Boards Behaving Badly: Observations from the Field

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Abstract

Boards of directors of 23 community action agencies Mid-Iowa Community Action worked with in 2003 and 2004 failed to act to keep their organizations out of trouble. These nonprofit organizations were subsequently identified by themselves and one or more major funding sources as being sufficiently “in crisis” to call for the presence of a crisis intervention team, a crisis that constituted de facto failure of board governance. Board members in these agencies did not understand that their executives were ineffective and that funding for agency programs was in jeopardy. They had not asked questions that would have helped them to see and understand the progressive ineffectiveness of their organization. Serious executive mismanagement went undetected. Member commitment to these boards was so tenuous that a quorum frequently could not be mustered so their decision making would be official. Collectively, board members were not effective decision makers, unable to find common ground from which they could take decisive action.

Case studies of three of these community action agencies will be examined to understand how boards get their organizations in trouble. Based on these case studies, and work with the other twenty community action agencies, Mid-Iowa Community Action has identified contradictions in the legislative mandate for community action agencies, the complexity of the work they do, and the preponderance of public money with which they operate as elements that work against achievement of high board functioning.

The paper will conclude with observations about a fourth challenge to good governance that MICA teams confront in every troubled organization: The middle of a crisis is not an environment conducive to board development.
Introduction

Between October 1, 2002 and September 30, 2004, MICA management and financial consultants intervened with 23 community action agencies (CAAs). These organizations were located in 29 states in ten of the twelve federal administrative regions. 2003 and 2004 were the fourth and fifth years during which Mid-Iowa Community Action (MICA) was funded to provide “Peer-to-Peer” crisis intervention services to community action agencies by the Office of Community Services, Administration for Children and Families, US Department of Health and Human Services.

Community action agencies differ from other nonprofit organizations in two important ways:

1) Their existence was mandated by the Economic Opportunity Act of 1964 (Public Law 88-452) and has been reauthorized through a series of laws, the most recent of which is the Community Opportunities, Accountability, And Training And Educational Services Act of 1998 (Public Law 105–285); and

2) The composition of the community action board is required to be equally representative of a) elected public officials, b) low income persons or their representatives, and c) the private sector of the community.

Community action agencies the MICA team was invited to assist had experienced a de facto breakdown in board governance. Boards of these organizations had not obtained enough information from their management team to understand that something was going wrong. They had not paid attention to the clues about actual or imminent trouble that were available to them in reports from third-party auditors, federal Head Start reviews, and funder monitoring of specific programs. Nineteen of the 26 “Signs That a Board May Be in Trouble” that Gill (2001, p. 25) identified were found in more than half of the MICA-assisted agencies. The paper will conclude with observations about a fourth challenge to good governance that MICA teams confront in every troubled organization: The middle of a crisis is not an environment conducive to board development. I think that this belongs in the intro…

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Discussion

By failing to set and enforce good policy, and by failing to monitor and control
management, the boards of the community action agencies with which MICA intervened in fiscal years 2003 and 2004 exemplified the breakdown of effective board governance. Board weaknesses had permitted the following problems to develop:

- Financial management systems disintegration such that a timely, accurate financial picture of the organization could not be produced.
- Identification by funders of major areas of noncompliance with program regulations, which, if not remedied, would result in defunding of the program.
- Failure to hold executives and managers responsible for the shortcomings of their subordinates.

Neither board nor executives used practices that identified and responded to noncompliant behavior, identified patterns of underperformance in managers and executives, or structured both individual and systemic actions to correct identified deficiencies.

- Failure to articulate and promote a strategic vision for the organization grounded in the community action mandate to improve the lives of the disadvantaged and strengthen community supports for them to do so.

The agencies with which MICA worked in 2003 and 2004 revealed a high incidence of

### Table 1: Percentage of MICA-Assisted Community Action Agencies Exhibiting Gill’s Warning Signs of a Board in Trouble

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>78%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty recruiting credible board members</td>
<td></td>
</tr>
<tr>
<td>Financial and organizational performance</td>
<td></td>
</tr>
<tr>
<td>Chronic unplanned or unmanaged deficits</td>
<td>70%</td>
</tr>
<tr>
<td>Call for outside audit /operational review by funders</td>
<td>87%</td>
</tr>
<tr>
<td>Persistent failure to meet individual or organizational performance targets</td>
<td>83%</td>
</tr>
<tr>
<td>Role confusion between board and CEO</td>
<td>61%</td>
</tr>
<tr>
<td>Meetings</td>
<td></td>
</tr>
<tr>
<td>Low attendance at board, committee meetings</td>
<td>83%</td>
</tr>
<tr>
<td>Low level of participation in discussions at meetings</td>
<td>83%</td>
</tr>
<tr>
<td>Poor meeting management: lack of focus, no agendas, unprepared members</td>
<td>83%</td>
</tr>
<tr>
<td>Board culture</td>
<td></td>
</tr>
<tr>
<td>Underground communication</td>
<td>52%</td>
</tr>
<tr>
<td>Poor communication between CEO, chair, full board</td>
<td>78%</td>
</tr>
<tr>
<td>Unresolved conflicts within the board</td>
<td>78%</td>
</tr>
<tr>
<td>Members feel removed from &quot;what's going on&quot;</td>
<td>83%</td>
</tr>
<tr>
<td>Board divided into competing factions</td>
<td>61%</td>
</tr>
<tr>
<td>Decision-making</td>
<td></td>
</tr>
<tr>
<td>&quot;Rubber stamping&quot; of CEO recommendations</td>
<td>57%</td>
</tr>
<tr>
<td>Focus on operational detail not big picture</td>
<td>83%</td>
</tr>
<tr>
<td>Poor communication with funders, key stakeholders</td>
<td>91%</td>
</tr>
<tr>
<td>Decision deadlock or paralysis</td>
<td>87%</td>
</tr>
<tr>
<td>Members ignoring, circumventing organizational policies and procedures</td>
<td>65%</td>
</tr>
<tr>
<td>CEO ignoring, circumventing organizational policies and procedures</td>
<td>57%</td>
</tr>
</tbody>
</table>
“in trouble” warning signs (see Table 1). Gill’s study demonstrates that these problems are not unique to community action agencies. This paper will explore barriers to optimum governance capacity built into the structure and purpose of community action agencies.

- The tripartite composition of a community action board
- Public funding tends toward institutional passivity
- Board members have not been “socialized” to the mission of community action
The categorical tripartite composition of a community action board

By law (42USC9901, Sec 676B) a community action agency must have a board composed of one-third democratically elected representatives of the poor, one-third representatives of elected public officials, and one-third other major groups and interests in the community served. Analysis of six boards for which MICA collected background information yields this profile of membership:

<table>
<thead>
<tr>
<th>Public</th>
<th>%</th>
<th>Low Income</th>
<th>%</th>
<th>Private</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>31</td>
<td>Head Start</td>
<td>12</td>
<td>Business</td>
<td>52</td>
</tr>
<tr>
<td>County</td>
<td>31</td>
<td>Advisory group</td>
<td>34</td>
<td>Education</td>
<td>17</td>
</tr>
<tr>
<td>State legislature</td>
<td>28</td>
<td>Social service</td>
<td>7</td>
<td>Professional</td>
<td>17</td>
</tr>
<tr>
<td>School board</td>
<td>6</td>
<td>Faith based</td>
<td>5</td>
<td>Health</td>
<td>7</td>
</tr>
<tr>
<td>Court system</td>
<td>3</td>
<td>Advocacy group</td>
<td>5</td>
<td>Labor</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior group</td>
<td>2</td>
<td>Faith-based</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Health services</td>
<td>2</td>
<td>Civic</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low inc. housing</td>
<td>2</td>
<td>Minority</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Volunteer group</td>
<td>2</td>
<td>Other</td>
<td>2</td>
</tr>
</tbody>
</table>

The institutional mandate for tripartite membership contained in the Community Service Block Grant legislation aims at achieving a balanced representation of community interests. Mandates such as this, however, do not necessarily result in improved or high level governance (Miller-Milleson, 2003). MICA has found that in complying with the tripartite requirement some agencies have produced highly polarized boards, boards weighted to the interests of a particular minority community, or “crony” boards stacked with individuals loyal to the executive.

In communities where minorities historically lacked access to political and community power, community action agencies have been important as a source of political patronage and employment opportunities as much as they are a source of services to the disadvantaged population. The legacy of this attention to local politics has made many agencies more sensitive to the political tides in the community than to the needs of low income persons served by an agency’s programs. In these cases, board members evidence great concern about how various political figures will view acts taken by the board. Members reference their positions and decisions against various acts taken on the organization’s behalf (or against its welfare) by local, state, and federal office holders. One agency with which MICA worked was so politically attuned that it refused to take the findings of a federal Head Start review seriously, since the last time
adverse findings had been made in such a review the state’s senior US senator had intervened with the regional Head Start office and the problem went away.

MICA’s work with troubled agencies has also revealed resistance to the presence of low income members on the board of directors. Public and private sector representatives in many agencies have undermined low income representation by lowering the number of members on the board, by writing into bylaws that organizations “representing” low income should be solicited for members, and by relying on “advisory” groups as a source of members. Many agencies have written into their by-laws cumbersome voting procedures for selecting low income members. Such election may be scheduled annually or bi-annually. When a low income seat becomes vacant, some boards will appoint a representative rather than hold the required election. The representatives appointed are more likely than not to be middle income. Such strategies have been pursued because low income persons were not regarded as “quality” members by non-low income members. One board chair opined to a MICA team member that low income members “can’t think fast enough” to participate in board meetings. Fewer than half of the “low income” representatives on MICA-assisted boards were actually low income persons.

Community action board members, then, are selected from what can be competing constituencies that may not align harmoniously with the mission of community action. Elected officials might have more interest in taking credit for resources coming into the community than for the results; other human service agencies could be actual or potential competitors with the community action

### Blinded by the Fight

The board of one agency that MICA worked with was polarized not only by allegiances to local elected officials (mayors of two major cities, two county supervisors, a state representative) but by racial tension. The crisis was precipitated by news reports that the Black, female executive director had used company credit cards for personal expenses, catered her own wedding reception from the agency food service and then not paid for it, and that she had hired an otherwise unqualified personal friend to direct a business/employment start-up project. After six months of newspaper coverage, the board declined to renew the director’s contract, although she had just received a positive annual performance evaluation. Board member’s struggled with one another for three more months before a majority, under pressure from the state CSBG and regional Head Start offices, voted not to extend or renew the director’s contract, naming a program director as interim executive director and agreeing to contract with MICA to provide guidance in bringing the agency back to a more stable footing.

Sixty days later, at the very end of a three hour meeting, five board members (not a majority) introduced a motion to rescind the earlier motion not to give the executive director a contract. Having passed that motion, the group proceeded to approve extending the director a new contract. In response to that action, a group of four board members sought a court injunction. Following two more months of public and private negotiating, the board agreed in executive session to drop the plan to rehire the former executive director. As part of the compromise, all but three board members agreed to resign simultaneously. A “blue ribbon panel” of local nonprofit leaders put together a new slate of board members, which was finally seated twelve months after the first vote of no confidence in the old executive director.
agency for discretionary funds. Nowadays, churches may see themselves as the more appropriate recipients of some program funding than the CAA. One state responded to the Nixon threat to disband community action agencies by creating state-initiated “human resource agencies.” These organizations are much more closely aligned with local political power structures than their community action brethren and less explicitly required to accommodate input from client populations. Over the last three decades, the state-created organizations have fared better than the federally-mandated ones.

**Board passivity a result of public funding**

O’Reagan and Oster (2002) found in their analysis of nonprofits funded by the city of New York that “government funding is associated with one of the three outcome categories, describing the board as passive” (p. 18). Although many nonprofit boards select members for their capacity to bring in resources, that has not historically been a criterion for recruiting community action board members. Some of the funds to which community action agencies have access are categorically available to them. They are designated as recipients of Community Services Block Grant funds. In many states, decisions have been made to operate the Low Income Home Energy Assistance Program (LIHEAP) and the Home Weatherization Assistance Program (HWAP) exclusively or primarily through community action agencies. Likewise, community action agencies were the initial recipients of Head Start funding and approximately seventy percent continue to operate federal and state early child development programs. In addition to these categorical programs, community action agencies operate a variety of other programs, about 90% of the funding for which is public.

A predominance of public funding encourages a reliance on professional managers and a tendency to rely on the executive’s proposals for action, which the board reviews and most frequently approves (Holland, 2002). (See the sidebar, “The ED Knows Best”) Evidence of this board passivity can be seen in Table 1 in the 83% of boards whose members are disconnected from their organization’s activities. It surfaces again in the 83% of boards whose meetings are ineffective and in the 87% which are unable to make decisions.

Gill (2001) cites rapid turnover in CEOs or board members as a warning sign of board trouble. MICA’s experience has been the opposite: many of the agencies assisted were in trouble because there was too little turnover in either executives or board members. In the case of executives, the departure of a long-tenured CEO or CFO was more likely than rapid turnover to have precipitated the organization’s crisis. Such individuals became confused with the organization itself in the minds of staff, the community and the board, all of whom had for years deferred to these individuals’ experience, accumulated (and often closely held) knowledge, and authority. One such CEO, in his 80s, could be found wandering the central office halls in pajamas and slippers when
MICA came on the scene. Another Executive Director had changed the nature of the CAA to a more corporate model by in effect “taking it private”—creating a holding company to own assets that would be leased back to programs, conducting community action business through a network of community nonprofits controlled by funding from the CAA, and arranging inappropriate perks for staff (company vehicles for use commuting to and from work, for example). This individual had also talked his board into an extravagant, private sector-like, employment contract with a golden parachute, as well as unique and very generous personal fringe benefits not available to other employees.

The passivity and ineffectiveness of the boards of many community action agencies with which MICA worked also resulted from infrequent board member turnover. In nearly every instance, a few members had been on the board for decades—some since the founding of the agencies in the 1960s. Most of these “legacy” members were not active or effective. In several instances, a number of these members suddenly showed up at meetings at which controversial decisions needed to be made, even though they had not attended for months, or years.

The ED Knows Best

MICA was invited to assist this CAA three months after Head Start identified deficiencies that had to be corrected in its Early Head Start program. This was the third finding of significant deficiencies over a period of nine years. Regional office staff contacted the MICA team because the grantee had produced no evidence that it was working on the problems. The next triennial review of Head Start was scheduled in five months. Regional Head Start staff feared that the Head Start program would be found as deficient as the Early Head Start program, leading to probable defunding of both programs.

Although the agency had 23 of 24 board seats filled when MICA began its work, it had a history of unfilled seats and of failure to make quorums for its meetings. All public seats were filled by supervisors from the eight counties served. Eleven individuals were designated as low income members; only four members were designated as public sector representatives. Both public and low income sectors should have had eight representatives. Less than half the board had a history of consistent attendance. No distinction was made in board minutes between the attendance of members and their alternates. The chair, a “good ol’ boy” county supervisor, was not well versed in parliamentary procedure, was rude (racist and sexist) to members and staff, and was more interested in a short than an effective meeting.

Board members expressed their surprise when the MICA team began to present dire descriptions of the Head Start program. The board chair at one point tossed copies of two earlier federal reviews at the MICA team asserting that they proved “we run a pretty good program.” In fact, the reports cited repeated deficiencies that had gone uncorrected.

Over the nine months MICA worked with this board it was apparent they suffered from “no bad news is not good news” syndrome. Agency staff had never acknowledged program inadequacies and how they were being dealt with. The executive director proved to be an individual who could not deal with conflict—within his staff or with the board. The board had abdicated its oversight responsibilities by deferring to a director who always seemed reasonable, calm and in control, even though there was ample evidence that the organization was underperforming.
Many of the troubled agencies MICA worked with were grappling with large debts created by program overspending and excessive borrowing. Funders had begun to advise members of the boards of many of these agencies that it was the members’ responsibility to appeal to their communities and constituencies for funds to repay their agency’s indebtedness. Community action board members do not regard fundraising as part of their responsibility. Fundraising experience or skill has not been an important element in recruiting community action board members. Funder expectations that these boards can be significant leverages of local resources have little basis in the nature of the boards and the members who have been recruited to them. Community action board members—by virtue of the high percentage of public money administered by the organization and the prescribed nature of the board—have an inclination to passivity rather than activism on behalf of their organizations. That passivity makes it easier for boards to let their organizations get into trouble and harder for them to get out of trouble.

Because of the legislative definition of board membership and given their preponderance of public—and hence highly bureaucratized—funding, community action agencies operate in what Miller-Millesen (2003) classifies as an “institutional” model of board behavior. Accustomed to following the dictates of funding sources, community action boards have little experience in reaching out to their environment for resources and support. Hence they are unable to engage in the “boundary spanning” behavior typical of nonprofits operating under a “resource dependence” model of governance. Again, sensitivity to political alliances appears as the primary avenue to affect relationships with funders: obtain political support to increase funding, change the rules, or ameliorate the penalties. Contrary to self-interest, or to a resource dependency perspective, many of the troubled boards with which MICA has worked have taken hostile and antagonistic stances toward their funders. Rather than ask for funder partnership in resolving program deficiencies, many troubled boards have accused funders of persecution, vendettas, and unreasonably demanding behavior.

**Board members are not socialized to the mission of community action**

In addition to a legal definition of board composition, community action agencies have a forty-year-old legislative mandate, first articulated in the Economic Opportunity Act of 1964:

> to stimulate a better focusing of all available local, State, private, and Federal resources upon the goal of enabling low-income families, and low-income individuals of all ages, in rural and urban areas, to attain the skills, knowledge, and motivations and secure the opportunities needed for them to become self-
and echoed most recently in the Community Services Block Grant reauthorization of 1998: “...the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.”

Despite this clear policy mandate, the actual focus of many community action agencies over the past thirty years has been on operating publicly funded programs (Clark, 2000). In order to recapture the mission that still lies at the heart of community action, the Community Action Partnership (formerly the National Association of Community Action Agencies) dedicated significant resources over the past four years to “rebranding” the community action network. That effort produced a “community action promise”: Helping People. Changing Lives. The perceived need for such an initiative reflects the extent to which the community action network had lost a mission-driven focus. The community action agencies assisted by MICA might be better characterized by this paraphrase of the community action promise: “Seeking Funding. Operating Programs.” This focus on acquisition of funding streams and service delivery reinforced organizational sensitivity to political opportunities and influences as discussed in the previous section.

Sixteen of the seventeen community action agencies that MICA assessed and assisted in 2003 and 2004 lacked a sense of strategic direction, which was most evident in the absence of a strategic plan. One agency confused got seriously derailed when building a monument to its chief executive (see sidebar “Hail to the Chief”) became its primary focus. Another agency MICA assisted had been engaged in a strategic planning process for fourteen months when the MICA team arrived. The CEO and the staff-board strategic planning committee had no idea how to bring these extended efforts to focus and resolution. In every agency with which MICA worked over two years, neither agency leadership nor board members could articulate a coherent vision of how their organization would address what Peter Drucker calls the nonprofit “common ‘bottom line’ of changed lives” (1999, p. 4). For the last decade, the federal Office of Community Service has promoted a “Results Oriented Management and Accountability” approach to the work of community action. Under the acronym of ROMA, this approach has challenged many community action agencies to shift their operating paradigm from “operating programs” to “changing lives.” None of the agencies MICA assisted had made that paradigm shift.

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1 Title II, Section 201(a) of the Act
2 42 USC9901, Sec 672(1)
MICA’s experience also bears out Houle’s (1989, as cited in Holland and Jackson, 1998) point that many board members do not come well prepared for key board responsibilities such as “monitoring and assessing performance, translating values into clear statements of guiding mission and objectives, setting policies, and shaping the organization’s future directions” (p. 2). In addition to having no strategic plan, the agencies with which MICA teams worked lacked established processes for orienting and educating board members. Board members interviewed by MICA teams nearly universally admitted they did not know their responsibilities as members. Holland (2002) points out that boards he studied did not concern themselves with their own development or accountability. No boards in the 23 agencies MICA assisted had organized training and educational activities for board members when first contacted. A number had, at one time, developed some orientation or training materials, but they were not regularly and consistently used. No one, whether staff or board, had been clearly assigned responsibility for ensuring board members fully understood the expectations of their service. Although many of the boards with which MICA worked had nominating committees, those committees did not exercise responsibility for policing and maintaining membership. They limited their activity to identifying and recommending members.

**Hall to the Chief**

Only one of the boards of agencies MICA assisted had made a concerted public fund-raising effort. Unfortunately, that effort was not on behalf of new or innovative programming for low income people. It was, instead, for the purpose of constructing a $3 million “legacy” central office in homage to the agency’s long-time executive director. Distracted by a $1 million gift from neighborhood child who had gone on to immense corporate and commercial success, the agency launched a campaign to raise another $2 million, obtaining donated consulting services and hiring a campaign coordinator. Having secured pledges for nearly all the required funds, the agency secured a construction loan and built the building.

Then things began to fall apart. The campaign manager failed to meet the goal; pledges were not monitored and not received; building costs increased beyond expectations; equipment for the new building was purchased, although it had not been part of the construction, or campaign, budget; another (cheaper) building was evacuated and sold after staff were relocated to the new facility. When the MICA team began to work on agency finances it was discovered that the probable operating costs of the new building had a) not been carefully projected, b) been submitted for approval to funding sources, nor c) included in the budgets of all programs whose staff used space in the building. In most cases, new costs were multiples of historically budgeted space costs.

Although the board terminated the CEO and CFO for mishandling this project, it was unable to undertake recruiting processes to replace these two key positions. In the meantime several programs received very unfavorable funder reviews, resulting in the termination of one of them. Another program was facing imminent defunding when the MICA team conducted its assessment. The board was unaware of the low quality of the agency’s programming. It had admittedly failed to monitor and evaluate the executive’s performance. When discussing a replacement executive, the board paid no attention to the effect agency programs had, and could have, on the families served. It also failed to recognize that those programs served a very modest number of families, in very geographically limited area, given the resources it had to work with.
MICA’s experience bears out the accuracy of Holland and Jackson’s (1998) hypothesis that although board members are sought out for their position, influence, skills, or professional expertise, they are not adequately involved in the work of the organization to develop the “affective knowledge” of the organization that would allow them to apply those “cognitive” resources.

The higher scores in the cognitive competencies may well represent the potential that talented trustees bring to their service on boards. These cognitive skills transport effectively from task to task only if the new task to be addressed is well understood. The lower affective scores may represent a lack of the situated knowledge needed to effectively utilize the potential characterized by the higher cognitive scores. Lower affective skills can be thought of as comprising a measure of under-utilization of talent, and therefore, of lost opportunity. This gap between cognitive ability and the knowledge needed to apply that ability may partially explain why so many nonprofit boards ‘are often little more than a collection of high-powered people engaged in low-level activities’ (Taylor, Chait, & Holland, 1996, p. 36, cited in Holland and Jackson (1998, p. 19-20))

Community action boards are regularly bombarded with a great deal of specialized, technical information about programs and budgets, frequently couched in acronyms and programmatic jargon. Executives and staff do not take the time to “translate” this information so members can assimilate it. Board members are not provided with opportunities to observe or participate first hand in the work of the organization. Member involvement is limited to participation in board, and sometimes committee, meetings. Board members in all of troubled agencies with which MICA worked also revealed they did not know about—or did not understand the gravity of—the noncompliance and loss of control issues that caused their organization’s crisis.

Board members in dysfunctional organizations have very poor attendance records. The record of participation of elected officials is the weakest of the three member groups on community action boards. Some agencies permit public officials to name alternates or delegates, who may not be conscientious about participation. It has not been clear to MICA teams that alternates and delegates effectively feed information about board actions back to their sponsors. Although this inattention to participation may be regarded by most boards as a necessary price for getting important people to sit on the board (Golensky 2000, referencing Brudney and Murray, 1998), it would be interesting to have data about whether a nonparticipating board member contributes significant value to an organization. Golensky’s (2000) observation that some board members feel that board membership and meeting participation is all they owe the organization resonates strongly with the behavior MICA teams have observed.
The middle of a crisis is not an environment conducive to board development

As an outside party invited to intervene in the midst of a crisis, MICA Peer-to-Peer teams face the paradoxical requirement of correcting the mistakes of failed governance and leadership with the program managers, executives, and board members responsible for the bad decisions that led to the crisis. MICA’s work has amply borne out Thomas Holland’s observation that,

“...A group will have difficulty focusing on strengthening its skills at the same time it is working on solving a problem or dealing with a conflict. …Unfortunately, once a crisis is over, people have a tendency to return to business as usual rather than using the experience as an occasion for learning, thus missing a valuable window of opportunity.” (2002, p. 422).

The largest hurdle the MICA intervention team has faced is the inability of both executives and board members to understand

1) that there is a crisis,
2) the nature and severity of the crisis, as well as
3) the options available for resolving it.

The MICA team has come to formulate this dilemma as, “Those who got you in trouble can’t get you out of trouble.” Many of the crises in which MICA has intervened have resulted from turnover in either the executive director or chief financial officer positions. Loss of a long-serving financial officer is a particularly vulnerable occasion in a community action agency. Over a decade or two, many agencies’ funding has increased by significant multiples. Average community action agencies have annual budgets between $5 and $10 million; MICA has worked with agencies whose budgets were as low as $1 million and as much as $60 million. Long serving financial officers—and executive directors, for that matter—have had time to absorb and integrate the requirements of new programs and to create accounting records to deal with them. A new financial officer often finds the knowledge required to understand and operate the complex of grants, contracts, and other funding sources of a community action agency too much to absorb. If that person has little or no experience in “fund accounting” of the kind CAAs must do, then the learning curve is formidable.

The board that presided over the decline of an organization that has become deeply dysfunctional is unlikely to be able to turn that organization around. One in four boards of the agencies MICA worked with in 2003-2004 had to be dismantled. A much higher number should have been. This entailed reducing to three or six persons, preserving the required tripartite representation. Membership was then restored by recruiting new members with no “baggage” to interfere with their decision-making. That one of those
boards is attempting to reconstitute itself by bringing back “old regime” directors
testifies to the difficulty of escaping the box of prior experience.

**Strengthening community action boards of directors**

Mid-Iowa Community Action’s experience, seen in the light of recent research, suggests
that executives, board members, and consultants take the following steps to strengthen
nonprofit governance capacity, particularly in community action agencies.

**Orientation to the mission.**

Community action boards would be significantly strengthened by emphasizing their
longstanding anti-poverty mission. Although other nonprofits pursue a myriad of
important individual and social change agendas, community action agencies have a
historic mandate specifically to help people achieve greater levels of autonomy,
particularly economic. Putting board members more directly in touch with the lives and
conditions of their communities’ poor would make the work of a CAA more immediate
for board members. Many agencies around the country have developed a variety of
“poverty simulations” to achieve the “affective knowledge” that brings the work alive.
One type of simulation consists of a “poverty banquet,” at which a meal is assembled
from items available with food stamps or from food bank. Another engages participants
in meeting a low income family’s needs for a month by “welfare shopping” at booths
representing a variety of public and private social services. Another exercise has
participants construct a monthly family budget based on public assistance payments or
on an income level that would place a family under the poverty line.

**Board member education and training**

O’Reagan and Oster (2002) point out that information practices such as orientation of
members has a significant relationship to board effectiveness. That effectiveness must
also include ongoing educational activities that increase members’ knowledge of their
organization and of their governance roles on an ongoing basis. Funding sources that
support networks of nonprofits should dedicate resources to this task, as do many of
the state CSBG offices and state trade associations for community action agencies.

One of the unspoken assumptions about nonprofit board members appears to be that
they all know how to be effective board members. MICA’s experience demonstrates
that is not true. One of the seeming contradictions MICA teams have observed is the
ineffective collective performance of board members who are notably successful
individuals in their careers or in community leadership. MICA’s observations suggest
that boards need training in the kinds of decisions that are appropriately theirs. They
need to understand the nature of the information they should have to make those
decisions. They need to know how to obtain multiple sources of information so they are
not dependent on only a few staff members.

**Executive accountability**

Paradoxically, board performance directly expresses executive performance. Except in
those nonprofits where the board performs all the management functions, and may
deliver the services as well, boards are inevitably creatures of their senior staff. Efforts
by third parties such as trade associations, United Ways and similar community
campaigns, or network funders are insignificant when compared with the number of
nonprofit organizations and their board members that need training.

Executives who want a good board will devote sufficient time and energy—their own,
or theirs and that of other staff—to nurturing their board. They will thoughtfully
consider the kind of members who would meet membership requirements such as those
imposed by the CSBG legislation, but who also understand and support the work of the
organization. They will develop educational materials and processes that inform board
members about their organization’s work and about the function of board members.
Conscientious executives will “translate” financial and programmatic jargon into
language board members can understand. Good managers will help the board assess its
own performance and identify what experiences or information would enrich
understanding and practice.

**Recommendations for Additional Research**

The need for better information about what makes for effective governance in
nonprofits appears boundless. From the perspective of a practitioner, particularly one
who works primarily with dysfunctional boards, the following questions beg for
answers:

- What information about prospective board members’ prior experience on boards
  or similar governance bodies would help in the screening and selection of
  members and in their orientation and training?
- What is it about the governance role that so challenges people who are otherwise
  successful professionals, entrepreneurs, managers and politicians?
- What are the most effective ways to educate board members who are
  volunteering their time?
- How can complex and specialized financial and program information be
  presented accurately but clearly to board members without overburdening and
  confusing them?
• Can a simple alternative to Roberts’ Rules be found—and taught—that facilitates and supports effective group decision making?

• How do nonprofits—like community action agencies—that are required to have a board of a particular type turn that mandate into an opportunity instead of a chore or a paranoid exercise?

References


