

LEAP OF REASON

MANAGING TO OUTCOMES IN AN ERA OF SCARCITY

Don't Check Your Courage at the Door

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“They check their brains at the door” is a complaint often heard about business leaders who serve on nonprofit boards. This complaint has merit. I regularly observe business leaders who are reluctant to apply the same rigor, objective questioning, performance expectations, and data-informed decision-making that serve them well in their day jobs.

I’ve been guilty of this myself. I remember, with great chagrin and embarrassment, how much difficulty I had finding my sea legs when I first joined a nonprofit board. I was appalled by the lack of information available to us, and the little information we did have told me that the organization and its charismatic leader were struggling mightily. Instead of speaking up and constructively demanding the level of stewardship and governance that I took for granted in my corporate board roles, I just got frustrated and said little.

I don’t think I checked my brains at the door. But I sure as hell checked my courage.

As I reflect on why I didn’t speak up, I suppose I just didn’t know what my role “allowed” me to say or ask. I was the new guy from the business world without any real experience with the type of services the organization provided. I joined this board thinking it would be a “nice thing to do” and certainly not intending to ruffle feathers.

I know others from the business world have felt this same hesitation, as well as a related one: Friendships and social ties with the executive director and other board members can blur objectivity and a sense of accountability.

The net is that too many nonprofit boards are downright afraid to stir conflict, rock the boat with hard questions, challenge executive directors, and hold the organization accountable for its performance. We simply don’t want to “hurt somebody’s feelings” or, God forbid, introduce any aspect of conflict—even when it might spur constructive debate. Unfortunately, when we elevate “harmony” over mission and purpose, our clients/beneficiaries often pay a big price in terms of the quality of services they receive.

Timid, polite, “collegial” boards may eventually start asking the right questions, but often it’s too late. The questioning finally comes when they’re faced with a problem so severe that they have no choice but to tackle the real issues. By that time, they’re in crisis mode, which, ironically, almost always results in broken glass and busted relationships as well as well as less-than-desired programmatic results.

A Caveat About Courage

In the 18 years since my initial nonprofit board experience, my internal pendulum has swung too far at times. I’ve gained my share of nonprofit scars by being too outspoken, too forceful, too hard-hitting. I strongly suggest that you use more tact and diplomacy than I have on occasion (but with no less resolve).

Some years back, in the middle of board meeting’s droning drumbeat of committee reports, we heard a brief, perfunctory mention of an important capital campaign. Despite the happy talk by the presenter, all the board members knew the capital campaign was badly off track. And yet no one spoke up. At the end of the meeting, the chair went around the room to ask for last comments. No one asked a single question, and some even said it was a “good meeting.” When it was my turn (for better or worse, I was last), I too emphatically shot back, “Doesn’t anyone want to talk about the 800-pound gorilla in the room? This capital campaign is dead in its tracks!”

I know I was right to raise the issue. But I was wrong to let my frustrations drive my reaction. I put the organization’s executives and those board members who did not know me well on the defensive. I wish I had found a more effective way to help the board live up to its responsibility of holding management accountable for what it agrees to do.

The White-Knuckle Decade Ahead

A huge problem in the sector is that boards get

distorted into nothing more than fundraising machines. Nonprofit boards have to play a vital role in raising capital for their organizations, but board members should add much more value than that. As VPP CEO Carol Thompson Cole put it in her July [column](#), “Board members need to bring all their expertise to bear on behalf of the nonprofit.” Most of all, they must provide governance, stewardship, leadership, and ensure mission effectiveness.

Especially in these tough financial times, we nonprofit board members need to step up and summon the courage to help our organizations tackle the mission- or organization-threatening forces we could face. Let me be clear: If we fail to do so, we’re abrogating our fiduciary responsibility.

In the early '90s, I presented corporate seminars across the US, Canada, the UK, and Continental Europe to illustrate the great challenges that businesses (and those employed in the private sector) would face in the decade ahead. I was conveying a difficult message to help leaders of corporate enterprises, especially IT executives, see the gut-wrenching change that lay ahead as a result of globalization, technology innovation, process re-engineering, workforce pressures, and more. I made the case that preparing their organizations (in this case the IT units) with the right leadership, culture, and people, fortified with the right information—including performance-management systems—would be vital assets to help them navigate the storms ahead.

I opened these talks by reading striking, angst-provoking headlines I’d found that day about mergers, consolidations, layoffs, labor issues, disruptive technologies, security breaches, etc. I’d take a long pause to let the headlines sink in and then offer this 1990 quote from Jack Welch, then the heralded head of GE: “The 1990s will be a white-knuckle decade for global business... Preparing for it won’t be easy. Change will be more wrenching than anything companies have confronted so far.”

Fast forward to our current era. As I sketched out in detail in [Leap of Reason](#), we’re clearly in such a white-knuckle decade for our social sector. Budget

pressures at the local, state, and federal level are going to have a dramatic impact on nonprofits. “We’re going to see an environment I don’t think we’ve seen before,” lobbyist Perry Wasserman [recently told](#) the *Chronicle of Philanthropy*. “Everything’s on the table.”

Back in March, Professor Paul Light laid bare the realities of this new era of scarcity in [this Washington Post](#) blog. “There is growing evidence that many nonprofits closed their doors over the past three years, while others are about to do so. In 2008, I estimated that 100,000 of the nation’s 1 million tax-exempt nonprofits could go under during the recession,” he wrote. “Many of these nonprofits are still hoping for a miracle, even as they continue to hollow out their organizations with job cuts. But even if there is a miracle, it will not come soon enough to save them. The federal stimulus is gone, donors are still assessing the damage as they set their payout targets, angels are few and far to be found, and volunteering is still flat.”

In this fiscal environment, I offer the same advice to nonprofits that I offered to corporate executives in those seminars: To navigate the storms ahead, you must have the right leadership, culture, and people, fortified with the right information and systems.

In spite of the remarkable resiliency nonprofits have demonstrated over the years, the stark reality is that the social sector is nowhere near as prepared for what lies ahead as businesses were 20 years ago.

Preparing for the Unthinkable

In such volatile times a board has to be on top of what the organization is doing today to sustain itself and be effective in serving others. It must also look courageously at the bigger picture. How are the times—and expectations—changing for your organization? Does your organization have the leadership, capacity, and resiliency to deal with difficult times ahead? What previously unthinkable scenarios may you face?

Here are just a few macro forces shaping the world

in which all nonprofits operate:

- *The unthinkable is not only possible; it is already happening.* Let's stop for a minute to reflect on all of the previously unthinkable events that have come to pass over the last decade: terrorists kill nearly 3,000 in suicide attacks on the nation's financial and political capitals; 290,000 die following a catastrophic tsunami in the Indian Ocean; Hurricane Katrina devastates the Gulf Coast; excessive risk and greed in the mortgage market triggers a massive financial meltdown and nearly triggers a global depression; US voters elect an African-American president; General Motors goes into bankruptcy. As Joshua Cooper Ramo writes in [The Age of the Unthinkable](#), "Change will be difficult.... It requires a psychological shift from being certain about our future to being uncertain, a transformation that is as stressful as it is productive. [We are not] architects of a system we can control and manage. [We must see ourselves as] gardeners in a living, shifting ecosystem."
- *The erosion of the American middle class is real—and accelerating.* I highly recommend Don Peck's September *Atlantic Monthly* cover story, "[Can the Middle Class Be Saved?](#)" Peck's argument, backed by a wealth of economic and demographic data, is that the Great Recession accelerated a profound economic transformation that was already in process—shifting even more power toward highly educated Americans with creative talents or analytic skills and away from everyone else, including formerly secure professionals with college degrees. "America's classes are separating and changing," says Peck. "A tiny elite continues to float up and away from everyone else." The American Dream of upward mobility is at grave risk, which has huge implications for our economy and, even more important, our society.
- *Reducing the US deficit and debt will result in huge strain on the nonprofit sector.* The

country has racked up unsustainable debts. The burden of these debts—and of debt reduction—will not be shared equally. As always, those with the least voice and power are going to get hit the worst. And yet I am struck by how few organizations—from think tanks to large service-delivery nonprofits to the tens of thousands of foundations and nonprofits formed over the past 15 years—are studying these socioeconomic and fiscal changes to understand the implications for the social sector and, more important, those it serves. As much as I respect and cherish the entrepreneurial zeal of involved donors, social entrepreneurs, and other innovators, I am stunned by their seeming denial of the realities that Paul Light and a few others are calling out. Synthesizing inputs across the private, public, and social sectors, it is utterly clear that socioeconomic shifts, painful disruptions, and fiscal cuts will result in less public funding, heightened expectations of improved performance at lower cost, and a greater need for services.

What Can We Do?

Yes, these macro forces are abstract and in another galaxy for nonprofit leaders just trying to meet payroll this month. It is no wonder that the immediate, urgent needs they are serving keep them from thinking about what lies ahead. Yet if they don't envision and adapt for their future, their organizations may not survive.

This is where the board and leadership must summon the courage to face the music and prepare for the future, even if things are going swimmingly today.

Simply put, we have to step out of our comfort zone and think the unthinkable, the unimaginable, the impossible—and plan for what we would do if these things happened. Many who come from the commercial sector have faced similarly disruptive hits in their business lives, and their hard-won lessons could be valuable to nonprofits.

When leaders share these lessons with courage and tact, their insights often have a wonderful focusing effect on a board. In fact, I've often been in board meetings where one brave, incisive question immediately leads to others like it, raising the level of candor in the room and creating an opening for deeper introspection and more creative problem-solving. As the chairman of VPP, I have benefited from just this type of pragmatic questioning by fellow board members at critical junctures in VPP's evolution.

In my November column, I'll pose some key questions I believe every board should discuss in preparation for the troublesome times ahead. In the meantime, I'd encourage you to think about your own experiences with nonprofit boards. Are you taking your fiduciary responsibility seriously? Are you driving higher quality in your programs, given that quality is perhaps the most important prerequisite for sustainability? Is there an unthinkable scenario already on your horizon? What are you doing to move the board and organization as a whole out of their comfort zones to look at the hard issues? What are you doing to help create the right culture and people, fortified with the right information?

Don't be a tin man or a cowardly lion. Now's the time to summon all your brainpower and courage for the good of the organization and those it serves!

—Mario Morino