

Board Member

The periodical for members of the National Center for Nonprofit Boards

Volume 10, Number 10 ■ October 2001



The staff and board members of the National Center for Nonprofit Boards extend our deepest sympathies to the families and friends of the victims of the events of September 11, 2001. We grieve for the lives lost and for the loss we have experienced collectively as a nation and around the world. We will continue to support nonprofit organizations as they work to strengthen our communities and reach out to those in need.



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OPINION

Fix It Before It Breaks

Why wait until a problem occurs to seek help for your board and organization? Finding a consultant to analyze your organization while things are going well will help the organization stay that way. Examining the roles of various committees as well as other structural functions can help make a good organization better. Kim Moore, president of the United Methodist Health Ministry Fund, tells the story of how this proactive strategy worked for his organization.

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Board Member

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LEADERS' DIGEST

MIRIAM'S KITCHEN Feeds Community



Being named the winner of the 2001 *Washington Post* Award for Excellence in Nonprofit Management was a thrill for Miriam's Kitchen. The organization is a free breakfast program for individuals who are homeless. Founded in 1983 by an alliance of churches and businesses in the Foggy Bottom neighborhood of Washington, D.C., Miriam's Kitchen provides hot, nutritious breakfasts each weekday morning to nearly 150 men and women.

The *Washington Post* Award recognizes outstanding achievement in nonprofit management in a Washington-area nonprofit organization. The winner receives a \$5,000 grant. Organizations are judged in the areas of fiscal management, information and communication, organizational development, people development, planning, resource development, risk management, and use of technology.

Why did this organization stand out so clearly from other nonprofit organizations being considered for this award? Miriam's Kitchen board chair Raina Tagle says it's because the once board-driven, board-run organi-

zation is now a healthy and enthusiastic board- and staff-driven organization. The organization's main strategy, she said, is excellent communication.

Miriam's Kitchen executive director Ruth Dickey agrees with Tagle's assessment. Dickey has served as executive director since 1998, after serving as a board member from 1995 to 1996. This experience led her to realize how much more could be accomplished with a board and staff that worked together. Now, Dickey said, everything is a collaborative effort.

Tagle instituted term limits upon her arrival as board chair. This decision was met with some animosity from elder members who had never had term limits imposed upon them before, but Tagle felt this would be the only way to incorporate new life into the 18-year-old organization. After Tagle implemented the term limits on the tradition-steeped board, members had to decide whether they wanted to stay.

As part of her governance strategy, Tagle, who is in her final year of leading the board, conducts a thorough orientation with new board members. She works to find out what motivates prospective members and is proactive in following up with them after her initial meeting.



A cheerful Miriam's Kitchen employee doles out a hearty meal to one of the many clients the organization serves.

When it comes to debating board, staff, or organizational issues, Tagle explained that all board members are heard, whether they are in agreement or not. It is her desire to have unanimous votes on all issues. Board members who are opposed to an idea are placed in charge of the idea, event, or committee they oppose. Tagle hopes this tactic will help open the minds of dissenting members and assist them in seeing the issue from other board members' points of view. "Decisions have to be a collaborative effort, at least to the point where everyone on the board buys in," Tagle said. "No board members are made to feel as if they must be experts in everything." This lack of pressure has given them all the freedom to explore new ideas for the organization.

Tagle also makes certain that the "health" of all board members is analyzed. This checklist includes attendance, attitude, involvement, unique skills, and whether or not they are mentally and emotionally engaged in the mission and vision of the organization. One board member was asked to leave due to lack of involvement. Dickey and Tagle maintain that this is the only way to keep the board's health at optimal level.

Susan Sanow, deputy director of the Washington Council on Agencies and founder of the awards program, is thrilled with the work of Miriam's Kitchen and rates its governance highly. She remembers years when Miriam's Kitchen would field plenty of com-

plaints about the board. Today has seen the organization make a 180-degree turn, with a board and staff and group of volunteers whose roles are clearly defined.

Sanow sees these awards as a self-assessment tool that nonprofits can use. She said that more often than not, all organizations that participate in the awards process end up building a better-run organization as a result. Sanow said that the program works to raise the bar for nonprofit management throughout the community.

Miriam's Kitchen has an enthusiastic yet respectful board, Sanow explained. "They understand the difference between implementing policy versus day-to-day hands on work. They are open to better ways of doing things," she added. "Ruth and the board are also good at infusing new talent into the board but still keeping former members involved through volunteerism." Sanow said she is particularly in awe of this fact. "Former board members still come in twice a month to perform kitchen duties. It's really about leadership, about the executive director working in tandem with the board chair and the importance and of that."

WCA is writing a book on the lessons learned during the last six years of the *Washington Post Awards*, called *Winning Ways: Great Nonprofit Management Ideas From the Washington Post Awards for Excellence in Nonprofit Management*.

What Founders Bring to the Table

Denver Options Inc. and the University of Colorado at Denver Graduate School of Public Affairs jointly sponsored a survey of 1,000 randomly selected nonprofit organizations throughout Colorado to collect information about the governance and management dynamics of organizations led by founders. The survey was also meant to uncover substantial differences in the dynamics of organizations led by founders versus those of subsequent leaders (nonfounders). Respondents included nonprofit chief executives, board chairs, and board members from organizations of various budget, staff, and board sizes.

New Insights

The boards of founder-led organizations tend to meet less frequently. Of the boards that met monthly, 45 percent were founder-led and 60 percent were nonfounder-led. Both groups had a high percentage of respondents who don't promote term limits (69 percent of founder-led organizations and 51 percent of nonfounder-led organizations).

Most nonprofit organizations still use a traditional model of governance that endows the board with responsibilities overseeing the chief executive. This model is used less frequently, however, among founder-led organizations (56 percent of founders compared to 78 percent of nonfounders). An alternate model (which is less hierarchical, with the chief executive and board working on the same level as partners) is used more widely by founder-led organizations (44 percent compared to 22 percent of the nonfounder-led organizations).

Possible Challenges

A successful founder must make tough decisions and communicate a vision in the early days of an organization. This capacity raises the founder to a position of privilege, as he or she inevitably influences the direction of the founding board and staff. This survey doesn't explore how founders make this transition to working on more equal footing with the board.

Key Point

The survey establishes that there are differences among founder-led and nonfounder-led organizations. These differences lends credence to the idea of founders' syndrome, the idea that individuals who start organizations may outlast their usefulness in a period of growth or transition. The survey is a preliminary study only, and does not explore whether founders are more or less effective than nonfounders or how founders' syndrome might contribute to the problems or successes of nonprofit organizations.

Read the study: "Toward an Understanding of Founders' Syndrome: An Assessment of Power and Privilege Among Founders of Nonprofit Organizations." Contact Stephen R. Block, executive director, Denver Options Inc. and Nonprofit Concentration Director, University of Colorado at Denver, 5250 Leetsdale Drive, Suite 200, Denver, CO 80246 or sblock@denveroptions.org.

BOARD MEMBER SOS

Our board is extremely conscientious about addressing the needs of our constituents. We take seriously our clients' interests, our donors' recommendations, and the desires of the community we serve. As a result, we never seem to advance our own agenda, or even become confident about what our agenda is, because we are so busy responding to others' needs. How can we find a balance between our goals and accountability to others?

A conscientious board is a wonderful thing. The challenge, which you have already identified, is to find the time to get to the real work of the board: to clarify the big picture and establish the organization's goals. If you are too busy reacting to your constituents' needs, your future will be defined by those needs.

Take a look at your organization's vision. It should be guided by dreams, not constraints. Maybe this vision can help your board evaluate its current challenges while making a commitment to steer your organization toward those dreams. An ideal board situation is one where the staff meets these day-to-day needs and the

board is free to plan for the future. Make this a goal and figure out a way to get there.

If your constituents are contacting board members directly with concerns, your board could institute procedures to filter these concerns back to the staff to handle. A board retreat to engage in strategic planning can help. This will encourage your board members to separate themselves from their normal board routine and allow them to challenge assumptions, thus opening the door for change.

A board retreat won't fix all of your problems, but if it is well planned, it can be a powerful way to refocus the board's thinking toward fundamentals, to engage in thoughtful strategic planning, and to reflect on the mission, vision,

and strategic goals. It will help to strengthen the relationships of board members while building enthusiasm, which makes the work the board does more enjoyable.

A strategic planning process starts with a full assessment of your constituents' needs and recommendations, along with your organization's ability to meet those needs. You might find that you need to recommend some program changes. A thoughtful strategic plan should convey vision, mission, and program goals in order to provide focus and renew enthusiasm among all your constituents. The board's ownership and commitment to a strategic plan will ensure its success, especially when there is pride in that measurable achievement. ●

Trouble Finds the AMA Again — What to Do When Board and Chief Executive Clash

Tension among board, staff, and members of the American Medical Association (AMA) is steadily rising. After a headline-making incident involving a soured partnership with the Sunbeam corporation in 1997, the AMA hired a new chief executive, Dr. E. Ratcliffe Anderson, in 1998 with hopes for a fresh start. Shortly after Anderson was hired, five AMA staff members involved with the Sunbeam deal were dismissed. Despite the shakeup, the board hoped the organization was on its way to mending its good name in the medical community.

The association's finances improved during Anderson's tenure after the organization cut a few money-losing programs and reduced staff. In spite of this, Anderson's time at the AMA was pegged as controversial since he fired the editor of the medical journal two years ago.

The tension within the organization was magnified in June when Anderson filed a lawsuit against the AMA and its chair-elect. Anderson claims the AMA board did not allow him to fire the organization's top lawyer, Michael Ile, over a real estate sale because Ile had protected certain board members from the embarrassing endorsement deal with Sunbeam. The *Chicago Sun-Times* reports that Anderson said that the

\$23.5 million tag on an AMA property in downtown Chicago in 1998 was approximately \$13.5 million below fair market value when the deal was closed two years later. The lawsuit, which the AMA called frivolous, seeks damages of more than \$5 million and a jury trial.

The *Sun-Times* also reported that the board claims that prior to filing the lawsuit, Anderson asked for monetary compensation. The board reported that Anderson had offered to forego litigation and simply resign from his position if the demands were met. The board, certain that it had not breached Anderson's rights as a chief executive, rejected his demands.

Members Are Concerned

While everyone involved is paying the price for this conflict, AMA members feel they are paying the highest price. They are disappointed in AMA leadership and have been left wondering if their funds are being used to foot the bill for this legal fiasco.

For the sake of an organization's health, reputation, longevity, and membership, it is imperative that the board and the chief executive have mutual respect for one another and work toward the same goal. A conflict resolved by either the board or chief executive leaving is probably going to

cost the organization money, the confidence of its staff, and its good name, which in the case of AMA, is its most valuable asset.

Few conflicts between chief executives and boards happen suddenly. Conflicts usually begin as smaller disagreements that, if not handled well, can diminish the trust between them.

Managing small conflicts when they occur is critical, because once a serious conflict erupts between the board and the chief executive, it is hard to remedy. Prevention is the best route. Sometimes an external resource may be a good option. A mediator or organizational consultant with conflict management skills might be a good choice. When evaluating these resources for conflict management, however, make sure all parties agree on the best approach.

Whoever is called in to assist in the time of discord, make sure your organization has criteria for selecting this individual. A key factor for any organization choosing a consultant or mediator is that the person is viewed by all as being completely neutral. This person can be someone whom all parties are familiar with, or someone unknown to them. Either way, it certainly beats the alternative. ●

Nonexistent Board Calls Credibility into Question

A 14-year-old boy died while participating in vigorous exercise at the America's Buffalo Soldiers Reenactors Association (ABSRA) civilian boot camp in July. *The Arizona Republic* reported that since the boy's death, several individuals listed as ABSRA board members claim the organization named them as board members without their consent.

ABSRA filed an annual report that included the names of the board members with the Arizona Corporation Commission after the boy's death. Patricia Bassett, Ernest Daurham Jr., and Craig Savage were all listed as board members. Bassett, Daurham, and Savage have since said they did not know they were named as board members and they were enormously concerned about the risks involved of being held legally liable in the aftermath of the boy's death. According to *The Arizona Republic* they believe their names were used to boost the credibility of the organization. All three acknowledge they have worked with the organization in some capacity and do support the work the organization does, but were not elected to the board.

Charles F. "Chuck" Long, president of the organization, told *The Arizona Republic* he does not know who submitted the names of Bassett, Daurham, and Savage on the organization's annual report. Long's wife, secretary of the board, also said she did not know.

Daurham, an entrepreneur who heads the Ernest Daurham Community Foundation in Scottsdale, a significant financial contributor to ABSRA, acknowledged that ABSRA used his name in other ways, but he felt that listing him as a board member was unacceptable.

Savage, a former Senate candidate, who was listed as the organization's statutory agent on the report, said he never gave his permission and that his name was forged on two previous annual reports filed with the commission. If this accusation turns out to be true, it would be a Class 5 felony against the organization.

Bassett, director of the Omega Academy charter school in Phoenix, said she had assisted Long with grant proposals but was not involved with the organization beyond that.

An attorney for the Longs claimed that the Longs believe the names were inserted into the annual report by an individual not affiliated with the Buffalo Soldiers.

Bassett's, Daurham's, and Savage's names have since been removed as board members. According to the book *How to Form a Nonprofit Corporation in All 50 States*, by attorney Anthony Mancuso, Arizona law requires that there be three or more members on a nonprofit board in that state. Charles Long is currently listed as the sole board member of ABSRA. The investigation is continuing.

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Free distribution:	0	0
Total distribution:	16,000	27,000
Copies not distributed:	0	0
Total:	16,000	27,000
Percent paid/requested:	86%	63%

Make Ethics a Leadership Priority

More than once I have heard busy nonprofit board members ask, "Given our existing challenges — compounded by our organization's limited time, personnel, and financial resources — do we really need to make ethics a priority? We are a good organization that hires good people — why should we encourage an explicit focus on ethics and, thereby, possibly divert energies away from our core vision and mission?" Good questions. Here are some thoughts in reply:

- Ethics is job one.** Ethics is a priority — it comes with the job of being a board member. Nonprofit board members play a critical role in inspiring and overseeing the values, ethics, and financial integrity of an organization. In essence, boards establish certain values and standards for how they want things done. The board acts to ensure accountability to such values and standards by providing oversight and, when appropriate, monitoring management decisions and implementation. The board should actively participate in communicating the values of the organization to key stakeholders.
- Nonprofit means a commitment to the public good and stewardship.** Ethics comes with the nature of a nonprofit organization. Trust is essential to the special relationship nonprofits have with the communities that sustain them. Such trust requires that nonprofits maintain a high quality of performance as well as a requisite amount of diligence by board members to make sure they are doing all they can to preserve that trust.
- Good things happen when ethics is a leadership priority.** Ethics should always be a priority, as there are a host of valuable benefits that flow from making it a lasting priority within an organization. They include building and sustaining a positive reputation within the communities in which an organization operates as well as recruiting and retaining top-quality staff and volunteers.
- A focus on ethics improves your brand integrity.** People are willing to donate time and money to organizations they trust. Focusing on ethics matters increases the likelihood that your organization will be perceived both internally and externally as having integrity. Such a reputation encourages trust and directly contributes to your organization's ability to raise funds, attract new members, develop meaningful relationships, and carry out its mission. ●

By Michael Daigneault, former president and current senior consultant, Ethics Resource Center. Contact him at Michael@ethics.org or 202-737-2258.



If it ain't broke...make it

Every two years a small group of our board members and I attend a conference on nonprofit governance. Like so many organizations with well-established governance systems, we attended these meetings with minds open for “tweaking,” but with the basic assumption that major changes were only for troubled organizations.

So it was with some degree of confidence after our last trip that we decided it was time to conduct a board self-assessment in conjunction with our upcoming biennial board retreat.

At the time of our retreat in October 2000, our board structure and meeting formats were virtually unchanged since the organization began in 1987. The United Methodist Health Ministry Fund is a health foundation that makes programming investments to advance health, healing, and wholeness in Kansas. The Health Ministry Fund resulted from the sale of a nonprofit hospital in Wichita, Kansas, in 1985 and is related to the Kansas West Conference of the United Methodist Church. Our current annual budget for grants and other program expenses is \$3.3 million. Areas of strategic interest include access to primary care, oral health, congregational health ministries, childcare, health ethics, and education about the spiritual and social determinants of health.

The current governance scheme was developed when we had two staff members and active and involved charter board members. Most matters continued to be processed through standing committees — grants, finance and investment, and executive — before reaching the full board. The executive committee met regularly to handle any matters not within the scope of another committee. The board development committee was just getting its new work of board development and education under way, having moved from the traditional nominating committee role within the past two years. Special programming committees related to strategic initiatives were active and included both board members and non-board members. We had a staff of four and a board composed of members with an average tenure of less than four years.

As expected, the self-assessment reflected that the board felt good about its collective performance, and there were no overall areas where board members expressed a lack of satisfaction. However, as Alan Lindal, board chair from 1996 to 2001, noted, the board was open to suggestions “that would help in fulfilling the mission of the organization. Orderly change was welcome.”

The retreat facilitator challenged us to move from *satisfactory* to a *higher level of board performance*. Those challenges involved:

Board size: Our board, coming from a 66-county area, had 24 members, more than the median foundation board size of 17. Health conversion foundations like ours have a median board size of 15.

Executive committee role: This committee met between each board meeting and processed all decisions not coming to other committees. It was a sounding board for a variety of staff issues, and it diminished the need for some board decisions.

Investment policy and operation: Board members were confident in the investment operation but indicated a heavy reliance on the finance and investment committee. Other board members expressed a limited knowledge of the investment function.

Strategic thinking: The board didn't place a priority or designate a particular amount of time or attention to strategic planning. As a result, this responsibility fell largely in the hands of staff. The board relied on special committees and the biennial retreat to address



▲ Nick Mork, president and CEO of Big Brothers Big Sisters of Sedgwick County, Inc., is spreading BBBS programs across Kansas with the help of UMHMF.

strategic issues, but that wasn't enough. The board had not developed a philosophy of giving.

Central board functions: The board needed to centralize certain board functions, like supervising the audit, reviewing the bylaws, and establishing a risk management plan. The board was dealing with these responsibilities as needed or by committee.

Meeting content: A consent agenda was used for a few items at the board meeting, but the quarterly board meetings were still running four hours or more.

Mission/values: There was a sense that the mission was not the focal point of the board's work.

A key to progress in the face of these challenges was a spirited discussion at the retreat about organizational values. Randy Peterson, who became board chair in early 2001, found that “the retreat facilitator created an environment where the board members felt comfortable and open to reflect on our operations and, in particular, the functioning of the board. We struggled with the words, but it was clear that our values were aligned. The organizational mis-

better by Kim Moore

sion was reconfirmed and is now clearly leading in our decision-making process.”

After the retreat, staff summarized the issues and suggestions into a decision worksheet for consideration by the board development committee. That committee developed several recommendations that were presented to the full board at two different meetings. Most changes were formally incorporated into new bylaws and an adopted annual board calendar.

Board size was addressed by establishing a wider range in the bylaws for board numbers — 15 to 22 — while preserving various membership requirements related to geographic, gender, ethnic, and clergy and lay qualifications. The intent is, through attrition, to downsize from the current 21 members. We believe that a smaller board will create a greater sense of the importance of attending every meeting and improve our now good attendance rate to excellent. Because we are a small organization that relies on the skills of lay governing persons, two key committees — programming and evaluation and investments — were opened to non-board members to permit acquisition of more skills and maintain good representation of various constituencies.

Committees were restructured with the former grants committee becoming a programming and evaluation committee to address the need for more strategic work inside the regular board structure. The finance and investment committee was divided because it had been difficult to give attention to finance matters, such as audit and banking relationships, in a meeting designed principally to hear reports from investment advisors and managers. These finance functions were moved to a separate, three-member committee that will meet mostly by teleconference to oversee the finance area. The executive committee will deal primarily with matters that *must* be handled between meetings. It will have one scheduled annual meeting for the performance evaluation of the president and otherwise that meet on call.

An annual board calendar was adopted that created regular, recurring board review of key foundation issues: risk management; mission, values, and goals; investment policy and operations; bylaws; key strategic programming areas; and total foundation progress in achieving goals. These join the traditional annual meeting matters — adoption of financial plan and president’s performance review. To create time for more strate-

► *Dr. Joe Rosenberg applies dental sealants to a youth as a part of UMHMF’s Healthy Teeth for Kansas initiative.*



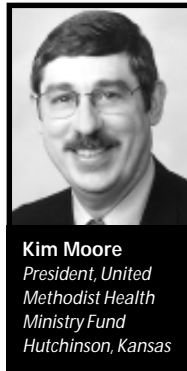
gic items during meetings, the board expanded the use of the consent agenda to include any matter believed to be noncontroversial or unlikely to generate discussion.

The mission is now prominent. It is on each printed agenda. A banner stating the mission is placed at the front of the meeting room. Nameplates for board members and staff are used at each meeting and have the eight organizational values printed on the reverse side. Of course, the organizational mission will be reviewed and possibly revised and recommitment to the mission will be made in the annual meeting cycle.

These are fresh changes for our organization. We will fully implement the new committee structure in 2002, permitting time to recruit board members for key slots. After three meetings with the new agenda, the experience is positive. According to Randy Peterson, “The changes in the governance structure and process have made the board more efficient with our time spent on the more strategic issues and less time on the operational activities which need to be handled by staff.” The discipline of the recurring board calendar is a challenge for staff. The special reviews will require us to give preparation and attention to some items that are not being externally driven. Yet, we sense that the board and staff together are working smarter and more comprehensively on work that is important to our organization.

Nothing really compelled these changes. There was excitement about the common values produced from the retreat and an acceptance of the practical suggestions for more focused and important work at the board level. We were in the midst of a transition between chairs, and both the outgoing and incoming chairs were extremely helpful and supportive. As the staff member who had lived with and nurtured the structure for 15 years, I struggled to avoid seeing the proposals as criticisms of what existed. The idea that all organizations are developing entities that could benefit from changes in their governance was clear to me and helped ameliorate any sense of “you’ve been doing it wrong.” We now had an opportunity to address changes in the external and internal environments that had occurred over 15 years. We were putting what we learned from the conference into practice and becoming a better performing organization before anything was really broken.

Surely that is the best moment to consider changing governance structures — when there is time to consider and respond without external pressures and the chance to improve is the real incentive. Based on our experience, when “it ain’t broke” is the best time to meet the challenge to move toward higher board performance. ●



Kim Moore
President, United
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Ministry Fund
Hutchinson, Kansas

► *Mary San Matin heads Higher Ground, which provides substance abuse prevention, intervention, and treatment through grants from UMHMF.*



Information \neq Knowledge



by **Oliver Tessier**

“Knowledge is experience.
Everything else is just information.” — ALBERT EINSTEIN

▲ The Landscape

With the proliferation of information, knowledge has become a truly priceless commodity. We struggle to process the volume of e-mail, Web addresses, and raw data that bombard us. Information abounds, unfettered by accuracy or control. How are we to select, interpret, and verify information we might convert into knowledge? How do we know what’s available, what deserves attention, and what to ignore?

Distilling the wealth of information into employable knowledge and making that knowledge accessible to users is the challenge of knowledge management, the next step for many nonprofits in using technology to amplify resources. Knowledge management relies on information and communications technology to gather, store, qualify, process, and distribute data. It is consumer, not supplier, oriented — its users shape systems of organizing and sharing information. Knowledge management asks: What do we need to know? How might it be used? How do we relate the right information to users in meaningful ways? Ultimately, knowledge management relies on an organizational culture that recognizes the value of sharing knowledge and treats knowledge as a primary asset.

“When I worked in museums as an art historian,” said Tracie Felker, knowledge management consultant for Oracle Corporation, “the academics, who had all the information, were completely segregated from the technology staff, who had all the tools for making the information available. Each curator had a specialized area of knowledge that we treated as proprietary. In the corporate sector, we store our knowledge in a shared ‘warehouse,’ and we create portals to make information readily useful to as many people as possible. The knowledge is constantly recycled and reshaped by users. This keeps it dynamic and up-to-date.”

There is a critical distinction between knowledge management and traditional information storage and retrieval. When users participate in the development of the information they need, their



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investment in the information increases. They are more likely to contribute, and they are more likely to use the information pool to create new knowledge. The result is a living body of knowledge shared by a community.

▲ Our Own Backyard

A few nonprofits exist solely to accumulate and distribute knowledge. For some, knowledge — about the services they deliver and about the groups they serve — is the organization’s most valuable asset. In general, however, compared to business, few nonprofits have codified their information for ready access and interpretation as knowledge.

Nonprofit culture is one of scarcity, rooted in a history of relying on contributions and creating miracles or making do with less than enough. This culture often focuses organizational attention on the urgent issues of meeting fixed costs at the expense of investing in the future. Increasingly, nonprofits and funders are acknowledging the importance of building infrastructure to support programs, but when resources are short, infrastructure is often viewed as directly competitive for service delivery dollars. Knowledge management represents both a financial and a cultural commitment to the organization’s future. This may demand a leap of faith for the board and the staff of an organization that has limited resources — a wise leap of faith for organizations committed to stewardship of their knowledge asset.

Joel Burton, former director of information technology for the Support Center of Washington and an information management consultant, explained, “A surprising number of membership organizations fail to mine crucial data about their members. They could be looking for trends, identifying unfulfilled needs, or helping their members learn from each other. Instead, they relegate information management to the world of operations — limiting their explorations of member information to what’s needed for mailing lists rather than making it the cornerstone of service delivery.”

Burton cites a typical conversation with a prospective client who’s trying to take better advantage of information management tools:

Chief executive: We need much more information about our education programs. Everyone’s clamoring for it — our members, faculty, staff, and board.

Consultant: *What kind of information do you need?*

Chief executive: We need a place to store our course materials so that faculty can keep content current and collaborate on new classes. We need to make resources for skill development accessible to both our faculty and our staff. We need deeper access to our membership lists and to course evaluations so that we can communicate with participants. If we had all this information in one place, we could improve our course delivery and target emerging membership needs.

Recommended Resources

For evaluations of commercial and non-commercial knowledge management software, see these Web sites:

- **Joel Burton**
www.joelburton.com
Articles about using nonprofits and information management, learning Zope (a popular Open Source portal and content-management system), and nonprofits' use of Open Source software.
- **Knowledge Management @ Brint**
www.brint.com/km
A large virtual library on knowledge management.
- **Knowledge Management Magazine**
www.kmmag.com
KM Magazine online.
- **Sveiby Knowledge Management**
www.sveiby.com.au
Karl-Erik Sveiby is one of the veterans of knowledge management. On his site, he provides articles, publications, and useful links.
- **USC Digital Commerce Center on Organizational Knowledge**
www.ec2.edu/dccenter/ok/index.html
Provides resources for the study and practice of knowledge management and organizational science, and contains products and services for the archiving and distribution of digital knowledge assets.

Consultant: *You already have a database. How much of this information is already there?*

Chief executive: Most of it is already captured. We have two databases, actually, and that's part of the problem; they don't talk to each other. No one but the information technology staff can figure out how to put together the information that tells the whole story.

According to Burton, "nonprofits of all sizes are showing signs of taking information technology seriously, but the sector in general has a long way to go. Nonprofits would get huge benefits from placing information systems thinking at the center of their management structure. If they hire qualified technology staff, train people to use the technology available to them, and make the consolidation of information management an expectation, they will get much more from their resources than they realize is possible."

▲ What If We Were To Do This?

One starting place is to build an online space (often part of an intranet or public Web site) where staff, the board, membership, and clients can share news and strategies, providing a valuable information pool that will keep users engaged with the host nonprofit.

Design and process are critical to effective implementation. The most successful ventures rely on knowledge management professionals and a commitment of resources for gathering pertinent information and making it easy for users to obtain. Project developers poll internal and external audiences for what they need to know and then build or modify a database to contain the information and an interface that makes the information easily available to anyone with access to the Internet. There is also a strong organizational culture component: People need to become comfortable with using technology and, more important, they must overcome the concept that they "own" their information.

According to Felker, "levels of access vary for security purposes, but there is an element of trust in our community of users. Information is constantly updated from the field, and users have varying levels of access to that information, depending on their relationship to the organization. We categorize, but we don't filter what users put into the database." She added that knowledge management efforts have fostered innovation, improved her team's ability to respond to questions, strengthened relationships among users, and provided a richer, more vital pool of knowledge than they could have created by traditional means.

▲ Free for All

Excellent online databases and knowledge management products are available commercially, but they can be expensive. To control costs, many knowledge management teams take advantage of free —

and freely available — Open Source software products. These products, made available to the public at no cost, are maintained by a volunteer community of users anyone can join. "The Open Source community is a great model for the nonprofit community," Burton said. "Everyone has permission to use, customize, and improve the building blocks of the software and systems, and no company can monopolize it or take away others' rights to share their work. IT professionals constantly improve the applications and share what they've done with the community, and everyone benefits. Additionally, the support is excellent. If I have a question, I can post it to a users group and get an answer within a few minutes or hours. Few nonprofits could afford to buy that kind of service."

▲ The Board's Role

While much of knowledge management is managerial and therefore separate from the board's policy-making agenda, the board determines how the organization values knowledge and how it allocates resources to manage knowledge. The board has excellent opportunities to reinforce a commitment to handling knowledge effectively in:

- **Strategic planning** — defining learning and sharing knowledge as core values of the organization, identifying ways to take maximum advantage of the knowledge that the organization possesses and distributes to its internal and external constituents.
- **Approving business plans and budgets** — testing for thoughtful, progressive use of technology, looking for signs of knowledge-based collaboration and cooperation among departments and peer organizations.
- **Evaluating program and staff performance** — holding management responsible for providing sophisticated information that tells the story of the organization's activities and its clients' needs.
- **Ensuring that technology expertise is represented on the board** — including technology professionals who are prepared to ask the right questions, educate their peers on the board, and make productive recommendations.

Smart nonprofits know that effective marketing requires understanding and cultivating the audience for their products or services. Good grant proposals must describe not only what a nonprofit will do but also how its efforts will improve people's lives. Further, if nonprofits are to gain a place at the decision-making table with business and government, we have to make the necessary investment in the tools to know our constituents and tell our stories. All these efforts require knowledge — captured in an active and readily accessible information system. ●



The Problem

Growth Comes With a High Price Tag

What is the board's responsibility when an organization suddenly sinks into debt?

For a few years, the passion made up for the lack of strategy. Stephen Somers started the Gay and Lesbian Education Network (GLEN) 10 years ago in response to the discrimination he had seen friends experience and had himself faced. At first, GLEN primarily sponsored support groups for teenagers and young adults struggling with their sexuality. Then came support groups for family members of gays and lesbians. Soon GLEN expanded its efforts to include the bisexual and transgendered communities but decided to keep its name, because its work was well known in the community.

GLEN lobbied local and national legislators to pass anti-discrimination laws and fairly represent GLEN's members and constituents. Over the past few years, GLEN had begun publishing material for distribution to schools, hospitals, religious congregations, and other community-based organizations to offer thoughtful and intelligent methods for teachers and other leaders to talk about gay, lesbian, bisexual, and transgender issues, including emotional support as well as AIDS prevention and treatment.

To accomplish all this, Stephen hired a small but devoted staff, which had grown to about 20 people. He found committed board members who brought a wider variety of interested individuals into GLEN's leadership. Stephen had cultivated some relationships with foundations, mostly local, and a few key donors in the gay community. In the past, grants and donations had been generous, and GLEN managed to stay in the black for years, if only by a small margin. Now Stephen and his staff were transforming GLEN into a more professional operation with integrated programs and program goals. GLEN no longer felt like it used to when it was run out of Stephen's basement. Terrific changes had been made, many of which cost money. Stephen was excited about the direction in which GLEN was heading. However, the results of growth and expansion were slowly but surely beginning to show.

At GLEN's fall board meeting, board members perused the financials. At the summer meeting, the board observed a small but noticeable deficit of \$10,000. Members asked questions and pressed for answers, which Stephen promised he would provide by the next meeting. They trusted his leadership and waited patiently for new and better financial information. With the new fiscal year approaching, the board wanted to ensure that the organization was starting the year out on solid ground. But the numbers sure didn't look that way. So far, none of GLEN's programs had provided enough earned income to even cover overhead, and as a result GLEN was heavily dependent on outside funding. Recent expenditures for educational materials had been higher than what was budgeted. An additional staff member who had been hired exclusively to monitor Congress needed to be paid. The staff was so large that new office space was needed, but there was nowhere to expand on the current

site. Board members were elated by the important impact the organization was making on people's lives and the strides it was making toward ending discrimination.

They were also dismayed at the organization's financial situation. It looked like the organization was going to end the year \$50,000 in debt, which was significant considering the size of GLEN's budget. Revenue anticipated in the next quarter was already earmarked for programs. Board members had already made their own contributions. They didn't know of any wealthy donors off hand who hadn't already been tapped this year. What now?

No one wanted to cut back on programs, and actually a lot of the money was already spent. But where would they come up with this money? Not another gala special event. And why hadn't they noticed this before? The monthly financials were always a little low, but no one had realized it was going to add up so quickly. The board members looked around at each other with growing concern. Stephen walked into the room and sat down. He looked around at the grim faces.

"I know it doesn't look good, but I am confident you all can come up with a solution for us."

What is the solution?

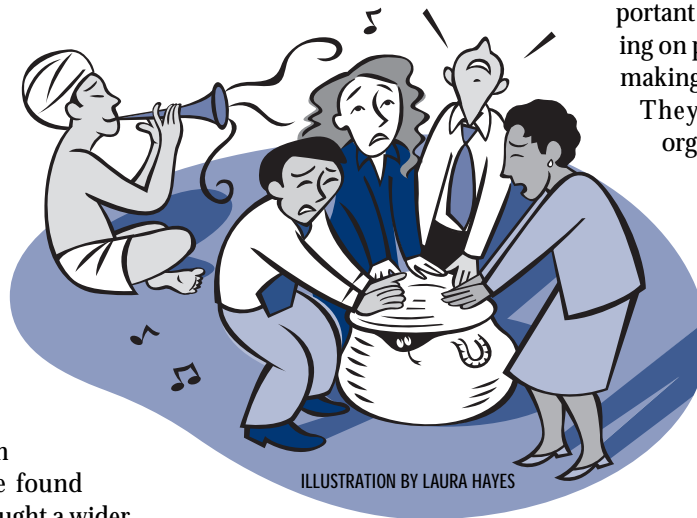


ILLUSTRATION BY LAURA HAYES

Solution 1

Some Staff May Need to Be Cut Back to Part-Time Status or Be Laid Off



Candace Campbell Jackson
Treasurer
Akron Community Health Resources
Akron, Ohio

GLEN's current dilemma is a result of nonstrategic growth in the organization's financial, programming, and service areas: namely, adding staff and programs with no planned means to sustain them. The primary responsibility of GLEN's board is to guide the organization in accomplishing its mission. To fulfill this obligation, board members have a duty as fiduciaries to monitor the organization's financial condition. Further, the fiduciary duty and the duty of care require board members to be diligent in reviewing and asking questions about information related to the organization's financial position. Accordingly, GLEN's board should have insisted on Somers' responses to questions about the deficit in 15 or 30 days, rather than waiting until the fall meeting.

A finance committee should be established and charged with developing a plan for eradicating the deficit. If no board members have financial expertise, GLEN should look for representatives from the business community. The finance committee should meet weekly or biweekly until a plan is developed. The finance

committee should focus on recommendations for cutting expenses and payment plans with vendors and service providers so that cash flow can be properly managed until additional revenues are generated.

The board should ask Somers to prepare a comprehensive report detailing program costs and recommendations for cutbacks. Realistic revenue projections of the new programs should be developed during this process. The new staff member or other staff may need to be cut back to a part-time status and/or laid off until money (or a viable plan) can be raised to support salaries. Contributors who Somers feels are committed to GLEN's mission might be approached for meetings to discuss the additional support needed to get the organization through this period. Money earmarked for programming may need to be applied toward the program-related deficit until funds to support additional programming can be raised.

Solution 2

Each Board Member Should Commit To Raising \$10,000 to Cover the Shortage



Luther J. Nussbaum
Board member
Long Beach Aquarium of the Pacific
Long Beach, California

Creeping deficits don't get better by themselves and, like an iceberg, the size of the threat is mostly hidden in the form of future outlays. Clearly, GLEN's board must recognize the emergency and move immediately to avoid financial failure. This takes three steps.

The first step is to stop bleeding cash: Unfunded programs, no matter how important, must be stopped and costs reigned in.

Step two is raising more money. While large donations are usually the result of building close relationships and staging successful fund-raising events, there is usually something left around. To find these important "leftovers," each of the board members must commit to raising \$10,000—perhaps by tapping 10 people for \$1,000 each—to cover this year's shortfall. While this double-covers the cuts in step one, the board needs to cover at least twice the "visible" size of the shortfall. They will probably get only one

more chance with each donor, so they will have to certain that there are no surprises coming.

The third step is the hardest, because it requires a candid assessment of Stephen's executive ability. His passion and commitment have accomplished a lot, but the first signs that GLEN has outgrown him have appeared. Therefore, the board must meet privately to answer two questions: Is there a board member or other contact that can mentor Stephen to the next level of leadership? If not, can the board find a successor leader? If neither of these options is available, the board will have to reduce GLEN's size and commitments: in any organization, vision must be adjusted for capabilities.

The board must be compassionate but firm: its obligation is to GLEN, not to any individual. By missing the first signs of financial problems, the board has already risked becoming part of the problem.

Solution 3

The Board Should Not Have Sole Financial Responsibility; Staff Must Also Take Part



Charles Johnston
Board chair
Community Foundation of the Napa Valley
Napa, California

Passion for an organization's mission should not be considered a substitution for thoughtful strategy. Organizations work best when the passion and strategy function in concert.

This is a case of leadership default by management and the board. Ideally, when launching GLEN, Stephen should have initiated a thorough strategic planning process to clearly chart its shared vision. Board participation and leadership in planning processes should engender commitment to sound strategies that are anchored in well-considered revenue and expense projections and budgets. Since nonprofit start-ups are often unable to marshal the resources to plan strategically, the board should have insisted upon the preparation of operating plans that include growth expectations linked to personnel and essential financial data.

It is telling that Stephen placed the sole responsibility for solving the debt problem on the board. Stephen and his staff must lead in solving the problems. They should have developed a blueprint for debt elimination, including proposals for expense reduction and prospects for new sources of revenue and/or contributions.

In the short term, Stephen and the board should seek pro bono assistance to reduce costs—e.g., an astute volunteer could handle congressional monitoring, and donated office space should be sought. Going forward, the board should ensure substantive strategic planning and create a finance committee responsible for regularly monitoring the indices of GLEN's financial health. ●

TRY THIS

Icebreaker Can Facilitate Boardroom Interaction

Board meetings and conferences are not the easiest environments in which to get to know someone. The formality of such situations can often make for uncomfortable moments, especially if participants are strangers. If you are looking for a few ways to break the ice, the following suggestion might prove helpful as well as enjoyable:

Two Truths and a Lie

In groups of three to eight (depending on how much time you want to devote to this exercise) have individuals take turns making three statements about themselves — two that are true and one that is a lie. After an individual makes his or her statements, the other folks in the group discuss among themselves which seem most plausible and what is most likely to be the lie. Once they come to some sort of consensus, the individual who made the statements not only tells which is the lie but also provides a bit more background about the truths as well as what made them think folks might have thought the lie was a truth.

A group of three can easily do this in less than 10 minutes. A group of eight can take from 20 to 30 minutes.

This icebreaker helps level the playing field within a group by making human connections that aren't related to either organizational or power structures. In addition, the game allows individuals to become comfortable expressing ideas to a new group. While the objectives may be numerous, the ultimate objective is to have some fun!

The objective of this icebreaker is to allow people to get to know and appreciate each other better through discovering both common and unique interests and experiences.

This game works well with groups that are new to one another. It is often surprising how relative strangers can instinctively pick up the nuances between truths and lies based on little information. The game also works well with groups that have been together awhile and think they know a lot about each other. ●

This icebreaker courtesy of Lucinda Poudrier-Aaronson, Cornell University.



Guiding Lights

An interview with a board chair who led the board to success.

The mission of Women in Community Service (WICS) is to reduce poverty among women and young adults by promoting self-reliance and economic independence.

Virginia Austin has been board chair since 1997.

What's the most important lesson you have learned during your term as board chair?

The board chair can only have two or three priorities per term, at most. The most important factor for the organization is the degree to which the chief executive and the board chair can work together as a team and reinforce each other's priorities for the organization. Our organization is mission-driven. The board sets the policy for achieving that mission, and the chief executive and staff manage toward that mission. In the case of WICS, there were so many opportunities for growth of the board and the organization's programs that the challenge became sorting out the possible options.

What changes have you implemented since becoming board chair?

Ruth Herman (WICS' former chief executive) and I established a productive partnership from the beginning. Together we worked to further strengthen and diversify the board. Last year, when Ruth told me of her decision to retire after 16 years as chief executive, we spent three months developing a transition strategy before ever announcing her retirement. We set the following goals: to support the organization —



Virginia Austin
Chair of Women in
Community Service

its staff, board and new chief executive — through a successful transition and to create the conditions where the components of transition, such as control, understanding, support, and purpose, could be satisfied in a way that is healthy for the organization.

I asked the executive committee to serve as the search committee. We hired a search firm; appointed a transition team; established a structure, process, communications strategy, and feedback mechanism so that the staff of 150 and volunteers across the country could be plugged into someone with knowledge about the transition.

What is your advice to board members?

Board members, regardless of their own areas of expertise, should be aware of the basics of effective "boardsmanship." Being an effective board member is the ultimate act of servant leadership. It's not about "what I know" or "what I want." It's about "How can I lend my experience to helping this organization achieve its mission?" The most productive board member never forgets to ask the question, "Is what I'm about to say or do in this organization's best interest?"

Boards are no place for egos. ●

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Readers should consult expert professionals about their specific situations.

Questions for the editor? E-mail Betsy J. Rosenblatt at boardmember@ncnb.org.

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