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NONPROFITS: BOARD GOVERNANCE

Bobblehead Boards and Charismatic CEOs

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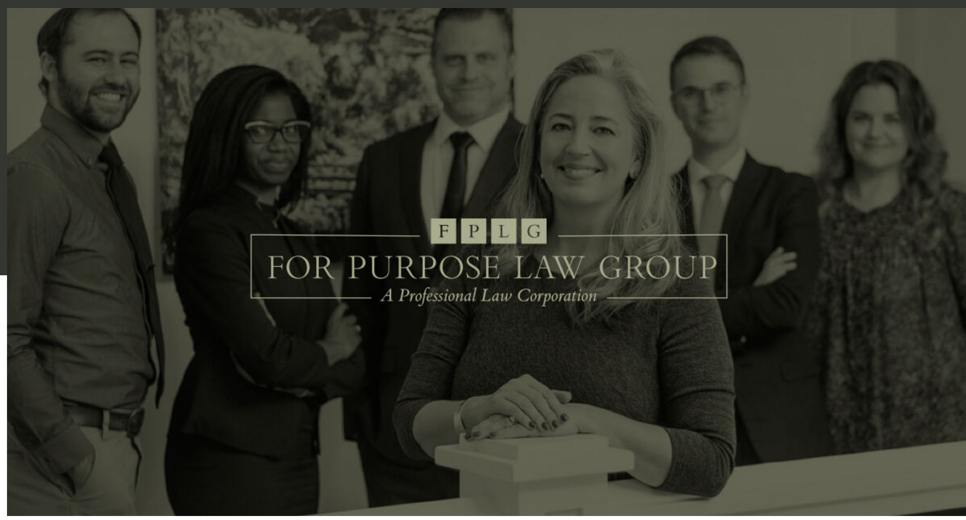

At a meeting last October of the National Association of State Charity Officials, these regulators reported to attendees about "what conduct can spook" them "into conducting investigations of charitable nonprofits." These troublesome examples include: "phantom boards" (they exist only on paper) and "bobblehead board members" ("board members who nod 'yes' to everything and avoid both conflicts and asking questions").

Similarly, at a workshop last fall moderated by *The Nonprofit Quarterly's* Ruth McCambridge, the discussion turned to "bobblehead boards" and "potted plant" board members.

The featured guests were the new leaders of Virginia's Sweet Briar College and the San Diego Opera. Each institution had survived an attempt by an overbearing CEO to ramrod through a disastrous and unnecessary course of action: immediate dissolution for purportedly insurmountable financial woes. In each case, a compliant board – although comprising prominent and successful individuals – deferred to the chief executive's heavy handed pressure. Ultimately, the CEO and the old board were ousted, and the shut-downs were avoided.

In particular, the new chair of San Diego Opera's revamped board of directors, recounted a tale we've heard before with nonprofits of all sizes and missions. It's a subset – if you will – of the "bobblehead board" scenario. There is a chief executive who is so much the charismatic leader of the organization that others defer to his or her expertise and vision.

Example 1: The Large Community Institution

At the San Diego Opera, maestro Ian Campbell had been, for many years, both the brilliant artistic director as well as the head of the organization. The Opera had enjoyed success, but there were rumblings of trouble and discontent. We've written about what happened here.

There were lavish productions and huge expenditures, including compensation for Campbell and his wife. Community tastes in classical music were evolving away from the maestro's preference for grand opera.

In the spring of 2014, Campbell and his inner circle determined that the 50-year-old company could not survive along the lines of Campbell's vision, and the maestro was not willing to compromise. Behind the scenes, this small group commissioned financial evaluations and projections, and considered how best to close down the Opera in an orderly and dignified manner before it was forced to stop. They called a special, emergency board meeting and, without any advance notice of the purpose of the meeting, presented a dissolution plan, and called for an immediate vote. Board members later reported feeling blindsided and perplexed, but they were reluctant to voice any opposition or vote against the measure. If Maestro Campbell believed the Opera had to shut down, who were they to question his judgment and expertise on this matter?

Almost immediately after the vote to dissolve was approved by the board, there were second thoughts by several directors, wondering if they had failed in their duties to investigate and ask questions. (They had!)

Happily, more and more of these formerly bobblehead directors joined the dissenters' group. Eventually, a new board was elected, the shutdown vote was rescinded, Campbell was ousted, and the San Diego Opera has fresh leadership and a new, successful path.

Example 2: A Mid-Size Social Services Organization

Bobblehead boards and charismatic chief executives pop up in variety of settings – sometimes in nonprofits that have been around for a while and have made a name for themselves in niche areas. Example 2 is a hypothetical – a composite, if you will.

This organization was founded ten years ago by a dynamic man who has a personal connection with the charitable cause as well as solid professional credentials in the field. He explains his vision to the community through networking and a relentless PR blitz; his charismatic presentations are successful in landing a variety of project grants.

Employees are hired or retained on a project basis; there are middle managers as well as line staff. Office space is leased.

The original 3-member board is expanded to 20 slots; community members who support the mission are pleased at the offer to join – and proud to include this board service on their resumes. Eventually, there's an advisory panel as well, with two attorneys and one CPA. But control effectively remains with this founder/chief executive and one or two other insiders, including a romantic partner.

The board meets periodically as specified in the bylaws. They discuss plans for upcoming fundraisers, congratulate the CEO on program successes (as reported to them by him), approve new programs (adding a few ideas of their own!), rubber-stamp budget proposals and reports, and duly approve corporate resolutions on the agenda.

They also ignore red flags popping up, deferring to the expertise and sheer energy of the group's leader. One example is an unusually high staff turnover. A bit of digging by the board would reveal that this CEO with so much surface charm is, instead, a micromanager with limited organizational ability and no people skills at all. He has created a nasty, "my-way-or-the-highway," organizational culture that's toxic.

Another setback is that once-promising funding sources are not renewing financial help. The board may be oblivious, but but grantors recognize an inherently weak operation that lacks vision and competence.

This organization may hobble along for a while longer but, unless the bobbleheads wake up and exercise their fiduciary duties of diligence and care, the prognosis is not good.

Example 3: The Small, Friends-and-Family, Group

This hypothetical may be the most common bobblehead board scenario.

In Example 3, there's a woman in the community with talent and creativity who wants to provide performing-arts workshops for disadvantaged kids. Someone suggests forming a 501(c)(3) organization; the tax exemption will be useful for seeking grants and donations. There also may be enough money in the future to pay the founder/CEO a salary.

The initial board includes the key person, of course, along with her sister and an old friend to make up the recommended minimum number of three directors. As word spreads in the lady's social media network, friends and supporters ask what they can do to help.

Once a month, pursuant to the bylaws, the newly expanded board of 9 people get together at her home. The group enjoy wine and cheese while they fumble with the basics of getting the nonprofit up and running as a functioning organization. The founder is eager to get the workshops going, but has little skill or interest in the organizational minutiae.

Some funds are coming in from contributions, but there are no books and records, and the money is being commingled with the artist's personal bank account.

One or another board member who has been involved in other community groups makes polite suggestions about operating in a more formal, structured manner. The founder acknowledges the information, but never gets around to implementing these boring little tasks.

These bobbleheads don't push; they are more of a fan club than the duly elected board of directors of a tax-exempt organization. She is the star of the show, after all; this idea is her "baby," and they let her run the operation as carelessly and ineffectively as she wants – towards an uncertain future.

Conclusion

Undoubtedly, anyone involved in the charitable community will recognize similar bobblehead scenarios which – more often than not – don't end well.