



NONPROFITS: BOARD GOVERNANCE

The Third Warning Sign of a Dysfunctional Nonprofit Board

04.19.23 | Linda J. Rosenthal, JD



Our two most recent posts have explored in depth an important article by Phil Buchanan and Kevin Bolduc of the Center for Effective Philanthropy (CEP). [*Eight Signs Your Board Might Be Dysfunctional*](#), originally published on the CEP blog in February 2021, was reposted on April 5, 2023.

These seasoned nonprofit experts have many decades of combined experience advising boards of both foundations and operating nonprofits. They've "... seen too many..." of these governing bodies "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."

From these observations, they created a list of eight common warning signs that a nonprofit board may seriously veer off track.

On April 6, 2023, in [*Dysfunctional Nonprofit Boards: Key Warning Signs*](#), we reviewed this excellent post, focusing on Warning Sign No. 1: "There are more frequent discussions of competitors and costs than of collaborators." Although this initial red-flag item is brief and to the point, it packs "a wallop of nuance about likely danger ahead."

The authors posited: "Too many foundation and operating nonprofit boards ... operate as if it's their organizations that matter most...." The problem, they elaborated, is short-sighted thinking that "manifests in conversations rooted in a competitive, zero-sum context — looking at other organizations with similar missions as rivals rather than collaborators."



Next up, on April 13, 2023, in *Dysfunctional Nonprofit Boards, Continued*, we discussed the second warning sign: “*The board lacks racial diversity and is populated mostly or entirely by people without knowledge of philanthropy, nonprofits, or the work of the organization.*”

Mr. Buchanan and Mr. Bolduc explained that, to “...stay grounded in purpose,” nonprofit boards should be “... populated by members that reflect diversity of identity *and* of experience in communities *and* issues that the organization seeks to address.” (emph. added) They added, Yes, “... it’s partly about racial diversity, which too often is sorely lacking,” But it’s also about generational expansion and reaching out to people, including those with direct experience in nonprofit organizations, who have time, treasure, or talent to contribute.

In this post we’ll move on to the third sign of impending danger for nonprofit boards.

Boards Limiting Meaningful Participation

Warning Sign No. 3 is a mere five words: “*The board is two-tiered.*”

“Diversity is meaningless if boards don’t create opportunities for everyone to have influence on the most important decisions,” wrote Phil Buchanan and Kevin Bolduc. And the diversity – in numbers terms – must be more than a few additions here and there. Recent studies by their organization, the Center for Effective Philanthropy, suggest that “... people of color only start to rate their opportunity to influence discussions in the boardroom in the same way as white board members when they number more than one or two in a larger group.”

In any event, changing the “complexion” of a 501(c)(3) governing body – racial, socioeconomic, personal and professional experience – is illusory unless the newcomers can meaningfully participate in preliminary and final board deliberations including committee meetings.

“...[T]oo often, whether because family members retain implied — or actual — veto power at a family foundation, or because an executive committee makes all the important decisions at an operating nonprofit, inequality prevails and good governance is undermined.”

Particularly at established community, arts, and educational institutions, the two-tier problem may be deeply entrenched. “We’ve seen boards in which a single individual (often a donor) has the only opinion that matters or boards where crucial decisions, about questions of goals, strategy, or CEO performance, are made by a subset of members, rendering the other ones feeling powerless and, often, tokenized.”

Out of Control Expansion

At one end of the numbers spectrum, a “two-tiered” dilemma may result from a well-intentioned pattern of continually increasing the board size: sometimes to reward enthusiastic supporters but more often to bring in “big names” with community influence or deep pockets. But that incremental expansion can easily get out of control.

In any event, there is no one-size-fits-all or ideal number of board members for a 501(c)(3). See, for example:



- *Too Small, Too Big, Just Right: The Goldilocks Size For A Nonprofit Board* (last reviewed December 21, 2022) Erin Walczewski, Esq., Cooley GO [Six tips for thinking about this issue; “Nothing here is a hard and fast rule. A Board of five people may be ‘too big’ if not all of them are committed.... A Board of 25 people may have systems and structures in place to run like a well-oiled machine.”]
- *Board Size: Finding the Sweet Spot* (last updated: March 9, 2017) BoardSource [“One size does not fit all....The primary guide for determining board size is the board’s function, which may change over time. Numerous factors influence the composition and thus the size of the board: board responsibilities, committee structure, legal mandates, phase in the organizational lifecycle, need for diversity, and maintaining a manageable group. It is impossible for an outsider to recommend a standard size for all boards....Regardless of size, all board members must be engaged, as all are equally liable for the organization.”]
- *What is the Best Nonprofit Board Size?* (July 1, 2020) Michael Wyland, *LinkedIn Pulse* [“Generally, large enough to govern the organization effectively and small enough to allow simultaneous face-to-face communication with all board members.... In specific numbers, this means 8 to 14 members....According to BoardSource, over the last 20 years the average nonprofit board has shrunk from about 17 members to about 14.”]

The bottom line, according to CEP’s Buchanan and Bolduc: “If it feels unwieldy to involve the entire board in crucial decisions, then that’s a sign your board is too big or doesn’t have the structures it needs to engage in meaningful conversation...” A better strategy is to make the board smaller or to devise “... new approaches that allow a full board to have honest conversation on key questions of a board’s core roles of oversight, strategy, and resourcing.”

“*Founder’s-Syndrome*”

On the other end of the board-size spectrum is a species of small organization that has its own set of problems so familiar that there’s a special name and diagnosis for it.

“‘Founderitis’ and ‘founder’s syndrome’ are terms often used to describe a founder’s resistance to change. When founderitis surfaces, the source of the dilemma often is a founder’s misunderstanding of his or her role in an evolving organization....” *Founder’s Syndrome* (last updated: June 21, 2016) BoardSource. See also Wikipedia, *Founder’s Syndrome*, with an extensive narrative and links to explain and illustrate these circumstances and consequences.

It may arise at the beginning of the fledging group’s life cycle, however long (or short) that existence or viability may turn out to be. The board often comprises relatives, friends, neighbors, work colleagues, and other random hapless individuals too polite to turn down the plea from the enthusiastic organizer to serve for an initial term. The hallmark of that service is often hours and hours of rubber stamping the founder’s predetermined creative plan and vision or – occasionally – tackling a snippet of trivial decision-making. Who among us hasn’t endured an entire board meeting devoted to helping the founder choose a logo design from a menu of a two or three (all acceptable) choices?

But founderitis may not surface at all in the early years of a 501(c)(3). While the “... passion and charisma of the founder(s)” is often the source “of the initial creativity and productivity of the



organization,” there can be a “wide range of problems” down the line “following the effective initial establishment of the organization.” The founder can become a “limiting or a destructive factor”: keeping “disproportionate power or influence...” and generally resisting meaningful change as the organization grows.

It’s a delicate and daunting task to dislodge the person responsible for the founding and success of a valued and important community group. Board members may stay on for a while – or indefinitely. Going through the motions of board-meeting participation while lending one’s name to the 501(c)(3)’s letterhead may feel like the path of least resistance. But being a “potted plan” around a conference-room table is not an acceptable choice in the long run. See [*Breach of Fiduciary Duty by Ogling the Doughnuts*](#) (October 8, 2014) *FPLG Blog*.

The bottom line is that the directors of a 501(c)(3), however tied to the founder, are legally obligated to independently oversee and govern that organization. See, for example, [*Attorney General’s Guide For Charities*](#) (2021), Chapter 7, *California Department of Justice, Charitable Trusts Section*.

There is no simple or easy way to part ways with a founder clinging too tightly to the reins of an organization. But there’s abundant advice, at the click of your mouse, on how to try. And – one way or another, sooner or later – the problem must be confronted.

Conclusion

After taking a break to cover other nonprofit topics of current interest, we’ll circle back to cover the remaining five of the eight warning signs described in [*Eight Signs Your Board Might Be Dysfunctional*](#)

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