

## Y - there's more to it than profit

### ***Non-profit organisations have some things they can teach for-profits, particularly on the art of motivating their employees***

The members of the Village People, a pop group founded in the 1970s, are dismayed that the organisations that inspired their greatest hit is to change its name after 166 years. The American branch of the Young Men's Christian Association, known to arm-waving disco mavens as the YMCA, announced on July 12 that it would become plain "The Y". This is part of that the outfit describes as a "major brand revitalisation" intended to make it seem warmer and more welcoming. It may turn out to be a misguided rebranding exercise on a par with Coca-Cola's launch of New Coke and British Airways dropping the Union Jack from the tails of its aircraft.

Non-profit organisations such as the one formerly known as the YMCA are commonly advised to become more like for-profit businesses. Management experts and consultants view them as horribly inefficient due to the absence of the concentrating power of the profit motive. The negative reaction to the Y's rebranding suggests that non-profit outfits are not all that good at emulating business even when they try. There has been barely any reciprocal pressure on for-profit firms to learn from the non-profits. Yet this is what Nancy Lublin, one of America's most successful non-profit leaders, proposes in a new book, *Zilch: The Power of Zero in Business*.

Lublin dismisses the common charge that non-profits are inefficient. Some are, but many of them are not. She also dislikes the use of "non-profit" to describe the sort of organisation that she once founded (Dress For Success, which gives smart suits to poor women to wear in job interviews) and that she now runs (DoSomething.org, which encourages social activism by young people). "Non-profits include loss-making companies like General Motors," she explains. "We're a not-for-profit, as we're not even trying to make a profit."

Some non-profits are almost indistinguishable from for-profit businesses. America's big non-profit hospitals can wield budgets as big as its for-profit ones. But most have to scrape by on "zilch" or, at most, on a fraction of what is taken for granted in the for-profit world. The ones that succeed typically do so by being highly efficient. Lublin profiles non-profits as varied as Habitat for Humanity, which builds cheap homes; Make A Wish, which fulfils the dreams of terminally ill people; Kiva, a micro-lender; and DonorsChoose.org, which funds classroom projects. She argues they are particularly good at motivating workers and at marketing.

In tough economic times businesses would do well to find ways of motivating workers without paying them a fortune – which anyway is no guarantee of success, as the recent performance of generously paid Wall Streeters made clear. Few non-profits pay well and many depend on volunteers. It helps that they tend to have a clear purpose to which these underpaid employees and volunteers are often personally committed. Lublin says she hires only people who are passionate about what DoSomething does, and advises for-profits to hire more people who love their products. She does not believe businesses should all embark on missions to build a better world, as a means to motivate their workers. As long as the firm's purpose is clear and distinctive, it can do the trick, she says – even if it is simply to be the "first, only, faster, better, or cheaper".

Non-profits do plenty of other things to motivate their workers that for-profits would imitate. They often have a flat management structure. Non-profits bosses tend to muck in with volunteers when the heat is on (you'll find them, for example, helping to stuff goody bags for fund-raising events). New employees are quickly given real responsibility, even if they are young (which is what the Millennials now entering the workforce want, according to Lublin). Ensuring there is plenty of time during the working week for genuine fun, not of the forced kind satirised in *The Office*, can deliver better results than a bonus.

Many for-profits firms are already following another of her tips by doling out titles liberally and creatively. "It costs nothing to give (someone) a title that suits them and makes them proud," she notes. Although still in her 30s, Lublin's official title at DoSomething is chief old person.

The marketing prowess of many leading non-profits tends to derive from the fact that, unlike most for-profits, they have to persuade people to part with money for goods or services that are used by others. A lot of effort goes into convincing these donors that they are getting value for their money.

The key is to focus on building long-term relationships based on frequent contact, repeatedly saying thank-you and sending updates through newsletters. This contrasts sharply with the one-off transactional approach to customers that is all too common in the business world. DoSomething tries to stay in touch forever with everyone it has employed (even interns) or who has given it a donation. Lublin argues that businesses would also benefit from cultivating their networks of past employees and customers.

Critics may snipe that there is nothing uniquely non-profit about these traits. For-profit start-ups offer lots of responsibility and workplace fun to young employees, for instance; some firms, such as McKinsey, win plenty of business by remaining close to former employees.

Yet that is surely the point. For too long for-profit firms have focused on learning only from each other as they try to do better. It is time that business started to tap the valuable know-how of the best non-profits rather than dismissing the lot as hopelessly inefficient.