Turn Potential “Board Blunders” into Board Performance

by **Debra Thompson**
Founder/CEO, Strategy Solutions, Inc.

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Many serve on nonprofit boards to make a positive difference for an important “cause.” Yet, we sometimes unknowingly commit “board blunders:” common mistakes by well-intentioned boards that cause poor performance or outcomes. At face value, the “top 10” seem like good things boards should do. However, closer examination reveals barriers to success. Here’s how to recognize the blunders and turn them into strategies for high performance.

1. Financial Management - While good financial stewardship is important, allowing the words “we can’t afford it” to drive decision making, can be limiting. Building budgets around what an agency feels it can afford often thwarts appropriate planning and leads to poor outcomes. Boards should ask “what do we need”, build a case for support for necessary resources and help raise the funds required to sustain effective programs.

2. Relationship with Staff - Misunderstanding the board’s relationship with staff often keeps organizations “stuck” wondering whose role it is to lead. The Executive Director (ED) should articulate an institutional strategy for the organization and provide board support, ensuring that board members’ attention is on policy and strategy and that the board is equipped to monitor agency performance. The board should structure meetings to focus on policy and strategy, set performance criteria for the ED, react to the ways staff expects to achieve goals and monitor agency performance.

3. Contributions - “I give my time, I don’t have to give my money” is sometimes expressed. Yet today, funders and donors evaluate organizations on the financial commitment of board members. Boards should create a culture of commitment to financial support, each giving an annual “stretch” gift based on financial means, even if only $5.

4. Management - Some board members believe they serve to provide their expertise to perform technical or management functions the agency cannot afford. While board members can be “management service volunteers, it is important to know that when serving in that capacity, they are volunteers who just happen to be board members; it is not a board role. Micromanagement can occur in small or thinly staffed organizations where responsibility is blurred, when confidence in an ED wanes or during a crisis. Nonprofits may be better served to hire staff or ask an expert for a few hours of pro bono consulting and keep their board members in their governance role.

5. Respectful Behavior - While debate and even conflict often occur around agency related issues, board members are often “too polite” to hold other board members to participation and behavior standards for fear of hurting feelings. In this case, respectful behavior can become a barrier to effective

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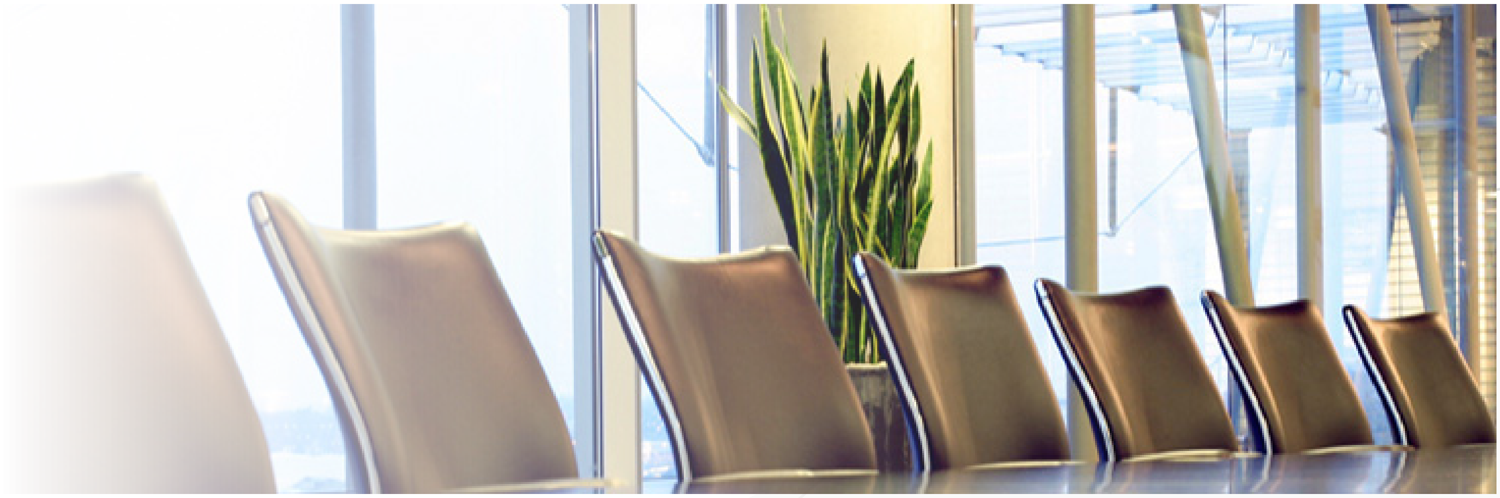

performance. Boards should conduct self- evaluations at least every two years and create an environment where it is acceptable to talk openly with each other about areas that need improvement.

6. Conflict of Interest - Conflicts are acceptable when they are managed appropriately. Every agency should have a conflict of interest policy; board members should sign annual disclosure statements and not participate in discussions or decisions where conflicts exist. Making "Conflict Disclosure" a standing agenda item at the beginning of each meeting, and documenting the names, nature of conflicts and abstentions in the minutes are effective strategies to managing conflicts when they occur.

7. Fiduciary Responsibility - Many equate fiduciary responsibility only with financial stewardship. While this is important, the board is responsible to ensure that the mission continues as long as the need exists. Mission statements should be reviewed for relevance every 3 years (documented in the minutes). Boards should fundraise to ensure adequate resources and/or identify collaborative and other strategies to sustain the mission.

8. Understanding Nonprofit Tax Status - Some erroneously believe that all nonprofit funds be spent every year. Nonprofit is a tax status not a business strategy. Boards should ensure that the agency generates enough margin (excess revenue over expenses) to operate all programs and services, run the "back office operations" with required technical expertise, fully fund depreciation and invest in new program/service development.

9. Honoring Tradition - While honoring tradition is noble, organizations get stuck in this mindset and become hindered by policies and fear of change. "We have always done it this way" can be the seven most expensive words in the world when they become a barrier to progress. Boards should encourage innovation, to ensure that the agency appropriately adapts to changes in the environment.

10. Encouragement and Support - While boards should support effective strategies developed by staff, "rubberstamping" sometimes happens when board members are "friends of the founder" or are disengaged. Boards should challenge ideas and strategies to ensure the right decisions are being made, even when using consent agendas.

Following these appropriate governance strategies can ensure good performance and avoid the "board blunders."

Debra Thompson is founder of Strategy Solutions, an organizational development firm with the mission to create healthy communities. For over 20 years, Debra and her team have provided research, planning, training and project management support for organizations and communities who want to grow and thrive. She is an adjunct faculty member in the Duquesne University Master of Organizational Leadership program and is a consultant, trainer and peer reviewer for the Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector. She can be reached at 8425 Peach Street, Erie, PA 16509; 814-480-8000; or through her website at getstrategy.com.

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