



# TOP 5 GOVERNANCE CHALLENGES AND SOLUTIONS

**From growing diversity to addressing non-performers, tips for improving your board of directors' performance.**

Successful board governance is critical to achieving the goals of an organization. The board serves as the steward of the organization's mission, with trustees serving as the stakeholders' representatives, but that broad set of responsibilities can lead to challenges.

A [2015 study](#) from the Stanford Graduate School of Business found that 69% of nonprofit boards struggled with governance-related issues. Of those respondents, 40% missed their annual fundraising goals, 29% had "serious financial difficulty" during the previous year, and 16% struggled to draw new, effective board members.

A commitment to governance best practices can improve board leadership, and the organization's stakeholders will benefit. Here are five top governance challenges facing today's nonprofit boards, along with tips for addressing the challenges.

## **CHALLENGE #1:** IMPLEMENTING BEST PRACTICES

Adopting effective board governance practices — whether fundraising, board education, composition or others — is a common challenge. Since board members meet infrequently and are typically busy people with many other responsibilities, you can assume that the board and its rules of governance simply aren't top of mind for members much of the time. And without consistent engagement, these practices don't become routine.

"In the nonprofit space, board members tend to be volunteers who come to meetings with a slew of other commitments and distractions," says Dottie Schindlinger, vice president and governance technology evangelist of BoardEffect, a board management software provider for nonprofits. "They might only meet a handful of times each year, so getting the board to implement new practices can be challenging," said Schindlinger.

**SOLUTION:** “Remember that educating board members on best practices is a marathon, not a sprint,” Schindlinger says. “Be patient and persistent.”

Schindlinger suggests providing board members with information on best practices and then have people take turns presenting one new concept or practice at each meeting. “We all learn best when we have to use new information right away, so asking board members to take responsibility for the ‘teaching’ role will help the new practices stick,” she says.

Board management software can help funnel information such as articles, links to online resources, briefing books, planning calendars and mission documents to board members. Having everything online in a central, organized repository allows trustees to learn at their own pace and helps members stay focused on board development goals.

## **CHALLENGE #2:** **BUILDING BOARD DIVERSITY**

Ethnic and gender diversity is a key issue for virtually every board — and for good reason. Research shows that the greater a board’s diversity, the better the organization performs as a whole. Reports from [Thomson Reuters](#) and [Catalyst](#) show that the companies topping the list for diversity and inclusion programs outperform their peers. Why? One reason could be that groups with diverse members are more innovative and better at solving complex problems, according to [Scientific American](#).

And yet, despite this evidence, many organizations struggle to make their boardrooms more diverse. BoardSource’s annual [Leading With Intent](#) survey of nonprofit board practices shows that most nonprofit leaders express concern over the lack of diversity among their board leadership. One-fifth have no plans to incorporate diverse demographics in their board member recruitment. As a result, the level of diversity on nonprofit boards has remained low and nearly unchanged for the past two years.

# Better governance with BoardEffect

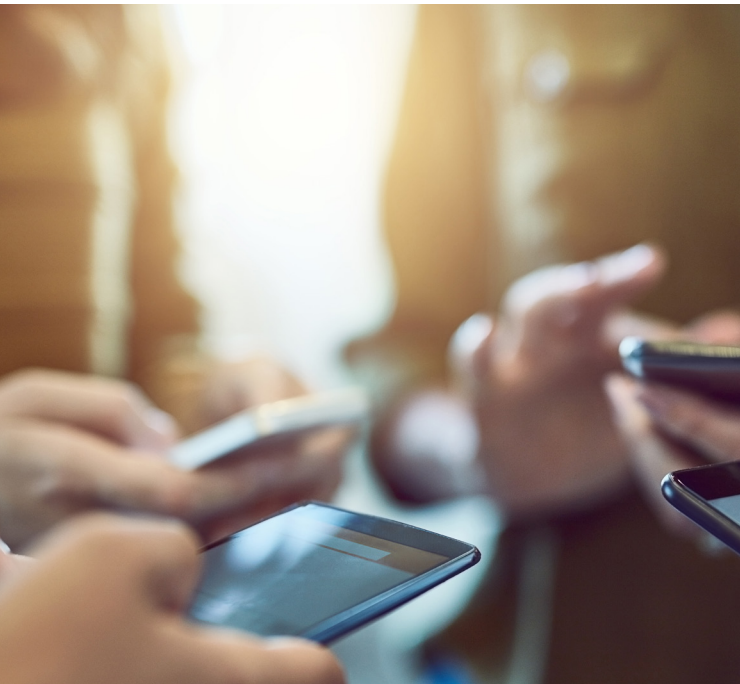
Nonprofit boards need tools that support their governance efforts. Software such as BoardEffect, the largest provider of portal software for nonprofit organizations, can help directors and administrators manage board-related information online and keep board members informed, in touch and on track. More than 1,500 organizations including nonprofits, foundations, hospitals and healthcare systems, educational institutions and government entities use BoardEffect.

As a custom online front door into your board, the portal software connects executives, staff and board members directly to the content they have permission to access, including the board book, meeting calendar, financials, contact information and ongoing discussions.

BoardEffect has been working with nonprofit boards for years, and this experience is reflected in its portal software. It’s designed to enable better governance and help you get a handle on the complex, cyclical nature of board governance — from monthly meetings, to annual reviews, to the board development cycle overall.

And the BoardEffect platform is modular, fitting a wide range of budgets and organizational sizes so that board managers can select which pieces they most need. ■





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**SOLUTION:** Take a fresh look at diversity; it's not only about demographics. While any board expert will recommend that the board represent the interests of stakeholders, Schindlinger says that doesn't mean the board should only focus on mirroring the demographics of the community it represents. "Organizations first need to determine the skills and expertise they need on the board — for example, finance, fundraising or advocacy — and then find diverse candidates with those skills," says Schindlinger.

Technology can help create a profile of the skill sets that current board members have. Some board management software allows organizations to create detailed profiles of each board member, including information about the members' terms of office, skills, demographics and affiliations. The profiles can be kept confidential but still allow the board to create a high-level board composition matrix. The matrix makes it easy to spot gaps and enables the nominating committee to develop a more targeted set of criteria for new board candidates.

Focusing the search on the skills the board needs — then sharing those "job ads" widely — helps organizations increase diversity of candidates. "It's better to create a specific job ad for board candidates with the right skill sets — such as finance knowledge — and then share the ad with local professional associations whose members represent the demographics your board seeks," Schindlinger says.

### **CHALLENGE #3:** OVERCOMING FEAR OF SOCIAL MEDIA

Is your board a bit fearful of social media and the powers it can unleash? That's common because platforms like Facebook and Twitter can amplify angry voices along with more moderate ones.

**SOLUTION:** The best approach isn't to cringe but to engage. Realize that social media feedback can help board members make better choices, so begin to embrace it and broaden your impact. Organizations that recognize and use the power of the public voice, Schindlinger says, will out-perform their peers, especially when a board is about to make a big decision.

There is good evidence, she says, that when a board involves the public in a tough decision — resulting in different perspectives — the organization ends up with a more grounded, more nuanced, more complete picture of the situation.

"This is a perfect example of how technology can help make decisions better," says Schindlinger. Because anyone can jump on Twitter or Facebook and quickly reach a large audience, your board must both pay attention and participate in social media — and in fact, constructively invite that kind of feedback.

"You need to not be afraid," Schindlinger says. Be confident that crowdsourcing will end with better variables, more information and increased civic engagement from your stakeholders.

## CHALLENGE #4: DEALING WITH NON-PERFORMING BOARD MEMBERS

An annual [PwC](#) survey asks corporate board members if a peer on the board should be removed for any reason. Over the past five years, “yes” responses have hovered around a third. This year, it jumped to half — and Schindlinger bets it would be higher if conducted in the nonprofit space.

**SOLUTION:** “This is an example where technology could be a game-changer,” Schindlinger says. About half of boards do a yearly evaluation, she says, but because the process rarely allows the board to respond anonymously and securely, they don’t typically evaluate peer performance, and few boards act on evaluation results.

Schindlinger suggests using a secure software platform that the board is already comfortable with, where each board member anonymously evaluates individual trustees, including themselves. The software can deliver tallied results with anonymity preserved. By supervising the process carefully, board management can be sure every person has answered candidly. With data in hand, Schindlinger says, you can then act by providing board education and individualized director development, or by asking non-performers to step aside if necessary.

## CHALLENGE #5: USING TECHNOLOGY EFFECTIVELY

Smaller boards in particular are often reluctant to explore technology, fearing the cost and learning curve. They often fail to realize that there are solid tools available for nonprofits of any size, and some are low cost — less than hiring a staff member, in fact.

**SOLUTION:** “You can use technology with a [small] board to pull off things you could never do otherwise,” Schindlinger says. She cites a very small nonprofit’s board she sits on: “We use technology, and quite frankly, I don’t know how we’d pull it off without it. It’s almost because we are so small that we have to have technology.”

“The only way we can move the needle for this organization we all love is by staying in the loop through technology.”

In fact, a decade ago she left the same board. Now, she returned to find night-and-day changes. The board has cut meeting frequency in half and slashed meeting lengths. “We do it through technology,” Schindlinger says. “I don’t know how it would work any other way.” ■

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## BOARDEFFECT

[BoardEffect](#) was founded when a team of web developers saw a common thread among the nonprofits, healthcare and educational institutions they served: **the need to make the work of their boards of directors easier, more efficient**

**and more effective.** Today more than 2,500 boards and over 120,000 users benefit from the ease, efficiency and empowerment of BoardEffect.

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