

# Assigning Value: Do Boards Matter?

*I'm starting a nonprofit. Do I really need a board? (caller to a technical assistance provider)*

The caller is tentative, perhaps hopeful that the answer will be no. The question itself is an interesting one—Do I really need a board? It is both a request for information and the beginning of a lament. It is a good question, worth asking: Do we really need boards?

Which is more important to a nonprofit organization, an executive director or a board? Even with the experience of watching some good boards in action, it is very tempting to choose the executive. Boards, even if they are very good at their jobs, intersect with an organization on an intermittent basis and from a distance. There may be individual board members whose relationships are more than intermittent, but their enthusiasm, as valuable as it can be, can present its own drawbacks.

On balance and given a choice, many would choose an executive director over a board. A good executive tackles the day-to-day reality of providing services, balancing budgets, motivating staff and volunteers. With the sector's pragmatism and the sense of urgency that surrounds many missions, it

seems only sensible that the organization should have strong leadership where the work gets done.

This choice was not as obvious to those who established the legal framework for nonprofit organizations. Lawmakers chose the board—the first time out and every time they have had a chance to make a change. To many who work in nonprofits, it is counterintuitive that having an executive director is optional but having a board is not. Probably to his disappointment, this was the answer to the plaintive caller who opened the chapter.

While naming the board is among the first steps in the formation of a nonprofit organization, the legal requirement for a board does not really address the underlying issue of the caller's questions: What's the point of having a board? Is it of value to what I am trying to do?

Although there is substantial and often justifiable frustration with the way boards behave, the question of whether boards really matter is given only passing consideration. For the most part, we take it for granted that boards have some value, even though that value may elude us 80 percent of the time. As a practical matter, they often appear as a necessary evil, particularly to an executive director. Even an advocate of good governance and high-functioning boards, faced with a hypothetical choice and the memory of many less than stellar board performances, might be tempted to choose door number two.

The idea of alternatives to the current structure of nonprofit organizations and their governance is frequently raised but rarely burdened by examples or models that lend themselves to replication. In fact, most of the rhetoric about alternatives is more political or philosophical than practical. It is more a critique of style than of structure. The prevailing attention is focused on how to improve what is already in place—how to make it less rigid and more sympathetic to different approaches to authority and decision making—not on how to overthrow it. Despite the periodic talk of alternative structures, the recom-

mended changes are generally superficial. Most of the attention is focused on reform rather than revolution.

Why are the immediate feelings about boards so at odds with the legal requirement to have them? Is the law perverse in this respect? Does it require people to do something that is basically useless for a reason that may have made sense in the past but does no longer? Is the form archaic? Or have we just lost track of the value of the board as we rush to get the job done on a daily basis? In our drive for efficiency, are we unreasonably annoyed at anything that appears to slow us down?

## **A QUESTION OF VALUE**

The question of value—and linked to it, relevance—must be addressed before any serious discussion can take place about how to make boards more useful and more effective. Unless we are persuaded that boards are valuable and define that value carefully so that it meets the needs of the wide array of organizations that populate the nonprofit community, the process of making boards better is an empty exercise.

The pervasiveness of the nonprofit sector, its ubiquity, our acceptance of it, and the way it has traditionally operated make it difficult to see the sector clearly. Things may not be perfect, but they seem to work well enough. We assume the best. This complacency breaks down dramatically when there is a scandal, and lately there have been a fair number of them. A scandal certainly challenges those of us in the sector to think about how nonprofits conduct themselves; more interestingly, a scandal brings public perception of nonprofits into focus.

A scandal reveals public expectations about nonprofit conduct that under normal circumstances remain largely unarticulated. Although the average member of the general public may have only a very faint concept of what nonprofit boards

and board members do on a regular basis, focus attention on an ethical lapse or a financial problem and the question immediately becomes: Where was the board? Isn't it the board's job to guard against this kind of problem? It is interesting to see how widespread this basic understanding of the board's role is within the larger culture. There may not be any clear sense of what a board's legal responsibilities are (even among many board members), but there is a widespread, almost intuitive, understanding that the board is "in charge," that it is the board's job to guard against the kinds of problems that excite investigative reporters.

At these less-than-happy moments, the value of a board becomes more understandable and transparent. At these moments, the reason why we are not given a choice about which we would rather have—a board or an executive director—becomes easier to understand. For nonprofit organizations to operate with the public's consent and with its support, someone must be understood to be acting with the public's interest firmly in mind. In this important respect, boards do seem to matter. For these purposes, boards have been assigned a value. To realize that value, they need to function in a reasonably effective way.

## **TRUST AND TRANSPARENCY**

In an increasingly cynical culture, it is worth understanding and appreciating how much trust resides in nonprofits. Trust is what allows a typical citizen without a moment's hesitation to contribute a toy at the holidays, canned goods at Thanksgiving, and a regular payroll deduction during a workplace drive. It is what enables a neighbor to go door to door collecting for the March of Dimes or the American Cancer Society without committing the organization's most recent audit to

memory or swearing to tell the truth, the whole truth and nothing but the truth, as the door opens.

This day-to-day, garden-variety trust is essential to the sector; without it we are sunk. And, just because it is easy to find doesn't make it blind. Behind that trust is the perfectly reasonable assumption that someone somewhere is keeping track of things, is assuring themselves, and by extension, the rest of us, that things are in order.

This reassurance is truly reassuring only when it comes from a person who appears to have nothing to gain from offering it. This is the reason the board, rather than any member of the staff, is invested by the public with the responsibility to keep an eye on things. When there is a scandal, we don't ask, "Where was the executive director?" (Unfortunately, in some cases, the answer is contained in the headline.) Instead, we ask the more fundamental question: "Where was the board?"

If a board had only one value—to serve as the place where the responsibility for maintaining accountability and safeguarding trust resides—it alone would justify a board's existence, and explain the requirement to put one in place right off the bat.

Certainly, that is part of what has emerged in the regions of the world currently experiencing the rapid expansion of their nonprofit, or nongovernmental, sectors. If one purpose of these burgeoning sectors is to limit the government's role in community and daily life by creating independent alternative organizations in its stead, then the sector must find ways to regulate itself that minimize the opportunity for government interference and control. There is a delicate balance to achieve between the legitimacy conferred through legal mechanisms, such as incorporation or registration with a government agency, and the freedom to pursue an independent agenda that inspires public support and trust.

Increasingly, nonprofits in other parts of the world seek a way to create “transparency” in their operations, a way to allow their motives and activities to be seen clearly and judged to be in good order. In the search to find mechanisms that achieve this laudable goal, the value of a board as an independent, voluntary, and disinterested body becomes more apparent.

## **REPRESENTATION AND DIVERSITY**

In addition to this critical capacity to build transparency and accountability, boards offer other things of value to nonprofit organizations, things equally difficult to achieve through the agency of staff alone. One of these is the capacity to bring diversity and balance to the leadership of an organization.

Every nonprofit operates in a complicated environment, shaped by the community it serves, the mission it pursues, the sources of its support, and its relationships to other organizations allied or opposed to it. In addition, many nonprofit organizations are themselves complex operating entities with numerous gears and levers to keep in good order. In both circumstances, the board offers a way to acknowledge this complexity, to formalize and manage it, and, finally, to balance it.

As an example of this particular value, consider the national board of a membership organization. Among its functions, the board serves as a proxy for the organization’s immediate stakeholders. With every election, a membership organization is attentive to the need for balanced representation at the board level—of different geographic regions, of large and small organizations, of whatever subcategories of the membership are considered critical to create a body with legitimacy in the eyes of members. Through representation, the board both accesses the breadth of perspectives it needs to make decisions in the best interest of the organization and simultaneously gains legitimacy for those decisions in the eyes of its members.

This requirement is not unique to membership organizations. Even the youngest or smallest nonprofit organization must use the board to gather to the organization the multiple perspectives that will strengthen its work and build its credibility or risk losing some of its effectiveness. No organization that attempts to address a problem or serve a particular community can ignore the value of having a board that approaches the organization's mission and its work with not only sensitivity and creativity, but also unassailable authority. Imagine the difficulty of effectively providing low-cost housing or serving the needs of young people if no one on the board can speak from immediate experience about the challenge of finding affordable housing, or of being young in today's world. The board offers a uniquely powerful mechanism to build public confidence about more than financial matters.

## **ADVOCACY AND RESOURCES**

An additional value that boards possess—and one that, like accountability, can be achieved with greater impact by the board than by the staff—is advocacy. Most nonprofit organizations need to develop a steady stream of friends and admirers. Their missions require them to make their case and make it well. The process of persuasion is nonstop. To be a convincing advocate, one must be knowledgeable and trustworthy. Although an executive director can possess both of these qualities in abundance, the board has a unique advantage over the executive director in carrying the organization's message and expanding its circle of influence. In most of the settings in which a case must be made, the person with the least to gain by success is by default the most persuasive. The phenomenon is akin to the process of obtaining credit: only those with no need for it are likely to be quickly offered it. Because they have nothing to gain personally by their efforts, board members

are powerful and persuasive advocates, a value well worth cultivating.

This power to persuade is closely allied with another value a board possesses: the power to gather resources. Boards can multiply in many ways the capacity of organizations to assemble the resources they need for their work. Although this particular value tends to obscure other values the board may possess (some of which, like accountability, are more fundamental), it remains a powerful argument in favor of having a board. Apart from the potential for raising money, the board can offer immediate and steady access to a wealth of experience and specialized knowledge through its members and through the web of relationships they can make available. Can these resources be gathered using structures or bodies other than the board? Of course. But the sense of obligation to be of service, to share knowledge and to open doors is certainly more acute among individuals who have assumed the burden of public accountability and all that it requires, than it is among a less obligated, even if no less enthusiastic, group of supporters.

## **CONCLUSION**

In many organizations, the board is viewed in a way similar to an appendix, a part of the body without apparent purpose but capable of serious inconvenience. The combination of apparent superfluity with the capacity to inflict real discomfort makes many question the need to have a board. Seeing only their inconvenience and failing to understand their value are strong disincentives to invest in their competence and effectiveness. In this way, a board blessed with a measure of good will but little understanding of anything about its role except that it is "in charge" will fail, and in its failing perpetuate the notion that it is more trouble than it is worth.

## **Assigning Value: Do Boards Matter?**

Most boards are never given opportunities to frame a vigorous defense for their existence or to build their performance in ways that establish that they do in fact matter. Boards have the potential to bring substantial value to the work of an organization but that value will remain largely untapped if it is not understood, articulated and cultivated.

Assigning value is a necessary first step in any process designed to make boards better. We need to be convinced that boards matter before we can engage in a heartfelt effort to make them effective. Without an honest exploration of the issue of value, reforming things like composition and committee structures, or rethinking the role of board and staff become empty gestures.

