

15.660

**Strategic Human Resource
Management**



MIT Sloan School of Management

Today's Objectives



- ❖ Extend our discussion of strategic human resource management to the non-profit sector.
- ❖ Get a broad overview of the distinctive challenges of managing in this sector
- ❖ Consider the strategic and organizational challenges facing Joel Lamstein and JSI.

What is a “Nonprofit”?



- ❖ Contrary to popular perception, nonprofit organizations are permitted to **generate** a profit (a surplus of revenues over expenses.)
- ❖ They may not **distribute** this surplus to parties who have a controlling interest in the organization (i.e. officers, directors, or employees).
- ❖ Economic surplus must be used to further the approved nonprofit mission of the organization.

A Brief List of Some Prominent Nonprofits:



- ❖ American Cancer Society
- ❖ Blue Cross and Blue Shield
- ❖ Children's Televisions Workshop
- ❖ Consumer Union
- ❖ Educational Testing Service
- ❖ Habitat for Humanity
- ❖ Harvard Business School
- ❖ Harvard Community Health Care Plan
- ❖ Nature Conservancy
- ❖ National Geographic Society
- ❖ National Organization for Women
- ❖ National Rifle Association
- ❖ Outward Bound
- ❖ Planned Parenthood
- ❖ Save the Children
- ❖ Wang Performing Arts Center

Tax Treatment and Government Regulation

Charitable Organizations

IRS section 501(c)(3)

Purpose must be:

“Religious Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals.”

Some further distinctions:

- Public foundations
- Operating private foundations
- Non-operating private foundations

Non-Charitable Organizations

IRS section 501(c)(4)-(23)

Commonly referred to as “mutual benefit associations.”

- Exempt from income tax, but donations to them are generally not tax deductible.
- Generally not eligible for foundation grants
- Tend to be privately controlled

Management Challenges of Nonprofits



- ❖ Defining and Measuring Success
- ❖ Attracting and Motivating People
- ❖ Raising Funds
- ❖ Managerial Control and Autonomy
- ❖ Mission and Strategic Flexibility

Alignment at JSI



Strategy → Key Success Factors → HR Practices

Barriers to Imitation



Concerns & Limitations?

