

The Importance of Nonprofit Governance

(And How and Why
It's Different)

Introduction

- Business leaders play key roles in nonprofit governance
- Business experience helpful but not sufficient – there **are differences**
- **Perspective is that of large and complex to small and woeful**

Today's Agenda

- Some challenges of nonprofit board service
- Who serves on boards and why (What's wrong here!)
- Best practices for successful governance

Some Challenges

- Mission, why does the NFP exist? (Theory of tax exemption - to do what government would otherwise have to do or need to do) – but then what?
- To oversimplify (tenure example)
- To not measure performance or not measure what's important (Maryland basketball graduation rate example)

More Challenges

- Quality management, especially at the top and in accounting, finance and IT (dog & pony manipulation)
- A board that's not engaged in accountability (fiduciary), planning and revenue generation
- Changing times, unchanging mission or mission creep

Scandals Happen!

- United Way, Aramony, compensation & conflicts of interest
- United Way of Miami-Dade, Tanya Glazebrook – what did she do?
- American University – sex, lies, and money
- Johns Hopkins – underfunded capital projects
- Boston University – conflicts of interest
- Penn - \$30 M Medicare Fraud
- Coaches Contracts
- Vandy – Chancellor's House & spending
- Harvard - \$25 M bonus to CIO

More Scandals

- Coconut Grove Playhouse - broke and didn't know it
- JESCA – broke for years
- Many others: high administrative expenses, low results in achieving mission

Seven “Go Forward” Ideas

- Develop common goals and good communication with fellow board members and management (governance/planning retreats)
- Small board, term limits, change of circumstances provision - put pressure on board productivity
- Strategic Plan (like industry, with measurement and follow-up) (Example: Intercollegiate Athletics)
- Good management practices you can bring
- Think SOX without Section 404
- Pay attention to compensation and conflict of interest policy (Board and Management)
- Use competent, independent advisors

Why Serve on an NFP Board?

- Learn, learn, learn
- Make new friends
- Make a difference –a better community or world
- Examples: church, scouts, hospital, museum, performing arts, social service agency, school, college