STRONG CEOs vs. VOLUNTEER BOARDS

NDI
National Development Institute

THE MANAGEMENT

God first made idiots (that was for practice) then He made boards.

~Mark Twain

VOLUNTEER BOARDS DON'T WORK AND NEVER WILL

After spending twenty-five years in nonprofit management (having worked with over 400 boards) I've determined, broadly speaking, there are three types of boards…

…mediocre ones, useless ones, and really bad ones.

It's not the fault of the individual volunteer (most of the time), it's simply a flawed business model that never had a chance to succeed.

Here's what your contemporaries have to say:

> *"Effective governance by a board of trustees is a relatively rare and unnatural act. Trustees are often little more than high-powered, well-intentioned people engaged in low-level activities." ~Thomas Holland*

> *"There is one thing all boards have in common…they do not function." ~Peter Drucker*

> *"Ninety-five percent (of boards) are not doing what they are legally, morally, and ethically supposed to do." ~Harold Geneen*

"Board members are usually intelligent and experienced persons as individuals. Yet boards, as groups, are mediocre. Boards tend to be, in fact, incompetent groups of competent individuals." ~John Carver

"Boards have been largely irrelevant throughout most of the twentieth century." ~James Gillies

By and large, the vast majority of volunteer board members do not have the time, experience, or skills necessary to manage a good CEO. *So inevitably, instead of the members managing the CEO, the CEO is tasked with the annoying responsibility of managing the board.* It's a complete waste of time and effort.

By the way, ***great leaders are not "managed" in the first place!***

Furthermore, it doesn't matter how big or small the organization may be (e.g. major universities vs. the local animal rescue) boards don't work and never will because…THEY'RE MADE UP OF VOLUNTEERS WHO HAVE A LIMITED KNOWLEDGE OF NONPROFIT ENTERPRISE

(The reason I referenced major universities came after a review of how Penn State's board of directors handled their recent scandal. This group of accomplished and esteemed trustees collectively demonstrated incompetency one would expect from an ill-equipped local high-school booster club.)

So here's what civil society has decided is the best way to grow a nonprofit enterprise. Let's saddle a CEO with a group of disengaged volunteers, who may or may not regularly gather to share their opinions. Each board member is equal to the others and gets a full hearing, regardless of their competencies. This group is all-powerful and IS ACCOUNTABLE TO NO ONE.

It's unnatural. It's never worked. It never will.

Simply put, THE EMPEROR HAS NO CLOTHES and no one is discussing effective alternatives.

How is it that the oversight of this critical enterprise (upon which society relies for safety, health, and provision) could be left to the mediocrity of disengaged volunteers?

But Jimmy, what about those successful nonprofits? Don't they have great boards?

Don't kid yourself! Successful nonprofits are not run by boards; they're run by strong CEOs, in spite of the board. Another way to look at it goes something like this…what would GE, Apple, or Amazon look like today if they had been managed by a disengaged volunteer board of directors?
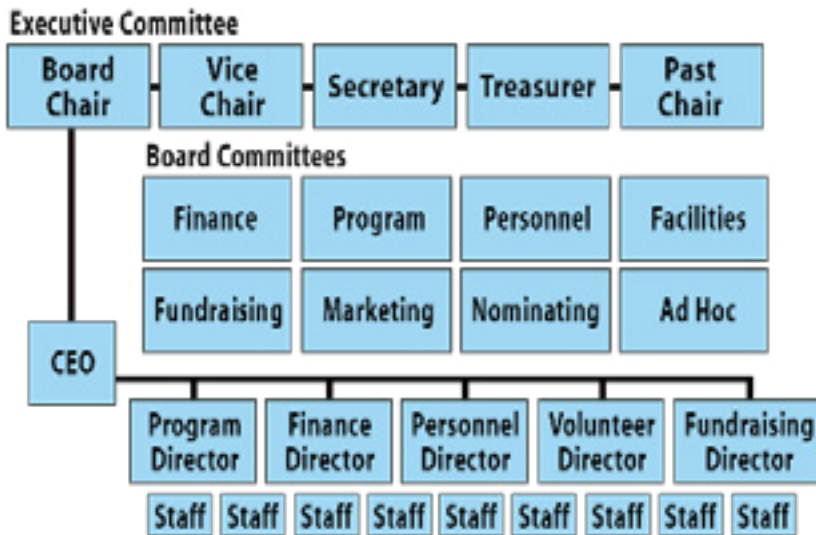

What would GE, Apple, or Amazon look like today if they had been managed by a disengaged volunteer board of directors?

Let's take a moment and review a traditional nonprofit organizational chart and standard board member job description. You'll recognize them…they're similar to the ones you'll find in the board orientation manual of most nonprofits.

What follows is fantasy and comes straight from the libraries of our most respected industry experts…and is delusional.

Traditional Organizational Chart (15 Members)

Executive Committee

Board Chair	Vice Chair	Secretary	Treasurer	Past Chair

Board Committees

Finance	Program	Personnel	Facilities
Fundraising	Marketing	Nominating	Ad Hoc

CEO

Program Director	Finance Director	Personnel Director	Volunteer Director	Fundraising Director

Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff

Board Member Purpose: To advise, govern, oversee policy and direction, and assist with the leadership and general promotion so as to support the organization's mission and needs.

Board Member Responsibilities:

- Organizational leadership and advisement
- Expansion of the board of directors, officers, and committees
- Formulation and oversight of policies, procedures, and by-laws
- Financial management, including adoption and oversight of budget
- Oversight of program planning and evaluation
- Personnel evaluation and staff development
- Review of organizational and programmatic reports
- Promotion of the organization
- Fundraising and outreach

Length of term: Three years, which may be renewed up to a maximum of three consecutive terms, pending approval of the board.

Meetings and time commitment: The board of directors meets September through June on the second Monday of the month, 7:00 p.m., Meetings typically last two hours. Committees of the board meet an average of six times per year, pending their respective work agenda.

Expectations of board members:

- Attend and participate in meetings on a regular basis, and special events as able.
- Participate on one standing committee, and serve on ad-hoc committees as necessary.
- Be alert to community concerns that can be addressed by our mission and programs.
- Help communicate and promote mission and programs to the community.
- Become familiar with finances, budget, and financial/resource needs.
- Understand the policies and procedures.
- Financially support in a manner commensurate with one's ability.

The few times boards are able to fool themselves into thinking that they've fulfilled the responsibilities outlined above only occur when a strong CEO and multiple staff members spend countless hours doing the work for them. Which is why, in a recent conversation, a CEO shared, "We work hard to support our trustees…I don't mind doing it…I simply have no idea what it gets me."

"We work hard to support our trustees…
…I don't mind doing it…
…I simply have no idea what it gets me!"

The job description you just read is the standard short form. What I don't have time to show you is the expanded fifty-page board member's manual, containing, amongst other things, multiple committee assignments and expectations.

IT GETS WORSE.

Now, take the magnitude of all those written responsibilities, and then pick and choose from the following menu of dysfunctions.

> 1. Boards formed by people affected by an issue (e.g., parents of kids with cancer)
> 2. Boards who insist that current clients serve as voting member
> 3. Boards who have been formed by program participants
> 4. Boards with members who were invited to join because of social status or popularity
> 5. Boards who have secured members based on need for diversity
> 6. Boards made up of members on a crusade
> 7. Boards established by founders
> 8. Boards comprised of service providers
> 9. Boards with members who live out of town
> 10. Boards comprised of pastors
> 11. Boards comprised of members with emotional disorders
> 12. Boards whose members don't attend meetings
> 13. Boards comprised of other nonprofit executives
> 14. Boards with members who were secured because they're rich
> 15. Boards with members who are incompetent

IT GETS WORSE.

Now, take all those responsibilities, pick and choose your dysfunctions, and then multiply it by Myers-Briggs sixteen different personality types.

IT GETS WORSE.

…take all the different responsibilities outlined in the job description
…pick and choose from the menu of fifteen dysfunctions
…multiply it by the sixteen different Myers-Briggs personality types
…then add the different sector elements…health, education, human welfare, the arts, environment & religion

Now, gather these individuals in a room once a month, for what too often turns into a two hour group therapy session, facilitated by a clinician (the CEO), whose boss(es) (or patients-in-denial) wouldn't believe for a second that they're the ones with a problem.

I know all boards aren't this way.

I ALSO KNOW EVERYONE READING THIS PAGE HAS BEEN IN MEETINGS JUST LIKE THE ONE I DESCRIBED.

This is insane…no, really…this is insane, and must end now. It hasn't ever worked, and never will.

Here's where we're at…this guy walks up to a Coke machine and puts in four quarters. The machine takes his money but nothing comes out. He bangs on the side of the machine, and then carefully drops more coins into the receptacle. Again…nada, nothing comes out, so he bangs and then kicks the machine, but nothing drops. Third time's a charm; he picks through a handful of change and, once again, gets NOTHING…so he bangs, he kicks, he rocks it back and forth and finally notices…

…THE BLASTED MACHINE ISN'T EVEN PLUGGED IN.

Please stop putting money in a machine that ain't got no Coke in it?

MAKE YOUR CEO THE CHAIRMAN OF THE BOARD
(it's OK…she already is)

The charitable sector will never secure the professional talent it needs to tackle problems of scale until it unburdens itself of the folly of volunteer boards. I recently met with my old friend Anthony Bell, leadership consultant to Fortune 500 companies and best-selling author of Great Leadership. We've traveled on speaking tours together across the U.S. and U.K., tackling nonprofit advancement. We were on my back porch when he informed me, "Jimmy, I don't think you heard…we shut down our charitable division last week." He didn't say anything more, so I replied, "Okay, I'll bite…why?" He went on, "Last year, and with great resolution, we made the decision to only take on projects that would result in exponential growth. Within months, we knew we had to leave nonprofits behind…real growth isn't part of their culture…the ingredients just aren't there. It's like the baker who wants to bake more cakes, but doesn't believe there are any more eggs, flour, or sugar left in the world. I wish I was joking, but I'm not…it's really that bad."

Here's the way it should work (they won't admit it, but successful nonprofits already operate this way in some form or fashion.):

Strip away any and all functions that aren't directly related to governing (e.g., fundraising is not a governance function). Move all your well-intended volunteer committees off the board and populate them with need-specific experts, who directly serve staff members in their respective departments. For example, a group of social workers is assembled to serve the program director, or a campaign cabinet comprised of expert community volunteers is built to advance fundraising. You now have individuals in their sweet spots, who are no longer saddled with arcane governance tasks. They are doing what they do best, because they already love what they are doing and are good at it.

Your remaining members are then tasked with the following critical, productive, and achievable responsibilities:

Hire strong Chief Executive Officer
Approve Meeting Agenda
Approve and Amend By-Laws
Attend Three Meetings per Year with Recorded Minutes
Review Independent Annual Financial Audit

CEO Responsibilities

CEO is named Chairman of the Board
Chairman/CEO nominates board members
Chairman/CEO has one vote
Chairman/CEO writes meeting agenda
Board members approve meeting agenda
CEO is recused from vote regarding hiring of independent auditor
CEO is recused from votes regarding personal compensation

Better Board Organizational Chart (5 Members)
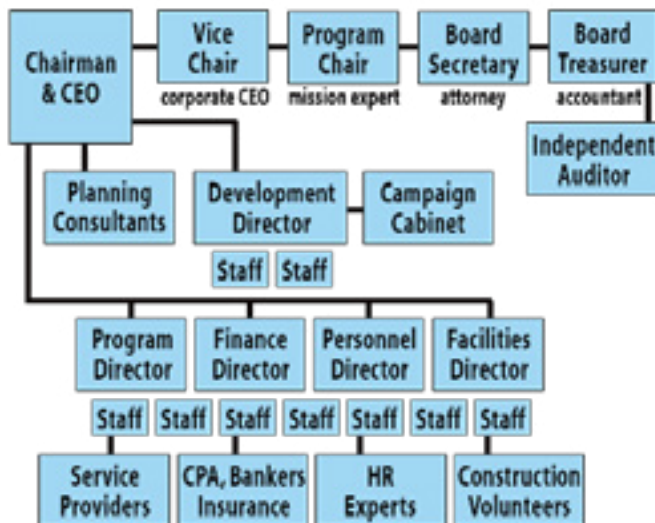
What would happen if every nonprofit CEO had the privilege and the power to build his or her own board of directors? What would happen if they had boards they could call their own?

First, re-write the by-laws, making the CEO chairman of the board. By the way, this is the way it's already working anyway. Don't kid yourself; successful nonprofits with volunteer boards ARE ALREADY BEING RUN BY THE CEO! The smart CEO already gets the votes he/she needs from disengaged volunteer board members before the meeting. There is an ongoing debate among board governance experts, who not only agree that CEOs should be voting members of the board, *but should also be installed as chair of the organization they're responsible to lead.*

Tragically, the nonprofit sector has made it clear that the CEO does not fill the role of board chair, and even consider this humorous maxim a "best practice." We've deceived ourselves into believing that having a volunteer in this position ensures a kind of objectivity and fiduciary well-being for the nonprofit. We also believe that too much power would be given to the CEO, and members wouldn't be able to fulfil their fiduciary responsibilities, when the exact opposite is true. The strong CEO is the one person who constantly supports the board, saving them from embarrassment and their own irresponsibility.

Second, allow the CEO to build his own board team by hiring four leaders from the community and paying them a generous honorarium *per meeting* for their excellent board craft. Don't run out of the room with your hair on fire at the suggestion of compensation. I've seen this work and work well. By the way, you will never have a member miss a meeting ever again!

Look at Steve Jobs. He made six people he trusted directors of his board. The board hired a third party financial auditor to represent the company's finances to these members. Together, they built a multi-million dollar

empire. Years later, his friends fired him as CEO. Years after that, these same friends brought him back. In his first meeting, he shared, "YOU WERE RIGHT…I NEEDED TO BE FIRED…LET'S GET TO WORK!" They went on to build a multi-BILLION dollar empire.

There was growth, accountability, and management…THAT REALLY WORKED!

Let's let nonprofit CEOs build their own leadership team. The charitable sector doesn't have a prayer otherwise.

Here's what Mike Burns, governance expert and regular contributor to *Nonprofit Quarterly*, recently wrote: "Why should board members be concerned (about installing their CEO as board chair)? While many folks are afraid of flying, they forget that the pilot has as much of an incentive to bring the passengers to their destination as they do to get there. I propose that boards that worry about CEOs serving as board chairs should remember that CEOs want great outcomes as much as board members do."

SUCCESSFUL BOARDS REALLY AREN'T BOARDS

I keep purporting that this type of nonprofit governance is already happening in some sort of "stealth mode" within the sector.

Take a look at a well-run local United Way.

I've spent my entire career around United Way CEOs. Presently, National Development Institute has three United Way execs serving on our faculty. When you get two of them together by themselves behind closed doors, all they do is quiz each other about their current board chairs.

Here's their winning formula:

STRONG CEO + CHAIRPERSON
YOU'RE LOOKIN' AT THE ENTIRE BOARD

The following organizational chart and committee descriptions can be found in standard United Way local chapter board manuals. I've also included the description matrix, to demonstrate that very few United Way Board Member Job Responsibilities *actually have anything to do with board governance.*

What you are about to see is not a board of directors, but rather a well-heeled expert volunteer coordinator (the CEO) with the financial resources he or she needs to provide local community leaders a superior volunteer experience. THE SECRET TO THEIR SUCCESS LIES IN THEIR ABILITY TO STAFF EACH "BOARD COMMITTEE" with one or more full time employees.

United Way Organizational Chart (25 Members)
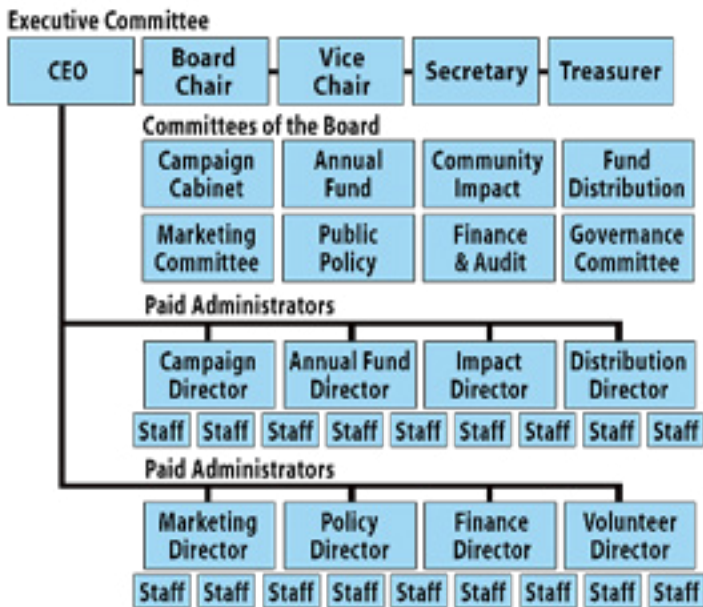
Please flip to the back of the book and take a quick peek at the United Way Committee Descriptions in Appendix B. What you'll discover there is not a governing board, but rather a group of volunteers whose success is directly related to the number of staff members supporting them in their good work.

It works for the United Way (UW), and I applaud them. However, at the end of the day, this is only possible because the United Way provides little or no direct services to the community. Your local UW, unlike many nonprofits, has the money to invest in their volunteer structures.

Another way of looking at it is…

…yes, the United Way DOES provide direct services.

THEY PROVIDE DIRECT SERVICES TO THE INDIVIDUALS WHO SERVE ON THEIR VOLUNTEER COMMITTEES AND BOARD OF DIRECTORS.

STRONG CEOs ARE THE KEY TO BUILDING CAPACITY (NOT STRONG BOARDS)

After years of applying countless board theories to real world nonprofits, one could suppose that John Carver came close with his model, but ultimately failed nonprofit enterprise. Even Carver saddled the strong CEO with responsibilities to volunteers who never should have been in authority in the first place. Unfortunately, the data indicates that boards who embraced the Carver Model are as useless today as they were thirty years ago.

Allow me to cite, yet again, our collaboration with Clemson University.

NDI, in partnership with Clemson, performed a study using a clinical

sample of 470 executive directors who participated in a 90 question survey regarding capacity building. *The focus of the study was to investigate the relationship between the efficacy of capacity building and the intentions of the organization's leadership to embark upon capacity building. This was a necessary behavioral study, in that previous works failed to show any empirical data regarding the relationship between a nonprofit's ABILITY TO BUILD CAPACITY and the actual return on the investment made in time, human resource, and monies spent on capacity building.*

Here's what we discovered regarding a nonprofit's ability to build capacity:

1. Lack of Return-On-Investment

The majority of organizational development/capacity building investments made by foundations, corporations, or individuals have failed to produce lasting changes in the operations/infrastructure of nonprofits that attempted to build capacity.

2. Organizations that did build capacity

Organizations that <u>were</u> successful at demonstrating a measurable return-on-investment in capacity building were *led by extraordinary executives (CEOs/Presidents/Executive Directors)*. These executives possessed specific attitudes, beliefs, and skills sets. They also took personal responsibility for project implementation and outcomes.

3. What Successful CEOs Accomplished

> a. They built more capacity over a five year period than those nonprofits who indicated they stagnated or declined during the same time period.

b. They grew budget, programs & donors, despite the recession.

c. They grew their nonprofits regardless of the size or involvement of their board.

d. They externalized the mission of their organization for the purpose of fundraising.

e. They developed board members who evaluated the chief executive and promoted the goals and values of the CEO.

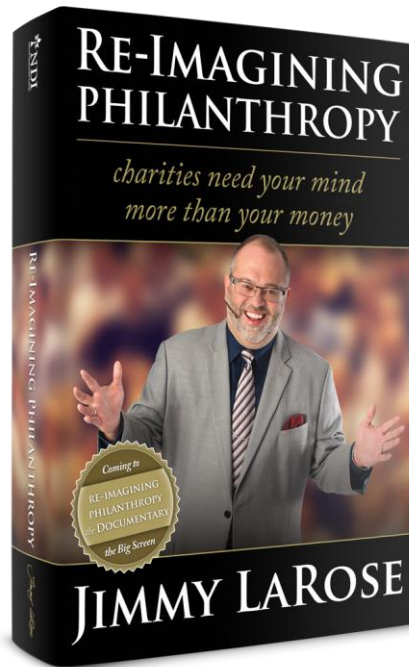The greatest contribution we can make to the nonprofit sector is to do whatever it takes to attract, pay and empower great CEOs.

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Jimmy LaRose's passion for "people who give" has inspired philanthropists around the world to change the way they invest in nonprofits. His belief that donors are uniquely positioned to give charities what they truly need – leadership rather than money – is the basis for his work with individuals, governments, corporations and foundations, in the U.S., Europe, Asia & Middle East. Jimmy, in his role as author, speaker, corporate CEO & nonprofit CEO champions all of civil society's vital causes by facilitating acts of benevolence that bring healing to humanity and advance our common good.

Now, in his twenty-fifth year of service, his message that money is more important than mission and donors are more important than people or causes has resonated with policy institute scholars, social activists, doctoral students, business leaders, think tanks, nonprofit and NGO executives who rely on him and his team of veterans to meaningfully grow their charitable enterprise.

He's the architect of the Major Gifts Ramp-Up™ Donor Cultivation Model & Online Cloud used by charities around the world to meet the needs of their primary customers…the advocates, donors and volunteers who financially underwrite their mission. **www.MajorGiftsRampUp.com**

He's the founder of National Development Institute™, a 501(c)3 public benefit charity established in 1990 that insures funders, granting organizations and corporations safeguard their mission by building capacity within charities who serve the human welfare, education, health care, arts & environmental sectors. **www.NonprofitConferences.org**

He's the designer of the CNE, CDE & CNC ™ Credentialing Program providing veteran practitioners the training and certification they require to lead nonprofits to greater success. **www.ConsultingCertification.org**

He's the inventor of DonorScope™ an online prospect research platform used by charities to identify major donors who give big gifts to great dreams that are backed by a sound plan **www.DonorScope.com**

He's the creator of Sector Access™ a preferred vendor program for businesses who serve the charitable sector with cost-efficient superior services nonprofits need to accomplish their important mission. **www.SectorAccess.com**

Finally, Jimmy is the CEO of both Development Systems International™ and PAX Global™ firms that specialize in implementing the Major Gifts Ramp-Up Model for nonprofits, ministries and churches who raise major gifts. **www.Development.net** & **www.PAXglobal.com**

James P. LaRose has served as a specialist with the U.S. State Department's Speakers Bureau traveling the world working with embassies, foreign governments, and leaders to promote philanthropy and civil society in developing countries. Jimmy was recognized in the mid-90s as one of America's youngest development officers to achieve CFRE designation and since then has been called upon by CFRE as a Subject Matter Expert (SME) to write test questions for the CFRE Exam. He was the founding President of the Western Maryland Chapter of the Association of Fundraising Professionals (AFP), and is a graduate of AFP's Faculty Training Academy (FTA). He is a graduate of Indiana University's Executive Leadership Program, Indianapolis, IN, the National Planned Giving Institute, Memphis, TN, Tennessee Temple University, Chattanooga, TN and the Word of Life Bible Institute, Schroon Lake, NY. Rev. LaRose was ordained as minister of the gospel by the Ecumenical Church of Christ in further support of his service to the hurting and hopeless around the world. He and his beautiful wife Kristi are citizens of the Palmetto State where they make their home in Lexington, South Carolina.

ADDITIONAL ONLINE FUNDRAISING RESOURCES:

www.MajorGiftsRampUp.com   **www.ConsultingCertification.org**
www.NANPOE.org   **www.NonprofitConferences.org**
www.Development.net   **www.PAXglobal.com**
www.DonorScope.com   **www.JimmyLaRose.com**
www.facebook.com/James.P.LaRose   **www.twitter.com/jimmylarose**

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