure, and control; how they handle crises and critical episodes; how their own behavior serves as a role model; how they allocate rewards and status; and how they recruit, select, promote, and fire staff.[5] Do they tolerate or challenge criticism? Do they limit or make information available to staff? Do they control or empower staff to make decisions? Managers are frequently faced with these value choices.

Effective managers always play a key role during those times when the organization faces problems, external or internal. Indeed, one of the crucial functions of leadership is to provide guidance at precisely those times when habitual ways of thinking or doing things no longer work or when drastic environmental changes require fresh responses. It is during these transitional times, too, that effective managers provide staff with security to help them tolerate the anxiety of giving up old responses while new approaches are being tried.[6]

Clearly, effective managers play a significant role in influencing the culture by the messages they communicate and, more important, through their own behavior. They convey expectations, stress performance, and establish a reward and recognition system that embodies what the organization deems important. In human service organizations a number of key values highly influence staff attitudes and behavior.

Key Values Foster Job Ownership

Employees must care so much about their work and be so invested in it that they do whatever it takes to get the job done. This is *job ownership.* Staff own their jobs when they are committed to working extra hours because a special report has to get done, responding in special ways to the needs of the people they serve, or advocating changes in organizational procedures for the benefit of their clients. How does profound commitment to a job come about? The organizational culture can promote a climate that furthers job ownership by instilling in staff a sense of higher purpose, emotional bonding, trust, stakeholder involvement, and pride in their work.[7]

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Higher Purpose. Fortunately, most staff who work in the human service field prefer an organizational culture where people want to make a contribution, serve others, and feel that they are a part of something larger than themselves. They typify the third worker in the following story: A traveler encounters three men at work. Each is asked what he is doing. The first says, "I am laying bricks." The second, "I am making a wall." The third replies, "I am building a cathedral." Staff who share a genuine vision want to grow and excel—not because they are told to do so but because they want to.[8] If staff believe the organization can make a difference, they can be inspired to invest themselves more fully.

In religious settings, the imperative to achieve a sense of higher purpose is referred to as a "calling." But one need not have a religious affiliation to feel a profound sense of dedication. As one manager expressed it, "We are absolutely committed to taking our clients out of poverty forever." She conveys her zeal to accomplish this overriding cultural value. Everyone—office staff, counselors, teachers, job finders, research analysts—can feel this deep commitment. The greater the belief in the significance of their work, the more likely staff invest in achieving results.

Emotional Bonding. An organization in which people deeply care about each other fosters strong allegiances and a powerful sense of togetherness. Their bonding produces feelings of comfort and security. Feeling wanted and cared about, they like to come to work because they find their relationships emotionally and intellectually fulfilling. Fellowship is particularly important in organizations where clients make high demands and work pressures are tremendous.

Trust. This value is not easily defined, but employees know it when they have it, and they also sense when it does not exist. Perhaps when trust exists we tend to take it for granted, but its absence can cause tremendous problems for an organization. If the organization's leadership conveys the expectation that everyone should work hard but managers are seen taking long lunch breaks and not investing time in their own work, mistrust grows. In contrast, a sense of fairness flows throughout the organization if, for example, *everyone*—including managerial staff—experiences a salary cut because of funding reductions.

Trust is built on honest interpersonal relationships. It is based on the assumption that staff are all working for the common good. Certainly, they may evidence self-interest at times, but they must also be willing to put aside their individual agendas for a greater benefit. This value encourages and promotes mutual commitment.

Pride in One's Work. Effective managers encourage staff to be the best they can be. Because of a collective sense of pride, each organizational member gains a reputation for providing a superior quality of service.

Periodically, effective managers ask staff, "What makes you most proud of the organization? What gives you the most satisfaction?" Professional growth contributes to pride. Effective managers present staff with high work standards that are attainable if they expend reasonable effort and if they are given the proper training and supervision. When staff feel proud of what they do, they become concerned if something goes wrong. They ask to be trained so they can improve their performance. They want their organization to invest in them so they can produce quality work.

Developing a Values Statement

Many organizations prepare a *Values Statement*, either as part of their strategic planning process or as a separate endeavor to reflect what they stand for. Each organization will determine what it wants to emphasize. Some will discuss core values. A children's counseling agency would express as one of its values that all children should have a safe and loving environment. A homeless shelter agency would discuss as one of its values the belief in treating all people with dignity. Some organizations express their values in the form of a Best Practices Format, as illustrated in Figure 9.1.

Best Practice Tenets for Working With Those We Serve

1. We build relationships through listening, meeting people where they are, and fully respecting them.

2. Those we serve are our partners; they have shared responsibility and ownership and bring resources to the change process.

3. We seek to create webs of connection for people, assisting those we serve in forming relationships with community supports.

4. We honor diversity, and we respect differences within communities.

5. We are family centered, however broadly "family" is defined.

6. We never give up! We seek to find—or if need be, create—the best options for the consumer of service, whatever and wherever that might be.

7. We start our work from the point of learning the strengths of an individual or family and developing services based on these strengths, skills, and talents.

8. Meeting the needs of those we serve requires the integration and use of a wide array of internal and external services and supports. There is no hierarchy of services—each is critical and equally important.

Figure 9.1   A Values Statement

Adapted from the Catholic Charities Services Corporation of the Catholic Diocese of Cleveland, (2004).

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Figure 9.1 illustrates how the managers and staff of one organization became engaged in developing a *Values Statement*. Note the strong commitment this statement makes about being client—not institution—focused. Taking time to periodically revise values can serve to strengthen the organization's commitments and invite new initiatives.[9] Managers can also articulate their organization's values formally and informally at staff meetings, in orientation materials, or during ceremonies honoring staff for their commitment.[10] When staff behavior reflects important and positive organizational values, managers can take steps to expand it, improve it, and reinforce it.

In summary, managers are mindful that the organization's culture has a strong influence on staff behavior and performance. Cultural values are entrenched as traditional ways of thinking and doing and are developed over a long time period. Effective managers can influence the strength of staff values by stressing job ownership, by emphasizing the importance of meeting the needs of service consumers, and by ensuring that work quality encompasses both service delivery and outcome. Every organization would benefit from a periodic examination of its values to determine which need clarifying or modifying. Effective managers must periodically assess how they can help staff make the organization's values their own.

Managing Stress

Imagine seeing this ad in your local newspaper:

Job opening for a committed professional willing to work long hours for low pay. You will experience many complaints, fatigue, and irritability that will likely result in emotional and physical exhaustion. You may be required to make painful decisions for which you no doubt will be criticized. You will be working with difficult clients who are victims of neglect, abuse, and exploitation and who are living under deplorable conditions. Your supervisors will be demanding and highly critical, and you will have limited opportunities to make decisions. You will never have the resources to do the job properly. You are more likely to experience failure than success. Moreover, because it will be so difficult to measure the results of your efforts, you may not even be aware of success when you do achieve it.

Of course, no such advertisement would ever appear, but the fact that such terms as *job stress* and *job burnout* have become so prevalent is a reflection of the tremendous pressure and demands that human service staff must endure. Stress can at times become so severe that it causes physical and emotional exhaustion.[11] Because stress has become an increasing concern, there may be a tendency to get rid of it altogether. This should not, however, be your objective. It is not only unrealistic, but some stress actually contributes to productivity.

Many employees do work well under pressure; anxiety and tension mobilize their energies. These staff experience "positive stress."[12] In high-performance organizations, staff are expected to function under pressure. They are held accountable for getting results and are constantly pushed to do better. Offsetting this pressure, however, is a sense of accomplishment and being part of a valued team. Hence the goal of service organizations is not to be stress free but to provide a work environment in which the pressures of the job are not so demanding that they immobilize staff.

Organizational Stress Factors

Certainly, the work of many human service organizations is inherently stressful. Staff who make critical decisions regarding whether children should be removed from their homes because of neglect or abuse experience tremendous stress. So do welfare or Red Cross staff who locate emergency housing or employment staff who are responsible for finding jobs for school dropouts. Frustration and tension are, unfortunately, an integral aspect of these jobs, and learning to manage stress is essential.

To be sure, some organizationally-caused stress can be controlled enough to reduce the harmful impact on staff.[13] Organizations should be aware of—and do something about—the following stressors.

Role Ambiguity. If objectives and tasks are unclear, staff may become confused about what is expected of them. Job descriptions and mutually agreed-upon objectives can reduce this uncertainty.[14]

Overload (or Underload) of Work. Some organizations are addicted to work. This is a particularly insidious problem because we value dedication so highly. But when the demands of the job regularly require 60 or 70 hours a week to complete assignments properly, the workload has gotten out of control, not unlike a disease. An organization fostering this problem needs to analyze and seek ways to address its unusual and continual heavy workload demands. Conversely, an organization may provide professional staff with too little to do; the resultant underachievement engenders feelings of uselessness and boredom among those directly affected—and a sense of inequity among other staff members who resent the way work is distributed.

Contradictory Expectations. Some organizations state one kind of promise or expectation in their mission, but staff experience something quite different in their daily professional lives. The incongruity between the ideal and reality leads staff to become disillusioned and deflated. For example, an organization may espouse the ideal of wanting to improve the lives of poor people but then may require staff to impose layers of regulations on clients before they qualify for services. Contradictory expectations also create stress when staff have

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to report to multiple lines of authority and juggle the demands of different supervisors. This occurs especially when staff are encouraged to participate on ad hoc problem-solving teams while still maintaining home-base responsibilities. Under these circumstances, staff have the awesome responsibility of reconciling the different priorities of their managers.

Poor Planning. If the management of an organization does not prepare carefully, small problems can be exacerbated, eventually causing undue stress on staff. For example, because of inadequate preparation, a computer error in a public assistance agency results in clients receiving checks in the amount of $3 instead of $300. Because of the system foul-up, staff have an extra burden— on top of their already demanding schedules—of handling clients' understandable complaints. The tremendous feelings of frustration could have been avoided with better planning.

Laid-back Atmosphere. An overly permissive atmosphere can also cause undue stress. Consider, for example, an agency that provides outpatient counseling for teenagers. In its quest to establish a family feeling of warmth and informal relationships, the agency permits a two-hour lunch break, unfocused supervisory sessions in the park, and "shooting the breeze" with teenagers. Because of this commitment to an informal, relaxed atmosphere, however, clients are not required to notify the agency when they must miss their appointments. Moreover, staff are not held accountable for their work, nor do they set objectives. There are no guidelines for handling crises such as suicide attempts. The results: work does not get done, and staff feel that they are overworked because they have to put in 60 hours each week. The laissez-faire atmosphere, paradoxically, causes the staff to feel tremendously burdened and "burned out."

Poor Match Between Staff and Jobs. Stress can occur as a result of staff being assigned work that is beyond their abilities, as, for example, when an effective staff person promoted to a supervisory position finds himself unprepared for the new responsibilities and challenges. Conversely, stress can occur when employees are assigned jobs that only minimally use their skills—for example, highly motivated college graduates being assigned menial, routine work.[15]

The Supervisor's Role in Handling Stress

Staff may need assistance in understanding how their own attitudes can affect their propensity for stress. As supervisor, you should be aware of danger signals and be prepared to assist staff in dealing with job stress. You can anticipate, for example, that staff who start out with enthusiasm and seemingly inexhaustible, youthful energy are headed sooner or later for disillusionment. You know, too, that staff may experience exhaustion from always

giving and never receiving.[16] These staff may feel unappreciated or experience excessive, unfulfillable client demands. At the same time, they may be unable to distance themselves sufficiently from work demands to return refreshed the next day. They need guidance to alter their habits that have trapped them in the exhaustion cycle.

The following are suggestions that may help staff manage personally stressful situations.

Help them reconnect with those aspects of their work they truly enjoy. In this way, they can balance problematic parts of the job with those that give them satisfaction. Encourage them to rediscover what attracted them to the job in the first place. Have them list their "sources of joy" and work together to help accentuate those activities.[17]

Put them in touch with a support group of staff who are having similar stress experiences. This could take the form of an informal communication network with colleagues who are experiencing similar kinds of stress or with others outside the organization who are good listeners.[18]

Help identify and change whatever is causing stress. If, for example, time pressures are becoming extraordinary, then develop methods for helping staff to manage time better (as discussed in Chapter 6). By identifying the causes of their stress, you help them take the first step to gain control of it. If they are experiencing stress because of personal problems (e.g., marital problems) or their own emotions, consider referring them to an Employee Assistance Program, if your organization has one. If not, put them in touch with a counseling program outside your agency where they can have confidential discussions.

Provide extra support when they are experiencing a crisis outside of work. As their supervisor, you must not become their therapist, a role that requires a different and special relationship. If your staff member is going through an especially difficult period because of a sick child, a divorce, or a major health problem, you can be available to be a good listener. Knowing that their supervisor cares about them can be of support during a particularly difficult period. Again, if a staff member requires more extensive discussions, referral out to a counseling program would be appropriate.

Recognize that some staff over-invest themselves in their work to the point of exhaustion. For some people, their passion for their work and commitment to their clients, while at first a blessing, can become a curse. For periods of time, they fly high with extraordinary energy and verve, but may eventually become worn out and crash to the ground. Supervisors could think with staff about developing outside interests, like sports, hobbies, or social activities, that could help put the problems of the job in perspective. Positive personal life experiences can greatly assist staff in facing on-the-job tensions.[19]

Assist staff in developing work habits that can help reduce unnecessary tension and anticipate crises. For example, help staff anticipate work assignments so that they do not experience last minute, extraordinary pressures on

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top of their already demanding schedules. If handling crises is a natural part of the workload, help them develop an "inoculation" to stress. By simulating difficult situations through role playing and by discussing a crisis plan with staff in advance, they learn to handle problems that arise with more skill and sensitivity.[20]

Develop realistic expectations with frustrated staff. Discuss the results of their work and their use of time.[21] Some staff demand more of themselves than the situation can ever allow. For example, given the nature of the particular target population of young cocaine addicts without family supports, recidivism rates are likely to be quite high. Staff need assistance in measuring "success" not in relation to "curing" their clientele but in helping achieve some limited progress with their clients' educational, employment, and social goals.

If all else fails, help them consider leaving the stressful situation. You could consider transferring them to another unit or changing their assignments to better suit their abilities and interests.

In summary, manageable stress is a natural part of a productive organization. It is only when staff find that they are unable to cope with the pressures of the job that negative stress becomes an issue. The best antidote for handling stress is to convey high expectations within a supportive organizational climate. Effective managers help staff address those factors that cause them stress and at the same time take pains to mitigate unnecessary organizational stressors.

Fostering Diversity

Almost half of the United States work force consists of minorities, immigrants, and women. In the human service field, effective managers must foster and nurture work force diversity.

Title VII of the *Civil Rights Act* prohibits discrimination on the basis of race, color, sex, national origin, and religion. The law's protection involves hiring, firing, promotion, compensation, and training. Employment decisions must be based on bona fide occupation qualifications and merits. Discrimination need not be intentional; policies that have discriminatory impact are prohibited. Agency supervisors must have zero tolerance of workplace language that indicates bias or actions that result in different treatment along race or gender lines. It is also considered discrimination to harass employees because of their religious beliefs. Agencies should have a clear, written policy that harassment in the form of slurs directed at an ethnic or religious group is prohibited. This includes harassment based on sexual orientation. For more information on ways to prevent discrimination, refer to the Equal Employment Opportunity Commission Web site: http://www.eeoc.gov.

Because the work force is not homogeneous, scenes like these are becoming more frequent:

A black female supervisor criticizes a white male subordinate for an error he committed on the job, and he feels she is throwing her weight around. . . . Two female colleagues complain about the "bitchiness" of their female supervisor (a term they would not use to describe a male supervisor). . . . A newly hired gay professional feels excluded when two of his heterosexual colleagues do not invite him to lunch. . . . A white supervisor is reluctant to challenge a Hispanic employee for not completing his work on time. . . . An African American male is criticized for being tardy for several consecutive days and feels that he is being singled out because of his race.

These instances involve perceptions and are not easy matters to resolve. They require great sensitivity and understanding. Some managers think that complying with affirmative action requirements is the end of their responsibility. Managers hire qualified minority and female applicants and then place the burden on these new staff members to make the necessary adjustments. But simply placing people of diverse backgrounds together does not necessarily create a positive, culturally rich work atmosphere. Employees naturally tend to cluster with people like themselves and with whom they feel comfortable. This can produce cultural misunderstandings and feelings of prejudice in other staff members. Moreover, as a result of the changing work force, managers find themselves dealing not just with diversity but with unassimilated diversity. People with different cultural backgrounds should not be expected to automatically assimilate.[22] Affirmative action is therefore a necessary, but not sufficient, means of addressing diversity.

To move beyond affirmative action, organizations need to manage diversity in a way that achieves the same productivity and quality from a heterogeneous workforce as from a formerly homogeneous workforce.[23] This should not require compromising standards nor even deny upward mobility to those who demonstrate merit. Rather, competence must count more than ever as each member of the organization is encouraged to perform at his or her fullest potential. The emphasis must be on creating an organizational climate in which all members of the staff are stimulated to do their best work.

Fostering diversity is not a single program for preventing discrimination. Rather, it is a process for developing an environment that works for *all* employees.[24] It involves a holistic approach of creating a cooperative environment in which all kinds of people can reach their full potential in pursuit of organizational objectives.[25] To take advantage of a heterogeneous workforce, effective managers can take such proactive measures as the following:[26]

Establish a baseline of data regarding the number of women and minorities in your organization. This "snapshot" is an essential first step against which future progress toward meeting affirmative action requirements can be assessed. Many government contracts stipulate that the organization must take affirmative action as a condition of receiving funds, and the baseline provides evidence that efforts are being made to hire women and minorities.

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Establish guidelines and goals to help managers promote competent minorities and women (e.g., "Increase qualified women in upper level positions from 5% to 20% within the next three years"). Evaluate individual managers on their assigning high-potential minorities and women to pivotal jobs that could lead to upward mobility.

Develop policies to increase the gender diversity of the workforce. Some organizations provide for maternity, disability, and dependent care benefits. They also provide part-time work, flexible work hours, job sharing, work-at-home arrangements, paternity and maternity leaves.

Establish diversity awareness teams, headed by senior staff, to encourage progress for talented minorities and women. They could, for example, initiate mandatory gender and racial awareness training designed to identify practices, procedures, and individual behaviors that work against minorities and women.

Sponsor workplace celebrations of racial, gender, ethnic, and religious differences. Schedule celebration of holidays that are special for different religious and ethnic groups. Make sure all groups are represented, not just major religious ones. Also, be aware that some staff may not wish to participate in any religious holiday festivities.

Create a new paradigm that emphasizes a learning perspective. Establish a climate that encourages people to bring fresh ideas into the organization based on their life experiences. For example, a mental health agency would hire a former mental patient to provide services and to participate in discussions of ways to reach persons with emotional problems. An organization striving to reduce substance abuse in a community would hire a former substance abuser. An employment training program would seek the advice of former clients. Taking advantage of the insights and the skills of these persons greatly enriches the effectiveness of these organizations. (Be aware, however, that federal laws prohibit informing staff of a person's former medical or mental conditions.)

Encourage management staff to examine their assumptions and expectations regarding minority groups. Avoid putting persons in a second class status by expecting less of them in the way of attendance, punctuality, and performance than other people on the staff.[27] Be careful, however, not to establish unrealistically high or unattainable objectives that set up staff for failure. Selecting people to be in a position that they are not qualified for only to meet diversity goals can be harmful both to the people involved and the organization.[28]

Develop or expand summer intern programs with emphasis on minorities and women. Establish recruiting contacts with minority and women's organizations. Advertise in minority and cultural publications.

Conduct regular attitude surveys of the entire organization to determine how and in what ways women and minorities experience prejudicial attitudes. In exit interviews, include questions that determine whether discrimination was a factor in decisions to leave.

Establish "core groups" of 8 to 10 people led, if possible, by a skilled facilitator to stimulate informal discussion and self-development, and encourage staff to candidly express experiences with prejudice in the organization. Those who have concerns about their supervisors' perceived, subtle, prejudicial attitudes may be more likely to communicate directly with facilitators based on support and feedback from the group. The result is that both staff and managers can become more aware of their own biases where these exist.

Assign a mentor to promising persons who may be underrepresented in upper level positions, such as minorities and women, to help them move up the organizational ladder. Coaches should encourage those with whom they are working to ask for help, especially if roadblocks are encountered.

These measures are not intended to give special advantages to underrepresented groups but to ensure that those with talent have an opportunity to get ahead. They are based on the fundamental assumption that diversity is now a reality in the workplace requiring awareness, vigilance, and proactive efforts so that all staff can achieve their potential and contribute fully to the organization.

Harassment in the Workplace

Non-sexual Harassment

It is important to be aware that illegal hostile harassment or creating a hostile environment need not necessarily have anything to do with sexual advances or innuendo. If a supervisor creates a hostile environment for an employee, this may be considered harassment. If a female supervisor treats a male employee differently from the other female employees, then a court ruling could favor the employee. For example, a woman supervisor treats a man differently in her department by setting up unrealistic deadlines, or assigning him a heavier workload than she would female employees. The male employee may seek redress in the courts for sexual harassment on the basis that his supervisor created a hostile environment.

Based on a review of lawsuits in which the employee plaintiff has prevailed, the following are examples of illegal harassment:[29]

- Mimicking someone's speech or accent
- Imposing religious views on others
- Referring to a coworker by a derogatory name
- Singling out a coworker and subjecting him or her to ridicule
- Ostracizing an employee

Promoting a work atmosphere in which people are treated humanely is not only the decent thing to do, it is essential if the organization is to avoid possible lawsuits.

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Dealing With Sexual Harassment

Although harassment can take different forms, the most common episodes involve sexual harassment. In many organizations, sexual harassment is grounds for disciplinary action, including dismissal. On the basis of accusations made by clients, any overt sexual advances made by staff to clients or pressuring of clients into sexual acts violate professional ethics and compel termination hearings. Supervisors who use their position to make demands for sex from subordinates abuse their power and should also be terminated.

At times, there can be ambiguity regarding what constitutes sexual harassment. Coworkers can mutually agree to engage in intimate relationships without harassment being a factor. When mutuality is absent, however, and when men and women have different perspectives about their relationships, personal and organizational turmoil can follow. For example, although some employees may think that sexual references or jokes are harmless amusement, others believe these comments are offensive. When an employee puts his or her arm around another employee's shoulder, is it a sign of friendly affection or a sexual overture? Is telling a person that she looks attractive a genuine compliment or a subtle come-on? These interactions between employees in the workplace can be fraught with ambiguities, reflecting signs of friendship or bordering on unwelcome advances. The courts have defined sexual harassment on the job as,

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> any unwelcome sexually oriented behavior, demand, comment, or physical contact, initiated by an individual at the workplace, that is a term or condition of employment, a basis for employment decisions, or that interferes with the employee's work or creates a hostile or offensive working environment.[30]

Prohibited behaviors would include offensive sexual flirtation, continued verbal abuse of a sexual nature, graphic verbal commentaries about an individual's behavior, offensive jokes, and social invitations accompanied by discussion of employment conditions or evaluation. Same-sex harassment is prohibited by Title VII of the *Civil Rights Act*, and gender of the harasser and the victim are irrelevant. Supervisors should be aware that the agency can be held responsible if they knew or should have known of harassment of an employee by coworkers. If a staff member complains about being sexually harassed by a client, you should always take the complaint seriously and report it. Also, a person can be a victim even if not directly involved with the harasser. If an employee can prove, for example, that he or she was passed over for a promotion because the other candidate had a sexual relationship with the supervisor, the employee could be a victim of harassment.[31]

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To prevent sexual harassment episodes from escalating to an illegal, hostile environment, effective managers can help employees use a variety of

self-defense techniques. These techniques are designed to match the intensity of the offense. Through role playing, employees can become comfortable in asserting themselves to stop offensive behavior. For example, employees can ask offenders to refrain from engaging in mild forms of harassment: "Jack, those cartoons on your wall are offensive to me. Would you please remove them." A second technique is to tell the offender that the particular behavior is of concern: "Mary, your sex jokes are bothersome to me, and I would appreciate your stopping them." Another approach is a warning that unless the behavior discontinues, a complaint will be filed: "Bill, that gender slur is unprofessional, and if you do it again I will file a complaint against you." These various techniques are thus designed to help employees recognize when harassment crosses the line and to take action against it.[32]

Should employees feel that they must communicate their concerns beyond communicating with the offender, then agency management should consider the following procedures:[33]

- Make it easy for an employee to register a complaint by establishing clear, written policies and procedures describing how to file a complaint, with whom, and in what form.
- Appoint an investigator from outside the department. This is especially important when a supervisor is accused of harassment. Inform staff that complaints may be registered with the human resources professional, the supervisor's boss, or with top management.
- Ensure that the accuser and the accused understand that false statements can be grounds for discharge.
- Make clear that the accuser cannot withdraw a complaint. Once a charge has been initiated, it must be investigated for the sake of the employee and the protection of the agency.
- If a supervisor is accused of harassment, ensure that he or she understands that any form of retaliation will not be tolerated.
- Give the accused fair and objective consideration when obtaining his or her side of the story.
- Have witnesses sign statements.

In addition to these internal procedures, employees should be informed that if they wish to pursue a legal remedy outside the agency, they can contact their state discrimination agency or the federal Equal Employment Opportunity Commission. They need not have an attorney to file a claim, but they may wish to speak with one who specializes in employment discrimination. Under the *Civil Rights Act* of 1991, victims of sexual harassment are entitled to punitive and compensatory damages for pain and suffering as well as any lost pay.[34]

Because accusations of sexual harassment can be subjective, it is important that protocols be observed so as not to recklessly impugn the reputation of staff. In fact, the offender may not have ulterior motives and may not be

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aware that the remarks or behavior are offensive. Each situation must
be assessed on its own merits, with both parties having an opportunity to
resolve their concerns in a confidential manner. Dialogue should occur
throughout the organization on possible misuses of power, misperceptions,
and insensitivities. The goal should be an atmosphere in which staff operate
on a cordial, professional basis.

Dating Policies

Office romances sometimes occur, and policies dealing with them have
to be carefully formulated. You do not want to convey to staff that you
plan to control their off-the-job activities. However, if such relationships
interfere with job performance or create the possibility of a third-party
sexual harassment lawsuit, then an organization has the right to enforce a
"no dating" policy. This can be particularly troublesome when a supervisor
is romantically involved with one of the employees and other employees
complain of favored treatment. Your response has to be fair and consis-
tent. You cannot fire an employee for dating the supervisor and then
let the supervisor off without consequence. If the romance is causing a
problem, document it before taking action in order to deal with a poten-
tial lawsuit.[35]

A "no dating" policy is difficult to enforce when coworkers are involved
with each other. The focus has to be on whether the romance affects job
behavior. For example, if coworkers are overtly romantic and this is causing
agency clients to be concerned, or if they are involved in a lovers' quarrel
that affects their ability to communicate, these behaviors must be dealt with
directly.

Addressing Complacency and Stagnation

Like all living systems, organizations have a tendency to wind down over
time. Borrowing from the physical sciences, social systems theory uses the
term *entropy* to describe this tendency of organizations to move toward dis-
integration.[36] To offset this natural tendency to decline, organizations must
be constantly infused with new ideas, new people, and new ways of doing
things. Otherwise, individuals and the organization as a whole stagnate.

Sometimes members of the organization are not even aware of stagnation.
Staff become entrenched and comfortable in performing the routines of the
organization. Managers concentrate on preserving their position and power.
Supervisors become complacent about the quality of the work performed by
their staff. Successful organizations are especially prone to complacency
because everyone rests on the good feelings that come from having achieved
the organization's goals. Like a tree in full bloom that is suffering from

dry rot, a successful organization can look good from the outside while experiencing inner decay.

As a manager, the antidote to becoming stale on a personal level involves self-renewal and revitalization. Sometimes this requires changing your routine, such as gathering data differently or experimenting with different approaches to carrying out your activities. Sometimes the process of self-examination stimulates you to ask such questions as these: "What have I learned from the past year's experience that I can apply to this year's goals?" "How can I make a special impact on the organization and the people I serve?" and "What skills do I need to truly improve my job performance?"

Sometimes seeking self-renewal by taking on a special assignment engenders new ways of performing your usual activities. The change of pace pushes you out of a rut. The key to this effort is that the responsibility for seeking change rests within you. Self-renewal must be seen as an important personal value that keeps you from retiring on the job.

Be cautious, however, in the quest for self-renewal. While personal growth or new experiences may contribute to the work of the organization, other efforts may be diversionary. Take, for example, the manager who attends more than five or six out-of-town meetings each year. Is the primary purpose to use these meetings as a perquisite ("perk") to get out of town or truly to add value to the work of the local organization? Both the individual and the organization need to scrutinize the self-renewal process to see if it adds value.

Just as individuals must change and adapt, so too must organizations. Both profit and nonprofit organizations can go out of business if they do not continually strive to be relevant to the changing needs of their customers and clients. Adaptation, innovation, and experimentation are ways that organizations evolve to meet changing conditions.

How can an organization keep from becoming unresponsive and inflexible? It can hire dedicated, motivated staff. It can promote qualified, high energy, enthusiastic, prudent risk takers, rather than tired, burnt-out staff (keeping in mind seniority rules). It can foster constructive competition among various units. It can establish a special unit designed to create innovative pilot projects without requiring the initial acceptance of other parts of the organization. It can create a climate of calculated risk taking in which failures are accepted and even honored as "good tries." It can seek partnerships or joint ventures with other organizations to tackle a new problem or deal with an old one in a different way. All these efforts are designed to counter organizational paralysis.

Being Sensitive to Inequities

One factor that distinguishes human service staff from their counterparts in private industry is that they are attracted to their work because of

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idealism—their desire to help improve the lives of vulnerable people. They expect that their organization will operate with integrity and high-mindedness. Many have had professional education and are imbued with values that may at times be in conflict with expedient measures taken by their organization.

When actions of the organization's management run counter to staff's professional values and expectations, the staff may become deflated, disillusioned, and hostile. This is especially likely to occur when management makes decisions not so much to benefit clients but to make their own jobs easier. Disgruntled staff become less invested in their work because they have lost the caring spirit that originally attracted them to the organization.

It is useful here to distinguish between staff dissatisfaction and low morale. Staff discontent and unhappiness can be based on a number of ongoing concerns: low wages, periodic conflicts, difficulties in working with clients with severe problems. This unhappiness usually results from conditions over which management has little control and is something to be endured equally by all who work in the organization. People can live with their unhappiness and still try to do the best they can.

Low morale, however, is based on a sense of injustice, whether perceived or real. Staff who think they are operating under inequitable conditions have an increased disaffection and even distrust of the organization. In this atmosphere, expect staff productivity to decline.[37]

It is not difficult to find examples of inequities. The following are a few actual examples drawn from several human service organizations:

- A staff committee goes to management requesting flextime. After considerable discussion, the management decides to provide this special arrangement for the managers but not counselors and support staff. The result: bitterness, jealousy, and divisiveness.

- Eleven staff are terminated, and their clients are reassigned to other already overburdened colleagues on the basis that a financial crisis needs to be averted. A month later, top managers are given raises from $2,000 to $5,000. The result: staff are bewildered and resentful at an apparently deceptive approach used to curtail client services.

- Staff in one agency complain that their furniture is old and dilapidated. They are told that no funds are available to buy new furniture. Several months later, a manager buys a $700 desk. The result: an anonymous staff memorandum is circulated throughout the organization detailing this inequitable action.

- Supervisors in one organization use support staff to type term papers for their children, pick up laundry, and bring in their lunches. Support staff are referred to as "girls." The result: staff feel exploited, and the organization is shortchanged because of time tied up in non work-related tasks.[38]

• In an organization dealing with delinquents, a special unit is established to provide intensive counseling to a caseload of no more than 30 juveniles. The remaining staff have to pick up their additional cases, bringing their caseloads to more than 200. The result: the overburdened staff feels resentful and demoralized.

• Job changes are fairly common in the organization, but a supervisor learns through the grapevine that she is being replaced by the director's longtime friend. The result: rumors of cronyism run rampant throughout the agency, and staff wonder whether competency counts.

• Two supervisors in a juvenile delinquency prevention unit decide to go into their own consulting business to deal with juvenile gangs. Staff become aware that they are using agency time to conduct their business. The result: staff are resentful about this conflict of interest and wonder if they should use agency time to pursue their own personal interests.

• Hoping to provide greater challenge to a select number of employees, one agency establishes a pilot program that gives increased autonomy and responsibility to the staff. No effort, however, is made to provide increased pay to accompany the increased responsibilities, nor is there any explanation given about whether increased pay would be forthcoming. The result: staff feel that they are being exploited, and their productivity declines.

These examples have in common a lack of evenhandedness in organizational decisions. Inappropriately favoring some staff over others, providing perquisites, treating staff unfairly, inappropriately discriminating, using agency time to conduct personal business, and exploiting staff may or may not be intentional. Either way, staff probably perceive that the organization is operating with diminished integrity, and this affects their own attitudes and professional performance. Because staff are acutely aware of possible injustices, effective managers must be sensitive to staff's perceptions of unequal treatment while doing all they can to prevent inequitable decision making.

Questions for Discussion

1. What values are explicitly expressed in writing by your organization?

2. What values, though not written, are nevertheless obvious? How did you learn about them?

3. Are there discrepancies between your organization's expressed values and actual practices? If there are, what do you think should be done?

4. What does your organization and your supervisor do to help staff deal with stress?

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5. What procedures, if any, does your agency have to foster diversity? What do you think of diversity education programs?

6. Does your agency have a policy on sexual harassment? Does your agency provide procedures for dealing with it? Have you seen instances of harassment?

7. Are you aware of inequities occurring in your organization? What recommendations would you consider making to reflect equitable treatment?

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Supervising Staff

M anagers face tremendous challenges in dealing with different supervisory aspects of their jobs. Among them are reconciling the expectations of superiors with the needs of subordinates, integrating the many roles they must play, and determining when and how to delegate assignments. To help them supervise more effectively, managers should consider applying motivational theories to staff behavior. These aspects will be covered in this chapter, which concludes with a review of elements of good supervisory practice.

The Pickle in the Middle

In a children's game, one player runs between two bases while trying not to be tagged by the catchers on either side. That child is "the pickle in the middle." Managers are frequently the pickle in the middle, caught between the conflicting expectations of their bosses and those who work under their supervision. They are often called upon to reconcile the expectations and policies of the organization with the concerns and needs of their subordinates.[1]

Whether a supervisor in a local welfare office, a director in a mental health clinic, or a unit head of a foster care program, the effective manager must deal with value conflicts and differing perspectives. Middle managers must truly understand and accept that there is validity in different points of view. If, for example, as a middle manager you understand and are committed to the mission and goals of the organization, you can appreciate why it has regulations that restrict some client services. Simultaneously, you understand that staff may want to "bend the rules" to increase eligibility for those with whom they come in contact.[2]

As a result of appreciating different perspectives, managerial loyalties can be pulled in several directions. Managers' abilities to connect the needs and requirements of one level of the organization to those of another ultimately determine their effectiveness. Effective managers work to diminish a "we they"

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atmosphere, replacing it with an emphasis on teamwork. Managers could explain to staff, for example, why they must complete the monthly reporting forms that the top administration requires, and also work with the administration to modify the report requirements so that staff can complete the forms with greater ease. At times, some may lean toward advocating for staff because most middle managers have moved up through the ranks and therefore naturally identify with their former peers. They may believe that to sustain staff loyalty they must be willing to advocate for staff concerns. As a result, managers may try to convince the administration to make changes based on the experiences of their staff.

Even if middle managers question a particular change made by top administrators, after making their case, however, they are obligated to help staff understand why the change is necessary and help them implement the new arrangements. Hence middle managers are the ultimate facilitators of communications between different staff levels of an organization.

For new supervisors, the transition from staff to administration can be especially difficult. The new assignment requires giving up roles to which you have become accustomed, learning new skills, and developing different attitudes. You must shift from being involved with clients to vicariously experiencing client progress through staff. You have to replace a narrow and limited perspective with one that is broad and organization-wide. You now have to think about such issues as funding and deployment of staff resources. You have to be willing to delegate and use power judiciously. The friendships you have had with staff need to become muted as you take on supervisory responsibilities.

Because middle managers themselves have to report to people above them, it is important that they tune in to their bosses. It is essential that middle managers determine their bosses' strengths, work performance, and values. This is the secret of "managing" the boss.[3] Middle mangers, however, need to watch the natural tendency to be so invested in their own advancement that they inordinately curry favor from administrative heads, even when they deem it appropriate to challenge positions.

Sometimes departmental staff may want to bypass their own supervisors to complain directly to their managers. Perhaps an immediate supervisor has a personality conflict or a work style that causes problems with a staff member. Under these circumstances, it is important to convey to employees that they need to respect the chain of command and try to work out their problems with their immediate supervisor. Simultaneously, the supervisor may need special coaching or training to build relationships with subordinates. The goal is to avoid undermining the supervisor's authority while working to resolve problems.[4]

Because they are close to day-to-day operations, middle managers typically have insights and creative ideas. Supervisors are in the best position to learn from their staff about what is actually happening at the operational level and therefore to make recommendations that are client friendly. Middle managers are also able to communicate proposed changes across an organization.

During major changes, such as absorbing new programs or working with a new and different cohort of clients, supervisors can help find the right balance between moving too quickly and succumbing to natural staff resistance. As problem solvers, they can figure out how to make the new situation work. As middle managers, supervisors are in the best position to help the organization hold onto its core values and capabilities while simultaneously helping to shift the organization in new strategic directions.[5]

The Supervisor's Multiple Roles

Imagine being in a play where you are the only actor. First, you are the mother, then the uncle, the hero, and finally the villain. Supervisors' daily performances are no less taxing. Each day, supervisors are called upon to play multiple roles. Just as they must reconcile working with different parts of the organization, so too must they reconcile major supervisory roles: coach, judge, explorer, warrior, treasure hunter, media expert, and advocate.

Coach/Counselor. One of the most demanding roles a manager has is that of coaching the staff. As a coach, a manager's primary responsibility is to train staff to attain the goals of both the organization and the unit. The coach must recognize that each employee has a different array of strengths and weaknesses. The manager/coach provides feedback to staff, encourages them to devise their own plans for performance and improvement, and supports their growth. As the situation demands, the coach may provide support and counseling or confront staff with the consequences of their behavior. Throughout all of these activities, the coach conveys a combination of genuine concern for the employee and an expectation that tasks be accomplished.[6]

Effective supervisors practice these coaching techniques:

- Actively listen to your staff so that they know you truly understand their ideas and concerns. Listening carefully enables you to clarify any misunderstandings.
- Help staff reflect on what is happening. In a coaching meeting, for example, you might ask, "What do you think happened and why? What feedback did you receive? Why do you think your reaction was different from others?"
- In helping staff to develop skills, start with those that are easy to master and proceed to those that are more difficult.
- Expect a certain amount of trial and error; if changes require several different behaviors, work on the easiest ones first.
- Set intermediate objectives that lead to an ultimate objective. For example, a staff member who needs to reduce controlling behavior might be encouraged to hold back opinions at meetings until others have had a chance to express their ideas.

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- During times of major change, encourage open and honest communication and an understanding of how change will affect staff personally.[7]
- Practice role-playing situations that are particularly troublesome for staff. By walking through the situation and anticipating some of the problem areas, you can help staff gain greater confidence and mastery.

Behavioral change takes place in small increments, and people do not move forward in a straight line. Allow for occasional backsliding.[8]

Judge. As judge, the manager must evaluate the extent to which staff achieve their objectives. If they are not achieved, the manager must diagnose whether the problem lies with the staff, the work environment, or the nature of the task itself. Moreover, if the problem lies with staff, you must determine whether the solution involves skill training or other measures.

To carry out this role, staff should be monitored through formal review procedures (e.g., computerized data or evaluation sessions) or informal, but purposeful, direct contacts with staff. Closely linked to this judging role is the ability to evaluate and then influence the distribution of resources. Pay increases, promotions, or symbolic rewards are connected to employee assessments. In this role of judge, a manager may also be called upon to handle disturbances and resolve differences between staff or units of the organization.[9] The supervisor must also be willing to make difficult and often painful professional decisions. Committed to acting fairly and consistently, the middle manager embraces tough decisions and finds the right balancing points.[10]

Explorer. The manager frequently engages staff as partners in searching for solutions to problems. Involving employees in mutual problem solving, supervisors build the confidence and commitment of their staff. As a pathfinder, the supervisor seeks to understand the basis of the problem but resists jumping prematurely to final answers, encouraging staff to search out constructive options instead. By encouraging staff to develop their own ideas and communicating the genuine belief that staff can develop creative solutions, the supervisor fosters a commitment to exploration.[11] Because communication is so essential to discovering new paths, supervisors must seek out and disseminate information to staff. They must develop a network of contacts both within and outside of the organization.[12]

Competitor. As a person of action, the supervisor seeks higher performance levels. Decreasing levels of productivity galvanizes the supervisor to find ways to achieve better results by coaxing staff to do better. To be an effective competitor, the supervisor must persevere in the face of obstacles. If certain operations are inefficient or unproductive, the supervisor has to make the painful but necessary decision to discontinue them. If the organization or the

unit experiences a crisis, the supervisor-as-competitor has the temperament to deal with it forthrightly and to prevail.[13]

Treasure Hunter. Effective supervisors must be ever mindful that the organization's survival depends on generating resources. Supervisors must devote a considerable amount of their time hunting ways to bring new support for their units. This could involve suggesting proposal ideas, identifying governmental funding possibilities, or encouraging volunteers to lend their time to projects. They must also work continuously to preserve the funding that they have previously garnered.

Public Relations Ambassador. As middle managers of their organizations, supervisors frequently have to obtain the support of the public for their programs. In turn, this need requires them to be knowledgeable about ways to communicate their messages in a way that is easily understood.[14] Effective supervisors know that working with the media involves

1. *gaining access* by developing newsworthy items that include sensation, conflict, mystery, celebrity, deviance, and tragedy. A story about middle-aged men teaching swimming at the YMCA is not news; a 92-year-old who rides his motorbike to provide swimming instruction is news.

2. *framing the issue* so that it can be easily understood by the public. Human service managers are well aware that their clients bring complex and interrelated problems. Supervisors recognize that the general public wants quick solutions. But reducing teen pregnancy, helping battered women, or assisting homeless persons to find independent living requires more than memorable slogans. These and other complex issues call for educating the public on factors that significantly contribute to the problem and using the media to communicate the right messages and stories that the public can relate to and understand.[15]

Advocate. To produce change, human service managers may need to engage in various forms of advocacy. Occasionally, management staff may need to be at the forefront of public controversy because this is one of the best ways to get the media to report on an issue. As a result of controversy, the people's level of awareness is raised.[16] Getting rid of alcohol advertisements on billboards in the inner city, challenging the school system to do a better job of educating students, and leading the effort to make agencies more culturally sensitive to the minority populations they serve all affect the lives of agency clients and must be confronted and addressed by both business leaders and policy makers.

These different roles are carried out by various levels of managerial staff. In large organizations, executive managers may concentrate their energies outside the organization—focusing on dealing with the legislature, communicating with the media, and working with publicly elected officials. At the supervisory

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level, middle managers ensure that staff are carrying out their role properly, see that clients are flowing through the system, check that referrals are being made properly, and that assignments are followed up. In smaller agencies, managers must continually juggle various roles, often simultaneously.

Handling Multiple Roles

Each of these roles must be handled judiciously and not be carried to such an extreme that it interferes or becomes incompatible with the other roles.[17] For example, supervisors should not be so focused on the encouraging and supportive functions of the coaching role that they are unable to fulfill the roles of objective judge and distributor of resources. When sorting out problems, the explorer role is appropriate, but when dealing with a crisis, a supervisor may need to become a competitor, able to implement intrepid decisions.

These different roles are sometimes incompatible because every supervisor has both strengths and limitations. Some are good at being evaluative, while others prefer to be supportive. It is important to assume the proper role as circumstances warrant. The inability to fire an incompetent bookkeeper whose error costs the agency $30,000 reflects a reluctance to carry out the major and necessary supervisory role of judge called for by the situation.

Supervisors need to understand these different roles, assess their own ability to carry them out, and obtain guidance where they need help. This counsel could be obtained either from a formal training program or, more likely, through a mentoring process in which a manager has an opportunity to associate with a role model from within or outside the organization. Handling various and complex roles is difficult; seeking guidance is not a sign of weakness but demonstrates true commitment to addressing concerns.

Although managers can do much to enhance their own productivity and job satisfaction, the organizations they work for must also be sensitive to the level of satisfaction that supervisors are deriving from their jobs. Administrators need to support supervisors who work with staff that provide direct service to the public. The following specific steps can be taken:

- Increasing the autonomy of managers so that they can have greater control and influence over their job tasks
- Increasing salary benefits, professional development, and opportunities for growth for all staff
- Providing adequate organization resources, including adequate support staff and professional backup staff
- Providing an organizational climate that visibly displays respect for direct services and supervisory staff

Clearly, the job satisfaction of supervisors plays an important role in a productive organization.[18] Agency administrators can enhance their sensitivity

to line supervisors by periodically spending time in direct contact with those who provide direct service.

Delegating Assignments

If managing is the art of getting things done through working with others, then delegating is the process of giving staff assignments to complete. Delegation is no simple matter, however; it requires considerable planning and follow-through.

Both supervisors and staff can resist delegation. Some managers do not delegate because they fear that their subordinates may upstage them. These managers have an inordinate need to reap full credit. They may fear losing control, do not want to take the time to guide the process, prefer doing the assignment themselves (even when they are pressed for time), or perhaps do not want to invest in developing their subordinates. These problems reside in the delegator. On the other side, staff may resist responsibility because they lack the necessary experience or training, are overloaded with work, or are poorly organized.

These problems must be addressed if staff are to grow in their capabilities and if the work is to get done. By developing staff, effective managers increase the organization's flexibility. Also, by shifting responsibilities from one level of the organization to another, supervisors can free up staff to take on new assignments and expand their skills.

Of course, it is not desirable to delegate every task. Some responsibilities are simply too complicated, confidential, or controversial to pass along. Some tasks require such advanced technical knowledge and judgment that they cannot be easily delegated. And some are so sensitive, such as handling budget information or disciplining staff, that delegation may be inadvisable.

Therefore the issue of "when to delegate" is clearly a delicate one. Delegation must be used judiciously and with careful consideration of the following criteria:

- Select the right people. Delegate according to realistic assessments of strengths, limitations, and task preferences.[19]
- Ensure that assignments are fair and realistic by maintaining continuous communication with staff.
- Distinguish between delegating and dumping. If the assignment is boring, unpleasant, or exceedingly difficult, you could potentially cause ill will to give it to someone else. The best reason to delegate is because the delegatee can do the job better, and the assignment has the potential to spark interest and stimulate growth.[20]
- Make the assignments clear. Staff must understand what the organization expects of them. They should have a clearly spelled out work plan complete with deadlines.[21]

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- Delegate tasks to the lowest possible level at which they can be performed satisfactorily to make the most efficient use of organizational resources.[22] Resist making a decision that your staff could make just as easily—even though it might be different than yours—if the result is likely to be a positive one.
- State the constraints (if any) within which staff must operate—for example, a budgetary constraint.
- Determine criteria for selecting employees to take responsibilities on the basis of who can best do the job, who can use time most productively, who wants more responsibility, and who would experience the most professional growth.
- Give staff a voice in the assignment. The delegation process should be a dialogue, not a monologue.[23] Being sensitive to staff preferences is more likely to ensure their completing assignments. Giving staff the opportunity to plan the project can make them feel accountable for its outcome.[24]
- Determine how thoroughly staff understand the task and, based on that understanding, communicate all necessary knowledge to assist them in completing it. Provide specific instructions about what the result should be, and clarify the limits of the employee's responsibility. Anticipate where problems are likely to occur, such as requests for more funding or more staff to carry out the assignment, and establish ground rules for what resources are available (or not) to carry out the project.
- Convey your expectation that if staff encounter problems, they should consider one or more solutions before coming to you. This communicates your confidence that they can work hard to resolve problems and will not become unduly dependent upon you as their ultimate problem solver. Some supervisors subscribe to the parachute principle of, "You pack it, you jump with it." On their own, people are forced to think like entrepreneurs and to implement the assignment without interference.
- Recognize that a fine line exists between no interference and lack of guidance. Occasionally, everyone needs some guidance and some support.[25] Alerting staff to potential problems is a necessary part of delegating as well as communicating where problems might arise. Make yourself available in the event they encounter particularly difficult challenges. Find the right balancing point between letting staff work out their problems and interceding when vexing problems arise.
- Grant authority to get the task done. Responsibility without authority never works. You may have to give your imprimatur to the employee who is carrying out the assignment so that others are aware of your backing.

The following is an example of a conversation in which a supervisor is effectively delegating an assignment to a staff member:

Maria: Ann, I am pleased that in our last two sessions together you have come in with good ideas about managing your new responsibilities. I'm also delighted that you are willing to meet the challenge of increasing the number of outreach contacts to women of child-bearing age. We have agreed that, within the next four months, your unit will reach a minimum of 350 women.

Ann: As we agreed, I am planning to hire two outreach staff, and I will be developing a reporting form within two weeks.

Maria: You have this assignment well under control. Can we meet every Tuesday, say at 10:00, to discuss any problems and your proposed alternatives? Do you have any questions about this assignment? If not, I'll send you a memo outlining our mutual decisions about this assignment.

Given that managers who delegate assignments are ultimately responsible for the work of those under them, it is vitally important to maintain control without limiting the freedom of staff to think and act. If you have made assignments clear and have mutually determined outcomes, then tracking progress should be fairly easy. Moreover, if you have spelled out a method of feedback, including a reporting schedule and checkpoints, then you help ensure proper control of the project. On the one hand, you do not want to "micromanage" the project or overindulge your own need for information and data. On the other hand, you must not assume too passive a role so that needed information comes too late to take corrective action. You must clarify that staff must tell you about any unexpected developments, delays, or problems.

Supervisors should be aware that even when staff members demonstrate they can manage a situation on their own, they should not be abandoned to figure out how to deal with discouragement that may be part of the process. Not working with people as they encounter major challenges could potentially set them up for failure. Hence tracking people to determine appropriate times for providing guidance is essential.[26]

If done well, delegation can release a powerful force that may be latent within staff. Through their new-found sense of challenge and freedom, staff may invest as never before.

Applying Motivational
Theories to Improve Performance

Several theories can help explain what motivates people to work productively. If supervisors are familiar with them, these theories can be helpful in improving job performance.[27] It is probably accurate to state that no one theory can be used exclusively to explain how best to motivate work performance. It may be more useful in working with staff to use an eclectic approach that draws upon several motivational theories.

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Maslow's Need Hierarchy

Maslow's Need Hierarchy theory postulates that individuals are motivated to satisfy the following needs: (a) physiological, (b) safety, (c) social, (d) esteem, and (e) self-actualization. The concept that an individual must fulfill the basic needs before a higher need is intuitively appealing, though not necessarily confirmed by empirical studies.[28] The value of the theory is that, for highly skilled professionals, self-actualization plays a significant role in motivating behavior—assuming that the other more basic needs have been satisfied.[29] Effective managers therefore strive to provide projects and activities that can enrich professional growth.

McGregor's Theory X and Theory Y

According to McGregor's Theory, two different assumptions may influence work behavior. Theory X assumes that unless managers are controlling and directive, staff tend to be passive and disinvested. Thus managerial tasks are to persuade, reward, and punish. Theory Y is based on the managerial assumption that staff are not basically passive or resistant but capable of and enthusiastic about assuming responsibility. Hence the managerial task is to engage staff in taking responsibility and initiative for their work performance. Most forward-looking organizations prefer Theory Y.[30]

McClelland's Need for Achievement Theory

McClelland's theory attempts to explain how employees differ in their desire for self-fulfillment. Some have a great need to achieve entrepreneurial success by accomplishing tasks and even keep score by how much money they make. They tend to be independent, high-risk takers. Others in the organization may have a strong need for affiliation—social relationships are more important to them than feelings of accomplishment. Still others have a strong need for power and control over others. McClelland's theory highlights the importance of matching individual needs to job roles. For example, achievement-oriented employees require extraordinary challenges and special recognition for success to sustain their work motivation.[31]

Vroom's Expectancy Theory

Vroom postulated that motivation is influenced by the individual's perception that better performance means greater rewards. Further, these rewards must hold value to the individual. The theory states that various outcomes are important to different employees. Levels of performance should be challenging, yet attainable, and the reward system should be accurate, prompt, visible, and significant.[32]

Herzberg's Hygiene-Motivator Theory

Herzberg's model is based on two frameworks that influence job behavior. The first involves hygiene (external) factors—supervision, salary, working conditions, job security, status, and fringe benefits. They are called "hygiene" factors because they represent preventive or maintenance needs. Their impact on motivation is minimal, but if absent, staff can become dissatisfied. The second framework involves motivational (intrinsic) factors and includes the actual work, growth, and responsibility. These are conditions that directly influence motivation. Unsatisfying work factors will also lead to general dissatisfaction but are not solely responsible for motivational loss.[33]

Empirical research conducted since Herzberg's theory was formulated has shown that certain external factors can indeed motivate behavior. Increases in pay, for example, do affect motivation.[34] The significance of the theory, however, is that it focuses attention on the importance of making the work itself more meaningful and more interesting. Job enrichment is viewed as a major motivator for employee behavior.[35]

These motivational theories offer helpful guidelines in working with staff:

- Expect staff to be genuinely motivated to do a good job. Assume they want to succeed and perform well—if they operate in an atmosphere that helps them succeed.
- Staff are more likely to be motivated toward those goals and objectives that are meaningful to them. The more they can participate in establishing their own goals and performance standards, the more likely they can carry them out.
- Staff should know what is expected of them. They need to understand how the organization in general, and their supervisors in particular, determine that a job is well done. Through expectations, staff gain clarity about the challenges they must meet.
- Staff are motivated in individual and unique ways. They all have different needs—status, affiliation, a sense of accomplishment, financial rewards, and praise. Therefore, it is important to tune in to their individual motivations to find out what they want, and if reasonable, do your best to help them achieve it.

Elements of Good Supervision

Chapter 1 discussed aspects of effective management and good leadership, which are qualities that could be applied to front-line supervisors. After all, they are on the firing line with their staff. These supervisors, however, also have the unique responsibility of dealing one-on-one with staff. To bring out the best in each employee, supervisors must focus on enhancing their supervisory relationships, providing constructive criticism in a non-threatening way, and clearly conveying expectations.

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Enhancing the Supervisory Relationship

Effective supervisors follow the guidelines presented in the following paragraphs to help foster positive and productive relationships with staff.

Set and/or identify positive examples for others to follow. This enthusiasm and dedication can be contagious. Staff are keenly aware of whether the supervisor is committed to the work or is merely filling in time. The process of providing positive examples, sometimes known as *reflective modeling,* is based on setting a work ethic that employees can emulate. Give recognition to those who follow your example. Furthermore, communicate respect to your staff and colleagues, de-emphasize your own personal goals and individual recognition in the spirit of being a team player, and take on some of the less desirable assignments to convey that all employees have to pitch in.[36]

Sometimes, other staff convey behaviors and performance that you would like to see emulated. This is the process of identifying and praising the best behavior patterns in your organization. In industry, the term "benchmarking" has come to mean finding the best practices and emulating them. In effect, you are identifying individual performance as benchmarks. By praising those individuals who set high standards, you convey a strong message of what is important.[37] Be cautious, however, of focusing praise on only one or two people, so that an impression of favoritism does not develop.

Take time to know staff. Good supervisors meet with their staff both formally and informally on a regular basis. They take time to find out if staff are satisfied with their jobs and what gives them feelings of achievement. Strive to understand what staff are going through, either because you have been on the firing line like them, or because you have invested in finding out what staff is truly experiencing. If staff sense your empathy for them, they come to see you as responsive to their concerns.[38]

Give clear instructions. Supervisors need to convey specifically what needs to be done, within what time period, and what factors constitute success on a particular project.

"Sell" rather than "tell." To gain the enthusiastic support of staff, supervisors' requests should be accompanied by an explanation of potential benefits for the staff, the unit, or the organization as a whole. The staff should be persuaded, not ordered. In this sense, people are not managed, but rather they are led by capitalizing on their strengths and knowledge.[39]

Foster a collaborative spirit. Get used to saying, "We are on the same team, so when things go well, we share the credit and when problems occur, we work together to resolve them." Some organizations foster this spirit by referring to their staff as associates, not subordinates. This term conveys a respect for the knowledge and expertise that the staff member brings to the position.[40]

Draw the line between supervision and therapy. Being a good listener and being empathetic are important, as long as the focus remains on improving service to clients. An effective supervisor acknowledges, but does not take responsibility for, personal problems of the staff. If personal problems are interfering with job performance and are disruptive to other employees,

supervisors must take action, such as referring the employee to a counseling agency or an employee assistance program.

Engage staff in problem solving. Good supervisors actively seek ideas and suggestions from staff to improve productivity. They understand, for example, that direct service staff can probably make helpful suggestions on how best to handle client complaints.[41] Convey that when a problem occurs, or when a mistake is made, everyone can learn from the experience, grow from it, and then move on.

Providing Constructive Criticism

One of the major responsibilities supervisors have is pointing out to staff when their performance is not measuring up to standards. It is tempting to confront staff with what they are doing wrong, but people do not easily change their behavior on the basis of explicit criticism. Sentences that begin with, "Do you realize that . . .," "You have a problem with . . .," or "What you are doing is unacceptable . . ." evoke defensive reactions rather than help staff improve performance. Unfortunately, some supervisors derive great personal satisfaction from putting staff down and being insensitive to their feelings and concerns. Such a self-serving attitude does little to change behavior but it does much to foster resentment and resistance. Certainly, the supervisor does have an obligation to engage staff in improving their performance. The best way to provide constructive criticism is to observe the following:[42]

- Criticism can best be tolerated within a trusting relationship. If the relationship is based on mutual respect, then your staff will know that you can accept mistakes, that criticism is not equated with failure, and that you expect people to learn from their mistakes and grow professionally.
- Provide feedback that is descriptive and specific rather than evaluative and vague. For example, instead of saying, "You have a reputation for being rude with other staff," you might point out specific instances when the staff member behaved inappropriately with coworkers. By being specific, you allow your subordinate to consider whether a destructive pattern is emerging.
- Concentrate on behavior the staff member can change. There is little value in criticizing abilities or behavior patterns over which staff have no control. It only increases their frustration and heightens insecurities about shortcomings.
- Use the "sandwich technique" to convey constructive criticism. Soften the impact of criticism by sandwiching it between appreciation for good work. Find a reason to acknowledge the positive contribution before expressing a concern. After expressing criticism, indicate that the employee may make an even greater contribution once the concern is corrected. (Be mindful, however, that if this approach is used repeatedly and indiscriminately, it can have a ring of insincerity.)[43]

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- Time the criticism to be most effective. Usually, you should meet with the staff member as soon as possible after a given behavior occurs. Sometimes, however, you may decide to delay discussion to permit a cooling-off period. You might say, for example, "Our emotions are running high at the moment. Let's take a day to mull it over and then review it."
- Strive to understand what may be affecting poor performance. Could it be feelings of resentment for not having been promoted, fear of break up with a significant other, or an inordinate amount of stress on the job? Without turning the supervisory session into therapy, you could try to understand the problem so that staff can get back on track.[44] Be careful, however, about misinterpreting staff's motivation or intentions in the absence of dialogue because this can create resentment and distrust. It is the height of arrogance to assume that you know why a person said or did something. This may be a difficult suggestion to follow, particularly for those in the helping profession who spend their waking moments thinking about causes of behavior, but it can help you communicate more openly with your staff.
- Be aware that sentences that begin with "You should . . ." immediately cause staff to become defensive. For example, statements like "You shouldn't be so intolerant of your client's behavior," or "You should complete your assignments on time" may cause staff to feel they must defend their positions and deny the problem is theirs. Try, "I would suggest that . . ." as an alternative.
- Consider statements that convey how the staff's behavior affects you and the organization. You might say, for example, "When you do not complete your assignments on time, then I cannot be in a position to assist you" or "When you are intolerant of clients, this reflects badly on the organization, which is working to provide the best possible services to those who need them." You are challenging the behavior but in such a way as to reduce the employee's need to defend and justify it.

Avoiding Supervision Mistakes

There are some things that you should avoid in coaching your staff:

- Do not over control your staff, for this conveys little trust in them. By micro-managing your employees you deny them the opportunity to grow and develop.
- Do not set your employees up for failure by assigning them projects they may not be qualified to handle. Overestimating staff's experience and abilities and then letting them flounder leads to poor performance.
- Do not play with the truth. Even the smallest of lies can affect your credibility. Staff must be able to trust your integrity.

- Do not play favorites. If your staff thinks that you are not objective or that you value some more than others, they lose the team spirit you are trying to engender. Also, do not select some staff as your confidants. The word will get out.
- Do not encourage cliques to operate within the work setting. Yes, you can accept that after work, some staff gravitate to their friends. Cliques within the work setting, however, tend to exclude others, thus fostering anger and resentment.
- Do not create an environment where there is only one way to do things. Identify the unique perspective and skills of each of your staff and build on those.[45]

By avoiding these pitfalls you are more likely to ensure a positive work atmosphere.

Conveying Expectations

With so much emphasis on participation, decision making, and the need for diplomacy in conveying criticism, the reader might easily be misled to believe that supervisors should avoid making demands on staff. Some supervisors may be reluctant to push for growth, to make tough demands on their staff, and to request higher levels of performance. In fact, they may be asking too little from staff, out of fear of either inviting rejection or causing resistance. For some, a relaxed, congenial atmosphere with low expectations is a way to keep work life pleasant and anxiety-free. It is certainly not conducive to creating productive organizations, however.

To counteract complacency, supervisors must convey their expectations. The best way to approach this is to identify an urgent problem, one where it is imperative to obtain results. Is there a shortfall in the number of foster homes? Are staff conducting fewer interviews this month as compared with the last? These are questions that cry out for action, that demand urgently needed improvements. Supervisors, as leaders of their teams, have a responsibility to mobilize their staff to face tough, often frustrating challenges. Although sometimes it may be necessary to protect staff, at other times you may want to keep people in a productive growth mode even it causes some anxiety.[46] When holding discussions with staff, it is the supervisor's responsibility to communicate and agree upon expectations about the tasks at hand. In a climate of identifying and successfully meeting specific objectives, staff can expand their horizons to identify other issues and problems requiring their attention.[47]

The culture and climate of the organization may be such that staff tend to cover up problems with "persistent positiveness."[48] People try to be positive even though they are aware that issues exist, and they look to top management to take responsibility that they themselves should be handling. The

consequence of this poor communication, of feigning positive thinking, is that staff do not take the opportunity to explore how their own actions may contribute to the problem. For example, employees may not be completing their record keeping on time, but they deny that this is a problem. When they feel pressured at the end of the month or quarter, they attribute the problem to management's not giving them sufficient time. Good communication could result in exploring why staff do not want to take the time to take on the arduous task of writing. Both management and staff have to admit together, in frank discussion, that a problem exists and needs to be addressed.

Poor performance could also be the result of poor communication between management and staff. If managers' expectations are vague and employees have to guess at what they are supposed to be doing, then their performance is likely to suffer. Clarifying expectations is not simply a matter of setting formal performance standards and measuring accomplishments. It requires extensive and continuous collaboration between management and staff to elicit staff ideas on reasonable performance expectations. The following six-part, mutual interaction process can help the supervisor convey expectations and monitor staff progress:

1. Determine what the staff member is capable of achieving.

2. Decide whether the staff person's abilities are sufficient to the task.

3. Define the work that must be performed.

4. Communicate the assignment.

5. Assess whether the performance matches ability.

6. Identify, where necessary, why the performance was inadequate.

Supervisors must convey their expectations because staff who understand precisely how they must perform tend to work better than those who do not. Managers should continually reinforce expectations in formal evaluations and in writing.

Management by expectations is a two-way street. Managers should not only convey expectations to staff but also understand what staff expect of them. By doing so, managers gain insights into what they need to do to improve overall performance. One interesting approach to obtaining staff feedback is called the "upward performance appraisal."[49] Here, managers provide employees with an anonymous questionnaire asking for ratings on managerial performance in such key areas as communication, team building, motivation, suitability of assignments, and support. In a climate of mutual trust and respect, personal discussions focusing on such questions as, "What am I doing that helps you with your work? What am I doing that hampers you?" can be enlightening.[50] On the manager's part, this requires a great deal of personal security and an ability to react positively to constructive

criticism. Being open to ideas from staff brings new insights into improving productivity and helps managers develop closer relationships with their staff.

Supervising Volunteers

Human service organizations depend on volunteers to carry out important functions, and effective managers know that they must give special attention to attracting volunteers, work to retain their initial enthusiasm, and prevent them from drifting away. Because they are not being paid for their work, volunteers must find inherent satisfaction from their efforts, and they must be carefully nurtured if they are to continue to invest in the organization.

Volunteer involvement with agencies is changing from an emphasis on ongoing programs to more of a focus on short term projects. Accordingly, effective managers are making adjustments in the way they are organizing volunteer work. In the past, many volunteers were stay-at-home mothers or retirees who were loyal to one organization; they volunteered to work in programs that required regular attendance and ongoing dedication. Examples would be Big Brothers or ongoing tutoring programs. To continue to attract these kinds of volunteers, managers must recruit carefully and invest heavily in extensive training.

Currently, many volunteers are more oriented to short term projects. Their lives are so packed with obligations and plans that they cannot commit large amounts of time to volunteering. They are interested in having their work organized so that they have a beginning and ending date and specific outcomes. Bringing in accountants to volunteer to improve the agency's accounting system or having a church group take on a painting project are examples. These volunteers want a clear understanding of how many hours they have to devote, and they want to have flexibility. As a result of this change, effective managers must organize work with specific objectives in mind and identify specific tasks that volunteers can carry out.[51]

The following should be kept in mind to make the best use of volunteers:

1. Make sure volunteers find a good match in the organization. Find out why volunteers are interested in your organization, the kind of work they are interested in doing, the skills they bring to the organization, and their time commitment. Based on this information you would then tailor volunteer roles that interest them. Be sure to listen to what they want—and what they do not want—to do, even if they have skills in a particular area. A retired accountant may prefer volunteering with children over helping in the accounting department.

2. Help the volunteers feel connected to the organization by making clear how their activities contribute to the organization's mission and goals. For example, asking volunteers to organize a letter campaign on day care legislation would be much more meaningful if the volunteers understand the

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3. Develop meaningful relationships with volunteers. Learn the names of regularly scheduled volunteers. Personally welcome them to the agency. Ask their opinions at special sessions and meet periodically with a selected group to obtain their ideas. They become even more committed if they sense they truly matter to the agency's managers.[52]

4. Provide social opportunities for volunteers to become acquainted with others in the organization, including other volunteers, staff, and board members. Opportunities to socialize are an important aspect in making the volunteer look forward to coming to the agency.

5. Identify tasks that meet both volunteers' and the agency's needs. Volunteers will accept a certain amount of menial work if they can have other activities that are satisfying. Getting out a fundraising mailing is more easily tolerated if volunteers can participate in fundraising strategy meetings. If they can learn and develop themselves, they will feel enriched and want to continue participating.

6. Make sure that you are well organized and prepared to make good use of volunteers' time. Nothing can be more frustrating than for volunteers to show up eager to contribute only to have to sit around waiting for an assignment. Provide an orientation with written materials covering job descriptions, expectations, duties, confidentiality, safety, major policies and where to seek assistance.

7. Determine the most meaningful form of recognition. It could be an appreciation note to the volunteer's employer, a listing in a program, a certificate, or a newsletter article. A few will not want to be publicly recognized, but most will.[53]

Volunteers can be a valuable resource for the organization, but they must be carefully nurtured and developed.

Questions for Discussion

1. You have just received word from top management that because of managed care you must reduce staff counseling time. The agency does not have sufficient funding to continue providing counseling sessions beyond those authorized by managed care. How would you work with staff to reduce average client sessions from 20 to 6?

2. If you have been motivated by a supervisor, what do you think he or she did? If you haven't been motivated, what could the supervisor have done differently?

3. How would you handle a resistant staff member who did not want to take on an assignment?

4. Normally your agency encourages a highly participative style in which staff come together to make decisions affecting the agency. Typically, staff participate in committees or let their views be known in staff meetings. Now the organization is faced with a crisis that it has never experienced before—a 25% reduction in funding and the likelihood that 20% of the staff must be laid off. Should the staff be involved in determining the criteria for who stays and who goes? What actions, if any, could staff take to soften the layoffs?

5. Ms. Headstrong acknowledges that she is a strong-willed person and this is reflected in her supervisory style. In fact, her leadership vision and track record of getting things done has catapulted her to being the director of the agency. But now she has come to the staff saying that the organization must develop a housing program for homeless persons. In the staff meeting she says, "I know I have been somewhat domineering in the past, but I recognize that for this project to be successful, I will need your support and cooperation." She has asked you to prepare suggestions on how this—and future projects—can be implemented with your enthusiastic participation. What are your suggestions?

6. In your organization, what different roles does your supervisor play?

7. In your organization, what situations have required supervisors to serve as intermediaries?

8. Which motivation theory makes most sense to you? Discuss your choice.

9. How are tasks delegated in your organization? Is the delegation process similar to or different from the one described in the text?

10. What has been your experience in having a supervisor critique your work or convey high expectations?

11. How have volunteers been supervised in your agency? How would you suggest the agency develop or expand a volunteer program?

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11

Appraising and Compensating Performance

E ffective managers in human service organizations, like their counterparts in profit-making enterprises, use performance appraisals as a means of accomplishing several objectives. Appraisals are an important means of connecting staff performance to the organization's mission and goals. They are helpful in focusing on areas requiring staff improvement and training. They contribute to decisions requiring disciplinary action or termination. They also provide feedback on performance that could result in salary increases or staff promotions.[1] It is difficult to imagine any effective organization not conducting performance appraisals of its staff. Because appraisals can have such a profound impact on staff performance, effective managers must periodically review the appraisal content and process to determine their usefulness and relevance to both staff and the organization.

Appraisal Methods

Because no universal appraisal format exists, each organization must develop a customized method to meet its special needs and circumstances. In establishing or revising a particular performance system, consider the following questions:

- Does it reflect organizational values and goals?
- Does it apply qualitative or quantitative standards, or both?
- Is it used primarily for analyzing performance or for such other purposes as salary determination, promotions, reassignments, disciplinary action, or layoffs?
- Are the performance standards acceptable to directors, supervisors, and staff?
- Is the method user-friendly?

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- Is it both reliable (i.e., consistent over time and across the entire organization) and valid (i.e., does it actually measure what it is intended to measure)?
- Is it likely to motivate appropriate behavior?

Human service organizations face the continuous problem of whether to focus on behaviors (activities) or outcomes (results). Ideally, effective managers should focus on outcomes; in reality, these can be difficult to measure and can be contaminated by forces outside of staff's control. Frequently, organizations devise evaluation methods that review both behaviors and results.

Organizations typically use one or more of the following appraisal methods: graphic rating scales, critical incidents, behaviorally anchored rating scales, and management by objectives.

Graphic Rating Scale

The graphic rating scale appraisal method is used more frequently in evaluating performance than others. Organizations select those key characteristics—for example, initiative, creativity, job knowledge, dependability, cooperation, reliability, perseverance, and adaptability—that are identified as being most relevant to accomplishing their overall mission and goals.[2]

Ratings can be discrete, such as "outstanding," "good," "acceptable," or "unacceptable," or they can be scaled along a continuum from 1 (poor) to 10 (outstanding). Often scores are given without precise definitions, so that evaluators are able to rate results based on their own subjective interpretations. Sometimes, organizations define each characteristic. For example, the characteristic "takes initiative" might be defined as "carries out assignments with minimum instruction; willing to take risks and experiment with new ideas."

The advantage of graphic rating scales is their convenience and simplicity. If numerical values are given, they can be easily scored and are subject to statistical computations. Each employee can be scored against all others. The disadvantages include selecting inappropriate characteristics, incorrectly scaling them, and giving the illusion of precision when in reality the numbers reflect subjective opinions.[3]

Behaviorally Anchored Rating Scale (BARS)

The behaviorally anchored rating scale (BARS) is similar to the graphic rating scale, except that BARS is quite specific in defining behaviors. Each point along an evaluation continuum is defined in behavioral terms. For example, if one of the behaviors is "relationship to clients," then the rating of "excellent" is defined as "always responding appropriately and being helpful to clients." The rating of "poor" is defined as "acting with hostility and rejection toward

clients." The organization determines how it defines "excellent," "competent," and "poor" for each of the qualities being evaluated.[4] Each organization selects those characteristics it considers crucial, such as a commitment to tasks, response to supervision, communication skills, initiative, and analytic ability.

For example, a manager might use the following criteria for evaluating an employee's "knowledge of job":

- *Outstanding:* Has exceptionally thorough knowledge about all facets of the job and its relationship to other jobs. Greatly exceeds job standards.
- *Good:* Has above-average knowledge about most aspects of the job; requires only limited supervision on complex tasks. Exceeds job standards.
- *Average:* Knows the necessary elements of the job to meet the requirements of the job; requires periodic supervision. Meets job standards.
- *Poor:* Knowledge of job is limited; needs additional training or experience in several phases; makes frequent mistakes and requires close supervision. Below job standards.

The advantage of BARS is that it reduces bias among evaluators because the ratings are related to behaviors established by the organization. Evaluators are still influenced by their subjective impressions, although presumably this subjectivity is reduced by their having specific behavioral definitions. Of course, the organization must devote considerable time and effort to developing a customized scale.

Critical Incidents

Critical incidents are descriptions by supervisors or other qualified observers of staff behaviors that are especially effective or ineffective. After the various accounts are recorded and studied, a group rates them on a scale in relation to contributions to the organization. In reality, few human service organizations go to the trouble of identifying a large number of critical incidents to form a scale. Instead, supervisors use this approach to record incidents of behavior that reflect a pattern. For example, the evaluator might note that a staff member met 12 times with various units to develop a workable referral system, or the evaluator would observe that "uncooperativeness" was reflected in the way the employee failed to respond to several staff's requests for information.[5] The greatest value of this method is that it highlights outstanding or poor performance and therefore it can be used to supplement other scales.

Management by Objectives (MBO)

Recall that in Chapter 4 organizational objectives were developed to hold the organization accountable for results. This same approach, usually referred

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to as management by objectives (MBO), can be used to guide individual staff performance and accountability. Preferably, individual performance objectives and their standards should be mutually developed by staff and their supervisors so that both have a clear idea of how the staff can work to achieve the organization's mission and goals. The advantage of MBO is its flexibility and adaptability in responding to different agency situations and individual staff circumstances over time.

Before evaluating individual employees, the organization should define those key results (or goals) it wants to accomplish for the coming year, such as providing information, increasing revenue, developing an XYZ system, recruiting foster parents, reuniting families, and serving X number of clients. Typically, individual objectives are then linked to selected key results. They can include both normal work expectations and innovations or special areas of improvement. Key results in a human service unit within a public housing authority, for example, could include increasing referrals to ancillary services, mobilizing community resources, counseling individuals, and preparing reports.

Attached to each key result would be specific performance objectives that staff are expected to accomplish annually to achieve results. For example, connected with the key result "increasing referrals to ancillary services" would be the following individual staff objectives:

- Make an average of 20 referrals each month
- Ensure that clients connect with a referral organization 60% of the time

Similarly, connected with the key result "preparing reports" would be the following individual staff objectives:

- Complete reports on clients within an average of five working days
- Complete all administrative report requirements within the schedule specified

Figure 11.1 illustrates examples of management and staff objectives.

The previously discussed objectives are illustrative; each organization and each job category requires careful examination to determine which results should be measured. Some organizations make a distinction between routine and exceptional or innovative objectives. Routine objectives usually remain the same from year to year and reflect the ongoing work expected of staff. Innovative objectives are set for new projects or programs to respond to new circumstances. Also, some effective managers make a distinction in a given job between the objectives established for experienced staff and novices.

To be useful, objectives should emerge from an interactive process in which managers, supervisors, and staff collectively decide on them. For example, in a children's institution, if management and staff mutually determine that monitoring the distribution of medication is an important objective,

Management Objectives

- Maintain an average program capacity of X consumers
- Implement X program
- Cross-train X staff
- Develop X objectives for each staff person
- Write X grants for Y funding during the course of the year
- Administer customer satisfaction surveys
- Reduce deficit in X program by Y amount
- Provide documentation that illustrates X cooperative arrangements with other units
- Reduce cost per unit of client service by X%
- Reduce staff absenteeism by X%
- Reduce staff grievances by X%
- Implement a plan for promoting the organization
- Increase gross operating income by X%
- Complete the quarter with no more than X audit exceptions to all contracts.

Staff Objectives

- Conduct X group activity sessions
- Increase number of clients served by X%
- Match X volunteers with clients
- Give X presentations during the course of the year
- Conduct X home visits
- Contact X service providers for progress reports each month
- Increase average starting wage of job program clients from X to Y
- Increase number of completed placements by X%
- Increase the number of clients completing the program from X% to Y%
- Increase acceptances of recommendations by referral source from X% to Y%
- Increase client satisfaction from X% to Y%

Figure 11.1 Examples of Management and Staff Objectives

they would establish quantifiable objectives for this activity. Because they created the process together (continually modifying it, if necessary), staff should deem it equitable. Staff involvement is essential because no appraisal system is completely objective, and everyone must live with the results.

The following guidelines can help to develop performance objectives:

- Use an achievement-oriented action verb (examples: *implement, complete, write*).
- Specify a target date or time period for each objective.

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- State objectives that are realistically attainable and yet challenge staff to stretch themselves.
- Specify a single key result to be accomplished.
- Include a process that requires supervisors and their staffs to mutually agree on the objectives.
- Set objectives that are consistent with resources available, that provide the best return on the investment of time and resources, and that are clear and understandable to employees.
- Be certain that your objectives reflect what you truly want to accomplish. If, for example, "increasing job placements" is a key result your organization has selected, include in the objectives a performance criterion to secure jobs for clients, not just get them job interviews.[6]
- Prepare action plans that are sufficiently detailed to provide clear guidelines for staff behavior.
- Be prepared to renegotiate objectives if circumstances warrant.
- Record the objectives and periodically refer to them to assess progress.[7]

Because of the possibility that objectives may be vague and ambiguous, it is important to establish measurement indicators in advance. For example, if management is concerned about the lack of cooperation between units, then "enhancing cooperation" becomes a key result and would include such specific objectives as "conferring with other units before decisions are made," "holding joint meetings," and "obtaining feedback from colleagues."

Some organizations establish an elaborate point system to quantify how people are performing. For example, foster home placement staff may earn points for having returned children to their biological parents or arranging for permanent placement within a designated time. Case mangers may be given points based on the number of referrals they make and then bonus points for the number of referrals that actually become client contacts. By quantifying results, the organization can more systematically rank staff performance. The organization, however, has to be confident that an objective is truly measurable and does not force staff into being so concerned about achieving points that they ignore other important, but not easily measurable, activities.

Although MBO has the potential for distinguishing mediocre from outstanding employees, it is understandable that an organization may not want to rely solely on it as a means of appraising performance because of inherent measurement problems. Are measurement indicators true reflections of performance? What if an employee's performance is dependent on factors that may not be entirely controllable? These are questions that are often raised about MBO appraisal programs and for which there may not be ready answers.

Some organizations see value in combining a rating system that emphasizes such staff qualities as interpersonal relationships and knowledge with an

MBO appraisal system that emphasizes achievement of results. This provides an evaluation of both staff qualities and accomplishments. In addition, the organization may wish to provide a rating of the contribution the individual makes to the achievement of the department's or the organization's objectives that is above and beyond the individual's objectives. For example, a combined performance appraisal might include the supervisor's assessment of the individual staff member's (1) personal attributes (e.g., job knowledge, interpersonal relationships, work quality, analytical ability, initiative, and dependability); (2) achievement of individual objectives (e.g., make four agency visits to become more familiar with community resources); and (3) assistance in achieving department's objectives (e.g., helping to achieve the department's objective of permanent placements of 90% of children).

Use of Narrative

Regardless of the specific appraisal method an organization uses to obtain a more rounded assessment, it is also generally a good idea to encourage supervisors and staff to engage in discussions about staff performance. These questions might help to facilitate such a dialogue:

- What has the employee done to improve performance since the last evaluation?
- What performance areas should receive special attention in the year ahead?
- What can the employee do to strengthen job performance?
- What are the employee's highest priorities for the coming year?
- What career goals does the employee have?
- What additional training does the employee need to achieve these goals?
- What does the employee think the organization should do to improve?

By discussing these broader issues, staff have an opportunity to think about and articulate how they can enhance their own professional growth and contribute to the organization's productivity. These observations by both the staff member and the supervisor should be written out and become part of the employee's permanent record.

Conducting an Appraisal Conference

Prior to the appraisal conference, and even at the beginning of a staff member's probationary period, the staff member should be given a copy of the appraisal form that will be used to evaluate performance. In this way employees know, long before the appraisal session, what the specific expectations are regarding performance and what behavioral and attitudinal qualities will be reviewed.

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Effective managers are aware that, regardless of the format used to evaluate staff, they must carefully prepare for appraisal conferences. They must gather relevant information about performance and compare it with objectives that have been established. Staff should be expected to come to the appraisal conference with information documenting their achievements. In addition, consider the following guidelines in conducting the appraisal conference:

Connect the employee's work to unit objectives and organizational values. Effective managers use the appraisal conference to transmit the values of the organization and what it is trying to achieve. Staff should understand how their efforts tie in with the mission of the organization and the objectives of their department. They need to see how their individual efforts relate to the agency's mission. The measures that apply to the individual must fit within the context of the unit.[8]

Conduct appraisals throughout the year. The end-of-year appraisal should provide an opportunity for reviewing previous discussions. Continuous appraisals are far better for changing behavior than a one-time, annual review session that may contain surprises. The annual review should be used to sum up performance, not shock the employee.[9] In fact, one of the best ways for staff to grow and develop is for the supervisor to take advantage of *teachable moments*. Immediately following a crisis, the supervisor would meet with staff to discuss what went wrong and what the staff member needs to consider doing if this, or a similar, situation were to occur again. It is wise to establish intermediate objectives that can be measured within the next few weeks or few months to determine whether progress has been made.[10] For example, if tardiness is a problem, establish objectives that can be met within the next month. In addition to conferences held throughout the year to deal with special problems, it is desirable that formal appraisal conferences occur at least twice annually to make certain that corrective measures are taken.

Determine desired outcomes in advance. Effective managers prepare for the interview by thinking through what they want to accomplish: What information do you want to impart? What objectives for the coming year do you want to see achieved? What skills do you want staff to develop and how will they develop them? What steps are you prepared to take if the employee does not agree with changing his or her performance? How is the employee likely to react, and how might you respond to that reaction? Always go into an appraisal session with an agenda and be clear on what you want to achieve.

Foster mutual problem solving. Staff should be encouraged to take an active role in the discussion. The atmosphere during the appraisal conference should be one of mutual problem solving. Before jumping to conclusions about the cause of a problem, ask open-ended questions to elicit ideas from the staff. For example, ask what the employee thinks is causing a downturn in performance.[11] Identify together what specific steps the staff member must take to improve performance. For instance, if you have conveyed concern about "lack of initiative," mutually develop specific actions the employee must take to foster more proactive work behavior.

In most performance reviews, encourage employees to do most of the talking. By asking open-ended questions that require thoughtful responses, you encourage the staff member to fully engage in thinking through issues. The following are examples of open-ended questions:

How would you describe your progress this past year?

Why do you think the problem is occurring?

What areas do you think need strengthening?

What concerns do you have about accomplishing your goals and objectives?

By actively listening, you convey respect for your staff's ideas. Only after you have heard what your staff has to say—fully and completely—would you begin to express your own thoughts.[12] It is appropriate for a manager to use the appraisal discussion to offer interpretations and judgments of the employee's performance. In this regard it is important to use "I statements" that are behaviorally specific. For example, instead of using the vague, judgmental term "You should be more responsible," you might say instead, "I'd like you to take more time preparing for your group counseling sessions each week."

Sometimes, staff use the appraisal interview to convey their concerns or complaints about other staff members or about policies and procedures of the organization that they perceive interfere with their work performance. The best approach is to let the staff discuss their concerns and to consider together what some options are to deal with the issue. Especially focus on those aspects that impinge upon the staff member's performance. Show your understanding and your empathy, seek out as many facts as possible, avoid snap decisions, and then determine together what steps might be taken.[13]

By the end of the session, supervisor and staff should develop an action plan with clear objectives, specific target dates, and plans for following up.[14] By emphasizing shared problem solving, you help staff maintain their sense of dignity and respect, thus reducing their defensiveness and making them more responsive to your suggestions for growth and improvement.[15]

Be aware of the following appraisal pitfalls that can creep into the appraisal process:[16]

1. The *recency tendency* focuses on the most recent performance rather than on behavior during the entire rating period.

2. The *halo effect* is based on one characteristic or performance rather than a complete view of the employee.

3. The *average tendency* results in supervisors assessing everyone toward the average as a way of avoiding exceptional ratings they may have to defend.

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4. The *forced choice tendency* occurs when supervisors feel they must balance those staff given positive ratings with an equal number of staff given negative ones, whether deserved or not.

5. The *inflation tendency* occurs when supervisors give all their staff indiscriminately high ratings.

Provide meaningful feedback. Discussions about how an employee's personality characteristics negatively affect performance are usually not helpful because they are loaded with value judgments, probably make the employee feel defensive, and hardly ever result in personality change. The emphasis should be on improper behavior that affects the employee's performance.

The best feedback is clear and descriptive, not vague and judgmental. Back up general statements with concrete examples that illustrate thematic concerns. These descriptions, "Does not take sufficient initiative" or "Fails to follow agency procedures" are too vague, but "Needed constant supervision during X project" or "On three occasions, reports were submitted after the deadline" clearly define the problem. Set up a file folder for each staff member, and throughout the year when episodes occur, record information on special achievements or failures or evaluative comments made by other professionals. These data provide specific backup to general observations.

Put major points of the appraisal in writing. It is especially important to write out objectives for the following year, any changes in duties and expectations, and observations that relate to performance. Note particularly agreements and disagreements you as supervisor have with the staff member. Writing out these ideas greatly reduces misunderstandings later.

Some managers are especially uncomfortable about criticizing their subordinates, either verbally or in writing. Their written record of underperforming employees contains instead only positive or neutral observations. Then when the employee's performance deteriorates to the point where the person must be terminated, the supervisor belatedly writes up observations that had never been fully shared with the staff member. This process can surely backfire in court proceedings. It is therefore important to ensure that the written appraisal contains objective statements about performance and that employees are aware of everything that goes into their files.[17]

Mutually determine staff priorities. This is important if the supervisor or the organization wants to augment a staff member's responsibilities. Determine which assignments can be postponed if staff are overloaded. The appraisal conference offers the opportunity to assess how to balance multiple assignments.

Be positive and constructive, not negative and punitive. Be especially watchful regarding the way you express criticism; staff generally think they are performing at their best level. Convey, when it is meaningful to do so, improvements that staff are making or the positive results they are achieving as a prelude to constructive criticism. Be aware, however, that the "good news-bad news" approach can itself become ritualistic. Depending on the

person, you may want to vary the pattern. The important thing is that staff are more amenable to criticism when you can genuinely recognize their positive attributes in the context of criticism.

The appraisal conference should provide a positive opportunity to assess past performance and future directions. Effective managers use the conference to provide a forward thrust, a sense that progress has been or can be made, and an affirmation that employees have been contributing and will continue to contribute positively to the goals of the organization. If staff performance has improved following the appraisal conference, then positive feedback—genuine and sincere praise—can be meaningful to your employee. Reinforcing good performance helps sustain improvement.

Compensating Work

In almost every study that asks employees about what is important to them, pay is at the top of the list. Pay and benefits ranked among the most important rewards for employees in different job classifications—managers, professionals, clerical staff, and hourly workers.[18] In human service organizations, pay as a reward for work is certainly an important factor. Although staff hold their jobs out of a deep sense of commitment and a desire to have an impact on the lives of other people, managers know that it is a mistake to take advantage of staff's goodwill by compensating them at a rate below what they are worth. The work must be inherently interesting, but staff must have extrinsic (pay) rewards as well. This section reviews various ways that salary can be used to compensate staff for work: pay based on job, on skills, and on performance. Because pay for performance is of particular interest to managers, it is given special attention. The importance of symbolic rewards will also be discussed.

Job Classification System

In most human service organizations, the usual method of determining pay level is to analyze the value of a job based upon such criteria as education required, technical knowledge, degree of autonomy, and importance of the job to the organization. A rating should be made for each factor, with jobs ranked in a hierarchy. A job salary survey could be conducted by the agency or by an outside organization to determine what other organizations are paying for similarly rated jobs. On the basis of this analysis, administrators can then develop pay ranges for job categories, which are then adjusted for inflation and other market factors.[19]

Organizations using the job classification system pay staff within an established salary range, usually on the basis of seniority. Typically, organizations bound by union agreement, or those that have difficulty in

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measuring performance, cannot objectively distinguish highly productive from average employees. They are likely to base salaries on length of service in classified jobs. Employees are slotted into specific classifications, each with its own salary range. More experienced staff tend to be at the middle to upper range of their classification; newer, less experienced staff tend to be at the lower end.

Pay based on job classification typically remunerates staff for their job responsibilities, taking into consideration the relationship of a particular job to others both within and outside the organization. The advantage of job classification is that it is a useful way of maintaining equity, because the relative value of the job can be established with some degree of objectivity.[20]

Increases in pay are often made uniform and are intended to keep pace with cost-of-living increases. Thus, if inflation is running at 3%, then pay increases are likely to average about the same. Consistency and equity are hallmarks of the job classification system, and the majority of staff are not likely to express dissatisfaction. Under this system, those who demonstrate outstanding performance may be promoted to supervisory positions.

One of the problems with the job classification system is that pay inequities can occur. Organizations may tend to reward seniority over merit so that longtime workers receive more pay even if they are less productive than their younger colleagues. Length of time on the job, not merit, becomes a primary criterion for pay level.

Another problem is that staff receive significant increases in pay primarily through promotions. A highly skilled counselor may not receive much more in pay than one less skilled because of his or her classification; only by moving up to supervisor can the counselor achieve a significant increase. Movement up the hierarchy, with accompanying responsibilities and increased compensation, is one way exemplary performance is rewarded.

By far the greatest problem associated with job classification systems is that they do not emphasize outstanding achievements. If you know you will receive a modest pay increase just by remaining on the job another year and there are no other values operating to stimulate excellent performance, what incentive is there for excelling in the job? High achievers can feel frustrated because monetary rewards ultimately do not reflect their accomplishments. In a few instances, agencies establish a two-track system so that highly skilled staff may be eligible for pay equal to that of supervisors.

Some organizations establish a culture of high performance expectations instead of relying upon financial incentives. They communicate to staff that they are special people hired to do a special job. Staff are expected to be dedicated to their work and have a strong service commitment. In organizations that are new, have charismatic leadership, promise future opportunities, or provide intrinsically satisfying jobs, this value orientation can be a significant incentive. Be mindful, however, of the inherent danger of relying on charisma, promises, and cheerleading as means of dealing with the absence of adequate financial compensation.

Effective managers work especially hard in a job classification system to change staff mentality from that of "I'm owed it" to that of "I've earned it."[21]

Skill-Based Pay System

Some organizations base pay ranges on a hierarchy of the least skilled to the most skilled. The skill-based evaluation system encourages staff to acquire new skills through on-the-job training or through special internal or external training programs. Staff can move upward through the hierarchy and thereby increase their pay based on increased talent rather than having to jump into a management position. Providing for growth in skills accompanied by pay increases allows upward mobility in organizations that want to reduce management hierarchy and maintain a flat structure. Staff grow within their current positions rather than having to move up the organizational ladder.

In addition to increasing skills in a single specialty area or job classification, some organizations provide opportunities to obtain skills in a number of different jobs across the organization. A secretary, for example, might be encouraged to obtain bookkeeping skills. A public relations representative may develop fundraising skills through a process of cross-training. By achieving these new skills, staff become more valuable to the organization. They are then able to fill in when needed, and the organization benefits further by having greater flexibility. Managers give increased pay to those employees who develop a breadth of skills useful to the organization.

Many human service organizations do not necessarily reward staff for obtaining new skills but expect them to grow on the job. Professional staff who attend training conferences or agency-sponsored workshops for continuing education credits do not receive extra pay because the organization distinguishes this expected professional growth from that which is extraordinary, demanding, and may require several years of specialized training. The latter is more likely to be financially rewarded. An example would be increasing the pay of an employee who attains a master's degree while maintaining regular duties.

One of the problems with a skill-based system is that some staff may reach the top of their skill level and find themselves with no place to go after several years in the same position. In addition, staff who obtain university degrees or special technical training may become more marketable and decide to leave, thereby causing a *brain drain* on the organization. Despite these problems, an organization that emphasizes a skill-based system can benefit from staff who seek constant upgrading of their technical skill levels.

Pay for Performance (PFP)

Pay for performance (PFP) systems adjust the salary based on appraisals of staff performance. Variations occur depending on the extent to which the

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organization emphasizes rewards. Some organizations, for example, provide across-the-board increases for union staff and PFP for nonunion management staff.

The fundamental purpose of PFP systems is to reward staff for their expenditure of effort, the quality of their work, and most importantly, the results they achieve. It provides special motivation to work hard because staff know that the highest financial rewards go to those whose performance is outstanding.[22] Particularly for achievement-oriented staff, PFP provides that extra incentive for them to function at their optimum level, whereas it conveys to unproductive employees that they will receive little or no financial gain.

PFP permits management to reward staff whose performance contributes to the achievement of the organization's goals and objectives, and helps staff to focus on management priorities. Staff have an incentive to give attention to activities (e.g., completing records) that may not be as appealing as others they might choose (e.g., working with clients). Financial incentives may motivate staff to perform boring or routine administrative chores they might otherwise delay.

Some organizations establish an elaborate point system based on well-defined appraisal measurements that provide for a range of percentage increases. These increases in pay are incorporated in the staff's base salary. An employee paid $30,000 who receives a 5% increase at the end of Year A will have a base salary of $31,500 in Year B. Specific expectations are defined for each position, and management makes weighted judgments based on points assigned to each work category. In a vocational employment program for disabled and disadvantaged persons, staff might be measured as shown in Figure 11.2.

Note in Figure 11.2 the vocational employment agency has developed objective and measurable standards to evaluate a vocational counselor. These standards include number of clients served, number placed, wage rates, and achievement of concrete objectives. A client satisfaction survey is also incorporated. The point system can result in 0–7% salary increases.

As another illustration, a mental health organization establishes PFP for its nonunion managerial staff. The executive staff establishes concrete objectives in discussion with each of the managers. Together they determine that staff performance is to be measured on the basis of achieving one of two major performance ratings: standard or outstanding. To be eligible for an outstanding performance rating, supervisory staff must meet superior performance objectives. Staff who achieve standard performance receive a 3% increase; those few who achieve a superior performance rating (e.g., by obtaining special funding or conducting two additional training programs) can receive a 6% increase. These merit increases are applicable until the base salary reaches the salary ceiling for that particular job classification.

Staff and management jointly develop measurable outcomes so that the definition of success is clear to everyone in advance. A combination of objective and subjective measures is used, although the key to success is the

KEY RESULT AREA	WEIGHT	POINTS EARNED
a. Number of Clients Served		8
1. 250–300	10	
2. 225–249	8	
3. 200–224	5	
4. Less than 200	2	
b. Number of Clients Placed		20
1. 150–175	20	
2. 125–149	15	
3. 100–124	10	
4. 75–99	5	
c. Average Starting Wage		15
1. $6.50 and up	15	
2. $6.25 – $6.49	10	
3. $6.00 – $6.24	7	
4. $5.25 – $5.99	5	
d. Supplementary Objectives		
1. Provide quality quarterly reports	5–15	12
2. Obtain additional funding ranging between $25,000–$100,000	5–15	11
3. Conduct four quality training programs	5–15	14
e. Consumer Satisfaction Survey Results		
1. Fully satisfied	10	
2. Highly satisfied	7	
3. Moderately satisfied	5	5
4. Poorly satisfied	0	
TOTAL		85

In this hypothetical example, the employee received 85 out of a possible 100 points. The employee would be eligible for a pay increase between 3.0% and 4.9%, based on a formula applied to a rating scale. 85 is 50% of the difference between 80% and 89%. The raise is therefore 50% of the difference between 3.0% and 4.9%, or 3.95%.

RATING	PERFORMANCE RATING	SALARY INCREASE
Exceptional	90% – 100%	5.0% – 7.0%
Highly Qualified	80% – 89%	3.0% – 4.9%
Competent	70% – 79%	1.0% – 2.9%
Conditional	60% – 69%	0%

Figure 11.2   Performance Rating Objectives: Vocational Placement Counselor

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Cautions About Pay for Performance

As increasingly more corporations develop PFP systems, volunteer business leaders will be encouraging human service organizations to follow suit. This pressure, along with the inherent appeal of rewarding outstanding performers and using pay as a primary motivator, may propel agencies to move prematurely without considering all the ramifications. Several caveats should be kept in mind.

There is a natural tendency for staff to overrate themselves and then feel upset when they are not evaluated in the highest category.[23] If the PFP focuses primarily on merit, it could cause all but the superstars to have negative reactions. Studies show that most employees rate their performance in the 80th percentile when they compare themselves with others in the organization. Given the fact that an organization cannot pay everyone in the 80th percentile, it is not surprising that many employees who work in organizations that provide differential pay rewards feel they are underpaid relative to their coworkers.[24]

One of the reasons employees tend to overrate themselves is because supervisors may not provide candid performance evaluations. Not wanting to confront staff with their shortcomings, and concerned that their assessments could have a direct impact on the pay of their subordinates, some supervisors may tend to inflate their evaluations. Consequently, staff develop unrealistic views of themselves and become dissatisfied with their pay.[25] Obviously, for PFP to succeed, employees must understand that they would most likely fall in the middle range of pay increases, with only a few receiving substantive increases. If objectives can be quantified, there is less possibility that employees can overrate themselves; the numbers speak for themselves.

A PFP program assumes that staff can have control over projected achievements, but in reality they may be dependent on factors beyond their control. There are few outcomes in human service organizations that are not subject to external variables.[26] For example, in a juvenile justice program, when probationers get jobs in a growing economy and stay out of jail, juvenile counselors understandably would want to take credit and be rewarded financially for success. But when recidivism is high, in part because probationers cannot find jobs, then staff must operate under a disincentive of no financial rewards. Staff would likely perceive the PFP as being unfair when factors beyond their control influence outcomes negatively.

PFP may not be flexible enough to respond to important changes. Staff evaluations and pay in some agencies are based on meeting predetermined objectives that, during the course of the year, may be put aside for other emerging priorities. The remedy for this situation is a flexible PFP that permits both employee and supervisor to negotiate objectives to be calculated into the PFP system.

If PFP becomes a primary motivator, it could subvert other important organizational values. If staff become psychologically consumed by the pay reward system, their self-worth and motivation may be based almost exclusively on this tangible measure. Consequently, monetary compensation becomes the central driving force for performance and tends to overshadow other desired values. Employees, for example, may become highly competitive and place their own interests over those of their team or unit.[27] In some instances, staff may be tempted to inflate client services because of the pressure to increase their productivity numbers and be eligible for bonuses.

Managers should take this caution seriously and work to keep PFP from becoming the dominant motivator. They need to give continuous attention to the importance of interpersonal relationships, job enrichment, and the significance of providing high-quality service to consumers. Managers need to carefully monitor staff records to ensure that they are accurate. Pay incentives cannot be a substitute for good employment practices; rather, they should be used to reinforce positive work behavior. PFP should be a secondary, not a primary, method of influencing behavior.[28]

Serious measurement problems can affect PFP systems. In the private sector, considerable evidence now exists that in most enterprises, merit pay systems fail to create a close relationship between pay and performance. As a result, these systems fail to motivate employees. In large part, this failure is due to the lack of credible, comprehensive measures of performance. By default the decisions rely on the subjective judgment of managers. These judgments are sometimes seen by subordinates as invalid, unfair, and discriminatory. In the eyes of some employees, merit pay is a fiction, a myth that managers try to perpetuate for the purpose of influencing behavior.[29] This concern about measurement limitations in the private sector needs to be considered by managers in human service organizations.

Objective measures, such as counting interviews or job placements, can appropriately be used in PFP. Organizations must give considerable thought to measuring more subjective accomplishments. This is especially true in organizations that provide some type of counseling as their primary service. It is difficult to measure the extent to which child-parent or marital relationships improve on an aggregated caseload basis. It is also difficult to measure the relative worth of various staff. Does the staff person who recruits the most volunteers deserve a merit increase over the accountant who competently keeps the agency's financial records?

As noted earlier in this chapter, methods of appraising staff may be subject to supervisory bias. When presented with a scale ranging from

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"poor" to "outstanding," some supervisors tend to rate staff at the upper
end of the scale, others rate at the lower end. To avoid skewed ratings, the
organization could set strict guidelines for rating staff—for example, only a
certain percentage of staff are eligible for the highest pay increases. Even
under this arrangement, however, it is possible that the best member of the
worst group is given a higher pay increase than the worst member of the best
group. If this is likely, top management must take responsibility for oversee-
ing the totality of the PFP system to determine whether it is in fact identify-
ing outstanding employees.

A PFP system is no insurance for continued high performance. Over time,
previous pay increases based on high performance become a permanent part
of the base pay and are paid in perpetuity.[30] But last year's outstanding per-
formance gives no assurance that this year's will be equally outstanding.
Previous high performers may tend to coast. Of course, this criticism also
applies to job classification systems where seniority, rather than merit, is
built into the base pay. At least the PFP system allows for limiting financial
rewards for those who do not perform, even though they may have done so
in the past. The disadvantages of building salary increases into the base pay
under a PFP system could be mitigated through a one-time bonus system,
which is discussed in the next section.

*PFP places a strain on supervisors and managers because it is time-
consuming and emotionally demanding.* Preparation of evaluation materials
can be challenging as both staff and management feel pressure to carefully doc-
ument performance and productivity. Evaluation takes on even greater signif-
icance when increases (or decreases) depend on it. Staff would likely want to
negotiate objectives and challenge those that their supervisors have established.

Moreover, staff may refuse to embark on a vital new activity during the
course of the year, fearing that it could jeopardize other previously estab-
lished objectives. Or staff may think that supervisors are not giving enough
weight to their current activities. These complications mean that supervisors
may need to invest themselves as never before in negotiating and renegotiat-
ing with their staff. This investment is not necessarily wrong and, in fact, may
be essential to fulfill the supervisory role properly; it is listed here as a caveat
to acknowledge that PFP can be quite a demanding challenge for supervisors.

In addition, supervisors must understand that if objective measures are
limited, the PFP system thrusts them into a more judgmental role, which
could affect their usual role as coach and supporter. This may place strains
on the relationship with staff, who are well aware that their supervisors have
the power to determine whether they receive a $200 or a $1,200 pay increase.

Sufficient funds may not be available to fulfill PFP goals. The PFP system
may be appropriate when an organization has additional discretionary funds
or when staff salaries lag behind those paid for comparable positions in
other human service organizations. When funds are limited, or when long-
time, high-achieving staff reach the highest level of their salary scales, how-
ever, then PFP becomes more difficult to carry out. When there is only a

finite amount of money to distribute, such other demands on the pay system as cost-of-living increases and maintaining salary competitiveness may have to take precedence.[31]

One way to deal with these conflicting demands is to reduce across-the-board pay increases based on the conviction that poor performers should receive no or limited increases (or even layoffs), leaving additional funding available for high performers. The culture of the organization must clearly support this conviction. When top performers reach the maximum of their pay scales after several years of above-average increases, special arrangements must be made so that they do not lose their incentive, such as providing them with a bonus that allows them to be paid above the maximum of their classification.

Special organizational constraints may inhibit the development of PFP. In situations where unions work out contractual arrangements, PFP may be limited to managerial staff. In some instances, an organization may initiate special negotiations with a union. Dealing with the board of trustees presents another constraint. Many trustees appreciate improving productivity and increasing efficiency but balk at giving incentive pay. They think this detracts from the dedication of staff. Because board acceptance is usually required, it is advisable that trustees participate along with management in developing a PFP system.

The best advice for organizations considering PFP is to be prepared to invest a maximum degree of managerial, staff, and board time. While much can be learned from other organizations, each agency must go through its own intense process and prepare a customized program geared to its particular situation. At the very minimum, an incentive system can only be effective if managers assure their staffs that the organization has a clearly defined mission, long-range goals, carefully constructed objectives, good job designs, a performance appraisal system that clearly demonstrates individual accomplishments, and sufficient funds to provide financial rewards.[32]

Bonuses

The advantage of bonuses is that they do not automatically become part of the base pay the following year. Organizations award them only under special circumstances with no guarantee that they are to be repeated. One way of designing a bonus system is to pay a flat rate to everyone in a particular job category and then establish a merit bonus range and pool of money to raise some individuals substantially above that job rate. Each year, the system would require new appraisals and open the total bonus range to each individual, so that past performance gives no assurance of future total pay or bonus.[33]

Although bonuses are usually identified with profit-making organizations, a number of human service organizations (especially those that do not

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have unions or do not operate under civil service restrictions) have some flexibility in providing bonuses. For example, a career counselor might receive a bonus for placing an extraordinary number of clients in jobs.

A bonus sends a message that the salary an employee earns is based strictly on demonstrated competencies and effort in the current job.[34] It likely has more impact if it is given all at once; a lump sum of $500 has greater significance than $10 payments spread over 50 weeks. Increasingly, private sector companies are establishing bonus plans based on specific performance goals.[35] With the expansion of performance contracting, some human service organizations establish a base salary and one-time bonuses based on producing service units beyond a specified threshold.

Consider this variation on the use of a bonus that motivates staff to *sustain* positive work behavior. Staff receive a bonus in recognition of the work done in Year 1. Their base pay remains unchanged in Year 2, but at the beginning of Year 3, the Year 1 bonus is added to their base rate. Hence there is a one-year delay in increasing the base salary, although they are eligible for another year-end bonus. Of course, staff who do not perform satisfactorily in Year 2 do not have the bonus included in the following year's base rate.

Although there are advantages to giving bonuses, they can create problems. In the absence of clear and acceptable criteria, if only a few staff are awarded bonuses, the majority of staff who did not receive them may come to feel that a few privileged employees receive unwarranted, set-aside income that could have been spread throughout the staff. Perhaps for this reason, some organizations treat bonuses confidentially, though in doing so, run the risk of staff finding out anyway, thereby creating even more resentment.

Another potential problem is that if bonuses are perceived as a way an agency's administration can avoid paying adequate across-the-board annual increases, staff may become resentful. Staff soon catch on that their base pay rate is being manipulated. For example, instead of receiving a 4% increase, most staff in a mid-sized agency receive a 2% increase and also become eligible for a 2% performance bonus, which most receive. The next year, however, their base pay is built only on the 2% increase, and they resent that their base rate is not higher. Bonuses could paradoxically serve as a disincentive if staff sense they are being manipulated. This underscores the importance of investing considerable time with staff to clarify possible misinterpretations.

One additional concern: despite all the management disclaimers to the contrary, employees do expect bonuses to be repeated year after year. When they are not, either because of lack of discretionary money or because someone else is selected for it, staff feel let down. If they feel that they worked just as hard and were just as productive this year as previously, they may be offended by the "demotion."

A bonus plan can best function if it is clearly understood by staff, is easy to calculate, is based on definable results, involves staff in developing the plan, and results in a feeling of fairness among staff.[36] The bonus plan must operate within a context of trust between staff and management. It should

be seen as an added incentive over and above an internalized commitment to providing good service.

Unit- and Organization-Wide Pay Plans (Gain-Sharing Plans)

Gain-sharing plans, which are being used more frequently in industry, provide extra funding for particular staff if a unit within the organization or the entire organization meets or exceeds its objectives. Occasionally, a human service organization may find that it has a positive fund balance (surplus) because of staff effort to keep down expenses or raise income. The extra proceeds are then distributed to the staff as a way of celebrating the organization's achievements. This special distribution might be especially welcome if staff have gone one or two years without salary increases. Staff receive this special compensation with the clear understanding that it is not likely to occur annually.

Gain-sharing can stimulate staff to work harder and cooperate with one another. It encourages staff to make suggestions on improving economies and to share ideas that can lead to more effective programs.[37] It works best in a climate of involvement among all levels of staff.[38] Some organizations encourage units to establish group objectives, and if these are met or exceeded, members of the unit receive funding. At a Veteran's Administration Hospital, for example, a unit decides to provide bus tickets for clients instead of having them rely on special transport service, thereby saving the VA thousands of dollars and earning the unit that suggested this idea a group bonus.

In some organizations, one or more units may generate income above and beyond the costs required to run the unit. By selling the organization's products or services or raising new endowment funds, staff may feel that they, and only they, should receive special financial rewards. This presents a dilemma that some organizations handle by stipulating a certain minimum income expectation; beyond that, members of the unit do receive rewards. Other organizations, in keeping with their culture, never provide special rewards based on the expectation that some units will produce income, while others produce non-monetary beneficial results.

The Impact of Monetary Rewards

In the absence of empirical evidence, it is difficult to know unequivocally the extent to which special monetary rewards motivate behavior. For those staff who are self-starting, achievement oriented, and willing to put in extra time, monetary rewards are appealing. For those who want to leave at 5:00 P.M., give a good day's work, not over-invest, and be valued for their seniority,

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financial incentives may not be significant motivators. What may be satisfying and motivating to one person may be stressful and discouraging to another.[39]

In some organizations, highly committed staff may claim they are not primarily motivated by the money incentive, although they like receiving the lump sum bonus. They strive for a good evaluation; for them money is a way of keeping score and a gauge of how well they are doing. What may be most important to committed staff is that they are paid fairly and are earning a competitive salary compared with others doing similar work.

Because research on the impact of using money as a reward for productivity is limited, organizations may need to consider experimenting with their compensation systems.[40] Using pay as an incentive requires thoughtful and deliberate examination of its potential positive impact on staff as well as its possible pernicious consequences.

The implication of this discussion is that financial rewards can work in certain human service organizations where the cultural values are conducive to it. Financial incentives can induce achievements where (a) staff have participated in their creation, (b) staff accept the idea that they can be rewarded on a graduated basis, (c) increased efforts can potentially be translated into higher income for the organization, and (d) objective measurements can distinguish staff performance.

A pay incentive system should not be used for every organization. It should not be undertaken if performance is difficult to measure in any objective way, if staff are likely to feel the payment system is unfair, if staff have limited control over outcomes, or if financial constraints limit the amount of money that is available.

Because the availability of funds is such an important factor in a PFP system, it warrants special attention. In for-profit organizations, if employees work harder, they presumably attract more customers, and consequently there are more profits to be shared. But in human service organizations, staff do not necessarily reap the rewards of hard work because "customers" often are not able to pay the full cost of services. The organization relies on third-party payments, usually in the form of public funds, insurance, and private donations.

Organizations receiving reimbursement from external funders that require results as a condition for payment (performance contracting) may find pay incentives to be a useful approach (see Chapter 12). Just as the organization itself can be rewarded for achievements by its funder under a performance contract, so too can those super-achievers be rewarded by the organization. For example, if an organization is in the business of placing low-income persons in jobs and its county department of human services provides funding on the basis of the number placed in a given quarter, then when the organization exceeds its goals and is funded at a higher amount, it can pass this extra funding on to staff. Of course, the reverse can be true as well: if the organization does not achieve its goals, then staff may have to face a cut in pay.

When an organization is committed to pay incentives but has only a limited pool of funds to distribute, then the actual amounts high-performing staff receive may be more symbolic than substantive. The pay difference could amount to only $200, hardly enough to be felt over a period of 50 paychecks. Some would argue that such increases are too small to have an impact on staff motivation, particularly given the potential of PFP to damage the self-esteem of those who do not receive a pay increase at all.[41]

Rather than thinking of pay incentives as an "either-or" system, consider their possible use on a continuum. For some organizations, rewarding a few outstanding individuals on an occasional, ad hoc basis may make sense within the context of a job classification system that provides most of the staff with across-the-board raises. For other organizations, an ongoing bonus program can provide lump sums to outstanding individuals without increasing base salaries. Still other organizations can establish a formal pay incentive system that applies to some, but not all, positions within the organization. Moreover, some organizations may develop an appraisal system that combines the subjective judgments of supervisors with the achievement of concrete, measurable objectives. Finally, some human service organizations could develop an elaborate point system that qualifies everyone for PFP on a graduated basis. There will no doubt continue to be considerable experimentation occurring in human service organizations. Effective managers must consider both positive and negative aspects of pay incentives before embarking on a course of action.

Symbolic Rewards

Because compensating staff for accomplishments may present special difficulties, human service organizations should consider other ways of rewarding staff for their performance. The values and the ethos of the organization may require it to use nonfinancial or symbolic methods of influencing employee behavior. Rewarding good performance increases the likelihood that it will continue and provides long-term benefits for the organization.[42]

Because feelings about rewards can be highly subjective, it is important to tune in to what is important to various staff. For instance, a "Worker of the Month" award may motivate paraprofessional staff but may be inappropriate for higher level program specialists in the same organization. Inviting staff to a dinner with the boss may cause some staff to feel anxious, whereas others may welcome it as a special opportunity.[43]

Of course, while employees' wishes are important, the reward system must also consider the needs of the organization. For example, staff may express a preference for time off as a reward for a job well done. But because productivity suffers when good people are given too much time off, staff and management may need to agree upon other rewards.

Rewarding productive behavior need not wait for final achievements, such as the completion of a project. People need to feel that they are making

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good progress toward achieving an objective. Celebrate milestones on the journey toward the major goal.[44] When acknowledging staff progress, observe more than just the superstars. There are plenty of people backstage—accountants, receptionists, support staff—whose daily acts are worthy of praise. Your attitude should be one of "let's catch people doing something right."[45] It is an unfortunate part of workday experiences that people receive little acknowledgment for doing a good job. Informal, ongoing pat-on-the-back expressions of appreciation can be done regularly and are always welcome.

Some organizations establish a "complimentary interview" procedure in which the employee receives formal commendation for superior performance.[46] Other organizations encourage the practice of sending thank-you notes. An especially good newsletter, an outstanding report, or the delivery of services under trying circumstances are the kind of events that warrant written notes of acknowledgment. Many organizations provide an annual awards program that acknowledges staff in various units for their work. Effective managers make these formal ceremonies a priority in their busy schedules to recognize those staff who have made special contributions. Whether structured or informal, if the appreciation is sincere and based on noteworthy achievement, then you cannot err by giving too much praise.

To avoid the monotony of providing rewards on a routine basis, consider altering the pattern by spontaneously and intermittently proffering symbolic rewards—taking a staff member to lunch, buying a small gift of appreciation, acknowledging their good performance to their peers in the next staff meeting. When staff are truly surprised by thanks, they appreciate it all the more.[47]

Sometimes, unfortunately, a meaningful acknowledgment practice dies out because of the lack of commitment to continuing it. Too many offices have half-filled Employee of the Month plaques adorning the walls because new administrations discontinued the practice.

One way to provide staff with formal public acknowledgment is to have them make a presentation of their work to the board of trustees or to public officials. Providing them with this audience allows them to gain recognition in the community because it broadens the circle of significant people who are aware of what they have done. Giving staff this opportunity assumes they have the confidence and communication skills to make a good presentation. If they do not, it could backfire.

Here are some other ways to recognize performance:[48]

- An important assignment
- A celebratory party for a department's accomplishment
- A gift certificate for merchandise
- Modest financial rewards (e.g., $50)
- An article about their accomplishments in the organization's newsletter
- A status symbol, such as a new title or a special parking spot

- Assignment to serve as acting head of a unit in the supervisor's temporary absence
- Opportunity to attend workshops and conferences
- A memo to your own boss citing your subordinate's accomplishment
- A move to a more prestigious office
- Appointment as chair of a special project
- An informal breakfast with the Executive Director and one or more staff members who have done something special
- Encouragement of coworkers to post congratulatory notes on a "thank you" bulletin board to acknowledge helpful deeds
- Provision of a "personal touch," such as bringing flowers from your garden or homemade cookies, which conveys special personalized appreciation
- Staff invitation to an important meeting

The issue of non-monetary rewards may seem to be a self-evident one, but unfortunately many organizations fail to regularly give any appreciation to staff for the work they do. Effective managers in highly productive organizations give considerable attention to this issue. As Peters and Waterman indicate in their study of profit-making organizations, "We were struck by the wealth of non-monetary incentives used by excellent companies. Nothing is more powerful than positive reinforcement. Everybody uses it. But top performers, almost alone, use it extensively."[49] Through explicit acknowledgment of successful performance, you reinforce the notion that staff are winners and, in all likelihood, this will enhance their sense of self-worth and encourage continued high performance.

Questions for Discussion

1. What kind of appraisal form (graphic rating scale, behaviorally anchored rating scale, critical incident report, or management by objectives) does your agency use? How would you modify it?

2. What has been your experience with appraisal conferences? What have you found to be most (or least) helpful?

3. How would you conduct an appraisal interview of a staff member who has been with the agency for two years and who does a generally good job but who rarely completes reports on time?

4. What compensation system is used in your agency—job classification, skill based, pay for performance, bonus and/or gain sharing? What do you see as the advantages or disadvantages of your organization's system?

5. Would you recommend pay for performance in your organization? Under what circumstances would it work?

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6. Do you think bonuses would benefit your organization? How could they be set up?

7. In what non-monetary ways does your organization communicate its appreciation for staff accomplishments? What more could be done?

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PART III

Enhancing Agency Survivability

In this part you will learn how to

❖ Prepare a budget

❖ Monitor income and expenses

❖ Determine managerial budget decisions based on variances

❖ Consider a variety of cost-cutting measures

❖ Develop specific approaches to resource development, including writing a case statement, preparing an annual fund drive, working on a capital campaign, soliciting major gifts, raising funds from corporations, mounting a planned giving campaign, conducting special events, using the Internet to raise funds, and developing a business plan

❖ Write an effective funding proposal

❖ Review criteria that funders use to evaluate proposals

❖ Seek funding from foundations and government agencies

Managing Agency Finances

Understanding the Budgeting Process

No matter how well you perform your non-financial managerial responsibilities, if the "money is funny" and if the budget is off kilter, you are heading for trouble. In a turbulent economic environment, human service managers must develop a keen understanding of the budgeting process to manage their resources more effectively. This chapter reviews the budgeting process to help you provide better managerial oversight and gain managerial mastery over agency finances. Subsequent chapters focus on ways to increase revenues.

A *budget* is a plan for anticipating income and expenses to achieve specific objectives within a certain time period. To mount an effective budgeting process, you need to consider past financial experiences, be aware of current information about organizational programs, and identify future assumptions. Budgets guide you in implementing policies, allow you to determine the organization's financial health, give direction for acquiring and using resources, anticipate operational expenses and the income needed to pay for those expenses, and offer ways to control spending to avoid deficits.[1] A financial plan should be integrated into the overall strategic planning process undertaken by the organization.[2]

The budgeting process should involve the perspectives, priorities, and needs of several constituencies: the board of trustees, staff, donors, clients, and public officials. Budgeting is also an ongoing process; data are continuously being gathered and analyzed, and projections and assumptions are continually being revised. New information can lead to budget changes.

Human service agencies use several different budgeting formats to reflect projected income and expenses. These formats are not mutually exclusive and can be combined in various ways. The most commonly used budget formats are *line item, performance, program, support services (administrative), operating, incremental,* and *zero-based*. In addition, it is important to understand the categories *capital budgeting* and *cash flow budgeting* to be discussed subsequently.

The *line-item budget* is widely used in both public and voluntary human service agencies because of its simplicity in reporting. It allows for managerial oversight for the agency's overall income and expenses, but does not attempt to distinguish income and expenses related to specific programs. Nor does it provide sufficient information about how various programs are faring in relation to the intended objectives.

Performance budgeting relates agency expenses to program units of service.[3] For example, if the total program cost for counseling services for a fiscal year is $200,000, and the agency provides 5,000 counseling hours, then the cost per counseling unit hour is $40. Performance budgeting provides an understanding of the productivity and efficiency of a human service program. Calculating an agency's cost per unit of service helps an administrator better understand and control costs.

Program (outcome) budgeting systems require dividing the total cost for the fiscal year by the number of outcomes to achieve a cost per outcome.[4] For example, if the total cost for a homemakers' services program for the fiscal year is $50,000, and the agency maintains that 100 clients are able to remain in their own homes as a result of the program, then the cost per client outcome is $500. Through program budgeting, an agency can translate increases and decreases in agency funding to increases and decreases in its ability to impact the lives of clients. Many agencies strive to achieve outcome performance measures, but these are difficult to develop, and reporting performance outcomes continues to be an elusive goal. As noted in Chapter 3 on designing programs, some outcomes are long-term and not necessarily compatible with an annual budget timeline.[5]

The *support service (administrative) budget* involves expenditures required to administer agency services or to conduct fundraising activities for the entire organization. The *operating budget* is a composite of the program budget and the support services budget. The budget model shown in Table 12.1 reflects a combination of line item, program, and operating budgets.

Most of the organization's expenses should be related to program services. The agency's funders want assurance that by far the greater portion of the budget is devoted to programs rather than to support services. The operating budget of the Hypothetical Agency Inc. totals $1,176,600. Of this amount, $358,700 is devoted to support services, which represents 30.5% of the total budget ($358,700 ÷ $1,176,600). To some outside funders, devoting 30.5% of the total budget for support services may seem excessive unless it can be justified that extraordinary fundraising expenses are being incurred for future development of the agency. There is no magic formula for the proper balance between support services and program services, though many outside funders prefer that support services be under 20%. Whatever the percentage, managers need to make a case to justify the amount being spent on administration and fundraising. Both management and the board need to focus on this issue.[6]

Table 12.1 Hypothetical Agency, Inc. Operating Budget

Hypothetical Agency Inc.
Operating Budget - Expenditures 20XX

	Program Services ($)					Support Services ($)		
	Day Care	Foster Home Care	Counseling	Total		Management & General	Fundraising	Total

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Table 12.1 Hypothetical Agency, Inc. Operating Budget

Hypothetical Agency Inc.
Operating Budget - Expenditures 20XX

	Program Services ($)				Support Services ($)			Total Agency
	Day Care	Foster Home Care	Counseling	Total	Management & General	Fundraising	Total	
Salaries	$121,000	$73,300	$210,000	$404,300	$120,300	$87,400	$207,700	$612,000
Fringe Benefits & Payroll Taxes	34,100	18,600	57,600	110,300	28,300	24,100	52,400	162,700
Total Salaries & Fringe Benefits	$155,100	$91,900	$267,600	$514,600	$148,600	$111,500	$260,100	$774,700
Supplies	29,300	18,300	3,600	51,200	5,000	4,900	9,900	61,100
Telephone	19,600	2,900	3,500	26,000	4,000	10,100	14,100	40,100
Postage	7,000	3,700	9,700	20,400	2,100	21,200	23,300	43,700
Occupancy	47,100	17,800	25,700	90,600	4,400	3,500	7,900	98,500
Equipment	8,700	3,300	3,200	15,200	4,200	2,000	6,200	21,400
Printing	12,700	12,800	14,900	40,400	1,400	6,600	8,000	48,400
Travel	2,700	5,100	5,700	13,500	6,000	3,600	9,600	23,100
Conferences	1,400	2,400	7,100	10,900	11,000	1,900	12,900	23,800
Membership dues	700	400	0	1,100	0	0	0	1,100
Insurance	12,200	9,500	7,300	29,000	1,800	1,100	2,900	31,900
Depreciation	1,600	1,900	1,500	5,000	2,000	1,800	3,800	8,800
Total Nonsalary	$143,000	$78,100	$82,200	$303,300	$41,900	$56,700	$98,600	$401,900
Total Expenditures	$298,100	$170,000	$349,800	$817,900	$190,500	$168,200	$358,700	$1,176,600

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An *incremental budget* involves increasing (or decreasing) the various budget items by a small amount year after year. Agencies with a fairly stable funding base typically practice incremental budgeting. For example, depending on inflationary or other circumstances, expenses such as salaries or utilities could increase (or decrease) 2 to 4% annually.

A *zero-based budget* (ZBB) is based on the premise that annually every program and every item starts from zero. It requires managers to assess whether each particular activity or unit should continue; they must justify each item, rather than merely build incrementally on the previous year's budget. Perhaps a particular unit should be discontinued, or at least modified in some major way. Nothing is taken for granted. If a program or item can be justified, however, it is included in the budget.

ZBB can be threatening to both managers and staff since it involves critical challenges to the budget and possible radical change. Moreover, cost calculations based on detailed information must be made available, which is not always possible. Despite these problems, ZBB disciplines managers to explore more options than they would if they limited themselves to incremental budgeting. Many managers use a modified form of ZBB: most of the budget is done on an incremental basis, but certain program expenses are identified for closer scrutiny and challenge.

Capital budgeting requires fairly large, one-time expenditures for such items as major building repairs, equipment purchases (e.g., computers or furniture replacement), or buying agency vehicles. Usually, capital projects entail making an expenditure in one year, though the income needed to support the expenditure may be set aside for several years either before or after the actual expenditure. For example, the organization might anticipate needing to set aside money for the next three years in order to pay for an expected major roof repair. The value of developing a capital budget is that it helps alert the organization to future major expenditures for which fundraising or long-term borrowing may be necessary.[7]

Cash flow budgeting records the difference in the amount of actual cash coming into the organization and the amount of cash expended. This kind of budgeting requires agencies to project the schedule of actual revenues and expenses and is essential to both the day-to-day and long-term fiscal health of an organization. When income lags behind expenditures, the agency could experience a crisis. For example, if an agency is not reimbursed for its contracted services for several months, it could experience a cash flow problem.[8] Under these circumstances staff salaries and other expenses need to be paid from some other sources while waiting for cash reimbursement. *Negative cash flow* occurs when a gap exists between projected disbursements and cash on hand. Conversely, when more cash is available than is needed, the agency experiences *positive cash flow*.

During those times when negative cash flow is expected, the organization needs to generate more cash, reduce cash outlays, or both. A projection may show, for example, that a negative cash flow will exist in the seventh and

tenth months of the year. Knowing this, managers may delay purchases, move up the date for planned fundraising, consider short-term borrowing, or transfer funds from reserve accounts, if available. Suppose, for example, that managers anticipate a shortfall of $20,000 in July, but know that the August fundraising event will likely raise net income of $40,000. Managers could delay paying major vendors until September.[9] By having a cash flow projection, the agency has an early warning mechanism to prevent cash reserves from becoming too low to meet cash needs.

Obtaining credit from a bank to cover expenses should be a short-term measure of last resort and be based on the full confidence that funds will be forthcoming to cover expenses (plus interest on the loan).[10] A chronic cash flow problem indicates the organization is continuously spending more than it is raising—with no end in sight. This is irresponsible and could affect the agency's survival. Irresponsible managers sometimes finance their over all deficit with money earmarked for special programs. For example, they obtain a two-year foundation grant to provide a special counseling service, but then use that money to pay for current expenses in the hope that other money received later will provide funding for the foundation-supported program.[11] Sooner or later this "borrowing from Peter to pay Paul" gets the agency—and the managers—into serious trouble. Cash flow projections provide oversight for agency management so that it can avoid getting deep into debt and meet its contractual obligations. It is thus an effective procedure to conduct cash flow projections for the entire upcoming fiscal year and then update monthly projections throughout the year.[12]

Understanding Types of Income and Expenses

Managers should understand the following basic income and expense terms used in fiscal management:

Unrestricted funds are not tied to any specific purpose. A funding source permits the agency to use its funding in whatever way deemed appropriate, and the agency can make a decision about how and when to expend unrestricted income. For example, it can reallocate funding from one budget item to another. Money raised through the annual campaign or membership dues falls into this "no strings attached" category.

Donor restricted funding means donors have specified instructions on how the funding is to be used. For example, those setting aside money in their wills may restrict funding for certain purposes, such as a scholarship fund. Annual contributors may also designate that their pledges be used for specific programs. Cash-strapped organizations may be tempted to use restricted funds for current general operating purposes, but nothing is more likely to damage an organization's reputation than for it to use restricted funds for purposes other than those specified by the donor.[13]

Contract or *grant funding* also restricts funding for specific purposes. Those served by the program may have to meet eligibility requirements, expenses may be limited to those specifically identified in the budget proposal, and approvals may be required to modify the budget. The organization may be audited to ensure compliance with funding requirements. Sources may be public or private funding or agencies.

Income from service or business activities can involve fees charged for services rendered. Usually based on a sliding income scale, the aggregated income is calculated based on previous years' experience. A tax advisor may be necessary to determine whether taxes need to be paid on income derived from products or services that may be deemed to be unrelated to the main purpose of the agency (see Chapter 14). *Asset generated income* can come from existing assets, such as investments or rental income.

Endowment income could be unrestricted or restricted funding. These are funds established by donors in a specific name, for example, the Smith Family Endowment Fund. Funds may be designated in several ways: 1) endowment in perpetuity—the principal of the fund may never be expended; 2) time limited endowment—the principal may be expended after a given date or time period; 3) general endowment—the principal may be expended either upon passage of an event or at agency discretion (see Chapter 14).

Pledged income involves anticipated income over a period of time. People do not always pay what they have pledged, and therefore the budget must factor in a percentage of uncollectible pledges and periodically be updated based on an evaluation of whether pledges are being honored.

Cash or in-kind matching funds can take the form of a challenge grant, which requires the agency to raise a certain amount in order to be eligible for additional outside funding. A noncash or in-kind matching gift involves goods, facilities, services, or equipment worth a specified amount to support a program. This matching share would be included in the budget with the method of determining value indicated.

Accounts receivable are revenues earned by a human service agency but not yet received. For example, an organization provides mental health counseling and at the end of the month bills the mental health board. A receivable is recorded for the amount of the billing. When the actual cash is received, the accounts receivable item is removed. *Accounts payable* are moneys owed by the agency to a vendor but not yet paid.

Cash and *accrual accounting* are two different methods of financial bookkeeping. *Cash accounting* means that transactions are recorded only when cash is received and only when cash is paid out. The preferred method is *accrual accounting*, which means that transactions are recorded when revenues are earned (even though the money has not yet been received) and when expenses are incurred (even though they have yet to be paid). Accrual accounting provides a more complete financial picture, and the agency avoids being surprised about transactions that will not be discovered until funds are actually received or paid out.

Fixed revenues are based on a constant income flow, commonly referred to as "hard money." Examples include regularly received income from United Way or interest from an endowment fund. *Variable revenues* fluctuate from year to year. Revenue from special events, foundation grants, and annual pledges are considered variable or "soft money."[14]

Fixed expenses are calculated using recurring expenditures, for example, staff salaries, fringe benefits, payroll taxes, and rent. *Variable expenses* fluctuate, depending on the increases or decreases in services used. Changes in supplies and travel could depend, for example, on the kind and frequency of programs the agency provides.

It is a good idea that fixed expenses be funded by fixed income sources such as income from endowment or reasonably assured government funding. Similarly, variable expenses should be matched with variable revenues.[15] For example, if staff are hired to fulfill a two-year foundation grant, their salaries are tied to the length of the grant. When the grant runs out and there are no other sources of funding, these staff may need to be laid off.

An *indirect cost* is any cost in an agency's budget that benefits two or more programs. Sometimes an indirect cost is referred to as a *shared cost* or an *overhead cost* because the item is shared by two or more programs.[16] The process of assigning indirect costs to programs is called *cost allocation*. Three methods can be used to determine indirect costs. One method is based on tracking as precisely as possible the actual indirect costs of each program. For example, each program keeps track of its copying expenses. Timesheets used by the accountant and the executive director indicate the specific amount of staff time allocated to each program. The problem with this approach is that not all expenses are covered. For example, how would one allocate costs for the hallways, conference rooms, and local phone calls? Because it is difficult to track all expenses and because precise recordkeeping can be time consuming, most organizations prefer one of the two other methods.

The *total indirect costs* method uses a ratio of indirect costs to direct costs. For example, if the total indirect cost in an agency's budget is $20,000 and the agency's total budget is $100,000, then the indirect cost is 20%. If the homemakers' service program is $25,000, then the indirect costs attributed to this program is $5,000 ($25,000 x 20%).

The *salaries and wages* method is another common cost allocation method. This is because, in many agencies, about 80 percent of the total program cost relates to wage costs, which is an easy figure on which to determine indirect costs. Suppose that the agency determines that indirect costs should amount to 25% of salary costs. If the homemakers' service program salaries amount to $16,000, then the indirect costs attributed to this program is $4,000 ($16,000 X 25%).

The specific method used to determine indirect costs should be made after discussion with the agency's accountants, auditors, and funders. It is

particularly important to obtain clarification from government agencies that might be funding the organization on their preferred or required method of cost accounting.

Break-even Points. Budgetary decisions related to one-time agency activities, such as workshops, special events, or training sessions, are concerned with establishing cut-off points. These involve go/no-go decisions in which a guaranteed minimum number of service units must occur or the activity is cancelled. For example, if an agency wants to provide a training session for 50 participants, and it needs a minimum of 25 participants in order not to lose money (break-even point), then if the count came in at 20 persons, it could decide to call off the session.[17]

Fund Balance (Reserves). In accounting terms, what you own are designated *assets.* Examples include cash, investments, and office furniture. What you owe are *liabilities.* Examples include the organization's debts, such as obligations due to creditors involving loans and accounts payable. The net worth of an organization is determined by subtracting its liabilities from its assets. At the end of a year if an organization has more assets than liabilities, this is referred to as *net assets, reserves,* or *fund balance.* (Note: In the profit-making world, this is referred to as a *surplus.*)

A more conservative and useful definition of fund balance is current liquid assets (cash and assets that can be readily converted into cash) minus current liabilities. Nonprofits usually express reserves or fund balances as a percentage of a fiscal year's total operating expenses. Thus if an organization has $12,000 in liquid reserves and its annual operating expenses are $300,000, it has reserves of about 4%. Each organization has to determine a reasonable amount to have in its reserves to meet unforeseen increased expenses or decreased revenues.

Internal Revenue Service (IRS) Form 990. Every 501(c)(3) private, nonprofit human service agency must file an IRS Form 990 annually showing its financial activities for the fiscal year. This same information can be found in an agency's statement of financial activities (profit and loss summary) and statement of financial position (balance sheet). Both the IRS and individual states furnish copies of an organization's Form 990 to anyone who asks. Form 990 has become the major information source for public accountability. Note that there are now Internet sites, for example www.guidestar.org, that distribute information submitted on the Form 990. The significance of this is that funders can easily learn about your organization's operations. Information on the Form 990 includes the roster of board members, sources of revenue, expenses by category, value of assets held, investment performance, fundraising costs, and compensation of the five highest-salaried employees.[18]

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Conducting the Budgeting Process

Preparing an Organization-Wide Budget

Organizations with multiple programs require an organization-wide budget. This budget involves all income and expenses needed for the coming year, including the cost for employees, programs, facilities, and all other elements necessary to carry out the organization's activities.

The size and complexity of an organization determines the extent to which the budget resembles a pyramid with each level representing a budgeting unit or cost center. For example, the lowest level involves all agency programs. The second level involves the department budgets of which they are a part. Finally, the organization-wide budget is at the top of the pyramid. Each agency determines how many cost centers (i.e., primary fiscal units) it wants to keep track of. Each of these self-contained cost centers has an income and expense budget.

To establish an organization-wide budget, consider the following steps:

Step 1: Set organizational objectives. The fundamental purpose of an overall budget is to help the organization achieve its goals and objectives. The budget is a means to an end, not an end in itself. Hence the organization must first determine what it wants to accomplish and then build a budget to help achieve its objectives (see Chapters 2, 3, and 4).

Step 2: Establish organizational budgeting policies and procedures. Prior to setting income and expense targets, it is important to establish responsibilities and timetables in a budgeting schedule. Determine who is responsible for collecting data on income and expenses. Also discuss with the board of trustees or public officials what your overall budgeting parameters are. Develop guidelines about staff expansion or reduction, make estimates regarding inflation, and anticipate certain organization-wide extraordinary expenses.

You must also determine the dates of your *fiscal year.* Many organizations select a fiscal year that coincides with the receipt of major funding. For example, if major funding is from the federal government, the fiscal year might be from October through September. If the organization provides most of its programming during a certain part of the year, then it may select a fiscal year that closes after its busiest season. An agency providing a day care services program that ends in June might select a fiscal year that begins on July 1.

Step 3: Set annual income and expense targets for the entire organization. This initial calculation provides the units with an advance understanding of income that is either available or can be expected for the coming year. The projected expenses give guidance to the units on the upper limits of expenses that they may incur.

Step 4: Each unit establishes draft budgets that indicate its priorities. Reflecting an incremental budgeting process, some organizations require departmental units to prepare three variations of cost center budgets for review. Draft Budget A reflects no changes from the previous year's budget. (Such a remain-even budget, however, actually may experience reductions in some items to account for automatic inflationary increases in other items.) Draft Budget B represents an incremental increase (e.g., 5% increase). Draft Budget C represents a percent decrease (e.g., 5% decrease). This review of options allows managers to assess the consequences of budget variations. Unit managers relate their budget to program objectives and also supply a rationale for major changes in the projected budget compared to the current year's budget. For example, a program manager would justify significant changes in salaries, supplies, travel, and printing. Detailed information justifying projected costs for any new or expanded programs or positions must be provided. Hence unit managers must do considerable homework to justify expenses in their program budget.

Step 5: The management team proposes a budget for board approval. When all the program draft budgets are received, the finance staff prepares a summary for management staff so they have an idea of the resources needed for the total budget. The agency director then determines if the draft budgets must be trimmed prior to sending the budget to the board or public officials for approval. These recommendations are based on calculations of income and expenses, aggregated for each unit. If the organization is a nonprofit, the board's finance committee carefully scrutinizes this projected budget prior to making recommendations to the agency's board of directors. In the public sector, a budget officer examines the agency's budget prior to review by decision-making public officials. Where conflicts exist, the management team works with the finance committee to resolve them.

Developing Program or Unit Budgets

In some agencies financial statements are closely guarded secrets, with staff often being told mysteriously that a request cannot be honored because "it's not in the budget." Other organizations, however, place great emphasis on *bottom up* program budgeting based on the assumption that staff nearest to providing direct services can and should have a deep understanding of goals, objectives, policies, rules, and budgets that produce a defined product or service.[19] This approach is in contrast to the concept that top management always knows best.[20]

Four components are essential for "bottom up" budgeting to work:

1. Train staff to read financial statements. They may be puzzled at first about certain elements, but they can learn easily how the agency is working to balance its budget and remain financially viable.

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2. Give staff responsibility to develop budgets and the authority to spend that budget. This assumes that people who provide services know what they need to do their jobs. Staff would feel more involved, experience ownership of their work, and be motivated to achieve their objectives. Over time, staff who might feel overwhelmed initially by the responsibility of proposing and managing a budget grow in their confidence to make the right decisions.

   Example: In a children's institution, staff assigned to cottages are given budget responsibility for such items as food, allowances, monthly personal needs shopping, weekend recreational activity money, clothing, and birthday celebrations. Over time, they begin to see where they need to adjust their spending patterns so that they can purchase high-priority items.

3. Base risk and reward on successful accomplishment (or failure). When staff spend less or bring in more income than was budgeted, they can use the additional net income for purposes they designate. Drawing from the previous children's institution example, net savings can be used for a special event, such as an amusement park outing. If, on the other hand, staff incur debts for a given month, they would have to make cuts to their plans for the coming month. Staff must then explain their decisions and may have to carry forward the deficit to the next year, resulting in a reduction for the following year. Establishing a risk and reward system encourages staff to put the extra effort in to save money or bring in new income.

4. Provide for regular monitoring and share information openly. Staff need to be informed about how they are doing. Where there are major deviations from the agreed-on budget, determine with staff why this is the case and what can be done about it.

These suggestions for involving staff in "bottom up" budget planning can be tried on an experimental basis with certain programs and, if successful, can be spread to other parts of the organization. Identify those units that are most likely to succeed before expanding to additional units.

Relating the Unit's Budget to Its Work Plan and Objectives

Whether organization-wide or related to a particular unit, a budget is a means by which the organization accomplishes its objectives, and therefore there must be a clear connection between the budget and a work plan. Recall the chapter on implementing objectives and the timeline chart on foster care recruitment (Chapter 4, Figure 4.2). In spelling out the details of activities to be carried out to achieve foster care placements, the manager and staff need to document expenses that may be involved, such as personnel, supplies, transportation, and equipment.

It is a good idea to provide a budget justification or documentation of costs, especially if the cost item is unusually large or may be open to question. For example, if travel expenses are high, you might need to indicate how staff mileage was derived and why out-of-town trips are essential to achieve program objectives. Personnel costs should be based on the going rate other agencies are paying for staff in those categories. This can be determined in consultation with other agencies, through the local governmental funding body, or the local United Way.

Prior to estimating budget expenses, a program manager would determine various policy decisions affecting these expenses. Is there to be an increase in salary for all positions or just designated ones? Is overtime permitted? Would part-time staff be brought on? Should all positions in a new program be budgeted for the entire year or just part of the year? Clarifying policy decisions and budget assumptions makes the budgetary process more efficient.

Projecting fringe benefits requires review of applicable state and local laws affecting minimum benefits. Use government publications to identify the employer's share of Social Security, Medicare, and unemployment insurance. Insurance carriers can provide estimated costs of health, life, and worker's compensation insurance.

Estimating other operating costs involves review of leases and contracts, estimated price changes in services and supplies, and estimated annual rate of inflation. If significant cost increases are projected (e.g., printing costs or travel expenses), obtain specific estimated increases. If a significant expansion is expected in a particular program, estimate the costs involved in that expansion. Prepare an annual summary of major changes.

In developing the budget, managers must pay attention to pricing services in order to assure proper reimbursement for actual costs. Because funders may not reimburse for overhead expenditures and instead only reimburse for costs directly related to the project, you may find that you are actually under-pricing your services. If you have no other means of subsidizing the service, then you may need to decline the project.[21] For example, an agency is offered the opportunity to provide counseling services to severely disturbed, substance-abusing youth. Each adolescent is to receive three intensive counseling sessions per week, which the agency estimates to cost a total of $150 ($120 direct costs + $30 indirect cost). The contracting agency, however, can only provide $100 per adolescent per week, $20 short of the direct costs and $30 short of the indirect costs. As much as the counseling agency wants to provide the service, it decides not to because of the discrepancy between cost of service and revenue. The agency does not have sufficient funds from other charitable contributions to make up for the shortfall.

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Using the Budget as a Management Tool

Monitoring and Modifying Budgets

The best way to monitor a budget is to systematically compare the projected organization managers' budgets to actual financial reports. You must identify income shortfalls, expense overruns, or operational problems that require corrective action. By receiving reports on a monthly basis, you can focus on discrepancies or variances that invite closer scrutiny. If these variances are identified early enough, mild corrections, such as postponing filling a vacant position, deferring nonessential purchases, or looking for new sources of revenue, may be possible. If, however, the variance is large or discovered late in the year, more severe action may be required, such as reducing staff.[22] It is critical that the organization take action immediately when major variances between budgeted income and expenses are discovered. Most problems only worsen over time, and delays can lead to serious deficits and potential difficulties with funders. (See discussion at the end of this chapter on ideas for cost reductions.)

During the course of the year as you obtain new expenses and income information, you should revise your budget estimates. For example, if an anticipated program is not funded, then the income and expenses connected with that program would be eliminated from the budget. Similarly, if an unanticipated new program is acquired during the year, then the revised budget would contain new income and expenses. The organization should determine in advance how programs are to be modified and who has approving authority.

Managers need to guard against two dangers in reviewing the budget on a monthly or quarterly basis. The first is giving equal attention to all items, no matter how small the variances. This can be an overwhelming task. The second is not paying sufficient attention to the most important variances requiring managerial attention. The best way to manage a budget review is to conduct a *variance analysis* that helps you determine which variances require special attention. If you develop a percentage figure that indicates the degree of fluctuation you can tolerate, then reviewing income and expenses using that figure guides you in taking corrective action.[23] Using Excel, Peachtree, or other spreadsheet programs can assist in predetermining threshold percentages or dollar amounts requiring possible corrective action.

Closely examine the two tables that follow. Table 12.2 is based on a one-month comparison of actual income and expenses to budgeted income and expenses for a Family Counseling Program, which is one of five programs in the Hypothetical Agency. Table 12.3 is the Hypothetical Agency's Revenue and Expenditures Report for the month of March and the quarter ending March 31, 20XX.

Table 12.2   Family Counseling Program Budget

Family Counseling Program
Statement of Revenues and Expenditures
(Budget to Actual)
for the Month Ended January 31, 20XX

	Actual	Budget for January	Variance Amount	Variance Percentage
Revenues				
Fees	$1,900	$2,500	($600)	(24.0)
Juvenile Court fees	6,100	8,100	(2,000)	(24.7)
Medicaid	12,000	15,000	(3,000)	(20.0)
United Way	2,000	2,000	0	0.0
Total Revenues	$22,000	$27,600	($5,600)	(20.3)
Expenditures				
Salaries	$14,000	$12,000	($2,000)	(16.7)
Fringe benefits	2,500	2,200	(300)	(13.6)
Supplies	400	360	(40)	(11.1)
Telephone	520	420	(100)	(23.8)
Occupancy	2,100	2,100	0	0.0
Equipment	290	320	30	9.4
Printing	1,100	900	(200)	(22.2)
Travel	850	650	(200)	(30.8)
Conferences	600	350	(250)	(71.4)
Membership dues	50	50	0	0.0
Insurance	700	700	0	0.0
Depreciation	200	200	0	0.0
Expenditures before overhead	$23,310	$20,250	($3,060)	(15.1)
Administration overhead	2,300	2,250	(50)	(2.2)
Total Expenditures	$25,610	$22,500	($3,110)	(13.8)
Excess (deficiency) Revenues over (under) expenses	($3,610)	$5,100	$8,710	

Note: Parentheses indicate a negative variance

The Family Counseling Program Budget in Table 12.2 is reviewed by the manager of that unit, which has one supervisor and five staff members. Note that the budget is for one month and that the variances between actual and projected budget are shown numerically and with percentages. An unfavorable variance on the income side means that less funds were received than had been anticipated when the budget was developed. An unfavorable variance of expenses means that higher-than-expected expenses were incurred. The manager must focus on those unfavorable variances even in this first reporting month.

To calculate the percentage variance, subtract the actual amount from the budgeted amount and divide this difference by that item's budgeted amount.

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For example, in Table 12.2, the variance for salaries would be calculated as follows: a budgeted salary of $12,000, less actual salaries of $14,000, gives a negative variance of $2,000. To arrive at the percentage variance, divide the dollar variance ($2,000) by the budgeted amount ($12,000). The resulting percentage is negative (16.7%). The variance is negative because the agency overspent this line item by $2,000. Revenue variances are negative when the agency raises less money than it had budgeted.

In Table 12.2, the revenue category reveals that client fees, Juvenile Court fees, and Medicaid reimbursements are below budget, indicating negative variances must be reviewed to determine whether corrective steps should be taken. Also of concern, overall expenditures exceed the budget. The fact that staff salaries are higher than were budgeted could invite exploratory questions: Are there too many "no shows?" Are staff as productive as they could be? Can the program do with less supervisory time, thus freeing up supervisory staff to conduct billable interviews for which the Juvenile Court or Medicaid would provide reimbursement? Would special training help recently hired staff to be more efficient? Would working with the accounting department speed up Medicaid billing? Negative variances should trigger considerable managerial inquiry.

In addition, non-salary items that have out-of-the-ordinary variances must also be reviewed. Although the amounts involving supplies, telephone, printing, travel, and conferences are relatively small, this is only the first month of the fiscal year, and the manager had best review these costs before they get out of hand.

Note the item "administrative overhead," representing about 10% of expenses. Some agencies may choose not to include this as an identifiable expense; they may determine to subsidize administrative costs with endowment income, fundraising events, or annual campaigns (see Chapters 13 and 14). In this example, the Hypothetical Agency Inc. has determined that the Family Counseling Program, like all the other units, must contribute a portion of its budget to administrative overhead. In part, the overhead is covered by United Way funding. To meet agency requirements, the manager of this unit must exceed productivity standards and raise the amount generated from billable hours, discontinue non-fee generating staff (e.g., secretarial support staff), or consider other ways to work with the agency's management to help generate additional revenue.

Table 12.3 provides the Hypothetical Agency Inc. Statement of Revenues and Expenditures (Statement of Activities) for the month ended March 31, 20XX. This report also provides year to date (YTD) information. For both the month and YTD, a variance column indicates the difference between actual income and expenses and budgeted amounts. The percentage variance reflects the degree to which the actual amounts differ from the budgeted amounts. Note that a favorable variance on the income side reflects income received in excess of the budget. A favorable variance on the expense side reflects expenses incurred below budget. Unfavorable income, that is, income

Table 12.3   Hypothetical Agency Revenue and Expenditures Report

Hypothetical Agency Inc. Statement of Revenues and
Expenditures Month Ended March 31, 20XX

| | Monthly | | | | Quarterly | | | | Annual Budget |
	Monthly Actual ($)	Monthly Budget ($)	Variance ($)	Variance (%)	YTD Actual ($)	YTD Budget ($)	Variance ($)	Variance (%)	
Revenues									
United Way	$12,000	$12,000	$0	0.00	$36,000	$36,000	$0	0.00	$144,000
Government funding	50,000	43,000	7,000	16.28	136,200	129,000	7,200	5.58	516,000
Foundation grants	3,500	12,500	(9,000)	(72.00)	36,000	37,500	(1,500)	(4.00)	150,000
Contributions	3,400	11,300	(7,900)	(69.91)	14,800	34,000	(19,200)	(56.47)	136,000
Fees	18,500	19,500	(1,000)	(5.13)	57,700	58,500	(800)	(1.37)	234,000
Total Revenues	$87,400	$98,300	($10,900)	(11.09)	$280,700	$295,000	($14,300)	(4.85)	$1,180,000
Expenditures									
Salaries	$52,500	$51,000	(1,500)	(2.94)	187,500	153,000	($34,500)	(22.55)	$612,000
Fringes & Payroll Taxes	14,900	13,600	(1,300)	(9.56)	44,900	40,700	(4,200)	(10.32)	162,700
Tot. Salaries & Fringes	$67,400	$64,600	($2,800)	(4.33)	$232,400	$193,700	($38,700)	(19.98)	$774,700
Supplies	4,000	5,100	1,100	21.57	25,000	15,300	(9,700)	(63.40)	61,100
Telephone	4,300	3,300	(1,000)	(30.30)	9,900	10,000	100	1.00	40,100
Postage	3,700	3,600	(100)	(2.78)	10,000	10,900	900	8.26	43,700
Occupancy	9,900	8,200	(1,700)	(20.73)	30,300	24,600	(5,700)	(23.17)	98,500
Equipment	1,000	1,800	800	44.44	5,400	5,400	0	0.00	21,400
Printing	5,200	4,000	(1,200)	(30.00)	10,000	12,100	2,100	17.36	48,400
Travel	2,800	1,900	(900)	(47.37)	8,400	5,800	(2,600)	(44.83)	23,100
Conferences	2,100	2,000	(100)	(5.00)	5,700	5,900	200	3.39	23,800
Membership dues	100	100	0	0.00	600	300	(300)	(100.00)	1,100
Insurance	2,700	2,700	0	0.00	8,200	8,000	(200)	(2.50)	31,900
Depreciation	700	700	0	0.00	2,200	2,200	0	0.00	8,800
Total Nonsalary	$36,500	$33,400	($3,100)	(9.28)	$115,700	$100,500	($15,200)	(15.12)	$401,900
Total Expenditures	$103,900	$98,000	($5,900)	(6.02)	$348,100	$294,200	($53,900)	(18.32)	$1,176,600
Excess (Deficiency) Revenues Over (Under) Expenditures	($16,500)	$300	($16,800)		($67,400)	$800	($68,200)		$3,400

NOTE: Parentheses indicate a negative number or percentage

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less than expected, is shown with amounts and percentages in parentheses; unfavorable expenses, that is, higher than budgeted are also shown in parentheses. For purposes of this example, the monthly budget is approximately 1/12 the annual, and the quarterly budget is approximately 3/12 the annual. In the real world, income and expense streams would be budgeted based on the best available information, rather than a mathematical formula. For example, printing expenses may be higher in certain months because of anticipated special annual report or brochure printing costs, and those months would be budgeted accordingly.

In Table 12.3 under the income category, United Way funds are being received by the agency as projected, and government funding is actually showing a favorable variance. Although fees are down by 5.13% in March, they are only down by 1.37% for YTD. Of greater concern is that both foundation grants and contributions are considerably down for the month. These losses should alert management that more effort is needed to secure grants. An aggressive contribution campaign must be mounted or else significant reductions in expenses would be required to keep the budget balanced.

For expenses, several line items do not require special attention because either the variance is favorable (i.e., the expenses incurred are below budget), or if there is a negative percentage variance, the dollar amount is low (e.g., postage, equipment, membership dues, insurance, and depreciation). Management can quickly determine which items do not require attention so that they can spend more time analyzing those items that are unfavorably out of line with expectations.

Managers should be alerted to specific items in this hypothetical budget. Although the supplies item is under budget for the month, it is considerably over budget for YTD and requires ongoing attention. Salaries and fringe benefits are only 4.33% over budget for the month, but for YTD they are nearly 20% over budget. This item should be of serious concern because of both the unfavorable percentage variance and the relatively high unfavorable dollar amount. Telephone expense for the month is considerably over budget and should require special attention even though YTD is on target. This may indicate the beginning of a negative trend. Occupancy costs are over budget for both the month and YTD, and should alert management that this is a problem that requires action. Staff travel is 47% above budget for the month and about 45% above budget for this first quarter, indicating that the allocation to this line item either has to be modified considerably or travel limitations need to be enacted.

In determining which items require special attention, you may establish certain threshold percentages, such as 5% or 10%, which would alert management and a board finance oversight committee that the budget is heading for trouble. Management could also identify certain dollar amounts (e.g., unfavorable variances that are above $1,000). Whether using percentages or dollar amounts, managers need to establish thresholds that require exploration, decision making, and corrective action.

Insurance	2,700	2,700	0	8,200	8,000	(300)	(2.50)	1,100
Depreciation	700	700	0	2,200	2,200	(200)	0.00	31,900
Total Nonsalary	$36,500	$33,400	($3,100)	$115,700	$100,500	($15,200)	(15.12)	8,800
Total Expenditures	$103,900	$98,000	($5,900)	$348,100	$294,200	($53,900)	(18.32)	$401,900
								$1,176,600
Excess (Deficiency) Revenues Over (Under) Expenditures	($16,500)	$300	($16,800)	($67,400)	$800	($68,200)		$3,400

NOTE: Parentheses indicate a negative number or percentage

In some instances there may be good reasons for unfavorable variances. As mentioned previously, certain costs may be unusually high and have to do with the timing and flow of program activities. A conference may be held during a particular month that may put pressure on the travel budget, but if possible, this strain should be anticipated in the budget. Backup worksheets for each month should allow managers to calculate more precisely when unusual expenses or revenues are expected.

Although there may be good reasons why income and expenses are worse than expected, it may also be that the agency is hemorrhaging and that management must take steps to reduce expenses or significantly increase income. At the very least, questions must be asked, and corrective action must be considered early in this fiscal year to avoid more severe measures later on. For example, it may be painful to lay off one staff member at the beginning of the year when it is apparent that salary costs are exceeding budget. But if a tough decision is not made then, a more difficult decision will have to be made later to lay off two or three employees because of budget overruns. The advantage, then, of having this income and expense report is that it provides an early warning of a problem that can become more serious.

Essential to the budget review process, especially during periods of austerity, is the importance of questioning everything that the organization does at all levels of expenditures. In reviewing costs, small changes can add up to big savings. In the past, for example, an organization may have sent five staff members to an out-of-town annual conference. As a way of reducing costs, it may determine that only one staff member should attend and report back to the rest of staff. Management needs to foster an organizational culture that encourages all employees to be on the lookout for new ways to manage money and to cut costs.

It is a good idea for managers to complete a *variance report* for the organization's governing body (board of trustees or public officials) that explains why variances are occurring and details the manager's action plan. Such a report gives decision makers and funders confidence that management is in control of the budget.

Because the budget represents an understanding between the agency's administration and its funders, board, or public officials to whom it is accountable, managers are obligated to work to keep the budget in balance. Managers get into trouble because, in their quest to meet the needs of their clients, they develop an overly optimistic attitude that somehow their board or public officials would find the money to meet necessary expenses. Certainly, hope and optimism have a place in the budgeting process, but if these are carried too far, managers can develop a reputation for being irresponsible.

The best course for managing the agency's finances is to make sure that policies and procedures are in compliance with the funders, whether foundations or public agencies. Funds should be expended in accordance with the latest approved budget, and any major adjustments require the board's finance committee to make recommendations to the board (see Chapter 20).

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Management should account for all funds in compliance with the rules and regulations required by the applicable funding source, and delineate clearly all major grants in the budget. The agency should write procedures for handling money (e.g., the same person should not control receipts and disbursements of cash) and also specify the roles of executive, finance manager, and project manager. An annual audit is a must.

Although it is essential to strive for a balanced budget, it is also important to recognize that the budget should have some flexibility. After all, the budget is based on yearly estimates, which in turn are based on certain assumptions about inflation and other information available at the time the budget is prepared. During the course of the year you may need to revise the budget. For example, you obtain an unexpected grant, which requires budgeting new expenses as well. Be prepared to revise the budget as circumstances change. Using spreadsheet software makes it easy to adjust the budget on individual items that then alter totals.

50 Considerations for Reducing Costs

One of the most demanding and challenging responsibilities a manager faces is reducing costs to bring budget expenses in line with anticipated income. To reduce costs, managers can consider the following:[24]

1. Form a cost-cutting team to examine the options contained in this section and generate additional ideas. The team may develop enough austere measures that you can avoid more drastic measures—or they may not, in which case a proposal to cut staff may be justified.

2. Reward staff for cost-saving ideas. Staff are a good source for ways to save money. A $25 reward to a staff member for suggesting ways to recycle paper, for example, could save hundreds of dollars in paper costs.

3. Postpone filling new or vacant positions. If cuts require reducing current staff, anticipate expenses connected with terminating positions—for example, unemployment compensation, severance pay, or continuation of fringe benefits for a specified period. Be certain also that in reducing staff, the organization is able to meet its obligations. Also, be aware that reducing costs related to fee-for-service contracts may reduce the total amount of reimbursement an organization is eligible to receive. Reducing staff, for example, can have a detrimental impact on achieving the agency's targeted billable hours in Medicaid and other cost reimbursement programs. Carefully review contracts and grant agreements before making cuts.

4. Examine whether such needed services as payroll preparation or public information materials can be contracted with an outside vendor (called *outsourcing*) instead of using current staff or hiring additional staff.

5. Eliminating positions can provide a quick fix to balance a budget. Referred to euphemistically as "downsizing" or "organizational restructuring," the disadvantage is that scaling back employees can create more work for those remaining, which contributes to stress, resentment, and poor quality work. Downsizing should be related to those individuals and those units of the organization that are least productive. It is possible that you could be both "downsizing" and "upsizing" at the same time. It may be difficult, but nevertheless necessary, to lay off people in one section as you expand another, more productive unit of the organization.[25]

6. Use contract employees or consultants for specific projects. Working with a consultant on a specific project can help to match project and staffing needs. This may eliminate the need to reduce staff once a project is completed. Check with a tax expert regarding possible employee versus independent contractor issues for employment taxes.

7. Ask staff to consider working part time (especially during off-season periods, such as summer months). Some organizations have instituted voluntarily sharing positions, that is, two full-time staff agreeing to cut their work time in half to preserve jobs.

8. Delay starting new activities or expanding existing ones, such as buying new equipment. Prioritize requested purchases. Those designated low priority would either be postponed or not included in the budget.[26]

9. Reduce services and programs. For example, instead of providing individual counseling to 400 clients in a substance abuse reduction program, you could serve 220 individually and provide group counseling for the others. Be aware, however, that you may be shortchanging your clients.

10. Delay salary increases or reduce employee benefits. Personnel costs, including salaries and benefits, are usually the largest items in the budget (as much as 70–80%) and therefore are an understandable target for cost cutting. The disadvantage is that these measures can have serious effects on the morale of the organization and could increase staff turnover.

11. Restructure the organization with special emphasis on non-income-producing positions. To increase billable income, supervisory staff may have to devote a portion of their time to direct service. Certain support and administrative staff may have to be laid off.

12. Explore the advantage or disadvantage of leasing rather than purchasing equipment, such as a copying machine. In the long term you may be paying more, but leasing may help with cash flow and provide short-term budget relief.

13. Determine whether there are any ways departments can share resources. For example, can support staff or the copying machine be shared? Sharing facilities, such as conference rooms, with other agencies may be cost effective.

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14. Create an in-house printing operation to produce stationery, newsletters, and other printed materials, thus reducing the expense of outside printing.

15. Obtain bids to produce competitive pricing on purchases, such as equipment, supplies, and other work-related materials. It is especially important to initiate a bidding process for vendors with whom you have been doing business for a long time. They may be willing to come down in price when they think you might buy from their competition.[27]

16. Ask your vendors if they provide discounts to nonprofit agencies. Request a discount on guaranteed purchases over an extended period of time. For example, your printer might quote a volume price for all stationery, newsletters, and forms that you might need for the next two years. Also, inquire whether your vendor could provide a discount when you pay in cash. Check with your phone company to see if it gives a discount to nonprofit organizations.

17. Take advantage of *economies of scale* by making bulk purchases. Bundling purchases, currently made separately, could result in lower prices. It may be possible to join with other agencies in contracting for a bulk purchase arrangement. Be aware, however, that a large amount of supplies can disappear quickly unless you have proper controls on distribution. Inquire if there are any purchasing "co-ops" in your area. Some co-ops offer opportunities for purchasing medical supplies and capital items as well as general items such as office supplies and paper disposables.

18. Give staff responsibility for site-based decision making. Staff responsible for department and program budgets can be more accountable for expenditures.

19. Use zero-based budgeting to determine whether programs should continue based on their demonstrated value and their contribution to the mission and goals of the organization. As discussed previously, ZBB requires you to justify expenses each year, rather than just build on last year's budget.

20. Seek donated items, such as furniture and equipment. Companies that are moving their offices are a good source of usable furniture and equipment.

21. Purchase items or services at the right time of year. For example, winter items can be purchased in early spring for the following winter.

22. Change the fiscal year from January–December to October–September to purchase auditing services at a reduced rate, because this is their slow period.

23. Use volunteers to provide services, perform clerical tasks, and assist in running programs. Companies sometimes "lend/lease" their staff for a specific time period or a specific purpose. For example, a company might release its controller to assist your bookkeeping department in setting up

a computerized accounting system. Many attorneys, business people, accountants, and carpenters donate their time to nonprofits. Also check with local universities that offer course credits for student service experience.

24. Check in your community whether the local criminal justice system can provide "volunteer" assistance. Instead of serving time in jail, persons convicted of nonviolent crimes have the option of providing community service. Services range from carpentry to computer programming and maintenance work. Also check into involving Welfare to Work participants and senior citizens participating in retraining programs.

25. Negotiate contracts carefully to determine whether there are any hidden costs. For example, foundation grants may not sufficiently cover administrative costs or overhead. A government contract might require financial reporting and have audit requirements. Preparing reports will require someone's time, and therefore assess whether this time can be fiscally justified and be included in the grant request.

26. Review personnel policies to ensure compliance with legal requirements and train staff to follow these policies with no exceptions. A wrongful termination or harassment judgment can be extremely expensive (see Chapter 8).

27. Hire staff carefully. This admonition is especially important when supervisors are tempted to hire staff out of desperation to fill a position. Having a mismatch between the person and the job can be very costly in the long run (see Chapter 7).

28. Reduce staff turnover. It is an expensive hidden cost because you have to devote time to hiring new staff and training them. Conduct exit interviews with staff to determine why they are leaving. It may be more cost efficient to increase salaries and benefits to stop employees from moving to more competitive agencies.

29. Invest cash in short-term instruments such as certificates of deposit, an interest-bearing checking account, or a savings account that is linked to a checking account. Many banks offer special interest-bearing accounts to nonprofit organizations that are not available to for-profit organizations.

30. Set up a system to track all equipment and building use. Examine whether moving to smaller offices can reduce expenses. You may need to consider the cost of breaking leases or renegotiating for space compared to the cost of moving.

31. Review current staff positions and assignments to determine whether all activities are essential, whether some assignments conducted by a highly paid employee can be delegated to a lesser paid staff member, or whether work can be performed by a part-time employee.

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32. Review personnel practices to reduce carryover of unused vacation or sick leave time. Some agencies require staff to take all or most of their vacation each year.

33. Consider offering staff an improvement in their benefits (e.g., time off, health, dental, and life insurance) in lieu of cost-of-living pay increases. This idea requires considerable dialogue with staff.

34. Review unemployment compensation claims for those employees who quit your agency. Your state unemployment insurance office will request an explanation when former employees apply for funding. If employees have left voluntarily or have been fired for good cause, you should provide an explanation. If the unemployment office rules against your agency, your insurance costs could increase.

35. Convert fixed costs into variable costs. Instead of paying part-time staff on a salaried basis, pay them based on the number of clients that they interview.

36. Encourage employees to opt out of benefits when their spouses already have medical and dental benefits that could cover them. Offer incentives, such as cash or more vacation days.

37. Ask the landlord for a rent reduction by paying the rent in full but then requesting the landlord to donate back a portion of it. This exchange preserves the landlord's ability to show the property at its true market value based on rents collected and at the same time provides your organization with unrestricted funding.

38. Consolidate your office space and sublet unused space to a compatible group.

39. Negotiate free use of space for meetings and events. Sometimes banks, hotels, and corporations offer conference rooms for nonprofit meetings and special events.

40. Arrange to have an organizational supporter purchase equipment and then have it leased to your organization through an accounting method called "asset conversion." The supporter can depreciate the equipment and take a tax deduction, and the cost of leasing to the organization is less than the full cost of the equipment. At the end of the designated period, the organization can purchase the equipment at a nominal cost. Check with a tax advisor to determine compliance with tax laws.

41. Regarding your travel budget, determine whether hotels offer a discount. Some hotel chains offer a government discount; inquire whether they would provide a special discount for a nonprofit organization. Limit staff attendance only to trips that can truly add value to achieving your mission. Use the Internet to obtain the best travel deals.

42. Identify excess capacity or underutilized resources in the private sector. For example, a business that has moved to new offices may have excess space for your temporary staff needs. Recently laid-off or retired accountants may welcome the chance to volunteer until they find a full-time job.

43. Regarding insurance, negotiate a fee that is limited to about 15% and select an agent that works with nonprofits. Consider using the Nonprofit Insurance Alliance (www.niac.org).

44. Strongly encourage the board of directors to authorize purchase of officers' and directors' insurance, which would pay for the cost of defending a lawsuit and also the cost of any settlement.

45. Use e-mail instead of long distance phone calls or faxes. E-mail can also be used to obtain information about grants and other essential information. If you are planning to hook up to the Internet for e-mail communications, consider using an Internet access provider that gives you a free Web site. You can then create a Web page that can be viewed by those interested in your activities, including potential donors. In addition, newsletters can be sent via e-mail, thus saving printing and postage costs.

46. If you have a large mail volume, use discounted postage rates; contact the National Federation of Nonprofits in Washington, DC (202–628–4380) for more information.

47. Examine potential local tax savings. Check with your local tax authority to see if your agency qualifies for a tax exemption on all or a portion of the equipment and furnishings your organization owns. Check your lease to determine you are not paying this tax as part of your rental. Also, determine whether you are exempt from real estate taxes. Have a knowledgeable professional review whether you have possible tax overpayments. You should not be paying tax on any purchases (office supplies, etc.). Your accounting department should routinely be reviewing all invoices for possible erroneous taxes.

48. Periodically prune mailing lists and eliminate those whose mailing addresses are unknown or who are no longer part of your organization.

49. Manage cash flow by collecting early, paying only when bills are due, and earning interest on balances. This is particularly important for managing large grants at the beginning of the grant period.

50. Consider using service agreements for maintenance and repair of equipment instead of paying repair costs for each occurrence.

Achieving Long-Range Financial Stability _____

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their organization, managers must (1) establish working capital or cash reserves, (2) assure cost effectiveness, and (3) seek diversified funding.

Establishing Working Capital

A few organizations make the mistake of hoarding resources for potential future use, thus denying benefits to those who currently need services. For example, an organization may choose not to expend the interest endowment funds received for a period of years so it can build up its principal. The more common problem, however, is that some agencies do not adequately prepare for the future because of their desire to provide for current service needs. They do not allow for future inflation adjustments. They put little value on building a financial base and erode their cash reserves, hoping that the future will take care of itself.

Understandably, human service organizations want to use all the money available to provide services rather than set aside funding for unknown future needs. Some go further in providing services (even though funding is not assured) in the hope that if the program is good enough, funders or their trustees will eventually bail out the agency. They would even argue that it is immoral to put aside cash when needs are so great. Unfortunately, organizations that live "hand-to-mouth" must spend an inordinate amount of time looking for the next bailout—not focusing on long-term issues. Trying to be all things to all people is a formula for eventual poor services and possible financial decline.

Generally, it is a good idea to have about 90 days of cash reserves or roughly 10% of the overall budget, depending on the organization's need. For example, if an organization provides counseling services, and a Medicaid contract delays payments for four months, then the organization must have sufficient working capital to meet its payroll while waiting for cost reimbursement.[28] An agency that has a regular income and predictable expenditures needs less reserves than one that experiences a continuous turnover of grants and has much more unpredictability connected to its income and expenditures. The greater the unpredictability, the greater the need for a large amount of cash reserves.

Another reason to develop working capital is the ability to respond quickly to unmet needs. Having this flexibility allows the agency to deal with changes in the environment and to avoid staying rooted in the present instead of moving into the future. As program trends change or funders convey new priorities, so too agencies must develop a flexible response. An effectively run agency must be able to take advantage of new opportunities to fulfill its goals. A well-developed strategic plan can anticipate how the agency might seek out opportunities for expansion and consider a budget that is practical and feasible. Some agencies even develop an "opportunity budget" that identifies where and when the agency needs to invest in

new staff, training, and equipment. For example, in anticipation of new employment training legislation, an agency may want to invest in a six-month pilot training program that demonstrates its effectiveness in this area. It is now in a position to take advantage of new legislation. To create this desired cash reserve, an agency must have more years with positive revenue than it has years in which net revenue is negative.

While it is desirable to build up cash reserve, be mindful that some funders may have reservations about building up too large a cash reserve fund. For example, some United Way budget committees frown upon agency cash reserves, considering that United Way funding is supposed to be "last money in." They would prefer that United Way money not be used until an agency is without much cash reserves. Those agencies that have greatly fluctuating income and expenses must have a reserve fund to provide financial stability, and the United Way budget panel must be convinced this is necessary. On the other hand, budget panels may be justified in questioning when a reserve fund becomes inordinately large (however this is defined). Be prepared, therefore, to make your case for cash reserves.

Assuring Cost Effectiveness

An effectively run organization can further its long-term financial strength by demonstrating its ability to achieve its objectives at reasonable costs. Developing a cost-effective program is not the same as developing a program at minimum cost. Sometimes high costs are necessary to achieve sustained improvement. For example, one employment program may cost $1,000 per participant, but most participants are employed in a menial job for an average of only six months. Another employment program may require costs of $7,000 a participant, but because of extensive job training this would result in clients' keeping their jobs for over a year and being paid at a higher rate. Hence cost-effectiveness must be related to the desired objectives.[29]

Cost-effectiveness is defined as the measure of how effectively resources are used—results obtained for each unit of cost. To carry out cost-effectiveness analysis, organizations track the cost of a program and record its results; then they compare the two to determine whether the results justify the costs.[30]

Obviously a good accounting system would track actual costs, including both direct and indirect expenditures. For example, a calculation would be made in a tutoring program of the cost of administering volunteer tutors. Recording results may be much more difficult than recording costs. Most agencies can readily identify output results, namely, efforts expended on behalf of clients. These include the number of clients served, the number of training sessions provided, and the number of youth participating in a recreation program. Outcomes are more difficult to measure. We could more easily determine, for example, how many youngsters participated in a recreation program than how many we helped prevent going to jail. Measuring both costs and benefits remains a major challenge for human service managers.

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To further the agency's cost effectiveness, managers must focus on agency productivity. Frequently, productivity indicators are expressed through the agency's quantitative objective statements. For example, an agency providing group counseling services would want to track the number of participants in each session on a weekly or monthly basis. An agency that provides recreation services for older persons would have a different set of numbers relevant to its services. These numbers should not be collected primarily as a public relations effort; rather, they should be relevant for managerial review of productivity.

Reviewing quantitative information allows managers to ask the following questions:

- How does the number of staff hours compare from one month to another?
- How many new clients does the agency have each month? How does this year's trend compare with last year's?
- How many clients are able to pay for services?
- How many billable hours do we have this month compared to the previous month?
- What is the cumulative total of different clients seen in the agency during this period?

Each organization must determine its own productivity standards against which monthly quantitative information can be assessed. Periodically, managers should report to their funders, public officials, or trustees regarding the productivity of agency operations.

Seeking Diversified Funding

Excessive dependence on a particular funding source is a major problem in sustaining any organization. Such concentration puts the organization unduly at risk, because if the funding resource dries up, the organization becomes highly vulnerable. An organization that has relied primarily on United Way funding may experience pressure to raise its own money or risk losing a portion of United Way funds. A mental health agency that has come to depend almost entirely on state mental health funding for its prevention services may find that its mental health board has shifted its priorities to other essential services not provided by the agency. A neighborhood organization that has received five years of foundation grant funding may belatedly realize that this funding cannot go on indefinitely and that it must seek other funding if it is to survive. These are among many examples of why it is important to diversify the organization's portfolio to diminish the risks of becoming too dependent on only one main source.[31] The next few chapters in Part III are devoted to exploring ways human service agencies can sustain themselves through a variety of fundraising options.

Questions for Discussion

Note: To answer these questions, take time to discuss your agency's budget with your supervisor, agency controller, or administrator.

1. What has your agency done about cutting costs? Which of the cost-cutting measures listed in the text might be considered by your organization?

2. How useful is the concept of zero-based budgeting for fiscal management?

3. How would you characterize your budgeting process (e.g., line item, program, incremental, zero-based)?

4. Can you identify restricted and unrestricted funds in your agency?

5. In your agency's budget, which income and expenses are fixed and which are variable?

6. How does your organization monitor current income and expenses? Are variances identified?

7. What strategies are in place to ensure long-term financial health of your organization?

8. What plan, if any, does your organization have for developing financial reserves?

9. What are the various cost centers (programs) in your organization's budget? What are their income sources?

10. Has your agency developed cash flow projections?

11. Are there internal controls in place to ensure that restricted funding is being appropriately spent and accurately accounted for?

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