

Reflections on excellence in non-profit boards

Description

The last decade has been a very challenging time for non-profit organisations and their boards. The significant challenges in the funding landscape have been compounded by a number of serious corporate governance scandals in non-profit boards in many countries which have cast an unfortunate shadow over many decent non-profit organisations. Non-profit boards have been facing these challenges in the backdrop of increasing national corporate governance frameworks and difficulty in attracting board members nervous of the increasingly onerous responsibilities of a board director as well as the reputational risks of serious problems occurring at the non-profit organization.



In working with non-profit boards, one thing that has really struck me is the increased level of criticality and impact a non-profit board has compared to a standard company board. While the board of a company clearly has a critical role, in the vast majority of cases for a company, there is an experienced executive team in place. In many non-profits, the executive team can often be under-staffed with often a very hard working CEO overloaded and not having the benefit of sufficient experienced senior executives in her team even though the organisational size & complexity could match that of a medium to large sized company. This means that the board has an even greater role in supporting the CEO.

Non-profit boards are no different to company boards in that there is a wide spectrum in terms of composition & calibre of board members and the board's overall effectiveness & performance. I believe there is a commonly held view that non-profit boards lag behind traditional company boards in terms of effectiveness, performance and the overall sophistication of these boards. Based on my own experience, I don't subscribe to this view and have seen some genuinely outstanding non-profit boards. I recently delivered a board best practices workshop to quite a large non-profit charity board. I had a busy schedule prior to this with company boards so I was very curious to see this non-profit board compared to the company boards. To be honest, I was genuinely blown away by the quality of this board, the incredible passion and commitment by un-paid board members to out-perform on



delivering to their stakeholders, the partnership with the CEO & executive team and their genuine openness & commitment to continuous improvement. Their performance culture was exemplary and while they had some areas that we identified they need to work on, the bottom line is that they would put most company boards to shame irrespective of their size. While clearly a lot of non-profit boards have a wide mix in terms of the professional background and management expertise of their board members, I believe that their genuine passion and commitment serves as a strong foundation for the board to grow and improve in effectiveness & performance provided they have a genuine openness to improving and awareness of the need to understand board best practices.

I believe the following factors are critical in understanding some unique considerations and success factors for non-profit boards compared to company boards ;

Structuring & Managing the non-profit organization and board “as a business” – once non-profits get to a size whereby they have significant finances and staff numbers, they arrive at a critical cross-roads whereby the organisation from top to bottom, led by the board, needs to embrace the same structure and discipline of a comparable size business. While some non-profits have philosophical difficulties with this, my experience has been that the successful non-profits embrace a business-structure paradigm

Partnership between non-exec boards members and CEO & executive team – Many non-profit boards have a legacy structure of the board being entirely comprised of non-exec board members with the CEO in many cases not actually being a full-member of the board team ! I strongly believe this is not an optimum approach and to genuinely enable a high-performance board team, it needs to be a cohesive team comprised of non-exec and exec board members. Nothing will ever change the critical oversight role of the non-exec board members but really strong boards combine this oversight & challenge of the CEO & exec team with outstanding support to the CEO & exec team.

Non-exec board members bringing their A-game – Some chairmen of non-profit boards have commented to me that they are often a bit disappointed that after attracting a new non-exec board member with a very strong track record in business that they can almost “leave their skillsets at the door”, go through the motions at the board, ask the obvious questions but not really go the extra mile. A number of factors could cause this but one I believe in particular is that many non-exec board members with a strong business background coming into non-profit boards under-estimate the complexity of the organization, its day-to-day challenges in terms of for example funding and the level of effort they have to put in to strongly contribute as an outstanding board member.

Diversity of thinking & board composition – like any board, non-profit boards genuinely benefit from true diversity of thinking and background right across the spectrum of gender, age, ethnic background, professional background, thinking style etc. I have seen many non-profit boards with an unhealthy majority of the board members being emotionally attached and involved in the background to what led to the non-profit being set-up. While their contribution is absolutely critical, this can lead to a lot of group-think problems which can seriously impact on the non-profit.



Major emphasis needed on transparency and ethics – in today’s world, it is genuinely incumbent on a non-profit board to have a critical focus on organizational transparency in the eyes of all stakeholders. Whether it’s the state, members of the public, corporate or private donors, all stakeholders and funders genuinely deserve to understand that the board of a non-profit is setting the example for the entire organization in terms of its ethics, behaviours, transparency and accountability.

Performance culture – In Ireland, UK and many countries, there have been significant strengthening of non-profit and charity governance guidelines and best practices. High quality non-profit boards are genuinely embracing these best practices in terms of annual board reviews (internal & external) and individual board member reviews.

Chairman leadership – the chairman’s leadership is critical in every board but in the case of a non-profit board, the chairman can have an absolutely vital role in enabling a highly effective and high-performance board.

In summary, non-profit organisations play an absolutely crucial role in society and I personally have huge admiration for these organisations and their boards. While clearly there have been some isolated but serious corporate governance crises, the absolute vast majority of non-profit boards have a deep passionate commitment to excel on behalf of their stakeholders. Mirroring the evolution of boards in the company sector, there is now a major focus on non-profits assessing their strengths & weaknesses as part of a sustainable drive to become a highly effective high-performance board team.

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