Food for thought

I've Been Thinking about… the Board-Executive Relationship

Is partnership between the board and executive a realizable goal? A worthy goal? Is there a downside?

By Martha Golensky

Although much has been written about the board-executive partnership, there's still a lively debate over the proper nature of this relationship. In a recent thread on a nonprofit listserv, some argued for following the corporate model (wherein the executive is a full and often voting member of the board) while others were adamant that the CEO should never be viewed as a board member, but should attend and participate in board meetings.

An underlying issue is whether there can be a "one-model-fits-all" approach to what is arguably the most important relationship in the organization. In an early research project, I compared four board-executive relationships that were intact and crisis-free. While on the surface, the four nonprofits shared many characteristics, governance varied greatly, from a classic partnership to a laissez-faire board that allowed the CEO to make virtually all major decisions. Yet, by any standard—services to clients, community reputation, financial health, longevity—they all were successful.

And they all had one thing in common: clarity about the roles and responsibilities of the board and CEO. I concluded that such clarity was an essential ingredient in an effective board-executive relationship, regardless of the governance model in place.

But danger may be lurking if the comfort level between board and executive gets a bit too cozy! Witness the consequences for the former National Center for the Employment of the Disabled. Its CEO colluded with a board member to defraud the U.S. government of millions. The two men falsified the numbers of handicapped people they employed so that the organization would qualify for no-bid contracts. Then they directed a portion of the money for their own use. The two also lied to obtain credit for a nonexistent loan from the board member to the CEO.

> Where were the checks and balances that should have been in place?

The organization is currently operating as ReadyOne Industries. Changing its name, while risky, may help distance the nonprofit from the actions of the two men, who needless to say are no longer associated with the charity. The former CEO has been sentenced to 10 years in jail and must pay $65 million in restitution, while the ex-board member received three years and has to repay close to $2 million.

Also convicted was the former Chief Operating Officer, who was a party to the scheme. His involvement may partially explain why the conspirators were able to mislead the board for so many years. But what about staff at the program level? Some of them must have recognized that the reported numbers were greatly inflated. Was there no mechanism for them to convey their concerns to the board? Where were the checks and balances that should have been in place to catch this fraud?

Sadly, research suggests that fraud is especially easy to perpetrate in a nonprofit, where trust in your colleagues, whether paid employees or volunteers, is almost a given. That's why it's so important for nonprofits to implement periodic ethics audits to review all practices and procedures. At the very least, there ought to be a certain amount of creative tension between the board and executive. The board must keep watch with a keen eye, no matter how well the CEO seems to be performing. And the CEO must fully embrace responsibility for being a positive role model to other organizational members. ■

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