

The four questions to ask when serving on a nonprofit board

Directors need to probe, nudge, and prod to make sure the organization achieves its full potential.

by William F. Meehan III and Kim Starkey Jonker

Sooner or later, you may follow in the footsteps of countless business leaders onto the board of one or more nonprofit organizations. Maybe it's the board of a local institution you care about personally, such as a small-scale theater, public radio station, or your child's school. It also could be a national or even global organization—an international development group, a major university, or the like.

Whatever the board, it's an opportunity to make a difference, provided you're prepared. Some of that opportunity stems from the growing potential of these organizations to generate social impact. Even as the cash-strapped public sector retrenches, nonprofits are poised to enjoy new sources of financial support: some \$59 trillion will move from US households into other hands between 2007 and 2061, according to one estimate. Nonprofits also can leverage new sets of tools, including robust digital infrastructure.

The nature of the opportunity runs deeper, though. Our research, as well as that of others, shows that a great many nonprofit boards are underdelivering. A majority of respondents to a 2015 survey on nonprofit governance,

conducted by researchers at Stanford University, said they did not believe that their fellow board members were very experienced or very engaged in their work. More than two-thirds of directors said their organization had faced one or more serious governance-related problems over the years—a finding reinforced by a survey we conducted with more than 3,000 stakeholders in the nonprofit sector, 56 percent of whom indicated that their organizations struggled with board governance.

If you know how to probe, nudge, and prod, you can help your board perform better. Doing so starts with courage. In our experience, nonprofit board members are often reluctant to contribute actively to discussions for fear that they will appear uninformed or cause an embarrassing ruckus. To be effective, you must overcome that fear. And then you must ask questions. Ask all your questions, even ones you fear might seem stupid, and keep asking them until you figure out what the smart questions are. Then demand answers to the smart questions. If you don't get good answers to your smart questions, or if you don't get support from your fellow board members when you ask those questions, then resign.

While many questions will be specific to your organization, there are four crucial ones that apply to all nonprofits. We'll lay those out in this article, which builds on a model of strategic nonprofit leadership we've distilled our book, *Engine of Impact: Essentials of Strategic Leadership in the Nonprofit Sector*. As we show in the book, board effectiveness is a critical enabler of all the components that, collectively, are indispensable to the achievement of a nonprofit's potential. Happily, it's one that you can start helping with the moment you get on a board.

QUESTION 1: ARE WE SUCCUMBING TO MISSION CREEP?

Companies in the private sector have a built-in sense of focus: they exist to maximize shareholder value. Because nonprofits lack that clarity of purpose, they need a crystal-clear mission statement that can unite stakeholders with different—and often competing—goals and expectations. When a mission statement is clearly formulated, it guides decisions about which programs and projects to undertake, which to avoid, and which to exit.

In too many cases, though, nonprofits develop mission statements that are vague or too lofty. In fact, many board members do not know or fully understand their organization's mission. When BoardSource asked nonprofit board members and CEOs to “grade your board's performance in understanding your organization's mission,” only 50 percent of respondents gave their board an A.

An unintended consequence of such fuzziness is mission creep, a debilitating virus that takes nonprofits far beyond their core competencies. It's worth remembering that a fundamental axiom of strategy in the corporate sector is that more focused strategies outperform less focused ones. If a for-profit bakery decided to begin making not just bread and pastry but also tennis rackets, software, and pianos, people would raise an eyebrow. When that kind of expansion happens in the nonprofit sector, no one blinks. Often mission creep arises from a compelling funding opportunity. For example, a neighborhood after-school tutoring organization that decides to offer midnight basketball can invariably trace that decision to a top donor's special enthusiasm for midnight basketball.

Helping an organization avoid such problems is one of the main duties of a nonprofit board. Too often, board members just accept that a nonprofit's mission "is what it is." Even in cases where an organization has a clear and well-focused mission statement, board members and senior staff should thoroughly review that statement every three to five years. In doing so, they will sharpen both their understanding of the mission and their commitment to maintaining it.

The board of Helen Keller International (HKI) periodically reviews its mission in this way as part of its strategic planning. According to its mission statement, HKI "saves and improves the sight and lives of the world's most vulnerable by combating the causes and consequences of blindness, poor health and malnutrition." (The interventions are linked; malnutrition is a leading cause of blindness.) President and CEO Kathy Spahn says the organization requires board members to visit programs in Africa and Asia at least once every three years, allowing them "to come back not only inspired and passionate about our mission, but also with a deep understanding of what is involved in executing on that mission." That approach has paid off. When a devastating cyclone struck in Bangladesh, for example, the HKI board ensured that the organization limited its role to helping villagers reestablish home gardens and did not attempt to provide emergency food supplies. Emergency relief is not HKI's mission or core competency.

QUESTION 2: HOW IS OUR 'THEORY OF CHANGE' INFORMING OUR STRATEGY?

Board members who are used to robust strategy formulation in the private sector are often surprised by how nonprofit organizations struggle to translate their mission into a concrete plan for marshaling and deploying resources. In many cases, boards themselves are part of the problem. Only

20 percent of respondents in the BoardSource survey said that they would give an A to their board’s ability to adopt and follow a strategic plan.

One way to make the strategic conversation more concrete is to probe on a nonprofit’s “theory of change.” A theory of change is a rigorous description of exactly how an organization’s work—its portfolio of initiatives and interventions—will help achieve the given mission. Often discussed in the nonprofit world, but infrequently employed as a tool for ensuring strategic coherence, a theory of change is a step-by-step outline, ideally informed by empirical evidence, of how organizational activity will translate into impact for beneficiaries.

When reviewing any proposed activity, you should ask the executives and program officers of the nonprofit, “How does this activity align with a logical, achievable theory of change?” When you are clear on the answer to that question, you can do a better job of assessing that individual initiative. You are also better able to have a coherent conversation about big-picture strategic issues that may be rumbling beneath the surface, such as the degree to which your strategy incorporates a clear-eyed view of potential competitors and collaborators, or the sustainability of your revenue model. These are critical issues that a business leader naturally would ask about in a corporate setting but that can seem out of place unless they are integrated with a theory of change.

Landesa, an organization that has worked in more than 50 countries to obtain land rights for the rural poor, consciously divides its theory of change into five discrete steps, each of which is informed by empirical evidence. Here, for example, is how it articulates the final step: “A small group of focused professionals working collaboratively with governments and other stakeholders can help to change and implement laws and policies that provide opportunity to the world’s poorest women and men.” Landesa also developed a graphical picture of its theory of change that uses arrows depicting causality to delineate specific goals, activities, outcomes, and impact.

For Landesa, as for most organizations, the process of developing and obtaining stakeholder agreement on its theory of change has been as important as the end product. Tim Hanstad, former president and CEO of Landesa, who is now a special adviser to the organization, explains: “Some of our richest discussions as an organization—with management, staff, board members, and donors—have occurred during the process of developing . . . our theory of change. . . . We are forced to ask ourselves as a group, ‘What evidence do we have that our intervention will bring about the intended

results?” Landesa not only has a sound theory of change; it also uses that tool. “We have an internal process—called the Project Life Cycle process—that requires every new project concept and design to be justified by our theory of change,” Hanstad says.

QUESTION 3: HOW ARE WE EVALUATING OUR IMPACT?

Corporate boards enjoy the benefit of a range of financial metrics, including a company’s share price, to help them evaluate their performance. Without them, nonprofit boards unsurprisingly tend to fall short in this area: in the 2015 BoardSource survey, for example, only 13 percent of respondents gave their board an A for monitoring organizational performance and impact, and 38 percent gave their board a C or worse.

If you are serious about helping your nonprofit achieve its mission, you need to insist on regular impact measurement, not as a pro forma obligation but as part of a dynamic feedback loop that helps drive organizational strategy. Far from being a mere box to tick, evaluation can drive a virtuous cycle in which an organization tests its theory of change and strategy and then improves its programs in response to what it learns.

In recent years, randomized controlled trials (RCTs)—studies that test an intervention against a counterfactual case in which it is not in effect—have emerged as a powerful way to demonstrate whether a nonprofit intervention actually works. Boards should encourage this approach. Pratham, an organization that works to improve learning outcomes among children in India, has embraced RCTs with the full support of its directors. Over a 12-year period, the organization completed 11 such evaluations. “The RCT process is expensive, but the value is enormous because it builds internal capacity,” said Madhav Chavan, Pratham’s founder. “After we started doing the RCTs, our entire organization started understanding data much better, and we acquired down the line a better understanding of how to think of impact.” Through its investment in this approach, Pratham has shown a definitive, causal link between its program and the impact on beneficiaries—and in turn this has helped unlock millions of dollars in funding.

QUESTION 4: DO WE HAVE THE RIGHT ‘FUEL’ TO DRIVE OUR ORGANIZATION?

A nonprofit is more than its mission, strategy, and impact. It’s also a living, breathing organism that requires “fuel”—great people, an effective organization, sufficient funding, and the like—to operate. As a nonprofit board member, you need to check your organization’s “fuel gauges” on a regular basis.

This should start with a clear-eyed view of the board itself. Significant mismatches between a nonprofit's mission and the composition of its board are common. An egregious example arose on the board of an international poverty-alleviation organization that, for more nearly a decade, consisted only of a handful of the founders' childhood friends, all of whom were based in the United States and none of whom had any substantive experience or relevant professional expertise in international poverty alleviation. How could such a board operate as anything other than a rubber stamp for the decisions of the organization's executives?

If you find yourself on a board like this, you have a duty to speak up, and to vote with your feet if you don't see progress. You may be surprised at the receptiveness of your fellow directors, whose time is valuable and who may be harboring similar feelings but remaining quiet out of politeness or habit. As you work through these issues, heed the venerable principle of the three Ws: work, wisdom, and wealth. You and your fellow board members should ask, "Do we have members who offer their time, energy, and insight to committee work, fund-raising events, outreach to donors, and the like? Do we have members whose special talent or area of expertise will help us achieve our mission? And do we have members who can and will support the organization financially?" While this last topic may be uncomfortable, helping your organization to raise money—whether through direct giving, providing introductions to prospective donors, or continually examining your organization's overall approach to fund-raising—is the only way to sustain its impact.

Keeping an eye on the fuel gauge also means regularly asking at board meetings, "Does our organization have the people needed to achieve our mission?" Board members have a special duty to insist on both paying highly effective executives appropriately, so they can be retained, and ensuring that underperforming employees move on. The latter is an area where nonprofits particularly struggle. In our Stanford survey, only about half of nonprofit executives, staff, and board members agreed with the assertion that underperforming employees "do not stay for long in my organization." But as every manager in the for-profit sector knows, removing laggards, when done responsibly, not only improves organizational efficiency but sends a powerful signal about organizational values.

Serving on a nonprofit board in the years ahead represents an extraordinary opportunity for impact on society, and on the nonprofit itself. But if you want to be an effective strategic leader, you can't settle for a regimen of reading board books and showing up for quarterly meetings. You must engage fully on your organization's mission; seize opportunities to observe frontline work; and, at each board meeting, take every chance to confront the big, long-term issues by asking tough questions. The best quip that we ever heard on this subject conveys a vital truth: "I have no objection to a good discussion breaking out in the middle of a board meeting." 

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