



Rethinking the Nonprofit Board

Helping board members see themselves as owners may be the most important thing you can do.

By Michael F. Kipp

Since directors typically see themselves as volunteers, they may not fully appreciate what they've agreed to do when they join a nonprofit board. And just what is it that they've agreed to do?

The passion that powers nonprofits has equal power to destroy them.

Legally and morally, they've agreed to represent the interests of a certain community and assume responsibility for the organization's assets. They've agreed to exercise all powers under their authority, even though that power may have been delegated to a CEO long before they knew of its existence. They've agreed to make decisions only by acting *collectively*, even though they've pledged to bring their judgment to bear on those decisions as *individuals*. In short, they've agreed to be owners—uncompensated and frequently en-

couraged to work “out of title”—but owners nonetheless.

The Best of Intentions

Nonprofit board members tend to be deeply engaged. According to a recent survey by the National Association of Corporate Directors, they spend nearly 200 hours a year on board matters—roughly equal to time spent by directors at publicly traded firms and 30% more than the typical privately-held-company director. And 3/4 of those on corporate boards also serve as directors of one or more nonprofits, presumably facilitating both the adoption of owner-like behavior and cross-sector relationships.

Yet it takes time, training, and experience to grasp that governance is a form of ownership. Most people join nonprofit boards because they believe deeply in the cause. Their passion sometimes runs so high that they obstruct deliberations, prevent closure on critical choices, or refuse to compromise. Indeed, the passion that powers nonprofits has equal power to destroy them.

Every step by trustees toward managing rather than governing is a step toward resentment, either by the CEO or the board. Direc-

tors aren't there to help the staff. They're there to do the work of the board. Listening to staff reports isn't governance, and doing staff work demeans governance and disempowers executive leadership. There are the realities of any start-up, to be sure, but over time, board members shouldn't substitute for staff.

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Nor should board members defer to staff because they feel themselves in the hands of “the professionals,” as sometimes happens in treatment settings with doctors, educational environments with teachers, associations with legacy members, even in services to special-needs populations. This kind of self-effacement leads to board passivity and sets the stage for staff to determine policy. While staff members may be highly trained and well motivated, the organization isn't theirs to *govern*.

Taking Ownership More Seriously

A recent McKinsey survey of nonprofit directors found that fewer than 17% felt their boards were as effective as they could be. In contrast, a genuine ownership board lives up to its stakeholders' best hopes. A few things such a board does:

Focus on strategic, future-oriented decisions rather than micromanaging the organization or working on trivial matters.

Sharpen the organization's mission to eliminate unproductive overlap with other organizations.

Restructure the organization to create greater value.

Consider merging or consolidating with another group or even dissolving the organization in the absence of a sustainable business model rather than assuming that "if it exists, it must be good."

Most of the tough challenges we face today span sector boundaries. They require a blending of the nonprofit, for-profit, and government sectors. The most creative responses involve designing hybrid

RESOURCES

"Changing Direction: How to Restructure a Nonprofit," *Nonprofit World*, Vol. 13, No. 1.

Kohm, Amelia, "What Happens when Nonprofits Consolidate?," *Nonprofit World*, Vol. 20, No. 3.

Roy, William et al., "Leading & Managing Governance Change," *Nonprofit World*, Vol. 26, No. 3.

Ruebottom, Trish, "The Nonprofit Sector Doesn't Exist, Or a New Way of Viewing the Social Economy," *Nonprofit World*, Vol. 26, No. 2.

These resources are available from the Society's Resource Center, www.snpo.org/members. Also see Learning Institute programs on-line: Board Governance (www.snpo.org/lino).

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organizations that take advantage of each sector's greatest strengths.

The answer isn't to be more "businesslike" but more "owner-like." Board members who take seriously their roles as owners have the potential to take their organizations to new heights and revitalize the entire nonprofit sector. ■

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<http://www.snpo.org/social/>
(free Yahoo login required)

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snpo-subscribe@yahoogroups.com

If you have any questions, contact Jason Chmura at jchmura@snpo.org.



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