

## Dysfunctional Nonprofit Boards, Continued

04.13.23 | Linda J. Rosenthal, JD



Last week, in *Dysfunctional Nonprofit Boards: Key Warning Signs* (April 6, 2023), we reviewed an excellent article by two top executives from the Center for Effective Philanthropy (CEP).

President Phil Buchanan and vice president, assessment and advisory services, Kevin Bolduc offered up *Eight Signs Your Board Might Be Dysfunctional* (April 5, 2023). Originally published on the CEP blog in February 2021, it was based on their combined decades of experience in the nonprofit sector. They've "... seen too many boards 'that are disinterested or dysfunctional, creating distorted power dynamics, wasting precious resources, and landing on approaches that do not fully reflect the needs and solutions that communities see for themselves.'" That perspective has led them "...to believe there are at least eight warning signs that a board, whether of an operating nonprofit or a foundation, is off track."

These red flags, they caution, are *not the only* warning signs of serious danger ahead for a 501(c)(3). But they are certainly among the most "common ones." So if you see your board in some of the above, if some of these warning signs are flashing, it's time for an open conversation about it. The organizations you govern can't be effective unless you are."

### ***One-Dimensional Boards***

In Part One, we focused on Warning Sign No. 1: "*There are more frequent discussions of competitors and costs than of collaborators.*" Though phrased succinctly at a mere 12 words, it packs a wallop of nuance about likely danger ahead.

Now, we move on to the next item described in *Eight Signs Your Board Might Be Dysfunctional*. At just 24 words, Warning Sign No. 2 is also substantial: "*The board lacks racial diversity and is populated mostly or entirely by people without knowledge of philanthropy, nonprofits, or the work of the organization.*"

“To stay grounded in purpose,” explained Phil Buchanan and Kevin Bolduc, “it’s imperative that boards are populated by members that reflect diversity of identity *and* of experience in communities *and* issues that the organization seeks to address.” (emph. added)

These two seasoned nonprofit veterans elaborated on the broad scope of this warning sign: Yes, it’s “... partly about racial diversity, which too often is sorely lacking, ....” There have been urgent calls from sector thought leaders to address and correct the stunning and continuing homogeneity of the modern nonprofit board. See, for instance, the study referenced by the authors: 2021 *Leading with Intent Report: Reviewing the State of Diversity, Equity, and Inclusion on Nonprofit Boards*.

But the problem with the modern American nonprofit board goes well beyond just the critical omission of minorities and people from disadvantaged socioeconomic backgrounds. “It’s also about personal and professional experience....”

“Too often boards are comprised largely of members who don’t understand the needs of the people their organizations serve or don’t appreciate the uniquely challenging nature of nonprofit work. For boards to thoughtfully set strategy, assess performance, or choose a CEO, they need to understand the complexities of nonprofit efforts — and they need people with real experience with the issues being addressed.”

The authors added: “Boards should be collecting demographic and experiential information about their members and discussing what it tells them.”

That data should be telling these nonprofit boards that there is a great deal of work to do to correct the glaring imbalances not only of race, ethnicity, and class but also in terms of age and of “in the trenches” nonprofit experience.

### ***Generational Expansion Needed***

Recently, Gene Takagi, Esq., San Francisco-based nonprofit law expert, took another of his frequent turns at the microphone on Tony Martignetti’s weekly *Nonprofit Radio* podcast. The April 2, 2023, episode – titled *OK Boomer, Move Over* and about 50 minutes long – emphasized the importance for nonprofits to engage Millennials (Gen Y) and Gen Z.

Attorney Takagi also wrote a companion blog post: *Why should nonprofits engage Gens Y&Z?* (April 3, 2023). “By 2030,” he explained, these younger generations “... will make up 75% of our workforce. And they will become the majority of our donors, our beneficiaries, and our supporters in the coming years. Other demographics including race are changing as well and Gens Y&Z are more represented in marginalized and other minority groups.”

They also “... control an increasingly greater amount of money that could go to charities.” And that slice of the potential charitable-contributions pie will only increase each year. “Engaging Gens Y&Z will encourage an organization’s long-term sustainability”; making that move cannot and should not be delayed.

Currently, nonprofit boards are overwhelmingly populated by earlier generations including, most particularly, the Baby Boomers. So there is an urgency to bring Millennials and Gen Z’s onto 501(c)(3) boards in more than token numbers and with actual – instead of window-dressing – input

into the decision-making process.

During the podcast, Gene Takagi and Tony Martignetti tossed around an intriguing study finding that Boomers have a distorted self-perception that they are 20% younger than their chronological ages. That mistaken notion leads the Woodstock/anti-war-protests generation to incorrectly believe that they largely understand and are well in tune with the next-in-line-for-leadership age groups. The result: Boomers wonder what is the hurry to make extra room for younger directors; that is, to “move over.”

The hard truth, though, is that the upcoming generations “... bring in new ideas, new perspectives, familiarity with new tech and strategies, different forms of communications and customs, and they have different narratives of our history.” They are not just Baby-Boomer equivalents with fewer wrinkles and still-flexible joints.

### ***Add In Nonprofit-Sector Experts***

The “problem with modern nonprofit boards” is that (still “too often”) they include only directors who “... *don’t* appreciate the uniquely challenging nature of nonprofit work.” (emph. added)

Indeed, Warning Sign No. 2 includes specific phrasing pointing out this fault in the composition of many boards: namely, “The board ... is populated mostly or entirely by people without knowledge of philanthropy, nonprofits, or the work of the organization.”

How can a board “thoughtfully set strategy, assess performance, or choose a CEO...,” the authors of *Eight Signs Your Board Might Be Dysfunctional* asked, if that board lacks “people with real experience with the issues being addressed” along with those who “understand the complexities of nonprofit efforts.”

Somehow, the notion that plucking prospective director candidates from the ocean of available and experienced talent from the nonprofit sector itself hasn’t broken through to the consciousness of those who are tasked with recruitment. (And that talent pool is increasing all the time as more and more seasoned philanthropy executives reach retirement age. They may want to escape the daily grind of begging for funding and burnout, but still have time, energy, and highly valuable skill sets to offer; namely, deep “knowledge of philanthropy [and] nonprofits.”

Instead, our communities’ nonprofit boards are populated with venture capitalists, bank presidents, arts and culture “patrons,” and other well-known movers and shakers.

Why is that?

We all know why – which leads us directly into the next section.

### ***The Elephant in the Room***

For some – indeed, many – nonprofits, an invitation to join the board of directors includes the delightful eligibility requirement to “give, get, or get out.”

Set deeply in the organizational culture and tradition is the common “wisdom” that a 501(c)(3) cannot succeed and will not thrive unless each director makes a “meaningful donation.” But this

goal of “100% participation” is not often clearly stated before the prospective trustee comes on board. And, certainly, the definition of “meaningful” is not the same to everyone.

Of course, the most significant drawback to this “100%-participation” policy is that it excludes a “meaningful” percentage of the American population.

Over a decade ago, nonprofit sector luminary Jan Masaoka described the ongoing, highly charged, and controversial debate on this critical topic. “Are board giving requirements a best practice or a bad idea? .... Few debates can rile up board members more than the question, ‘Should our board have a giving requirement?’ Many of us know from firsthand experience that discussions addressing this question are often characterized by frustration, bewilderment, sarcasm, absolute certainty, or even anger.” *Should Board Members Be Required to Give?* (September 12, 2009) [blueavocado.com](#)

She pointed out as well: “Unfortunately, there’s no definitive answer to the question, because having a requirement for giving does work for some boards, but not having a requirement works just as well for others. There are substantive, valid arguments to be made on both sides of the debate.”

Several years earlier, Ms. Masaoka raised the same issue in *The Board Should Raise Money: True or False?* (original publication date: March 18, 2002) *Board Cafe, compasspoint.org*. “To untangle this knot, it’s helpful to think of the board as having two roles: a Governance role where the board acts as a body to ensure accountability, and a support role where board members support the organization, acting as individuals, through volunteering and donating.”

She elaborated: “Ensuring that the organization has a realistic strategy for raising funds is a critical governance responsibility of the board of directors. But that strategy may or may not include individual fundraising by board members. In short, the board’s Governance responsibility is fulfilled by its choosing and monitoring a revenue plan, while individuals support the organization by participating in the plan’s implementation.”

And “[c]larifying this distinction,” Ms. Masaoka noted, “as well as the expectations of board members, will go a long way towards calmer, less charged, more productive discussions about fundraising.”

For an additional sampling of varying perspectives or advice on this hot-button topic, compare:

- *Board Members and Personal Contributions* (last updated: August 16, 2019) *BoardSource* [“Many boards spend considerable time defining the board’s role in securing adequate resources for the organization. Personal contribution is an essential part of that discussion. Each board should determine its own personal giving policy. For boards that raise funds, the target should be to reach 100 percent board member participation.”] and
- *Why Nonprofits Should Require Board Members to Donate and Fundraise* (updated June 25, 2019) Joanne Fritz, *liveabout.com*

with:

- *Time Talent Treasure: Advice for Nonprofits on Choosing Board Members* (last reviewed: December 21, 2022) Erin Walczewski, Esq., [cooleygo.com](http://cooleygo.com) [“A common expression within the nonprofit industry is that potential Board members should have time, talent, or treasure to contribute to the organization. Not all Board members need to offer all three contributions. If they have more than one, even better, but organizations should look for directors that can offer at least one of those three inputs.”

### ***Conclusion***

Next up, we'll take a deeper dive into Warning Sign No. 3: “*The board is two-tiered.*”

According to authors Phil Buchanan and Kevin Bolduc, “[d]iversity is meaningless if boards don't create opportunities for everyone to have influence on the most important decisions.”

– *Linda J. Rosenthal, J.D., FPLG Information & Research Director*