

OPINION

FEBRUARY 17, 2016

## Too Often, Board Members Sabotage the Success of Nonprofits



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Americans give billions of dollars to charities every year because they want to make society better, but our nonprofits are not always good stewards of these investments. That's because boards of directors, who are charged with setting the strategic direction of organizations and protecting their finances, too often don't

understand how to carry out their roles. When things go awry at the board level, the results can be devastating — not just to an organization but also to the people who benefit from its work.

With collective leadership totaling 74 years, we've seen first-hand numerous examples of decisions made by board members who failed to understand both how nonprofits work and the nature of their role in governing rather than providing direct supervision.

In one case, an organization closed its doors a year after pushing out its seasoned executive director in favor of an untested executive from the business world. In another, the board ignored the advice of its development director and tried bolstering returns from its annual fundraising event by raising the price of admission substantially and hiring an expensive headliner. The result was a six-figure loss and a brush with bankruptcy.

As the competition for dollars from donors and governments increases, it's time to give more attention to the boards of directors that govern them. Unfortunately, as the issues nonprofits face become more complex, many boards are ill-equipped to make strategic decisions.

A new study by Social Impact Architects, a consulting firm founded by one of us, shows that board members often lack confidence in their knowledge of strategic and tactical issues affecting their organizations, along with specific knowledge about the causes favored by their organizations.

Additionally, many board members lack relevant experience running nonprofit organizations, and some who work at companies believe nonprofits should operate more like for-profits, an impractical expectation. In the last decade, this situation has moved from being a mere disconnect to a full chasm between the perception of board members as to what is needed and how to provide it, and the current reality.

It can be disastrous when boards, already unsure of how to help, have a final say on critical governance issues. To counter this, we suggest that nonprofit organizations and their boards:

**Do no harm.** Ensure that assumptions, suggestions, and actions are based on knowledge and that careful consideration has been given to all points of view. Often, the person who shouts the loudest is the one who wins, regardless of the validity of his or her point of view. Yet some of the best decisions made by boards come after robust conversations in which all are invited to contribute.

**Get training to develop the knowledge and expertise needed to make good decisions.** Board members must ask questions, listen to others, and learn as much as they can. To equip board members to make effective decisions, nonprofit leaders should engage the board in comprehensive orientation at the start of board members' terms and make constant efforts to help them learn about the causes the organization is working on.

**Elevate the chief executive to full status as a board member.** Board members should treat the top leader of the organization like a peer. Too many organizations think it is wise to keep the leader off the board, but that denies her a vote and an equal voice on major decisions, even though her viewpoint is usually the most relevant. Another plus from this move: Chief executives would be eligible for coverage under an organization's liability insurance plan covering its director and officers.

**Avoid the impulse to impose "for-profit" principles on nonprofits.** Though nonprofits must operate under sound business and accounting principles, they measure their success by the impact they have on their clients and communities, not by an increase in the bottom line. That orientation of nonprofits must drive how they operate and evaluate their finances.

Because many boards meet infrequently and are not involved in day-to-day operations, their structure is inherently fragile. Since the community "owns" a nonprofit corporation, there is no single person or corporate entity with actual ownership, so control can be easily usurped or misused by board members with their own agenda or by staff members intent on their own gains.

Take, for example, the New York Public Library's proposed renovation project, which would have gutted one of the world's greatest public libraries. The board led the drive for this effort, moving the conversation away from providing access to one of the world's greatest public research libraries to a discussion about real estate and money. To counter such situations, we suggest that:

- Boards need to hold themselves accountable, keeping in mind that each member acts collectively, not individually. All boards should have charters, ground rules, and self-evaluations and be knowledgeable about widely accepted ways of governing a nonprofit effectively. Board members must learn to ask difficult questions with tact and respect, not assuming that staff members who resist an idea are simply negative or unwilling to change.
- The board chairman — not the CEO — must act as the "traffic cop" and intervene when colleagues act in an inappropriate manner. One bad board member can have a devastating impact on an organization. Board members tend to avoid policing their colleagues or

criticizing them for improper behavior. Yet experience has shown us that not addressing an issue quickly can derail a board and lead to months of unnecessary work or even the demise of the organization.

- All boards must adopt and enforce term limits. Lack of term limits leads to myopic and insular board leadership and may result in abuses of power. It is healthy to have turnover on a board and to provide opportunities for fresh ideas and new energy. Of course, there are exceptional circumstances — such as when an organization is in a crisis or undergoing a major transition — when it's appropriate to extend a board term for a brief period.

Many people will insist that the system has operated this way for years, so it must be working. But given the unique role that nonprofits play in our communities, and the trust that is placed in them, we must strive to be better. After all, reputation is essential to the survival of nonprofits, and we must be perceived as trustworthy and effective.

All of us are seeking better ways to measure the impact of nonprofit. For that reason, we must work to strengthen the relationship between an organization's board and staff leaders to focus on what leads to the best performance. We would be remiss not to mention that in some cases, problems at an organization stem from weak executives who behave badly, while board members lack the knowledge or expertise needed to respond properly

It's time for board members to step up to the challenges they face, and to seek help when needed from smart and experienced chief executives who are dedicated to making their organizations strong and effective in efforts to create a better community for all.

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