

## **Has Your Organization Outgrown Its Board?**

The really tough issues in board governance are not the ones involving the mystical Messrs. Sarbanes, Oxley or Spitzer, nor even the tax gurus in the US Senate or at 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.

Why the disconnect? Why do otherwise selfless people 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 your answer is less than 75%, have you considered the opportunity cost that the care and feeding of underperforming directors imposes on the rest of your organization? If you admit that 25% or less of your board members are so engaged, as did nearly a *third* of the CEOs we've polled this year, then the dysfunction on your board has 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.

### **3. Do you have a formal commitment letter outlining expectations for board members?**

It's easy to fault board members for not living up to expectations, especially when those expectations have never been articulated. If you don't have a

“Has Your Organization Outgrown Its Board?”

by Sam Pettway

December 2004

Page 2 of 5

formal commitment letter on file, countersigned by each board member and updated annually, 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, in the memorable phrase of [Chick D?], a senior BoardSource consultant, it's time to “Plaque 'em and pack 'em.”

#### **4. How does your board evaluate itself?**

Too many board evaluations are cumbersome instruments that no one looks forward to filling out and that nothing changes as a result of.

Here's a complementary approach: At the end of every board meeting, pass out a one-page questionnaire with such questions as

- “What was the most useful part of today's meeting?”
- “What should we have spent more time on?”
- “Given today's discussion, what should we be sure to address at the next meeting?”

If you evaluate every meeting, the quality of discussion will improve exponentially, and the more rigorous annual evaluation 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 each year's grant requests: “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. Corporations hate term limits.) With real term limits in place, everyone knows when its most productive board members will be rotating off, ensuring the time and the incentive to cultivate compelling successors, and board prospects know their commitment is not endless.

“Has Your Organization Outgrown Its Board?”

by Sam Pettway

December 2004

Page 3 of 5

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.

### **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 of the conversation.

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 board room.

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.

### **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.

### **9. Have you mapped your board's topography?**

Asked to outline their board needs, most organizations focus on missing qualifications. “More fundraisers” 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 goals, and every goal should have two or three board members 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 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 similar services to other constituents or other services to your 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.

"Has Your Organization Outgrown Its Board?"

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December 2004

Page 5 of 5

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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