Has your organization outgrown its board?

by Sam Pettway

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The really tough issues in nonprofit board governance are not the ones involving Messrs. Sarbanes or Oxley, nor even solons in the White House, the Congress or the IRS. Rather, the really tough issues in board governance are the ones involving the people you know best—your own board members.

The governance leadership responsible for an organization's past successes may not be the asset your mission deserves for today and tomorrow. Stagnation, bloat, frustration, micromanagement, spotty giving, falling meeting attendance—are all signs of a board that may have outlived its relevance.

> **"How effective is your board, really?"**

Why the disconnect? Why do otherwise selfless people who are committed to philanthropic service perpetuate a lame system? We think it's often because of a *strategic* divide between the needs and goals of the organization and the capabilities and commitment of its board members. In short, many organizations have simply outgrown their boards.

How can you tell if your organization has outgrown its board, and what can you do about it? Here are some questions to consider:

1. How effective is your board, really?

When we address groups of nonprofit leaders, we ask them to rank their boards on a scale of 1 to 5, with 1 being "Irrelevant" and 5 being "Essential." More often than not, a *majority* of nonprofit CEOs will rank their boards at 3 or less.

If the opportunities for improvement are so rife, why do so few boards tackle the issue? Mainly, in our experience, because the process lacks a champion.

As of today, if you're reading this far, that champion might as well be you.

2. What percentage of your board is truly and effectively engaged in your organization's success?

If less than half your board members are *truly* engaged in your organization's success, what opportunity cost does the care and feeding of underperforming directors impose on the rest of the organization? When we survey nonprofit CEOs, a surprising number say that board engagement is a major challenge. If that is true in your situation, then the dysfunction on your board may have become institutionalized, and it may well take a crisis to correct.

True, small boards can be just as out of touch as large boards, but bloated boards generally get that way when directors lose direct personal connection with an evolving mission. If you want to have a strategic board, you have got to promote strategic conversations; the best boardroom conversations are usually those that connect strategy, mission and people.

3. Do your board members know what's expected of them?

It's easy to fault board members for not living up to expectations, but often those expectations have never been articulated. Boards have the right—the obligation, actually—to establish bilateral rules of engagement with their trustees, just as they do (or should do) with their CEOs.

If you haven't discussed specific expectations with board members, ideally supported by a signed ands updated commitment letter on file, then you are reinforcing the gap between expectations and performance. If a board member refuses to commit or fails consistently to meet the agreed-to commitments, then it's time to "Plaque 'em and pack 'em."

4. How does your board evaluate itself?

Too many board evaluations are cumbersome annual instruments that are a pain to complete, inconvenient to digest, and easy to ignore. As a result, nothing changes—including the format for evaluation.

Here's a complementary approach that has the advantage of being both easy and low cost: At the end of every board meeting, pass out a one-page questionnaire with such questions as

- What was today's most valuable contribution to our organization's future?
- What should we have spent more time on?

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- Given today's discussion, what should we be sure to address at the next meeting?
- On a scale of 1-10 how do you rate this meeting?
- If you said less than 10, what could we have done (or done differently) to improve today's session?

If you evaluate every board and committee meeting before the meeting disbands, over time you will enhance the quality of discussion exponentially. As a result, your more rigorous annual board evaluations will prove less threatening, less burdensome and more useful.

5. Do you fear "No, thanks" from prospective board members?

Nominating committees hate to be turned down, but if every board prospect you approach says "Yes," then by definition you're aiming too low! It's a bit like bad debt expense for a business—too much is clearly dangerous, but too little may suggest an overly conservative approach.

We like the attitude of one philanthropist who could support only a few of the grant requests her foundation received each year: "If we are unable to fund you this time, please hear our answer as 'Not yet' rather than just 'No.' We'll be back next year, and we hope you will be too."

Board recruitment works the same way: It's a process, not an event. Take the long view, and you'll find the occasional "no" downright reassuring.

6. Do you embrace term limits?

Term limits are the easiest way we know of to keep a board fresh. In this regard, as in so many others, nonprofit boards are way ahead of their for-profit counterparts. Corporate boards hate term limits.

With real term limits in place, everyone knows when an organization's most productive board members will be rotating off, thus ensuring the time and the incentive to cultivate compelling successors, and board prospects know their commitment is not endless.

There are certainly some successful nonprofits that are led by the same board members year after year, but there are many more examples of board arteriosclerosis. Think of term limits as the Lipitor® of board governance.

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7. Does your board meet regularly in executive session?

For many nonprofits, executive sessions—that is, meetings without paid staff or non-board members present—are reserved for crises or for discussions of CEO compensation. Some CEOs are reluctant to leave the room for fear of losing control.

Don't kid yourself: Your boards are already meeting in executive session—they're just doing so in the parking lot after the meeting is over. Everyone would be better off if that discussion were held in the boardroom.

A structured executive session gives directors an organized opportunity to focus on issues concerning the board *as a board.* Executive sessions are about principles, not personalities; if you wait until a problem develops to call an executive session, the added attention may exacerbate the very problem you were hoping to resolve. Our suggestion: Hold executive sessions early and often.

8. Whose job is board recruitment?

There's only one right answer: "Everyone's."

Yes, the governance or nominating committee is responsible for ensuring an effective recruitment process, but every director has both the opportunity and, I believe, the *responsibility* to be a source of future board members. The vitality of a board depends on a broad base of champions for board service.

9. Have you mapped your board's topography?

Asked to outline their board needs, most organizations focus on missing qualifications. "More fundraisers" (or "more funders") is almost always first on a list of recruitment needs, but "CPAs," "Technologists," "Heavy hitters," "Diversity" and the like are equally common qualifiers in target lists we've seen.

Try this instead: List your three, four or five most important strategic goals or initiatives across the top of a page and each of your board members down the side. Using whatever scheme works for you, grade each board member's ability to contribute substantively to each goal.

In our view, every board member should be able to contribute meaningfully to at least one or two strategic goals, and every goal should have two or three board members capable of supporting it.

By mapping strengths against strategy, you will develop a visual guide to the best board you've ever had, especially if you overlay it with the normal characteristics— diversity, reach, functional skills, values and the like—that you're accustomed to considering. If the board is to be a strategic asset, then you must build the board strategically. As our British friends say, "Mind the gaps."

10. Who has—or who can be led to have—a vested interest in the success of your board?

Amateur genealogists like to focus on the ancestors they do not know; the professionals start with the generation at hand. So too with board development. Instead of focusing on the board prospect you don't know, use your new board map to tap those who already have, or can be led to have, a vested interest in your success. Just as development officers know that the best source of new money is existing contributors, the same is true of new blood for your board.

Before you reach out to people you do not know, prepare by tapping these resources:

    a. Existing board members, of course, especially now that they are armed with a strategic recruitment map
    b. Your most faithful donors and funders. (They may not lead you to the final answer, but their gratitude for having been asked will cement further the working relationship you already enjoy.)
    c. Former board members, donors and funders. (Donors often employ their own version of term limits, just as boards do, and these former supporters can be rich resources for recruitment. They will appreciate being included in your new thinking, and their passions can be rekindled.)
    d. Constituents, partners and collaborators
    e. Vendors
    f. Competitors (it's not the strong agencies that worry them; it's the weak ones)
    g. Organizations offering either similar services to other constituents or other services to similar constituents
    h. Sister organizations in other communities. (You can learn much from the experience of parallel organizations.)

Unlike the for-profit sector, where competitive pressures and even antitrust law make collaboration difficult, the willingness to help is extraordinary among leaders in the not-for-profit sector. Never—not once—have we been snubbed when we've made a

thoughtful request for suggestions relating to nonprofit board service. If you're not reaching out in creative ways, you're missing a wonderful opportunity to expand your network.

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Our friends in for-profit board recruitment complain about how difficult it is to convince top leaders to serve on corporate boards these days, even though compensation for such service is through the roof. Corporate board service is increasingly seen as onerous, contentious, thankless and boring.

By contrast, nobody pays nonprofit board members, and yet the people we deal with remain eager to serve. Yes, many nonprofit board seats go begging, but organizations that undertake *strategic* recruitment consistent with *strategic* goals can have their pick. It's a great deal of work, but the payoff can be enormous.

And your organization will never outgrow its board again.

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