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Nonprofit Boards
Monograph Series

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Strengthening Boards of Nonprofit Organizations

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SUPPORT CENTER FOR NONPROFIT MANAGEMENT

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INVESTING IN EMERGING NONPROFIT LEADERS

Don Crocker, *Executive Director*
The Support Center for Nonprofit Management

As nonprofit leaders from the Baby Boom generation approach retirement or move on to other endeavors, a new generation of emerging leaders is stepping up to take their place. Some new nonprofit leaders are crossing over from the corporate sector, others are coming directly from college and university programs, and still others are emerging as social entrepreneurs, philanthropists, and community leaders, taking on causes that reflect their personal passions. Some are filling the shoes of outgoing leaders and others are starting their own organization, programs, or new ventures.

Regardless of where our new leaders are coming from, most experts agree that in order for the nonprofit sector to be successful in addressing the core human and social challenges facing our society, significant investment is needed. We aren't just talking about financial investment. Our emerging leaders are looking for new ways of thinking, unique models for change, technological resources, the time and energy of cooperating partners and volunteers, and opportunities for learning, brainstorming, networking, and conducting research.

The environment in which nonprofit leaders work today is significantly different from that of the 1960s and 1970s, when most Baby Boomers entered the sector. Today there is more competition within the sector and, in some cases, nonprofits are now competing with for-profit organizations for resources and funding. Nonprofit organizations that provide essential human and social services also face growing concerns around accountability and measurable outcomes on the part of donors and other funding sources.

There is no "one way" to invest in our emerging leaders. In fact, there are many ways to invest, including: mentoring, coaching, professional development, creating new opportunities for growth and learning, and trying out new ideas to see what works best in our constantly changing environment.

At the Support Center, our goal is to be a place for such exploration and growth. We welcome emerging leaders from all communities and encourage you to let us know what you need to be successful. The monograph series is just one way that we are promoting new thinking and research in our field. We encourage you to let us know your thoughts, submit your research for publication, and suggest ways we can do better at sharing new thinking and promoting learning in our sector.



I hope you find benefit in reading this monograph series. Please write me and let me know how we can best support your energy and ideas. You can email me at: dc@supportcenteronline.org. I look forward to seeing you or hearing from you soon!

A handwritten signature in blue ink that reads "Don Crocker".

Don Crocker

STRENGTHENING BOARDS OF NONPROFIT ORGANIZATIONS

*Anne Gardon, organization development consultant,
Strategies for Change*



Nonprofit organizations spend significant time and resources convening boards of directors with mixed results. On the one hand, there are organizations that have forged meaningful board roles and practices that effectively advance their mission and community interests. These boards have successfully translated models of nonprofit governance to their particular organization, or they have crafted their own framework for board functioning from the unique purpose, history and values of their organization. In contrast, there are many situations in which nonprofit executives, board leaders and members express a high degree of frustration with their boards. Consider the following scenarios—all of which describe real situations:

- The board members of a domestic violence agency are operating with a limited understanding of their purpose and role. Some board members simply do not know what their role is or should be. The board members and executive director have become frustrated with limited attendance at board meetings and the meetings themselves. Though many board members are involved in specific fund raising projects, the executive director feels increasingly alone in facing significant strategic challenges to the agency.
- The board and executive director of a national membership organization are tripping over each other. Each perceives the other to be operating in their domain or

overstepping their authority. Hindered by historical tensions related to their evolving roles and a growing lack of trust, they have not figured out how to be in relationship with one another.

- Board members of a national cultural organization are experiencing a high level of tension and numerous power struggles among themselves. During strategic planning discussions, it becomes clear that they hold different, competing assumptions about the purpose and direction of the organization and the board's role. The tensions are an expression of divergent agendas among stakeholders whose viewpoints are—and are not—represented on the board.

Though the specifics vary, experiences like these prompt many to question whether the resources invested in nonprofit boards make a difference. The practical realities of convening a group of volunteers on a regular basis to fulfill a purpose—often ill defined or understood—challenges even the most adept and committed leaders. Why is this? Are there positive aspects of a board's functioning that get overlooked given the attention to what does not work? What is being left out of the current conversation about board governance? What insights can we glean from looking at the history of nonprofit boards?

TAPPING AN HISTORICAL PERSPECTIVE

In seeking to answer these questions, a review of the history of nonprofit organizations and their boards in the United States offers a valuable starting point. First of all, it reminds us that nonprofit governance has gone through continuous

change over 350 years, including Colonial times. Our contemporary focus on “board governance” must be understood as a response to the current context of nonprofit organizations—one defined by legislative and regulatory changes that have radically broadened the scope of activities of nonprofit organizations. These changes have effectively blurred distinctions between nonprofit and for-profit institutions. The legal definition of a nonprofit organization has been expanded to include any activity or entity that does not involve the distribution of surpluses through dividends. Furthermore, adoption of the American Bar Association’s Model Nonstock Corporation Statute by many states in the 1980s and 1990s, broadened the definitions of permissible activities for nonprofit boards. By changing the fiduciary standard of board members from one of “trust” to a “business” standard, nonprofit boards and their membership can essentially operate more like for-profit corporate boards. Activities previously barred under the trust standard—including self-dealing, insider-decision-making and conflicts of interest—are now legally permitted if certain conditions are met.

Historian Peter Dobkin Hall has noted that there has always been a high degree of variation in how courts and legislatures have defined the roles, responsibilities, and powers of nonprofit organizations and their boards. In this light, the current preoccupation with board governance can be understood as an attempt to reconcile legal developments with current social and economic realities. Among them:

- Public cynicism about the gulf between the rhetoric and reality of government and public institutions.
- The fact that “private” nonprofit organizations as a whole rely to a very high degree on direct and indirect subsidies from government through tax deductions at a time when government sponsorship and subsidies are also under scrutiny in a tax-cutting environment.

- The generally greater attention to—and empowerment of—stakeholders.

Thus, one can view the focus on governance as an affirmation of value-based practices and a desire for accountability during an identity crisis for nonprofit organizations. Hall’s history of nonprofit boards in the United States (2000) also suggests two enduring values that can further inform our discussion of governance. The two values of 1) justification of public good and utility and 2) public representation can be traced thematically through the history of nonprofits and are particularly relevant in the current environment. Without attempting to outline their historical evolution (already well done by Hall), these two values are offered here as a touchstone for framing this discussion of board development:

Justification of public good and utility is concerned with defining the relationship of nonprofit organizations to the needs and purposes of a larger public. At the level of the board, this necessarily involves clarity about the purpose of the organization, its role in the larger community, and how these have evolved over time. Furthermore, if the board is *to promote the good of the institution and the public*, it must operate with a degree of self-awareness about how it relates to funders, government agencies and other powerful entities so that it does not become beholden to any one. In essence this value challenges boards to operate as stewards of a social resource.

The value of public representation relates to issues of diversity and stakeholder control. It is concerned with how and who defines linkages between nonprofit organizations and the larger public. At the level of the board, this involves clarity about the identity of stakeholders and how their diverse perspectives inform the board’s deliberations and decisions. Public representation is not synonymous with literal representation by stakeholders or a representative structure,

though either may be applicable to a specific organization. Rather, this value challenges boards to insure that the diverse perspectives that characterize the organization's public are brought into the organization, and that an exploration of differing viewpoints is encouraged. In other words, the board must seek to cultivate meaningful diversity as distinct from tokenistic representation.

PLACING CONTEMPORARY BOARD GOVERNANCE MODELS INTO THIS FRAME

Informed by an historical perspective and the values it suggests, let us now consider the current discourse about the role of nonprofit boards. A review of the literature reveals that over the past ten to fifteen years, experts in the field have espoused a high degree of commonality in conceptual and practical models for governing nonprofit organizations. Author-consultants, such as John Carver, Douglas Eadie, Barbara Taylor, and Richard Chait are among those actively contributing to an ongoing examination of the role and functioning of nonprofit boards. The following characteristics of effective governance boards are gleaned from their collective works.

Strategic focus.

The authors may frame this somewhat differently, but all propose that boards necessarily and most appropriately focus on “what matters most” (Taylor and Chait): knowledge of the communities served by an organization, the fields or business arenas in which it operates, as well as a degree of familiarity with its internal operations. To this end, the board and the executive director (or chief executive officer) need to form a strategically focused partnership.

Linkage with the external environment.

Another key element in board governance models is that a board needs to function as an interface and conduit of information between the organization and its external environment. In order to do this,

the board must operate with an understanding of the organization's diverse stakeholders and clear mechanisms for being in relationship with them. This implies two-way input and communication.

Clear measures of organizational performance.

Board governance models emphasize the need for clear performance outcomes. Whether framed in terms of strategy and goals or policy statements (Carver), pre-established performance targets provide a framework for accountability internally between board and executive director and externally with outside stakeholders. Trustee confidence in the executive director and the board's ability to honor the boundaries of respective board-staff responsibilities and authority directly relate to identifying measures of organizational performance.

Board structure follows function.

Finally, governance models consistently address the issue of board structure and processes and the degree to which they are aligned with both board purpose and the organization's business. Based upon this premise, the authors of various board governance models offer differing frameworks regarding the number and composition of the board members, processes for board discussions and decision-making, board committees, officers, etc.

EXPLORING THE GAP

Viewing these characteristics of governance models in our current social-political context, one can appreciate that they directly address contemporary challenges relating to the unique purposes of nonprofit organizations, as distinct from for-profit institutions, and their linkage with—and accountability to—their publics. There is also a high level of congruence and potential alignment between these models of board governance and the values of public good and utility and public

representation. Each of the four characteristics above can be understood as activities or practices that support a board's intention to live by those two values.

This said, there nonetheless appears to be a significant gap between these models and the realities of many nonprofit organizations. Executives, board leaders and members often view their “problems with the board” in concrete, operational terms; e.g., poorly run meetings, difficulties recruiting and retaining board members, board failure in reaching fund raising targets or fulfilling other board responsibilities. Individual board members bemoan either the lack of meaningful engagement in the work of the organization—as in the proverbial “rubber stamp” board—or the organization's overwhelming needs and demands. In the latter case, board members are often asked to attend frequent meetings, serve on several committees simultaneously and fulfill myriad roles. For their part, executive directors struggle to find a balance point in board functioning between board micromanagement at one extreme and a level of “care and feeding” out of proportion to board contributions on the other.

Given the degree to which these models speak to current concerns, how can the apparent gap between the models of governance and the representative organizational realities be understood?

It appears that contemporary models of nonprofit governance simply do not have currency among volunteer board members and professionals in nonprofit organizations. It is notable that organizations often highlighted in articles on the subject of governance tend to be larger, wealthier institutions. One might conclude that, while the new governance practices themselves do not necessarily cost more, there might be economic, political and cultural barriers at work impacting their diffusion and implementation. These observations suggest a potentially useful avenue of inquiry regarding the diffusion of these models for governing. However, this article will assert that an even more fundamental dilemma is at play.

The attitude with which many in the nonprofit sector view boards and the process of changing them often contributes to their difficulties. There are at least three factors at play. First, in the discourse about boards—both generally and in specific situations—there is a tendency to focus on what is not working and in doing so, to overlook positive qualities at play in even dysfunctional boards. Secondly, holding up “ideal” models of board functioning leads many would-be reformers to think that only radical change and nothing short of a complete board make-over is needed; e.g., restructure the board, rewrite by-laws, change the composition of board membership, etc. Finally, it is often unrealistic to expect boards to function as a highly developed group when, in fact, they often do not know one another or spend much time together.

The tendency to be deficit or problem-focused is not unique to either boards or nonprofit organizations. On the contrary, this is a mindset that imbues many aspects of organizational life and, for that matter, many of society's approaches to change at both the individual and collective levels. From this perspective, organizational change is often viewed as episodic, a discreet process that has distinct start and end points. This is in contrast to an understanding of change as a continuous, evolutionary process that unfolds over time. In fact, strengthening boards takes time. It requires time and a degree of objectivity for members of the board to recognize some of the underlying issues impacting their functioning and to begin to understand and apply the principles of governance. Furthermore, skillful group process is often needed to address a board's challenges *and* to do so in a way that recognizes and builds upon strengths. In reality, most boards of directors are comprised of busy volunteers who spend—relatively speaking—very little time together. Yet, many of the practices prescribed in board governance models assume that the board can function at a fairly high level of development in terms of group dynamics, skillful discussion and decision-making.

These factors often lead boards to focus on the ways in which they fall short of some ideal that they are not. At the least, the result is that the people involved fail to recognize—or value—precious assets and strengths that the board can build upon. At the worst, these factors contribute in disastrous ways to volunteer leaders feeling ineffectual and guilty about the time and energy they do invest in their community organizations. There is an alternative.

GUIDING THE PROCESS OF CHANGE

As boards and executives seek to strengthen their own boards and create new ways of working together, their challenge is to adapt an emerging understanding of good governance to the specific needs and culture of their organization. This necessarily involves an exploration of those qualities of their board's role, structure and functioning that are valued—often even cherished—and which do add value to the organization's overall position and effectiveness. This exploration must also include an examination of how current practices contribute to or hinder the board in fulfilling its governance role. This approach is in contrast to one that proposes the wholesale adoption of a particular model of board governance. Though there are many valuable governing models to work with, the risk of wholesale adoption is a sense of loss or other dynamic that make new practices difficult to sustain.

This approach is informed by four practical principles about change processes and how they apply to the development of boards of directors. These are outlined here and illustrated with examples drawn from the three case examples cited above.

1. **Operate with a view of change as a continuous process.** Informed by an understanding of change as continuous, the task of board members and others involved in strengthening boards is to *guide the direction and flow of the change*. Practices that engage board members in thoughtful consideration of their role and functioning as a board help

to change people's awareness and understanding of both the current situation and potential future.

In seeking to strengthen their boards and address the problems they faced, each of the boards cited above created opportunities to assess and discuss the purpose and goals of the organizations and the boards they served. One of the most powerful aspects of this was the realization among some board members that they were not “the only one” who had concerns. The “ah-has” attendant with naming issues people imagined taboo changed the groups' consciousness and led to explicit agreements about the direction and desired future they agreed to work towards creating.

2. **Pilot new initiatives.** Rather than tackling the whole distance between the current realities of their situation and the design promoted by alternative models of governance, boards can experience significant improvements through adoption of one or several new practices at a time. This broadens the group's base of shared experiences and knowledge about alternative approaches. This is especially effective when coupled with opportunities to reflect upon and discuss what has been tried and with what results.

Many of the “new” practices that helped the organizations cited above were simple, well-tested alternatives for identifying and managing the work of a group. For one group distributing an agenda in advance of board meetings and having two board members team up to prepare for and facilitate longer, more in-depth discussions of critical issues dramatically improved the group's ability to focus strategically. In other instances, the executive director and/or board leadership initiated activities to increase their board's knowledge and understanding of issues in their organizations' arenas of business and

the community in which the organization functioned. One group strategically invited a speaker whose board had incorporated new ways of governing to give a first hand account of what their experience had been.

- 3. Build upon strengths.** Any successful board development initiative must be mindful of the qualities that already exist. In practice this is an invitation for the board leadership—and hopefully, the board as a whole—to reframe their view from identifying deficits to identifying assets. While it may be desirable to replace some specific board practices with others, it is equally important that in doing so, valued connections or relationships are not inadvertently eliminated at a cost to those involved.

Each of the organizations described above involved members of their boards in roles that would not initially be recognized as falling into the purview of a governing board. Quite common examples of this among nonprofit boards include board committees charged with direct action or service in an administrative or programmatic area and individual board members who have formal roles as ambassadors to their organization's membership. In seeking to align the board's structure with a proscribed governance model, boards run the risk of overlooking the value these roles provide in terms of relationships and the exchange of information. Ultimately, the changes made in board organization in two of these three instances reflected a hybrid or perhaps transitional governance structure.

- 4. Foster healthy working relationships.** Respectful, engaged relationships are at the core of effective board functioning. These can be expressed in many different ways and combinations. Opportunities for board members to work together in pairs or small groups, board retreats designed for in-depth discussions, and events that bring together

board members and other stakeholders are a few of the options for supporting the development of relationships.

The domestic violence agency described in the introduction realized dramatic changes over a year and a half process that included annual day-long retreats, experimenting with an ad hoc committee structure, introducing board agendas and self-facilitated discussions of key issues. Though they did not realize it when they began this process, they essentially came to view and practice board development as a continuous process. The spirit of experimentation and a willingness to try new things was spearheaded by a single individual who started conversations in small groups and in the board as a whole. She was able to take the risk to do this because the board members had a high regard for one another based upon their close work together on fund raising events.

CONCLUSION

These four practical principles for guiding board development are consistent with an emerging appreciation of change as a continuous, evolutionary process. It is a view of change more akin to biological than mechanistic metaphors, and calls upon those of us involved in nonprofit organizations and boards to be mindful of the values and relationships that inform our aspirations and our work.

To this end, this article has sought to weave together an historical view of nonprofit boards, contemporary models of board governance, and some practical approaches to strengthening voluntary boards of directors. In this process, two basic values or principles emerge: "Justification of public good and utility" which boards must insure their organization honors and delivers, and "public representation," best achieved through a meaningful diversity of viewpoints that informs the board's deliberations and decisions. These values are offered as a guide and touchstone for nonprofit organizations as they seek greater alignment between their aspirations for their boards and their day-to-day reality. ■

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