

Nonprofit Board Leadership: An Essential Ingredient for High-Impact Nonprofits

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Over the course of the past 20 years, nonprofit organizations in Philadelphia have confronted significant changes in their operating environment. Corporate mergers and acquisitions, the globalization of the economy, the devolution of federal power to state and local governments, constant challenges in government budgets, and changing philanthropic patterns and priorities have all rocked the sector. In the near term, unprecedented financial challenges, brought on by the current financial and economic crisis, will have enormous consequences for nonprofit organizations in the region and across the country.

Against this difficult backdrop, a serious governance challenge looms: many nonprofits in Philadelphia (and elsewhere) struggle to attract, retain and nurture strong board leadership and board chairs. Ominously, many major nonprofit organizations in the region will also face significant executive transitions in the next decade as their long-time chief executives (sometimes their founders) prepare to retire. The parallel crises of a difficult fundraising environment and the prospect of impending

executive succession will severely test the mettle of most nonprofit organizations in the region.

Background

In the arena of nonprofit leadership and governance, a great deal of work has been concentrated on the role of the CEO. This approach is exemplified by a recent CompassPoint study, which found that three-fourths of executive directors are planning to leave their organizations in the next five years, largely because of nonproductive relations with their boards (CompassPoint 2006). Undoubtedly, the CEO is the key player in nonprofit operations, but what is the role of the leader of the board of directors, and are human services nonprofits engaging the kind of board leaders who can leverage their power and resources for the benefit of the nonprofit?

An analysis of the "one hundred top paid corporate CEOs" in the region for the year 2008 published by the *Philadelphia Inquirer* shows that only 22 serve on nonprofit boards in Philadelphia. Those 22, however, serve on 36 different boards. Twenty-nine of these boards are in arts and culture (15), higher education (10), or scholarship programs (4). Human services boards can claim only a total of five.

The Challenge

The human services sector in Philadelphia is not tapping

into the highest levels of corporate leadership compared with their counterparts in the arts and higher education. In order to create a thriving human services nonprofit industry, the challenge is how to attract the kind of board leaders who have the clout, connections and resources to transform overly government-dependent nonprofits into more robust and independent nonprofits.

Nonprofit governance boards will be called upon to lead as never before, and many are simply not in the shape to do so. A majority of human services nonprofit organizations in Philadelphia seem to be heavily staff-driven, with the board chair carrying out his or her fiduciary responsibilities without being truly engaged in the leadership and development of the organization. Long-time observers and students of nonprofit organizations in the region suggest that what frequently exists between CEOs and board chairs is a relationship based on "low-level contract" in which very few real demands are placed on either party. This arrangement often leads to a passive oversight by the board, which Richard Chait characterizes as "high-powered people engaged in low-level activity" such as listening to reports and rubberstamping management proposals (Chait 2005). This behavior often changes when there is a true crisis in the organization, but even then the board is essentially carrying out a reactive rather than proactive role.

An Innovative Solution

What is needed, in my opinion, is a learning network of board leaders, driven by board chairs, that cuts across the human services field in Philadelphia. The network's role would be to identify challenges facing boards and begin to discuss promising practices in board governance.

Possible topics of discussion may include board member recruitment and evaluation, executive director evaluation and developing a business plan. The essential component is that the agenda needs to be owned and driven by the board members. If properly organized, this core network of board chairs has the potential to serve as an ongoing forum for board leadership development in Philadelphia, enhancing the strength of the nonprofit sector and helping it to thrive in the future.

Tom McKenna is a faculty member at the University of Pennsylvania's Fels Institute of Government and Director of the Nonprofit Certificate Program there. He is former CEO of Big Brothers Big Sisters of America, a former board member of the William Penn Foundation, and a long-time observer of and consultant to nonprofit boards and organizations.

References

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