

Why Effective Nonprofit Board Governance Is a Necessity

R. Andrew Swinney 03 May 2010

Tough economic times can embolden our decisions. What's really important? What's not? What must we do to survive? What can we let go of, because it just doesn't work anymore or because we can't afford to keep doing it?

[The Philadelphia Foundation](#) envisions a flourishing Delaware Valley (made up of safe, thriving and diverse communities) strengthened by a dynamic and robust nonprofit sector that is critical to our quality of life. Southeastern Pennsylvania nonprofits teach us, uplift us, protect our health and natural areas and assist those who are most in need. Our region depends on the services they provide. Nonprofits constitute the very fabric of our community.

But tough economic times have imperiled these vital organizations, particularly those that deliver human services. Demand from those needing help is up. Revenues are down. Innovation, therefore, is a necessity, and it needs to come from the very top – from the boards who govern our region's nonprofits.

[Governance: Bench Strength, Capacity, Renewal](#), a white paper we recently issued, explores the challenges facing regional nonprofit leadership. It found that Southeastern Pennsylvania nonprofit organizations need support in recruiting and training effective board members, as well as in evaluating existing board governance models.

The white paper, which is available on our web site, www.philafound.org, frames several questions that need to be explored by the broader community to ensure that the nonprofit sector remains strong. These include:

- How to address the challenge of recruiting, training and supporting Southeastern Pennsylvania nonprofit board members.
- How to assess the quality and effectiveness of the current governing bodies of Southeastern Pennsylvania nonprofits in order to ensure appropriate, consistent and ongoing training.
- How to evaluate the established governance structures used by Southeastern Pennsylvania nonprofits and, if needed, improve them.
- How to support Southeastern Pennsylvania nonprofits in not only weathering the current economic crisis but putting them on a firm footing for the future.

We took this step because the nonprofit sector is one leg of a three-legged stool that makes up our community. Along with business and government, it is important and it

matters.

The governance white paper – the first in a planned series – was developed after we commissioned a study of nonprofit organizations on the Southeastern Pennsylvania region. Data from that study, which was researched and provided by the [Economy League of Greater Philadelphia](#), can be viewed online at www.philafound.org/nonprofitstudy2010.

Our goals were:

- To provide a common description and language for understanding the nonprofit community serving southeastern Pennsylvania.
- To establish a common framework upon which further study of the sector's strengths, weaknesses, assets and challenges can be based.
- To promote better understanding of the importance of the sector to the overall regional economy.

The study demonstrated the scope of the sector – about 15,000 nonprofit organizations in Bucks, Chester, Delaware, Montgomery and Philadelphia counties – and the vast array of valuable services they provide.

It showed that nonprofits are economic engines. In 2007, those 5,300 classified as public charities contributed \$36 billion in revenues and managed \$64 billion in total assets. As Mike Armstrong, business columnist for *The Philadelphia Inquirer* noted, during the same year Sunoco

Inc. had revenue of \$44.7 billion and Comcast Corp. had revenue of \$30.9 billion.

During the seven-year span of the overall study, the sector grew by several measures – in number of organizations (up 40%), revenue (up 68%) and assets (up 61%). We also found that nonprofits provide more than 240,000 jobs in southeastern Pennsylvania, making the sector the third largest private employer when taken as a whole. Clearly, then, what happens to the sector has significant implications for the overall community, which is why the white paper builds on the study data and identifies challenges in how nonprofits are governed that need to be addressed.

We examined nonprofit board leadership through the aspects of bench strength, capacity and renewal. The paper notes that the large number of seats to be filled on Southeastern Pennsylvania nonprofit boards presents a daunting recruitment challenge: an average of at least 10 members per board, who might serve up to six or seven years, on the boards of about 15,000 nonprofit organizations in the region. That indicates there are tens of thousands of new board seats to be filled annually. Based on national data, it is safe to assume that women and persons of color are under-represented on area nonprofit boards, the paper adds.

New thinking is needed to address effective nonprofit board recruitment. How do we incent and reward service

so that it is recognized as a civic responsibility and a point of pride in community service? How do we get corporations to maintain a culture of civic responsibility?

The paper notes that while some effective mechanisms to train and support Southeastern Pennsylvania nonprofit board members exist, those systems cannot begin to completely address the full spectrum of demand for such training. A more consistent and continuing approach to training – one that is specifically geared to the unique challenges the nonprofit sector faces – is required.

Equally challenging is the task of ensuring that nonprofit board members are informed, properly trained and engaged about the responsibilities of their role in protecting the public good. What can be done to develop and sustain governance models that deliver needed results?

In sum, we need to recommit to effective nonprofit governance leadership. It starts with considering whether the traditional path – one that frequently begins in the ranks of dedicated volunteers and key supporters who have a passion for the nonprofit's mission – is the most appropriate arena for board recruitment. Might nonprofits be better served by actively recruiting a wider range of board members who apply their professional and business expertise and analytic strategic practices to the work that nonprofits do?

For too long, we have taken for granted that the nonprofit sector will be there to serve us. Imagine, though, what your life might be like on a daily basis without its services. Without schools, colleges and universities. Hospitals. Museums. Theaters. Parks.

While we as individuals may be fortunate enough not to need direct service from homeless shelters, food banks and services for the disabled, we all benefit as a community from the nonprofits who ensure that such basic human needs are met. Consider the strain on governmental budgets if those safety nets were to evaporate.

Undeniably, much is at stake in how nonprofits are led. It is time for us to be bold in how that is done.

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