

## **A Matter of Leadership: Strategies for Ensuring a Strong, High-Performing Board Over Time**

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Perhaps one of the most vexing and controversial challenges facing the nonprofit sector today concerns the fundamental question: *How can a nonprofit effectively ensure ongoing, effective governance and leadership?*

At Quantum Governance, we've been taking a look at what the credit union board of the future will look like and, almost more importantly, the challenges it will need to be prepared to face. Ultimately, we have identified nine key challenges that are already (or will be) confronting your leadership.

1. **The Composition Challenge.** Gone are the days when your nonprofit can simply rely on who it knows to fill open slots on its board. The most progressive boards today are actively recruiting the talent they need; identifying the skill sets that deliver the talent, connections and expertise they need on the board; and then *inviting* those individuals to become members of their board.
2. **The Technology Challenge.** The rate of technology is changing at lightening speed. I don't have to tell you that. But here's the thing. It's changing at a faster rate than anything else we've ever seen. Faster than political change, business change and even social change in our world. Is your board ready? Is your nonprofit?
3. **The Community Challenge.** The very notion of community is being altered by technology. Community is ceasing to be largely defined by geography and more often it's defined as a sense of belonging. How does that impact your "community" nonprofit? Is your board discussing the impact of this from a strategic point of view?
4. **The Disruptors Challenge.** How many of you have heard of Uber? Five years ago, could you have ever conceived of an online reservation ride service? I'm sure the taxi companies in nearly 130 American cities never dreamed their business could tumble by more than 65 percent in just one year, like it did in San Francisco. Uber wasn't even on the radar then. What's not on your radar now? It's difficult to know. And that's the point. You won't know. More than 99 percent of the disruptors will fail, but it will only take one to succeed and have a dramatic impact on your organization's core services.
5. **The Demographics Challenge.** We love Baby Boomers. First, there are lots of them. Eighty million of them, and they are doers. Board service has been a part of their DNA. But what about the next generation: Generation X? Much has been said about them and most of it hasn't been good. I happen to think they are doers, too. And very

civic-minded, but in a different way. Their way of giving back is more individualistic. When they want to get involved, it's more on a one-on-one basis. When they want to make a difference, they start their own organizations ... forge their own path. And critically, there are 40 million fewer people in Generation X than there are Baby Boomers. If you think you're having a tough time finding good, qualified and engaged board members now, it's about to get harder.

6. **The Information Challenge.** With your iPad and your smartphone, you probably have more information at your fingertips than the entire federal government did 25 years ago. But what matters? What's important? What information will move your organization forward? What do you need to know and what is just white noise? One of the key challenges for nonprofits today is not a lack of information, but rather the volume and variety of data available. The current flood of information can be like trying to satisfy your thirst with a hose attached to a fire hydrant!
7. **The Complexity Challenge.** This challenge is related to The Information Challenge and every nonprofit will face it. It's a distinct moment in time – that moment when the abilities of a nonprofit board are overcome by the increasing quantity and complexity of greater regulations, responsibilities and requirements. There is more and more expected of you and your colleagues as directors. The demand for your knowledge base is only continuing to grow.
8. **The Risk Challenge.** There's a great book titled *Competing for the Future* in which the authors say organizations that “create the future are rebels. They're subversives. They break the rules... Foresight often comes not from being a better forecaster, but from being less hide-bound.” It comes from breaking free from your mold, from taking more risks.

Is your board “hide-bound?” Are you stuck? My guess is that you and your board colleagues spend more time on the lower end of the risk spectrum – most nonprofit boards do. But, if you're going to grow ... if you're going to forge the future, maybe even be a disruptor yourself, you'll need to learn how to effectively balance two abilities: 1) understanding, identifying and mitigating risks to the organization; and 2) tolerating the risk that will enable you to grow.

9. **The Impact Challenge.** It's not enough to keep your head down and do good work. You have to not only keep your head up, but you have to get out. The Impact Challenge requires that you foster relationships, as leaders and always in constructive partnership with your Executive Director, with external stakeholders to have the greatest impact. And that goes far beyond your constituents to include governmental representatives, local businesses and, yes, even other nonprofits.

To face these nine challenges successfully, your board will need to regularly strengthen its leadership and governance abilities. You can do it!

The time has come for boards to reframe and “rebalance their responsibilities,” as Ram Charan has noted in his new book *Boards That Lead: When to Take Charge, When to Partner and When to Stay Out of the Way* ([www.boardsthatlead.com](http://www.boardsthatlead.com)). Yes, board monitoring and oversight are still important, but they are no longer sufficient. The reality of the situation is that for many nonprofit boards, more effective leadership is needed.

### **What Leadership Leads to**

At Quantum Governance, we talk with a lot of nonprofit board members and, unfortunately, what we're hearing from them about their ability to effectively lead and govern isn't altogether positive. The following data is from the 2015 *Quantum Governance Nonprofit Compendium*:

- More than 40 percent of all board members we've surveyed think their board is “less than effective” at building a leadership culture of trust.
- More than 50 percent think they are “less than effective” at holding each other accountable.
- Less than one in five board members thinks their board is “very effective” at asking the hard questions that need to be asked.
- Thirty percent of board members say they are “ineffective” or only “adequate” at acting decisively when necessary.
- Sadly, more than one in three board members says their board leadership and governance culture is “adequate or less than adequate” overall.

Importantly, nonprofit boards are struggling to find the right people to serve—with only 18 percent saying they are “very effective” in doing so.

### **How to Get More Effective Leadership**

So what's a nonprofit to do? Renewing the strength of your board and its leadership can be accomplished using various techniques. If you answer “no” to even a few of the questions in the following section, you've got some work to do. And you need to get moving, or you're likely to get left behind. Way, way behind.

**Board assessment.** Is your board working on strengthening its governance practices? Are you reflecting on what's going well and where you're struggling? How are your committees functioning? Have you and your colleagues committed to a regular process of board evaluation?

**Training for needed competencies and strengths.** Are you undertaking a robust training initiative that responds to your assessment results by strengthening your directors' intellectual capacities and stretching the boundaries of current discussions? Do your fellow directors return from the latest nonprofit conferences full of ideas and enthusiasm? And are they sharing what they've learned with their colleagues?

**Associate board member program.** Have you considered an associate director program that will afford up-and-coming volunteers the ability to learn about your organization "from the ground up?" Are your committee rosters creatively drawing from non-board members—those in the community who could foster a wider sense of support for your organization and support your associate director's program? Do your recruiting "tentacles" go beyond those whom you already know?

**Term limits.** This practice is rooted in one of the central principles of maintaining board effectiveness over time and the idea of creating (and sustaining) a careful balance between historical continuity and rejuvenation. A big potential benefit of limiting the length of service of board directors is fostering an influx of new talents, skills and energy to the board as a whole, as well as among board officers.

Of course, there are a number of traditional challenges raised concerning term limits. Some organizations fear losing valuable board leadership and institutional knowledge.

It takes time to really understand the issues at play within an organization—and nonprofits are complex organizations. Some believe it imprudent and inefficient to spend valuable time and energy getting board leadership "up to speed," only to then urge them to move on at the close of their tenure.

Another frequently raised concern is an actual or perceived shortage of suitable or willing candidates. Such a shortage of qualified candidates can be an authentic challenge—or simply the net result of very low turnover. Of course, if a board officer or member has proved effective, there are some who would suggest it is entirely appropriate to maintain the status quo because "if it ain't broke, don't fix it!"

Certainly, I'm not saying that term limits are the answer. They are, clearly, only one tool. But they can be a helpful tool for your board's leaders.

**Rotation of officers.** Additionally, it is helpful to periodically rotate directors through board officer positions so a sustained concentration of power in a limited number of individuals (either actual or perceived) does not occur. Rotating board officers also helps an organization from getting stuck with just one particular style or mode of leadership.

Board officer rotation is also thought to strengthen the general pool of candidates willing to serve. This is due to the common occurrence that some will naturally aspire to board leadership roles—but only if it is perceived there is an authentic opportunity to attain a leadership role after a reasonable period of time and service. Finally, a lasting concentration of authority in a select, few individuals is, I believe, contrary to widely accepted, governance principles.

**Know the true role of the board chair.** While there are courageous conversations that need to happen at the chair's level when a board member is failing to live up to his or her fiduciary responsibilities, strengthening the leadership of the board is not just your chair's responsibility. As a board member it's your responsibility to truly be engaged; don't simply attend the meetings and go through the motions. Be an active player. A recent board member told me that he estimated about 70 percent of his colleagues *barely even spoke* at his organization's board meetings. Is that leadership? Your members are depending on you.

### **More Than Incremental Improvement**

The challenge I would place before you is this: Are you entirely sure your current situation isn't broken?

Fundamental or truly transformational changes—not just incremental—are what your nonprofit must undertake to craft the exceptional nonprofit board of the future. A board that can truly help to overcome the types of challenges facing the nonprofit sector today.

It will take exceptional board leaders, working in constructive partnership with management, to be successful. It is likely that some of the leaders you need to move forward are already on your board; it is equally likely that some leaders you need to meet such challenges are not.

When it's your time, have the courage to step up *and* step down.

Board chairs, you have an important role to play, too, in board rejuvenation. Have the hard conversations. If someone isn't participating or truly adding value, it's your job to find out why, and—if need be—help the organization find someone who will.

In the end, no single tool, technique or individual strategy is a substitute for what is needed most at this pivotal time in the nonprofit sector and that is, of course, courageous leadership on the part of every member of the board.

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*Quantum Governance provides nonprofits, corporations, credit unions, associations and governmental entities with strategic, cost-effective governance, ethics and management consulting, facilitation and evaluation. We are home to more strategic governance experience than any other practice in the country. The firm is a unique L3C organization that integrates the best elements of both the for- and non-profit communities into one practice. It is a low-profit, limited-liability service organization dedicated to the public good and one of the very first such legal hybrid organizations in the United States.*