

What Does Feedback Have to Do with Nonprofit Governance?

Here's a useful new way to think about your role as a board member.

BY DENNIS R. YOUNG

IN THE MOVIE “THE GRADUATE,” A family friend tells Dustin Hoffman that he should remember one word as he contemplates his career—plastics! I went to school in the same era of the 1960s, but unlike Hoffman I majored in electrical engineering. And my professors whispered a different mantra to me—feedback!

What Is Feedback?

The engineering concept of feedback is that you take information about the output of a given machine or device and feed it back to the input side. The machine then uses this information to make adjustments in its performance.

What does this have to do with nonprofit governance? Actually, quite a bit. Before we explain, however, we need to differentiate between negative and positive feedback. Let's look first at negative feedback.

Negative Feedback

With negative feedback, you measure the difference between desired and

actual performance on the output side. This measure of “error” is then used to modify performance so that it comes closer to the desired level. This is how a preset thermostat works, for example. It measures the ambient temperature, compares it to the desired level, and uses that information to raise or lower its output. The thermostat performs what is called a homeostatic function—detecting when performance deviates from the desired equilibrium level and bringing that performance back to the equilibrium on a continuous basis.

This negative feedback model is a useful way to think about nonprofit governance. The function of governance is to keep an organization on course by detecting where it is going and providing information that will allow necessary corrections to that course.

There is some precedent in the growing nonprofit research literature to think about governance this way. Melissa Stone's work, for example, identifies nonprofit boards as “boundary spanners” that are supposed to be anchored both inside the organization

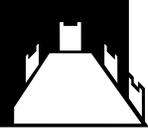
and in its external environment.¹ As such, boards can take information from the outside and bring it inside for the managers of the organization to evaluate. The managers can then use this information to make necessary adjustments to the organization's direction.

Alternatively, David H. Smith's work recognizes the role of nonprofit trustees as an interpretive one.² As their standard, trustees must use the mission of the organization as established historically by founders and donors. They must also assess changes in the environ-

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ment and reinterpret that mission in light of contemporary needs.

The work of Lynne Miller, Evonne Kruger, and Marianne Gauss is also germane in light of the feedback paradigm of governance.³ These authors have shown that nonprofit boards tend to be relatively dormant most of the time. They are aroused, however, in crisis situations (where the feedback error is large) to act in a way that returns the organization to a stable equilibrium.

One valuable aspect of the feedback model is that it broadens our perspective about governance. Governance is not just about boards of trustees. It is about a cluster of mechanisms that measure an organization's performance and

feed it back so that the organization can make requisite adjustments.

In this broader view, the markets in which nonprofits operate also help govern the organization. If nonprofits sell their services in the marketplace, then customer sales provide an avenue of feedback and adjustment. If the organization depends on charitable contributions or on volunteer labor, then changes in those donations will provide feedback. Such signals will either encourage the organization to keep doing what it is doing or to make changes. Governmental regulation can also serve this function in some cases.

Another interesting mechanism of nonprofit governance has to do with the

associations into which many nonprofit organizations organize themselves. According to Independent Sector, approximately 20% of all nonprofits are part of an umbrella association or federation.⁴ At the Mandel Center, we are studying national nonprofit associations, partly to learn how they help keep nonprofit organizations accountable for their performance. Our sense is that these associations help provide both top-to-bottom and bottom-to-top accountability. When local affiliates, such as a local Girl Scout council or Red Cross chapter, deviate from acceptable norms, the national organization detects and corrects the problem. But the feedback model also works in the reverse direction.

Some of our most serious problems have recently been with the national organizations themselves—United Way and NAACP to name just two. The United Way case is particularly instructive. When the administration of United Way of America went off the rails, the board was asleep at the switch and not especially sensitive to the problems at hand. It was really the association structure of United Way that did the trick. The local United Ways knew they had a problem, provided negative feedback to United Way of America in the form of withheld support, and insisted on changes in board structure and other parameters that brought the national organization back on course. The feedback from the donor market, in the form of a fall-off of charitable contributions to United Way, also made a big difference.

Positive Feedback

The positive feedback model is quite different from the negative one. Positive feedback takes performance information and feeds it back to the input side so that the movement away from the previous equilibrium level is reinforced. Positive feedback can be useful for moving a device to a new level, but it can also cause the device to go wildly out of control. This is what happens when a microphone and speaker system are accidentally juxtaposed so

What Are Your Board's Main Duties?

1. Determine the organization's mission and purpose. Revisit these often, as they are not static documents but dynamic processes.
2. Select a CEO. Evaluate the CEO's performance regularly.
3. Engage in ongoing organizational planning.
4. Ensure adequate resources, and manage them effectively.
5. Determine and monitor the organization's programs and services.
6. Enhance the organization's public image. Be ambassadors for the organization in the community.
7. Select, orient, and involve new board members.
8. Assess the board's own performance regularly.

From the training program "Building Boards that Work," presented by the National Center for Nonprofit Boards.



that they reenforce each other's signal and we get a piercing, screeching sound. Positive feedback is the basis for chaos theory, which can explain many wild, creative, and unpredictable patterns of performance.

We can apply the positive feedback model to nonprofit governance as well. Positive feedback can encourage growth, innovation, and creativity—as well as the potential to careen out of control. If you think of negative feedback as a car's brake and steering wheel, than positive feedback is the accelerator pedal. You need all three to drive, and you need all three to govern a nonprofit organization.

The Governance Challenge

My challenge to you is to think of yourself as a governor in the generic sense. As a “negative governor,” your role is to give information to top management so that the organization stays on course and focuses continually on achieving its mission. As a “positive governor,” it's up to you to provide, within bounds, encouragement and support for growth and innovation. Both roles are equally important.⁵

And don't forget the mantra—feedback. ■

Footnotes

¹Melissa Stone is the former Melissa Middleton, author of “Nonprofit Boards of Directors: Beyond the Governance Function,” Chapter 8 in Walter W. Powell (ed.), *The Nonprofit Sector: A Research Handbook*, New Haven: Yale University Press, 1987.

²David H. Smith, “Moral Responsibilities of Trustees: Some First Thoughts,” *Nonprofit Management and Leadership*, 2(4), 1992.

³Lynne E. Miller, Evonne J. Kruger, and

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Marianne S. Gauss, “Nonprofit Boards and Perceptions of Funding,” *Nonprofit Management and Leadership*, 5(1), 1994.

⁴Virginia A. Hodgkinson, Murray Weitzman, Stephen M. Noga, and Heather A. Gorski, *A Portrait of the Independent Sector*, Independent Sector, 1828 L Street, N.W., Washington, D.C. 20036 (202–223–8100).

⁵See “Special Issue: Dilemmas of Nonprofit Accountability,” *Nonprofit Management and Leadership*, 6(2), 1995.

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Nonprofit associations help provide both top-to-bottom and bottom-to-top accountability.