THE NONPROFIT CENTER
at La Salle University's School of Business

White Paper #2: Bridging two Cultures through Nonprofit Board Service

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What started as a small movement 20 years ago has become, increasingly, a massive push to bring folks from the for-profit sector onto nonprofit boards. Thus, increasingly, that is who we find sitting on these boards. Because of myths that abound about the nonprofit sector, a lack of clarity about just what a nonprofit board is supposed to be doing and often, a poor or absent process for teaching new board members what their roles and responsibilities are, we too frequently see some surprising and saddening behavior from these very board members whom we so zealously sought. As a result, each becomes disillusioned or unhappy with the other, both of which could have been avoided with a bit more conversation and a lot more education.

The worlds of for-profit and nonprofit seem at, times miles, apart and then, in a nanosecond, like row houses. It would be helpful if there were a road map for knowing where each is. So, I'll try.

Mile Marker 1: Boards are not parsley. Irving Olds, Chairman of US Steel back around the last century's mid-mark, said of boards of directors, "Directors are like the parsley on fish—decorative but useless." While that might have been the reality of for-profit boards back then, and perhaps even now, it is not now, nor has it ever been, what was needed and expected of nonprofit boards. In fact, being decorative but useless is the very thing that gets nonprofit boards—and, therefore, the nonprofit missions they are designed to protect and steward--into deep, deep trouble.

When people want to impress me with their knowledge of nonprofit board roles and responsibilities, they proudly tell me that nonprofit boards have a fiduciary duty. True; they do. But 95% of those people telling me this have no idea what that really means. The vast majority of people conflate fiduciary and financial. Wrong. Financial oversight is part of a board's fiduciary duty, but it is, by no means, all of it. Fiduciary is about trust and protecting that trust for the beneficiary which, in the case of a nonprofit board, would be protecting the trust of all stakeholders—clients, donors, collaborators, the greater public. That's no small responsibility and requires far more activity than simply being decorative!

To be a good fiduciary agent as a nonprofit board member requires: providing oversight functions (of money, strategy, executive director, policy); setting direction to ensure, at all times, that the mission promises are being fulfilled; building and maintaining relationships with the executive director, donors, the community, and the public; stewarding resources, reputation and mission; and engaging in strategic thinking at all times – not just when doing strategic planning.

Being more than mere decoration requires that board members recognize that being a board member is a 365 day-a-year job, and not a simple volunteer activity that happens once a month for 1.5-2 hours at a board meeting. This job is, rather, a constant, as you are persistently listening and looking for information that would be helpful to the board in doing its work, talking to a potential donor or recognizing opportunities to don your ambassadorial hat. It is not a job for anyone who is not able and willing to take it seriously and bring to it all of the skills and talents s/he brings/brought to her/his career.

Mile Marker 2: Nonprofits and for-profits are both businesses. Board members, regardless of their day jobs, must recognize that nonprofits are businesses. They absolutely must pay attention to the bottom line or they risk going out of business. Nonprofits, like for-profits, must have a sound business model for their operations. If not, they will fail. In paying attention to that bottom line, however, nonprofits must balance that bottom line with the ability to deliver on those aforementioned mission promises. Nonprofits cannot categorically slash a budget by x%, as not all programs are equally important to the mission promises. Thus, a nonprofit might need to cut one program entirely in order to safeguard another program that is 100% fitting mission in order to achieve the desired budgetary reduction. That requires careful thought, not just a red pencil.

As a business, we, too, need to worry about sources of income. There is a reason that very few, if any, successful businesses make only one product. Multiple products give them protection so that if the vagaries of the market suddenly lead to less interest in one product, the company has other product lines to feed the bottom line and protect the continued viability of the organization. So it is with nonprofits, only the emphasis isn't so much on a multiplicity of products but a diversification of funding streams for each of our different "products"—our programs and services that deliver on the mission.

The Nonprofit Finance Fund recently made the statement that nearly 50% of nonprofit organizations do not have a sustainable fund model and are heading for extinction in the next three years. No smart businessperson would sit back and do nothing knowing his/her business model wasn't right for a sustainable company. No smart businessperson would say, "Oh, this is how we've done things for decades, so let's stick with what we've always done," and ignore the flashing neon signs all around saying, "Company sinking! Company sinking!" Yet, we see both of those behaviors exhibited far too often from members of nonprofit boards.

Mile Marker 3: People are an organization's greatest resource. A truism for both nonprofits and for-profits. To keep that valuable resource, there are certain things that both sectors must do equally: attract, develop and keep talent. Despite the fact that too many in the for-profit world believe that talent is attracted only by money, the reality is that research shows this not to be the case. Smart, capable, extreme talent, as well as your run-of-the-mill talent, is attracted by perks of the work and work environment: feeling good about the work, flex-time, positive work culture, professional development opportunities, being thanked and appreciated, and the list could go on. But this does not mean those who chose to work in the nonprofit sector don't need—and want—a market driven wage. And there is nothing in the law—or anywhere else--that says this can't happen. And every moral and ethical fiber of a nonprofit board member's being should say that should happen. Only in some absurd mythology is it thought that those who work in the nonprofit sector are motivated by the cause and not money, so they aren't expecting to be paid, or, if expecting a salary only a pittance. Yes, those of us who work in the nonprofit sector do tend, for the most part, to be motivated by the cause; but the vast majority of those causes do not require a vow of poverty.

Once hired, any business wants to keep its talent, as we all know that high turnover costs more money than investing in our talent. While it is the knee jerk reaction in both for-profit and nonprofit organizations to cut the professional development budget at the first sign of a tough economic road, that is penny wise and multiple pounds foolish! Because so many nonprofit organizations are organizationally flat, opportunities for moving up tend to be fewer and further between. This makes opportunities for honing skills, learning new ones, being invested in, all the more important. It doesn't mitigate the chance that people in a flat organization will take the investment and move to another organization, but it might buy another year or two, and it definitely buys loyalty, builds a positive work culture, etc. Investing in our people is a risk we should all take.

Mile Marker 4: Boards work by collective decision-making (no Alpha dogs allowed). The culture of nonprofits tends to be very different from for-profits. It doesn't mean that we don't have a work ethic; we do, and it is every bit as strong and deep as in the for-profit world. It just operates differently in the nonprofit sector.
First and foremost, it is a much more collaborative culture, sometimes to its detriment. While most boards make decisions based on majority rule, before getting to that point there is much effort expended on getting everyone to agree. Even if consensus isn't the desired end, it is certainly a goal to have every voice heard—and sometimes heard again and again, unfortunately—before a decision is made. Board action is a collective action, after all.
Second, as a result of the decision-making process described above, nonprofits tend to move more slowly than some think the for-profit world does. Decisions can take months, instead of days. But when you are playing with other people's money, that may not be such a bad thing. (Okay, not months, as in more than two.)

Mile Marker 5: Nonprofits are partnerships. Obviously, this statement applies not to its legal status but to its modus operandi, and it is an add-on to the Mile Marker 4. Just as the board works by collective decision-making, staff operates similarly. While ultimate decision making rests in the hands of the executive director, there is a norm in the nonprofit sector that input from everyone is generally always valued. And we know buy-in is greater when everyone has a chance to be heard and participate. Another norm, to a certain extent borne out of necessity, is that people will step out of their "job" to help others doing different "jobs". There is a recognition that as a staff, we are all in this together, working in partnership, to make sure that the mission is delivered and clients are served.

Mile Marker 6: **No one owns a nonprofit—not even a founder.** This is often a hard reality for many people to grasp, but the sooner they do, the better off the nonprofit—and its ability to deliver on its mission—will be. If a founder wants to own the entity, then s/he should start a for-profit business, not a nonprofit. A nonprofit is defined by the fact that it is an organization that serves some portion of the public good, delivering a product or services explained in the mission statement. And it is the board's job, as the protector of the public trust, discussed above, to make sure that those products and services are delivered and the public is served. It is *not* the board's job to protect the wants, needs, vision, etc. of an executive director (yes, even if the founder) or a board member or a major donor or anyone. A nonprofit serves the public, not anyone individual. And a board must always do what is best for protecting that public trust and faith.

Mile Marker 7: All money is not the same. This is often a toughie for people coming from the for-profit sector: our money is not fungible! If we have solicited dollars—be it from foundations, corporations, individuals—for a specific purpose, we are beholden to use that money only for those restricted purposes. We absolutely cannot, under any circumstances (without permission from the donor), use that money for any other purpose, even if we end with more than enough money for that specific purpose. Thus, if we have even $50 surplus for our restricted goal, we must find one living $50 donor and ask permission to redirect her/his gift. We cannot make decisions for donors as to how to use their money unless we collected it without any promises as to its use. If we said we want it for Program A, we must use it for Program A; no wiggle room allowed—that is if you want to be an ethical organization. If we said we want to use it for general operating expenses, then we may use it for whatever we want: the electric bill, the rent, Program A, salary, etc.

There is much to be gained for each from the intermingling of the nonprofit and for-profit worlds. Each can learn much from the other. But it is paramount that the new arrivals be respectful of the existing culture, open to learning the ways of that culture while tossing aside previously clung to myths and working in partnership to make the organization as strong as it possible can be.