Overview

With fewer government dollars and lots of competing demands for private dollars, nonprofit social enterprises, aka, nonprofit revenue generating ventures (for the purposes of this paper) are playing an increasingly larger role toward the sustainability of a nonprofit. Generating money to offset the dependency on philanthropic dollars is really nothing new to the nonprofit sector e.g. Goodwill in the early 1900s but given the state of the nonprofit economy, it is fair to say that nonprofit social enterprises will only continue to expand and grow. This growth of social enterprise then raises the question, what of the nonprofit boards who are ultimately responsible for these efforts?

Focus

While boards serve as the (surrogate) owner of a nonprofit, CEOs by-and-large serve as the board’s gatekeeper. This paper focuses on examining what nonprofit executives perceive to be their board’s roles in the development and oversight of a social enterprise. In particular, this paper seeks to answer the question: how much if at all and in what ways boards of directors matter to the development and implementation of a social enterprise (or a nonprofit for that matter) at least from a nonprofit CEO’s perspective. The bottom line: if CEOs value having boards have capacity, those who seek to increase capacity will have access. If CEOs find little or no value in a board, the capacity building industry (academics, pracademics, trainers, consultants and funders) may want to reconsider what services are offered and how to deliver these offerings.

Methodology

To provide answers to these questions I turned to the Social Impact Exchange. Annually for the past three years, the Exchange has sponsored a Business Plan Scaling competition and as part of the plan, one key question: talk about the organization’s governance in relationship to their plan.

But first, here’s a bit about the Competition. The primary focus of this competition is scaling “new” solutions to resolve “big” societal challenges. All competitors are about mission but not all are singularly seeking to expand their revenues through earned income. A final note: more than 300 plans have been entered in the Competition over its three-year life. Also, it was my original plan to review the governance sections of all 300+ plans. The Social Impact Exchange was eager to provide me access to the plans but later discovered that it only had immediate access to the Competition finalists for each year. The consequence: this paper is based on a review of 34 plans.

To some degree, my sample size and reliance on what CEOs cite in the business plans may be too unreliable to fully answer my research question and more importantly, fully represent what CEOs think of their boards. It was also not possible for me to absolutely discern from the
responses whether plan competitors said what they said simply because they were aware of the importance being placed on governance by the competition. And, it is unclear as to whether the sample, comprised primarily of entrepreneurial CEOs is representative of the whole sector. Entrepreneurial CEO’s, by definition (ASHOKA, SKOLL Foundation, Borenstein (How to Change the World: Social Entrepreneurs and the Power of New Ideas)) are recognized as more independent in their behavior and more likely to find boards a legal necessity than shared partners in the pursuit of mission.

Findings

So, what was learned from the data? One finding is that the language used by the plan writers about expectations of their boards is consistent with the language promoted throughout the common prescriptive and descriptive literature (e.g. BoardSource) on the topic of governance. Boards govern: they develop or approve policies and plans and provide oversight. But, more importantly and “volunteered” by the competitors, boards were described as providing strategic direction which included in particular, discussion, some extensive and some from a policy framework, about growth and expansion. And, these boards also evaluate progress: a possible understood or perceived component of governing but identified uniquely in many of the plans. Boards also may give or get (aka, fundraise) and perform some kind of advocacy function (least described). Oh, and, at least for a business plan competition, board composition matters.

Almost all competitors described the “weightiness” or “value” of their boards and included, to further illustrate, the names and affiliations or positions of each member. Weight of members most commonly referred to a give or get role, occasionally a network role, and finally, a technical knowledge or expertise. Still, as much “weight” as board members may carry, nearly a third of the competitors established Advisory Councils to provide advice and technical knowledge for their ventures and scaling efforts.

Conclusions

Entrepreneurial CEOs appear to have some respect for what others think should be their understanding of the purpose of a nonprofit board which is “to govern”. Govern appears to encapsulate all that is about providing oversight and having something to do with strategy. Govern also appears to imply that a board should give and or get and should maybe even have expertise or knowledge that can be helpful in supporting a CEO’s decisions.

Recommendations

And what is the so-what for capacity builders and researchers? I believe there is much more to learn about what CEOs think about and expect from their boards.

We did not learn for instance, although there is a modicum of literature about the subject, about why CEOs don’t see themselves as a key board recruitment source. Playing a larger role
in board recruitment might help CEOs achieve their own goals – in particular, giving and getting and lending technical expertise. Having the “right people on the bus” (Jim Collins) could perhaps reduce the amount of effort spent in creating advisory boards or councils for the same purpose and also increase a value in an organization’s board.

At the same time however, maybe it is right that a board can’t match every CEO’s needs and the creation of advisory groups can better complement the strengths of a board. This move appears to be being reinforced by the likes of Authenticity Consulting and BoardSource to name a few although not what I generally recommend given the amount of effort and the risk of having members confused by their title, role and authority.

We did not learn what CEOs really deeply think, about their boards. The business plan competition, like any opportunity to increase the potential to pursue mission, incites a CEO to demonstrate board purpose, contribution and capability, fully true or otherwise. While the Social Impact plans include extensive use of the language found in the literature, with some exception there is little demonstrated passion for or enthusiasm about these boards.

While I would welcome the opportunity to review a significantly larger number of plans that include a governance section, what might be more productive as a source of information, I believe, would be to conduct a series of group interviews of CEOs around the country. That participants would be social entrepreneurs would be even better as the nature of these individuals (according to the literature cited earlier) is distinguishing from the individuals running the more “plain vanilla” nonprofits. This of course is an assumption not totally validated anywhere else. One might otherwise argue that all individuals serving as CEOs of a nonprofit qualify as social entrepreneurs and this may in fact be true and so maybe the groups would be differentiated more by their budget size than any other variable.

This micro study has not reduced and perhaps has increased my belief that how CEOs view their boards matter. That I am uncertain about the answer leads me only more convinced of the necessity of identifying a more effective vehicle for getting honest and open feedback to more fully inform the capacity building field as it seeks to increase the ways nonprofit boards matter.
Selected References

1. Ashoka: [www.ashoka.org](http://www.ashoka.org) – investors in social entrepreneurs
5. Skoll Foundation: [www.skollfoundation.org](http://www.skollfoundation.org) (everything about Social Enterprise and entrepreneurs) and Pamela Hartigan, Director, Skoll Centre on Social Entrepreneurship
6. Spear, Cornforth, Aitken: Open University, Milton Keynes UK, SER Conference 2007 who have published a number of reference guides, research reports and tools related to governance and social enterprise.
7. Venturenavigator, [http://www.venturenavigator.co.uk/content/502](http://www.venturenavigator.co.uk/content/502)
## Finalists in the Social Impact Exchange Business Plan Competition

<table>
<thead>
<tr>
<th>1. AARP Experience Project</th>
<th>18. FEGS</th>
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<td>19. First Book</td>
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<td>3. Arts Grow</td>
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<td>5. Asylum Access</td>
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<td>7. Big Bros Big Sisters</td>
<td>24. North Lawndale Employment</td>
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<td>9. Center for Educational Pathways</td>
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<td>10. Coalition to End Childhood Lead Poisoning</td>
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<td>11. College Forward</td>
<td>28. Ten Thousand</td>
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<td>13. Community Solutions</td>
<td>30. The Hill Center</td>
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<td>15. Corporation for Supportive Housing</td>
<td>32. WINGS</td>
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<td>17. Embraced</td>
<td>34. Youth Venture</td>
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Nonprofit Social Enterprise and/or Revenue Generating Ventures: Does Governance Matter?  
2013 Kansas City Conference: Critical Conversations on the Future of Nonprofit Governance

Roles and Responsibilities Charted

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<tr>
<th>Governed</th>
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<th>Evaluation</th>
<th>Management/Marketing</th>
<th>Advocacy</th>
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Mike Burns, BWB Solutions: CEOS and Their Boards  4/5/2013  Page 6
Language Used to Describe Roles and Responsibilities

Govern (ed)

- Governance oversight is being provided by the XXX Board of Directors and the board and senior management will need to make the venture a high priority in order to protect its investment.
- Admission Possible is governed by a 19-member board
- the Board of Directors of XXX has focused on a long term vision
- The organization is governed by a national Board of Directors
- XXX is governed by a volunteer board of directors
- governed and managed
- board of directors oversees the organization; Board reviews annually the insurance “Board of Directors Authority Limitations” documents to understand the scope of their duty.
- ...providing essential corporate governance and operational oversight. The Board exercises its fiduciary and governance responsibilities
- governed by a Board of Directors that has fiduciary responsibility over the organization.
- XXX is governed by a 15-member board
- board of directors sets policy, monitors the organization’s finances, represents multi-sector expertise in business, education, healthcare, foundation, and finance.
- The national office is governed by a national board of directors responsible for strategic oversight and governance decisions for the national organization, including overseeing the relationship between the national office and the local partner agencies. The national board does not have governance authority over the local replication sites
- XXX operates with a board of directors providing oversight and governance
- XXX is governed by a national board of directors responsible for strategic advising, fiscal oversight, and fundraising.
- governed by a Board of Directors
- The Board provides all program direction, grantee technical assistance and oversight, and other aspects of operations to a small US-based staff
- Board hires an outside accounting firm to provide them with an annual audit. The Audit is used to ensure XXX is maintaining compliance with mandated financial reporting and fiscal management polices
- Organizationally, we have a documented history of financial solvency, strong leadership, an active Board of Directors
- governed by a 34-member Board of Directors
Strategic Direction

- Expansion efforts are part of a larger strategy set forth by the standing board.
- Board of Directors has focused on a long-term vision.
- In addition to receiving updates on our work and offering feedback as necessary, Board members play a variety of roles, including but not limited to: outreach, strategy development, fundraising, and corporate marketing.
- Governed by its board of directors, who together determine the strategic and fiscal direction of the organization.
- Strategic Plan: XXX’s board and executive leadership team used a balanced scorecard approach to set performance goals and monitor performance.
- Its Board of Directors sets the organization’s strategic priorities and its Executive Leadership Team oversees day-to-day activities.
- Establishes the organization’s priorities and strategic goals; will use growth capital as detailed by this strategic growth plan and as approved by its Board of Directors and chart the organization’s next growth phase.
- Board approved a pilot program.
- Governed by its Board of Directors under the guidance of Executive Director.
- Board of Directors launched a 12-month strategic planning process resulting in the organization’s plan for further national expansion and replication growing at the rate of one to two new markets per year.
- Board approved a national expansion plan calling for an organization restructuring to support new market expansion.
- Org is led by the CEO who is accountable to the national Board of Directors. The Board is responsible for governance, policy and strategic direction and for helping locate needed resources. The CEO works with the Board to determine organizational vision and succession plan.
- Our Board provided input on and formally approved our strategic plan, which is providing a roadmap for our work towards achieving our mission over five years.
- Board has approved our 12-month goals and budget, bringing a clear focus to building infrastructure and helping our Members generate 50 home orders and adopts a Performance Agenda and SMART Goals, which the staff develops into a strategic work plan.
- The board initiated and supported, with both financial resources and expertise, the strategic planning process.
- The Board has demonstrated its commitment to expansion by its willingness to invest a substantial amount of reserve funds in building this additional organizational capacity.

*This reduction in assets was the result of a deliberate decision by the Board of Directors, following the completion of the strategic plan in the spring of 2006, to invest in building the national office’s capacity and to spend down a portion of the organization’s reserves.*
to finance this capacity building. The Board determined in FY09 to continue investing in capacity despite the economic climate because of the growing national interest in the Program and in home visiting.

- The Board sets policy for the Executive Director to follow in decision making as well as determining the strategic direction for XXX.
- pressure from funders and board members to serve larger numbers of students, get to stronger outcomes, and to better track and support students
- Board has the strategic desire
- Board and Leadership agreed that scaling should not jeopardize the organization’s existence, mission or current reach and The Board created a Replication Ad Hoc Committee to address critical issues of how to move forward with scaling efforts
- Board is heavily involved in setting strategic priorities; Maintaining reserves is important to the board and leadership
- management and strategic planning of WINGS is ultimately vested with the Board

Advisory Body

- .....Advisory Council will help to ensure that the program receives the attention that it needs especially in its early stages of integration into the larger organization, and to provide general input in the interests (to the board) of the program.
- .....has a prominent Advisory Board
- .....is also guided by a nationally recognized Educational Advisory Council, The members of the Board of Directors and Advisory Board will not be active in the daily management but will be utilized as necessary to offer their expertise and counsel in making strategic decisions
- ...outputs and outcomes will be tracked by our National Advisory Council, composed of board members and other network stakeholders, including member representatives
- a National Advisory Board that will be comprised of influential partners from around the country. The Advisory Board will support the President and CEO and the Board of Directors as the organization works to bring XXX to scale and meet its targets. The Advisory Committee will be responsible to assisting with fundraising, recruiting potential municipal partners, supporting and advocating for XXX related system reforms, and other critically important tasks. significant and ongoing
- national office support as the community Advisory Board
- Resources of expertise can also be found within the ranks of our advisors and Board members
- XXX has started an alumni advisory board
- Advisory Boards raise funds locally from community stakeholders and award book
grants to heroic local programs serving the hardest-to-reach children, enabling these groups to order

- President’s Councils are made-up of local, influential individuals who act as a group of advisors and resources to affiliate Executive Directors
- Fundraising & Communications Advisory Committee, our Board and our collaborative nonprofit network to approach, build and nurture relationships with both potential funders and social venture capital investors.
- highly involved Advisory Board

**Evaluation**

- ...evaluation of a sampling of XXX is conducted by the Corporate Executive Board
- XXX’s board and executive leadership team is continually monitoring progress against these metrics, reporting to investors quarterly, and participating in annual performance reviews with its lead partners.
- Should a program fall short of its stated goals, this will trigger the governing board to take corrective action
- Board is responsible for managing and evaluating the effectiveness of the Executive Director.
- CEO is ultimately responsible for running to the satisfaction of a volunteer Board of Directors.
- New site expansion progress and organizational management of the enterprise are reviewed quarterly through four standing committees of the national Board of Directors
- Lessons learned regarding national expansion are reviewed according to the Board-approved strategic plan timeline, which requires annual review of the national expansion plan goals to ensure alignment or make adjustments based on experience.
- growth strategy calls for ongoing review by the Board and senior management to ensure alignment and to allow for changes based on experience or unforeseen situations. The Board and national staff leadership will slow or stop expansion of a current site if programmatic, financial or operational performance market metrics are not being met, and the same will be true for new site expansion if the overall enterprise is not meeting minimum metrics of performance
- The Board is actively engaged in monitoring and advising on the plan’s implementation. Our Board and XXXs senior management tracks our progress toward achieving numeric targets associated with our strategic plan quarterly and uses this information to trouble-shoot and drive management decisions.
- The Board advises on and formally approves our annual operating budget, reviews quarterly financial statements, and must approve all changes to fiscal and accounting policies and procedures. CSH’s Board also plays a critical role in guiding the overall direction of our lending. The Board reviews, provides input on, and ultimately approves policies that guide our due diligence and underwriting policies and procedures.
XXX is overseen by a board of directors, comprised of local community members and leaders of other business and community organizations. The board of directors currently meets monthly to assess the progress of the program and provide additional support to the organization as needed.

- The Board holds an annual 360 degree review of the Executive Director, holding them accountable for the goals and performance measures of the organization.
- Determine and monitor the organization's programs and services
- Senior management report on progress to the Board via an established dashboard on a quarterly basis, including an analysis of actuals to budget. As earned income initiatives are further developed these will be added to the dashboard.
- Board will provide assistance and direction to the Management Team

**Fundraising**

- To ensure sustainability over the longer term, we are developing our base of individual major donors through a two-stage plan that expands our board of directors and then builds on the broader network available to us as a result.
- $0.4M in funding pledged by XXX’s board of directors and board members are increasing their engagement in fundraising.
- Additionally, the board and director are executing an individual/corporate donor campaign
- The board of directors are actively involved in soliciting grantors, funders and donors
- There are individual major gift donors that could be researched and cultivated through the XXX network (board of directors, etc.) to **Identify and pursue individual major gift donors.** XXX has not yet exploited this opportunity for the Academy. Through our Board of Directors and other networks, has access to individuals who could make significant gifts in support of the program.
- build and nurture relationships with both potential funders and social venture capital investors.
- The board is now focusing on enhancing its fundraising and board development capacity.
- Our Board of Directors is passionately committed to mission, each contributing significant time, talent and financial resources.
- Board is heavily involved in leveraging relationships and funding
- Board members pledged and donated more than $120,000 to XXX. Historically 100% of the Board makes an annual financial contribution to XXX.
- 100 percent of board members contributed financially