

PROBLEM BOARDS OR BOARD PROBLEM?

William P. Ryan, Richard P. Chait, and Barbara E. Taylor

The past 20 years have seen the steady growth of training programs, consulting practices, academic research and guidebooks aimed at improving the performance of nonprofit boards. This development reflects both hopes and doubts about the nonprofit board. On the one hand, boards are touted as a decisive force for ensuring the accountability of nonprofit organizations. On the other hand, the board is widely regarded as a problematic institution. And it's not just the occasional nonprofit financial implosion or scandal that's troubling. All institutions, after all, have their failures. Perhaps more worrisome is the widespread sense that under-performing boards are the norm, not the exception.

After contributing to these board-improvement efforts for over two decades, as both researchers and consultants, we have recently looked afresh at the challenge of improving nonprofit boards as part of the Governance Futures project. Conceived by Board Source (formerly the National Center for Nonprofit Boards), in collaboration with the Hauser Center for Nonprofit Organizations at Harvard University, the project seeks to re-conceptualize governance. Although it ultimately intends to generate new and practical design strategies, we have focused first on the problems of the board—on the theory that a better framing of the problem will lead to better responses. Through dialogue with practitioners, a review of the literature on nonprofit governance, and the application of various intellectual frameworks (from organizational behavior to sociology), we have begun to see the cottage industry of board improvement in a new light. Most importantly, we have concluded that we have been working on the wrong problem.

Problems of Performance

The problem with boards has largely been understood as a problem of performance. Judging from our recent discussions and interviews with board members, executives and consultants, three board-performance problems appear most prevalent. First, dysfunctional group dynamics—rivalries, domination of the many by the few, bad communication, and bad chemistry—impede collective deliberation and decision-making. Second, too many board members are disengaged. They don't know what's going on in the organization, nor do they demonstrate much desire to find out. Third, and most important, board members are often uncertain of their roles and responsibilities. They can't perform well because they don't know what their job is. When we spoke with 28 nonprofit governance consultants about their recent engagements with troubled boards, 19 characterized the client's problem as ignorance or confusion about roles and responsibilities.

Scores of analysts have addressed this problem and, in response, offered one version or another of an official job description for the board. The vast, prescriptive literature can fairly be distilled into five functions:

1. Set the organization's mission and overall strategy, and modify both as needed.
2. Monitor management, and hold it accountable for performance.
3. Select, evaluate, support and, if necessary, replace the executive director or CEO.
4. Develop and conserve the organization's resources—both funds and property.
5. Serve as a bridge and buffer between the organization and its environment, advocating for the organization and building support in its wider community.

The roles-and-responsibilities conception of board performance has obvious appeal. With a problem defined as ignorance, the solution becomes knowledge. And since we already possess—in the form of official job descriptions—the knowledge that boards need, we need only disseminate that knowledge to unenlightened trustees to cure the problem. The expectation is that we can train our way out of board problems.

Behind these problems of performance, however, looms another, more fundamental problem: one of purpose. Some advocates of a roles-and-responsibilities approach inadvertently acknowledge this problem when they reason that, since the board endures as an institution, it must be important. "The widespread existence of boards," writes Cyril Houle, "means that they must possess values which are apparently essential to modern life. It will therefore be useful to assess the reasons why boards are important." [1] The very formulation of this approach—or variations common in the literature—betrays a fundamental problem. If the board is so important, why do we need a whole literature to explain why? This question raises another: What if the central problem plaguing boards is not ignorance about important roles and responsibilities, but lack of a compelling purpose in the first place?

Problems of Purpose

We can approach the problem of purpose in two ways. We can attempt to expose the board as an irrelevant institution constructed around a set of hollow roles and responsibilities. Or, as we prefer, we can ask whether the purposes now ascribed to boards might be necessary, but insufficient, to sustain engaged and effective service by nonprofit board members. Even this approach, however, requires some reflection on the problem of purpose. We start with three causes of the problem.

1. The Substitute's Dilemma: The Most Essential Work Can Be the Least Meaningful

By law, the board's fundamental purpose is to hold a nonprofit accountable to the broader community. The law offers little guidance, however, on how boards should do so—beyond referring to broadly conceived "duties of loyalty and care." The standard statements of roles and responsibilities offered to board members attempt to add flesh to this legal skeleton. But a job predicated on legal accountability is, almost by definition, not a compelling job. To ensure this accountability, boards focus on norms and standards of minimally acceptable behavior. Trustees are tasked to prevent trouble more than promote success.

This approach places board members in a position akin to that of the maligned substitute teacher. As an institution, the substitute teacher works effectively. The device assures school administrators and parents that children who might otherwise run amok will remain under control. But the job of the substitute teacher is singularly unattractive. Adherence to minimum standards—not trying to teach but merely trying to keep order—is as or more challenging than actually teaching. It is also far less rewarding. So it is with board members. What we have essentially asked is that trustees keep order.

Why not concede that boards do unglamorous but essential work and get on with it?' The reason lies again in the paradox of substitute teaching. The teacher who educates children actually stands a better chance of keeping order than the teacher required only to keep order. Similarly, the board that is expected to improve organizational performance also stands a better chance of assuring accountability. By focusing primarily on accountability, we have created a job without a compelling purpose. As a result, board members become disengaged. And the more disengaged they are, the less likely trustees are to ensure accountability the very reason we created boards in the first place. By asking for a little, we get even less.

2. The Monarch's Challenge: Important Work Is Sometimes Institutional, Not Individual

The problem is not that the board is some pointless appendage that renders board members inconsequential. To the contrary, the board, as an institution, is so important and effective that it can sometimes function almost without regard to the effort of individual board members. In that sense, a board may be more like a heart--too vital to rely on conscious effort to perform. Consider four cases where the board can perform well and thus leave board members little to do.

First, boards provide legitimacy for their organizations. Unlike the business sector, where stakeholders can judge a corporation by financial performance, the prospective funders, clients and employees of the nonprofit sector often rely on signals and proxies—none more compelling than the presence of a distinguished board—to assess an organization's efficacy. But beyond lending their names to the organization's letterhead, and occasionally attending a public function or official event associated with the organization, board members need not do anything to create legitimacy. They merely confer it.

Similarly, the board provides managers with what organizational theorists call "sense-making opportunities" simply by meeting.[2] The mere prospect of a board meeting--where little or nothing may actually happen requires managers to prepare written and oral reports that make sense of organizational events, challenges and data. Management must be able to communicate to the board an integrated and sensible account that describes and interprets the organization's situation. Presumably, a more curious or inquisitive board will compel managers to be better sense-makers, but the mere occasion of board meetings goes a long way by itself.

The board, as an entity, also encourages vigilance by managers. Nonprofit executives often say, "The board keeps me on my toes" or "I can feel the board looking over my shoulder." Henry Mintzberg, a strategy theorist, likened the corporate board to a bumblebee that buzzes around the head of the CEO [3]. Ever mindful of the possibility of being stung, the CEO remains vigilant. As that image suggests, even random, annoying activity can be sufficient to keep managers alert. The flurry of activity alone has important effects.

Parsing these individual and institutional roles, we return to the legal role of the board as an accountability agent. We can construe society's mandate to the board as an active one: ensure accountability. But it's also true that the wider society's interests are satisfied to a large extent by the mere existence of the board, which serves as a legally answerable entity in the event of wrongdoing by the organization. The board assumes the ultimate legal responsibility. We hope that responsibility leads the board to "due diligence," but nothing in the law can compel the board to also be high-performing.

As trustees attempt to define the purpose of a body that, in some ways requires little of them, they face something of the predicament of a monarch in a modern, democratically governed state. It's the institution of the monarchy—not the individual monarch—that does much of the work. The monarchy helps to create a national identity, reassuring and unifying the country (especially in times of crisis), marking important events through ceremony and, not least, developing the tourism economy. Some monarchs are more likeable than others, but most purposes of the institutional monarchy can be fulfilled regardless of the individual monarch's capabilities or personality. For a monarch, the solution to this problem of purpose is to respect the official job description, however limited, and then to invent an unofficial job description in order to use the position to advance causes close the monarch's heart. Board members face the same challenge. If they rely on the institution of the board to generate meaningful work, they are likely to be disappointed.

3. The Firefighter's Down Time: Important Work Is Episodic

Sometimes boards resemble neither substitute teachers nor modern monarchs. Sometimes boards are personally engaged in important work where the trustees' performance proves decisive. Under these circumstances, such as hiring a CEO, considering a merger, deciding whether to expand or eliminate programs, or dealing with a financial crisis or personnel scandal, boards are called on to be diligent and purposeful. But in times of calm, when there is no one to hire or fire, no strategic choice to make, and no crisis to manage, then what is the board's purpose?

We tend to take little account of the fact that important board work can be highly episodic. Board members meet at regularly prescribed intervals, even when there is no urgent work to do. If boards are to be strategy-makers, as many governance gurus advise, can management realistically devise an agenda replete with important "bet the company" questions at every meeting? In response to this demand for strategic content, staff may begin to inflate routine issues into questions of strategy. Board members and staff alike soon begin to equate meeting with governing. And when the important work that boards sometimes do remains undifferentiated from the mundane or even contrived work that comes in the intervals, the important work becomes devalued. Encouraged to go through the motions,

board members are frequently driven to ask the ultimate question of purpose: Why am I here?

Boards once filled "down time" by taking a direct role in managing the organization. But the rise of professional nonprofit management has discouraged—though not eliminated—that practice. With the widespread acceptance of the official job description for boards, such hands-on work now constitutes "meddling" or "micromanaging"—a breach of the staff-board boundary. The modern consensus is that nonprofit organizations do not need boards to manage operations. But does it follow that nonprofits need boards to govern every time they convene, even when there are no strategic imperatives to decide?

In most fields where important work is episodic, practitioners do not insist otherwise. A fire fighting company, for example, spends only a small fraction of its time actually fighting fires. Some time is devoted to training; some is used to maintain equipment; some is spent on fire prevention; and some is simply spent waiting—cooking, eating, watching television and informally strengthening the camaraderie of the group. Instead of making the preposterous claim that a fire company, is always fighting fires, fire departments put down time to good use.

What do boards do with their down time? In practice, of course, we know that boards do more than govern in formal board meetings. For example, we asked board members to think about a "no-board scenario" by posing the following question: What would be the single gravest consequence to your organization if the board did not meet or conduct board business in any way for a two-year period? In response, board members said the organization would suffer the loss of fundraising capacity, loss of good advice or expertise and loss of contacts in the community. Though these assets certainly help nonprofits, and may improve organizational performance, they are not governing per se, and they are not always developed or delivered during formal meetings. They are downtime activities that boards pursue when they are not called upon to govern. If boards approached the question of how to use down time explicitly, rather than lament the absence of a perpetually strategic agenda, they might, in fact, become more valuable assets to their organizations.

Specifically, board members might tackle the question of what constitutes effective preparation or readiness to govern. In lieu of formal board training events at long intervals, boards could construe learning about their communities or constituencies as vital, continuous preparation for governing. Instead of merely recruiting members who appear to be well informed, organizations could use their meetings to promote learning by all board members. Board members could construct and pursue a learning agenda through fieldwork, meetings with other boards, or extended interaction with constituents. By learning as a board, the board would have a deeper and shared body of knowledge available when the time comes for important decisions.

If board members are not simply uninformed about their roles and responsibilities, but are struggling to find meaningful work in an institution beset by problems of purpose, then what kind of board-improvement strategies do we need? If we can't train our way out of problems of purpose, then what?

Problems of Reform

In recent years, the field of nonprofit governance has approached the challenge of board improvement by continually trying to narrow the scope of the proper work for boards to a set of canonical responsibilities. Given the persistent dissatisfaction with board performance, perhaps this approach should be reconsidered. We can start with three questions. Why have we felt compelled to narrow board work to certain prescribed functions? Have we trimmed board service to the right set of essentials? And does the official job description really advance better governance?

The official job description undoubtedly represents an earnest effort to improve governance by focusing boards on the fundamentals. But it also solves another pressing need: how to divide organizational labor between nonprofit board members and an ever more professionalized nonprofit management. After all, the rise of professional management, rather than a sudden decline in trustee knowledge and intelligence, may best explain why board members have become increasingly uncertain about their roles. In a word, they have been displaced. As Harold Wilensky argues in a seminal analysis, the rise of new professions typically involves "hard competition" in which a would-be profession "sloughs off dirty work" on nearby occupations [4]. Doctors gave unpleasant tasks to nurses, who shifted them off to nursing aides, where they will remain until the emergence of a nurse's aide profession. Faculty offloaded admissions and advising on a new cadre of student personnel administrators. Though not as ungracious as "sloughing off dirty work," professional nonprofit management has gently kicked the boards upstairs—confining them as much as possible to policy and strategy (even though there is little evidence that boards are as influential as managers in the policy-and-strategy spheres).

Many board members have trouble staying there, and when they cross the boundary into management territory, many executives and consultants are quick to condemn them as either woefully ignorant or downright mischievous. Whatever the reason, when boards so "misbehave," managers proffer the official job description as guidance, or wave it like a restraining order. But in reality, it's hard to discern the line that divides policy and strategy from administration and operations. How can we be sure an operational matter is not of sufficient significance to warrant the board's attention? It doesn't help to assert that governors should not manage when the difference between management and governance is not crystal clear. It's also hard to govern at arm's length from the organization and without first-hand knowledge of the "business." How can a board develop strategy without direct contact with the operational realities of the organization—which is precisely where new strategies and ideas often emerge and are invariably validated or discredited? How can a board evaluate the performance of an organization without some direct knowledge of the enterprise?

The official job description does provide some opportunities for more active, hands-on work. Board members are often expected to represent the board to various social, civic or professional networks, and to help the organization understand the larger environment better by bringing information from those networks into the board room. And boards have been granted, if not mandated, an enormous role in fundraising.

Why do these functions make the short list of essentials? True, the organization needs help in these areas, board members are good at these tasks, and trustees are often willing to perform them. But board members are not uniquely qualified for this work. Indeed, management could and does work on both funding and community support. But, in truth, these functions have one important characteristic: they keep board members busy outside the organization, where they are not apt to interfere with the work of managers and staff. In other words, the official job description doesn't insist that boards only govern, but the list improves the odds that trustees will not get in the way of managers.

If we were satisfied with the performance of boards, the fact that the official job description is not entirely, conceptually coherent wouldn't matter. If a pinch of policy, a heap of fundraising, and a dollop of strategy added up to better governed organizations, then why quibble? But given the frustrations of many board members and a pervasive sense among trustees—and those trying to help them—that their time and talent (and ultimately their treasure) are vastly underutilized, it is time to revisit our assumptions about what boards do and should do.

Rather than narrowing our sense of the board's work, we should try to broaden it. In fact, in developing managers or leaders, we do precisely this. We urge them to look beyond their narrow, official job descriptions to the more subtle, important and personally satisfying aspects of their jobs. We might try the same for boards, asking how we can make board work more meaningful for board members and more consequential for their organizations. For those who want answers now, this may entail entirely too much thrashing about the problem. But a new sense of the problem of purpose may be more useful than still more solutions to the problem of performance. The right solution to the wrong problem rarely works.

Endnotes

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4. Wilensky, Harold L. "The Professionalization of Everyone?" *The American Journal of Sociology*. Sept. 1964.

About the Authors

William P. Ryan is a consultant to nonprofit organizations and a research fellow at the Hauser Center for Nonprofit Organizations at Harvard University. Richard P. Chait is a professor at the Graduate School of Education, Harvard University. Barbara E. Taylor is a governance consultant and senior consultant with Academic Search Consultation Service.