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Celebrating 40 years of helping you help others

Why Boards Don't Govern

by Jan Masaoka and Mike Allison

In the aftermath of every “nonprofit management” news story is the question: Why didn't the board do something? Yet the boards of the nonprofits recently headlined with scandals such as outlandish compensation for executive directors, the use of organizational funds for personal luxuries, or nepotism did not do any less than most nonprofit boards. The reality is that most nonprofit boards are ineffective in their governing function. Only when gross mismanagement is discovered does a failure at governance come to the fore. Sometimes the failure does not involve personal scandal but reveals organizational laxity, such as an organization using funds raised for one purpose for other program areas.

Nothing can dampen donors' interest more quickly than an organization that does not seem to be taking responsibility for itself – and that responsibility lies in those who govern.

Jan Masaoka will be in Milwaukee on June 27 as part of The Accountability Imperative: Next Steps for a session entitled “Accountable Governance: Strengthening Nonprofit Boards”

What Is Governance?

The two roles of support and governance encompass different tasks. In the role of supporters, board members seek to raise money, bring clout to the organization, provide special skills, such as in law or accounting, and act as ambassadors to the community. The many books and seminars on the subject testify to the emphasis on helping boards help – on strengthening organizations by means of board assistance.

The governance role, in contrast, has a different goal: protection of the public interest. Governance responsibilities for board include selecting the top executive (the chief executive officer or executive director) and assessing his or her performance, reviewing and authorizing plans and commitments, ensuring compliance with legal and contract requirements, and evaluating the organization's work.

Both of these board roles are distinguished from that of management, which is the province of the executive director.

What's Wrong With The “Ideal” Board Member?

When most board members and executive directors dream of their ideal board members they envision someone who contributes money, obtains contributions from others, helps the organization get media coverage and political contacts, brings specialized expertise, and helps diversify the board's composition. This ideal board member also identifies with the organization, is liked and admired by staff and other board members, and “fits in.” These characteristics describe a board member who can help provide the critical support agencies need to succeed.

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save the date

Wednesday, June 27, 2006

The Accountability Imperative: Next Steps
“Accountable Governance: Strengthening Nonprofit Boards”
Jan Masaoka, former Executive Director of CompassPoint
Nonprofit Services
8:30 a.m. – 3:00 p.m. at Marquette Alumni Memorial Union

Friday, July 20, 2007

40th Anniversary Urban Picnic
Keynote by Peter Goldberg, Alliance for Children & Families
“The Changing Landscape for Nonprofits”
11:30 a.m.- 1:30 p.m.
Terrace at Milwaukee's Lakefront Transit Center
910 East Michigan

Wednesday, October 3, 2007

The Accountability Imperative: Next Steps
“Accountable Finance: Ensuring Integrity”
Dottie Johnson, CPA, Lumity, a merger of Nonprofit Finance
Center and IT Resource Center
8:30 a.m. – Noon

Saturday, November 3, 2007

“Make A Difference Day”
8:00 a.m. – 1:00 p.m.
Location: TBA

Thursday, December 6, 2007

14th Annual “Spirit of the Nonprofit Sector: A Holiday
Celebration of Diversity”
5:30 p.m.- 8:30 p.m., Italian Community Center

biography



Jan Masaoka is former Executive Director of CompassPoint Nonprofit Services, one of the nation's leading management consulting firms to nonprofit organizations, with 34 staff and offices in San Francisco and Silicon Valley. Under Jan's leadership, CompassPoint saw its annual budget rise from \$650,000 to more than \$4 million. Jan consults to nonprofit organizations in CEO transitions, nonprofit business planning, and boards of directors. She authored *The Best of the Board Café*, and writes the *Board Café*, a national newsletter with more than 44,000 subscribers. For the last six years, NonProfit Times has named her one of the "50 Most Influential People" in the nonprofit sector nationwide, and in 2002 she was named Nonprofit Executive of the Year. Jan has a Bachelor of Arts degree in Japanese studies from San Francisco State University and is pursuing a doctorate in public administration at Golden Gate University.

“Despite obstacles and uncertainty, boards strive to perform their governance roles well.”

Why Boards Don't Govern

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But the very qualities that make board members good supporters are often qualities that limit them as governors. The reason boards don't govern is less because they are uneducated or uninterested than because of some crucial, material, inherent reasons:

- Board members rely on staff for information. Because board members are often recruited to bring assistance and skills from other sectors of society, they often rely on staff for information about both the field and the organization. Unless they are themselves part of the people served (patrons of the community theater, adult children of Alzheimers patients, tenants of affordable housing), they typically have no independent information about the organizations on which to draw.
- Board members are often unfamiliar with nonprofit management. Nonprofits are fundamentally different from either large corporation or small businesses. For example, a manufacturer can drop an unprofitable product line without the ill social consequences of an after-school program closing. In particular, people from business are often unacquainted with volunteer management, indirect cost rates, and fundraising strategies.
- A crucial limitation on board effectiveness is the simple lack of time. Board members are usually achievers with many responsibilities and find it difficult to attend meetings, study materials, and attend functions. In response, organizations try to keep meetings short and have fewer of them per year, or simply demand more time than most people can give.
- At least narrowly speaking, it is not in the interest of executive staff to have an active, governing board. Supporters help the manager get the job done, governors often make the job harder. The governance role is an outsider's role, holding the organization, and specifically the executive staff, to high standards of performance. While most nonprofit managers work hard to do a good job, it is not in any manager's personal interest to make her own job harder.
- Finally, the consequences for inadequate governance have rarely been borne by nonprofit leaders as individuals. Even when an organization fails, board members are unlikely to have their careers or reputations affected, and the executive director can usually find another job. The big losers are the people or community purpose the organization was designed to serve.

Boards Govern In Crisis, So Why Don't They Govern All The Time?

Despite obstacles and uncertainty, boards strive to perform their governance roles well. They make valiant efforts to read and understand financial statements. They listen attentively to reports about client-centered methodologies and new x-ray machines. They give up Saturdays for board retreats.

When agencies are in crisis, boards go further. They give up weekends to attend emergency meetings where hard questions are asked; they sort out financial problems, and meet with

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Do You Need New Board Members?

Finding interested, qualified board members can be a challenge for any nonprofit organization. We can help! The Volunteer Center offers two services to help nonprofit organizations recruit new board members.

The first is simply to post the board or committee opportunity on our website - www.volunteermilwaukee.org. With our new search engine, nonprofits can now post their own opportunities. Nonprofit Center members can post unlimited opportunities, and nonmembers can take advantage of a free one-time posting. To post, go to www.volunteermilwaukee.org and then to the log in link at the bottom of the home page.

In addition, Nonprofit Center members can become part of our Community Board Connection service. We keep a listing of your board needs, and connect you with prospective board members who want to become involved in a board or committee. These individuals meet with one of our trained volunteers, and we refer them to opportunities that best fit their interests and skills. You complete an information form on the website, and we then add you to the listing.

With over 2500 unique visitors per month on our website and access to employees at nearly 40 local companies, we know that individuals interested in volunteerism will learn more about your board need through these services. For more information call (414) 273-7887 or opportunities@volunteermilwaukee.org.

disgruntled funders and clients. They seek out a wide range of informants: funders, staff, colleagues in the field, and members of other boards. When serious charges are brought to boards about CEOs, boards often hire independent investigators or analysts to report on charges of sexual harassment, racial or gender discrimination, alcohol or drug abuse, or misuse of funds. *In crisis, boards realize that while they can't manage, they must govern.* And to do so they need information sources that are independent of executive staff; they need their own, diverse channels of information.

If boards can act to overcome some of their limitations and act effectively as governors in time of crisis, why don't they act that way in normal times.

Some reasons that boards don't govern all the time have been noted: lack of time, lack of independent information, and lack of familiarity with the "business." But in addition, another important factor is at work: a desire to avoid tension and conflict.

When boards act in their governance and oversight roles, uncomfortable questions may be asked; tensions may enter the room. It takes a lot of nerve for a board member to challenge a staff recommendation in a board meeting. New board members are often quiet, waiting until they know more before speaking up. But long-time board members too are reluctant to appear adversarial, not "with the team."

In fact, when asking probing, "tough" questions, board members may feel guilty. Is it fair to question staff competency in fundraising when I've only made an average contribution myself? Is it being distrustful to ask for a list of salaries and comparable salaries in similar organizations? Does my admiration for a competing organization's programs reflect a lack of loyalty to my own organization? A subtle cause of this avoidance of conflict is the emphasis on a smooth working partnership. Boards often view tension as a symptom of an illness that everyone must try to avoid catching. Conflicts should be smoothed over. Staff frequently see board members with serious questions as obstacles at best, enemies at worst. (This is exacerbated when board members who don't do much as supporters still want to ask questions.) As a result, some boards neglect this responsibility altogether and act as a rubber stamp for the director. Just as often, boards will allow one or two members to be the chronic complainers without permitting them any real influence.

The wider nonprofit community has colluded with this avoidance through the scant attention given to the governance role in books, academic papers, and other management literature. A small industry has grown up around board training and consulting. While consultants and trainers have done a great deal to help boards raise more money, they have done little to help board be more effective as governors. One reason is that they have been hired to help the board support the organization, not to help it govern.

In crisis, the emphasis on a smooth working relationship takes a back seat to the need for action and straight answers. It is "okay" in a crisis to ask tough questions. In normal times, boards need to learn how to use the authority they are willing to assert in times of crisis.

The Paradox And The Challenge

The board-staff relationship is a paradoxical one. When acting in their governing role, the board must stand above staff and be the "boss." But when acting in their supporting role, board members act to support and assist staff-led work.

Some boards become so excited about their roles as governors that they mistake governance for close supervision of management and begin meddling in minor management affairs. In other cases, as boards govern more, they shrink their supporting role. The challenge is to fulfill both roles, not simply switch from one to the other.

In short, boards have some inherent limitations in their ability to govern, including lack of time, lack of familiarity with the field, and lack of material stake. These limitations have been supplemented by the sector's nearly exclusive emphasis on the board's supporting role and by a human tendency to avoid conflict. A first step toward an effective board is acknowledgement of the paradox and an understanding of the need to perform both functions equally well. A failure to govern as well as support is a transgression both against clients and against the wider community.

For the complete article, please visit:

<http://www.nonprofitcentermilwaukee.org/documents/boardgovernance07.pdf>

picnic

Celebrating 40 Years of Helping You Help Others

The Nonprofit Center of Milwaukee and the entire nonprofit sector have come a long way since 1967. Nonprofits touch every life, as one of our themes once proclaimed, and we're proud to have played a steady role in helping you help others for all these years.

Please join us on July 20th to celebrate our mutual successes, enjoy good food and music, and meet friends old and new.

You're invited to get together with the Nonprofit Center board, staff and several hundred other friends...

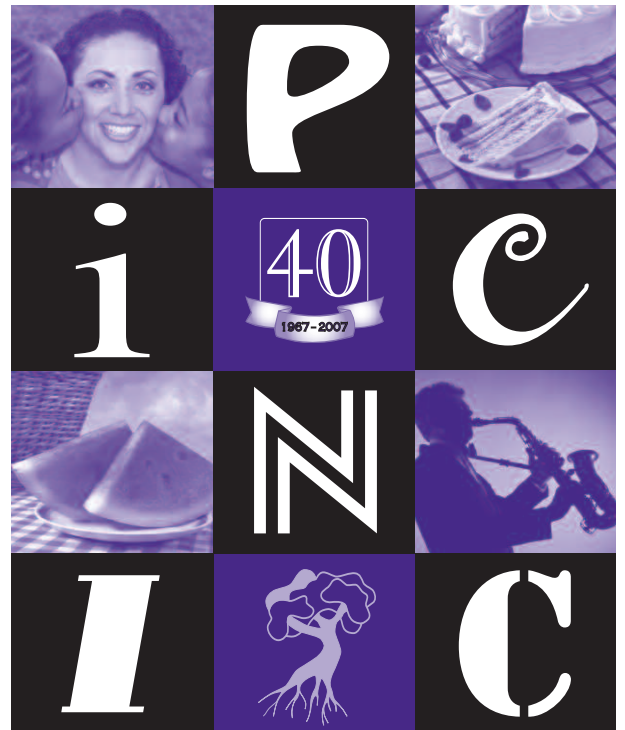
40th ANNIVERSARY URBAN PICNIC

Friday, July 20, 11:30 a.m. to 1:30 p.m.

On the Terrace at Milwaukee's Lakefront Transit Center
910 E. Michigan St.

- Picnic Lunch - Dixieland Jazz - Awards and Recognition - Keynote by Peter Goldberg on "The Changing Landscape for Nonprofits"
- Free Festa Italiana tickets to the first 300 RSVPs.
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