NGO Board Reckoning

A focused look at the work in front of current nonprofit boards

If your board is operating essentially the same way it did five years ago, something is likely wrong. The nonprofit world is in significant upheaval, and this is particularly true for U.S. NGOs. Many boards are lagging. Different conversations, different board committees and different ways of engaging staff and donors are required. We need boards that can help their executives lead through challenging times.

To survive and thrive, nonprofits themselves need to be increasingly sophisticated, and their boards should co-lead this charge. Boards, stuck in traditional management models, can commit self-sabotage by having the wrong focus, measuring the incorrect standards for success and prioritizing yesterday's work. While tasked with shepherding the nonprofit to success and stability, boards can ultimately impede mission delivery.

The work of NGOs has never been more important. The staff are wrestling with fulfilling their mission every day in the midst of expanding complexity and wide-ranging pressures. They are over-committed and often exhausted.

Many board members excel at their role, and all have good and laudable intentions, yet they can improve their contributions. Here are some observations and recommendations to move your board off the status quo. Think of this as a checklist including suggested action items and questions for the modern nonprofit board.

About the Authors

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**This piece is also a primer for a member forum to be held by Sam Worthington and Zander Grashow.*

Understand the Changing Nonprofit Marketplace

Traditional support for nonprofits is changing significantly – government is altering its role in social services, business is entering the development space, social enterprise is growing and challenging development models, direct giving and decentralization are upending the traditional nonprofit model and funding models are shifting in volume and focus. These factors substantially impact program delivery, staff retention, funding stability, talent capacity, organizational strategy and more.

Yet, most boards are operating with business as usual regardless of the realities in the sector. Some are, to their credit, discussing the challenges. This is not enough. As their CEOs shape the NGO of the future, it is time for boards to move to assertive planning and action.

Address Donor Landscape Departure

Chief among the external changes U.S. NGOs face are new donor landscapes. A few basic trend lines are below. How many has your board actively grappled with and agreed to address through a strategic course of action?

- Skepticism of intermediary nonprofits is increasing
- US government and USAID funding are both shrinking and moving to a format of providing fewer, larger contracts
- Middle income giving is diminishing
- Private giving is consolidating
- Impact investing, direct giving and social enterprise are rising

At a recent gathering of CEOs, all were quick to acknowledge the above and simultaneously agree that their own fundraising strategy is evolving too slowly. Some have launched social enterprises or are using innovative forms of financing. But many are just trying to be more effective at their traditional strategy while talking about doing something different (often denying the realities of the needed investment, necessary talent and pull from leadership to explore new ways of working). As boards default to what they know (keeping overhead rates low to increase resources for programs) and avoid tough investment decisions, executives are limited to tweaking existing approaches.

Reality-Test the Fantasies of Private Sector Solutions

There is increased pressure for U.S. NGOs to engage the private sector in a variety of ways. This pressure is coming both from a sense of the fragility of the nonprofit model and the creative impulses to do mission delivery in new ways.

Nonprofits are being pushed toward the private sector to create the following:

- Service delivery partnerships
- Corporate social responsibility engagements
- Internal revenue generating models
- Private sector monitoring and evaluation
- Private sector placements in board seats

At first glance, these all seem like intriguing options with strong potential funding bases and creative stakeholder engagement. Further down into the reality testing, though, it becomes quickly obvious that each of these require three things that most nonprofits don't have in abundance – discretionary capital (discussed below), private sector skill sets and the bandwidth to explore and innovate new ways of working.

Beyond these three headlines are also significant differences regarding cultures, norms, structures, revenue and strategies. Board members need to partner with staff to address the above and marry an interesting idea with the tools necessary for its advancement.

Tackle the Quandary of Discretionary Funds

Nonprofits must have untied resources available to fund new solutions when their organization is attempting to pivot. There is increased demand for the use of these funds, plus they are harder to get. Furthermore, a huge tension exists between the traditional model to channel these funds towards keeping the same programmatic footprint and using the funds for needed changes, innovations, experiments and crisis efforts. CEOs tend to be loyal to the traditional models, often influenced by funding cycles, outcomes-measurements and other constraints. Boards meanwhile tend to be risk averse and easily swayed by this CEO rationale. Ultimately, the pressure to 'keep things running' is detrimental to the critical pivots nonprofits need to make with the use of discretionary funds.

Risk aversion further complicates this picture. When a CEO successfully finds and promotes new investments, the risk of failure often limits a nonprofit's willingness to invest, or to stay the course. New solutions will fail. Resources will not end up in programs and the NGO will not change. Creating new viable business lines is a long-term commitment that will see few, if any, return on investments for years.

As a result, there are two vital questions that boards need to wrestle with: 1) What to do with discretionary funds 2) Who is responsible for raising them.

Examine Capacity to Partner with Funders

NGOs are seeing the real limitations of being a grantee service provider. The service provider/funder relationship sets up a particular set of norms and power dynamics that limits the voice and strategic choice-making of the grantee. The grantee is bounded by the funder's ideas, timelines and application and measurement requirements. This model works in some cases, particularly when institutional or governmental grants are one of several diversified nonprofit business lines. But when the NGO has limited ability to push back, explore exogenous factors, create more realistic timelines/outcomes or address hidden costs and learnings, this model has real weaknesses.

An obvious conversation then happens:
"We should partner better with our funders. These conditions are tough to meet and we have the on-the-ground knowledge, and great local partnerships."
"Yes! We can help set strategy and make better decisions, learn and grow together and extend our impact."
"Great idea. Let's do it!"

Then reality sets in. Firstly, the grantors, whether governments, foundations, or philanthropists, are not sitting around waiting for someone to enter their space and challenge their authority, decision-making, modes of thinking and working.

Equally important on the nonprofit's side, the skill set to engage those with power and money around new ways of working is a very different skill set than what is required for program delivery. To successfully partner with funders requires taking risks and having the courage to push back on assumptions, business models, financial analysis, tax structures and business acumen. It requires talking about ideas without being dismissed as "the NGO that is always looking out for money and its brand." With funds to allocate, donors are comfortable designing programs and leveraging others who have resources. Donors are used to partnering with other donors. It is easy to promote the disintermediation of a U.S. nonprofit. NGOs are relegated to an implementing partner status and held accountable to set program metrics. We need to level the field and establish nonprofits as thought leaders, deeply experienced in operations.

Boards must examine where these skills exist and/or figure out how to cultivate them actively in the move from service provider to trusted partner.

Define Non-Negotiables

There is a coming wave of nonprofit mergers, partnerships and collaborations. Anywhere you place yourself along this spectrum, choices have to be made. Boards are confused about what criteria to use in forming these new relationships (e.g. finding the best cultural fit versus the most strategic/sustainable partnership) and what to prioritize as sacred within a partnership.

There is significant work to be done to shorten the long list of priorities to the short list of items that cannot be compromised. Deciding what is most salient among brand, reach, culture, staff, narrative, impact and evaluation is daunting to boards, yet it is an essential task. Every organization, including the board, needs to define what is non-negotiable. The hard work is refining this list to the bare minimum so that the most expansive list of partners is available to explore.

Evaluate CEO Expectations and Partnering Norms

The relationship between the board and the CEO is becoming more nuanced and complicated. Two areas for evolution arise: 1) CEOs need to be evaluated differently 2) boards need to hold more of the strategic planning responsibilities in partnership with the CEO.

Firstly, CEOs should be evaluated equally on their strategic acumen and their execution skills. Boards manage and judge CEOs too often on their ability to keep an organization afloat and increase growth or on the nonprofit's fiscal health – both of which are primarily driven by exogenous factors out of their control (factors that are today more volatile, fragile and complex than ever before).

After the 2008-9 recession, a large group of CEOs listened to a presentation on the decline of private resources for all of U.S. civil society. Almost a decade later, the same group discussed demographic data confirming a decline in giving across all sectors, a reality further exacerbated by a decline in government funding. When asked whether their boards expected them to grow in this tough environment, all CEOs raised their hands. Nonprofit CEO turnover is high, and it will only increase if the focus of a board is on resources and not an organization's added value, its ability to take risks, evolve and position a mission for the future. A board's fiduciary accountability rests on the long-term viability of an institution and the status quo will rarely prepare you for future stability.

Secondly, CEOs need non-staff partners to help formulate how to move forward, and board members can play a bigger role in this strategic thinking. Nonprofit boards too often look at the financials and fundraising, listen to the CEO, hear a rational argument and spend 15 minutes in an executive session. Where is the space for strategic thought and partnership? Board members tell themselves they are caring for their CEOs by taking them to two coffees, hiring a coach and giving a hug at a board meeting. The partnership needs to be more robust and might require reimagining board members' support roles. CEOs are exhausted and too many spend an unreciprocated amount of time worrying about their boards.

Boards should ultimately ask: where is the strategic burden of an organization's future placed? Is the board a trusting cheerleader or an active partner?

Acknowledge and Solve for Board Skill Gaps

As U.S. NGOs evolve and expand, new skills are needed across the organization, including on the board. Often, board members focus on adding new members to the board to fill certain gaps, rather than addressing their own areas for improvement. Of course, both are needed, but board members should be willing to acknowledge their own skills gaps and seek to increase their acumen through trainings and outside resources. Each board member should question their knowledge and leadership: What is the market within which the nonprofit operates? How is the ecosystem within which NGOs operate changing? What are possible viable ways to evolve? What barriers are we placing on the staff that hinder innovation and partnerships? And, are we adequately supportive of the CEO? There is nothing more important to a nonprofit's health than a board who gets the reality within which an NGO operates, has a clear vision for the future and is willing to support its leadership.

Establish Representative Board Membership

This is pretty straight forward. A lack of representation on your board does a disservice to the service delivery to your constituents and stunts the innovation required of the current moment. All should ask the question: does your board represent the individuals you serve and solve for the needs of your organization? Whether examining from the point of view of actually including your constituents on the board, including a diversity of identities, or including people with different backgrounds and expertise (not just finance), there are likely holes. Consider who has a seat at the table, and why. There should be specific membership criteria and an explicit conversation around an inclusive and diverse board membership.

Moving Forward

In conclusion, the checklist of maximized nonprofit board engagement is changing and growing. If you are on a board, and care about the organization in the short- and long-term, you can initiate helpful, new conversations and strategic planning. Create a safe space to learn, take risks and innovate. Your nonprofit and the communities served will be all the better for this newfound leadership and direction.

US NGO Executives Thoughts on the Future

The NGO sector operates within greater political, economic, environmental, and technological shifts than we have ever experienced simultaneously. In a recent InterAction CEO survey, 80% of responding executives believe the external environment is changing faster than the rate of change in their own organizations.

Executives responding to the CEO survey referenced concern about the turn away from U.S. global engagement and leadership; increased volatility; tightening and changing funding landscapes; and role realignments from localization and rise of the global south, to new partnerships and stakeholder collaborations, to increasing private donor and private sector activity. Executives share a common knot - seeking to balance keeping up with a changing world + advancing at a sustainable space + shift organizational culture, while leading within the reality of stretched staff bandwidth and accelerated pace of change.

About InterAction/NGO Futures and Good Wolf Group

InterAction's NGO Futures initiative seeks to revolutionize NGOs' ability to adapt to change in service of their missions through fostering collaborative exchange that explores future NGO roles; supporting development of agile, innovative cultures and transformative leadership; and catalyzing innovation scaling and best practices. InterAction is the largest alliance of international nongovernmental organizations (NGOs) in the U.S.

Good Wolf Group was created by Alexander "Zander" Grashow as the next evolution in leadership, business and personal development practice, dedicated to spreading two needed capacities in the world. First: the skilled leadership that is required to upgrade the limited and broken systems around us. And second: the personal capacity to align our individual core selves—history, talents, values, and passions—into a coherent model for decision-making and engagement.

Good Wolf Group and InterAction partnered after recognizing the significant calling for capacity and leadership development in the nonprofit sector. Together, we have identified new programs—to be announced soon—to meet the current challenges nonprofits are facing, both internally and externally. We stand committed to creating safe, nurturing and productive spaces for individual and collective growth. It is our joy to share these values and work together to create new programs for InterAction members.