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?