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PROFESSIONAL ISSUES

What Nonprofit Board Members Don't Know Can Hurt Them (and Their Organizations)

Fred Shaffer, PhD, BCB

Department of Psychology, Truman State University, Kirksville, MO

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The author dedicates this article to current and future board members of the Association for Applied Psychophysiology and Biofeedback (AAPB), the Biofeedback Certification International Alliance (BCIA), and the International Society for Neurofeedback and Research (ISNR); their related foundations; state and regional societies; and any other nonprofits who serve our field. This article explores the advantages and disadvantages of self-management versus the use of a for-profit management company, explains the value of board orientation, identifies what new and established board members should understand, and stresses the importance of board service with integrity.

An Unexamined Board Is Not Worth Serving

The Biofeedback Certification International Alliance (BCIA) is now self-managed with Judy Crawford as its executive director. BCIA's transition from management by a for-profit association management company to self-management followed 8 years of intense self-examination and increased Board involvement in its internal operations and strategic planning. BCIA reinvented itself to increase transparency, ensure staff accountability, and better serve its certificants. This article shares some of the lessons we have learned during this process.

Self-Management or For-Profit Management?

Nonprofit boards wrestle with the question of who should manage their operations. Self-management allows boards to hire an executive director who understands their field, works exclusively for them, and is solely accountable to them. In this model, boards contract for services, such as accounting, graphics design, and information technology, which its staff cannot provide. These services may be more expensive than those provided in-house by management companies. Self-managed boards are also more vulnerable to the loss of their executive director, which makes transition planning imperative. If they haven't trained their executive director's successor, they are one alien abduction away from disaster.

For-profit management companies choose a board's executive director and account executive. The executive director may supervise many organizations through account executives, who each serve multiple clients. This model may reduce expenses by dividing the cost for services among all the organizations it manages. However, it provides limited opportunity for staff to learn the field and can reduce transparency and staff accountability. For-profit management companies face an inescapable conflict of interest between their own profit and board welfare. Should they upsell services that boards don't need and can't afford? Should they insist that they provide services more expensively in-house or competitively bid them to outside vendors? What will they recommend when the best alternative for the board would reduce their potential revenue?

Whether self-management or the use of a for-profit management company is better for your board depends on its unique needs, expertise and engagement, and management options. Compare the advantages and disadvantages of each option for your board, and research the cost of purchasing services from separate vendors a la carte compared with a management company's full-service solution.

Build Your Dream Team

The selection of new board members is critical to your organization's success. Choose candidates strategically.

Assess your board’s current and projected needs. Identify individuals who possess the expertise your board requires. Try them out on committees or task forces. This is how you can best learn about their engagement, productivity, and ability to work with others. When you discover promising individuals, ask for a resume and then vet their credentials using search engines such as Bing or Google. Without verification, your organization could elect an individual with manufactured or exaggerated credentials, which could damage its reputation.

Choose qualified candidates who can contribute a fresh perspective. Ensure that your board represents your stakeholders’ demographics, geographically and professionally. Although board members are often more comfortable recruiting their friends or business associates, this practice risks serious problems. First, it can increase the risk of “groupthink,” in which the pressure to conform reduces creativity, critical analysis, and personal responsibility. Recall the Bay of Pigs disaster. Second, it can create the appearance of a friendly takeover and undermine perceptions of your board’s impartiality. Your stakeholders will be more satisfied if they believe that their board represents their interests.

The Care and Feeding of New Board Members

Nonprofit board members are typically unpaid volunteers, who already divide their time between their professional jobs, community service, and families. They have precious few free hours a week to learn about their role on the board and its operations. A well-designed board orientation program can jump-start the learning process. All members should receive an operations manual that describes board procedures and training on board procedures, policies, and expectations. Officers can build on this foundation through regular communication and mentoring.

What Should New Board Members Know?

New members should learn the board’s mission statement, which is its *raison d’etre*. For example, “BCIA certifies individuals who meet education and training standards in biofeedback and progressively recertifies those who advance their knowledge through continuing education.”

New members should identify the board’s stakeholders, their needs, and how the board supports them. They should review their board’s strategic plan and initiatives. They should learn about the staff and vendors who provide its services. Finally, they should understand that their executive director works for them and not the reverse. (The author is indebted to Dr. Celeste DeBease, former BCIA chair, for this epiphany.) This means that they should always feel free to ask inconvenient questions, hold the executive director accountable for his or her performance, and verify that tasks have been satisfactorily completed. Trust, but verify.

Which Questions Should All Board Members Ask?

Am I fully indemnified by Directors and Officers (D&O) liability insurance? Ask to see a current valid copy of this policy. Open the attachment when you receive it to ensure that it is still in force. Know what it says. Depending on the nature of your business, make sure that it includes errors and omissions (E&O). This liability insurance protects both your organization and officers against claims made by clients for inadequate work or negligent actions. Obtain a review from a different insurance vendor. BCIA recently did this and learned that there were several areas where its coverage could be improved. Don’t assume anything. Your entire board could be liable if you have insufficient or expired insurance coverage.

How does your board ensure transparency in spending? The “hand me your wallet and I’ll take what I need” model invites disaster, even when staff are honest. Transparency helps protect against mistakes, poor judgment, and outright theft. Three best practices can ensure effective oversight. First, build a budget that every board member can understand with sufficient detail to control spending by your executive director, account executive, and officers.

Second, require your board’s approval before paying an expense over a specified limit and your treasurer’s approval before your management company/executive director withdraws funds. Your treasurer should question any expense that varies from your budget or any contract with a management company. Authorization of payment should be refused if the explanation is inadequate. If a vendor has increased the cost of a service, your executive director should alert you to this fact and discuss your options. Rules on authorization of spending and withdrawal of funds should be codified in your by-laws to make these procedures mandatory. Your board members should receive and review a current copy. They should regularly reexamine these by-laws because this living document may require updating to improve your board’s performance and anticipate challenges to its health.

Third, provide your board’s leadership with online viewing of your checking account(s) and investments. This 24-hour access provides an instant snapshot of your board’s financial health. Your officers can see specific payments, deposits, and changes in the value of your investment portfolio. This information can inform board spending decisions. An experienced treasurer can provide quarterly reports that place current financial performance within a 5-year historical perspective.

Is this service within our contract's scope of work? Board members should know the specific provisions of their contract with their management company/executive director and should expect to pay for new services. They should request a bid from multiple vendors to ensure that they pay a fair price. They should resist a management company's pressure to do the work in-house if the price and/or quality are not competitive. If the management company offers to provide new services in-house for free, all parties should agree that this will not be at the expense of the original scope of work.

How does your board ensure accountability? Your board's success depends on holding its executive director and members accountable to each other. BCIA uses a task list, which is distributed along with meeting minutes, to help participants keep track of their commitments. Specificity and follow-up are crucial. *Who*, will do *what*, by *which date*? Your board should review progress on assigned tasks during regularly scheduled meetings and insist that staff and board members meet their responsibilities.

A second strategy is to build a schedule of critical tasks, which might include insurance and vendor contract renewals, corporate registrations, and tax filing. Both staff and board members should regularly consult this schedule to ensure that these tasks are successfully completed.

A third strategy for increasing accountability is an annual review of your executive director by the board and the board by the executive director. This reciprocal review can improve your board's relationship with its executive director and your organization's performance. Effective reviews encompass both strengths and deficiencies, provide specific examples of accomplishments or failures, and should culminate in a commitment to specific actions.

Service with Integrity

The purpose of board membership should be service to the organization's stakeholders and the field, not power, recognition, or personal gain. Board members should judge the success of their service by the good they have helped the board accomplish.

Each board member's personal actions can shape the public's perceptions of the board's integrity and perhaps the integrity of the entire organization. Perception is reality. Board members are advised to identify any potential conflicts of interest and recuse themselves from decisions on these issues. Because board members are always "on stage" at professional meetings, they must refrain from any public conduct that could damage the board's reputation. Use the "front page" test when considering a course of action. "How would you feel if your actions were photographed and described in detail on the front page of your local newspaper?" When self-restraint fails, a board must hold its members accountable or deserve its loss of respect.

Board members should hold themselves to the highest standards of ethical conduct. Members should never use their position to promote themselves. They should conservatively report their credentials and report only relevant health care degrees from regionally accredited institutions. Finally, they should conduct themselves professionally because they represent their colleagues, staff, and stakeholders.

Conclusion

The choice between self-management and the use of a for-profit management company can be difficult. The right answer for your board depends on your unique needs, board expertise and engagement, and management options. The selection, orientation, and training of new members are crucial to a board's success. Board members can make stronger contributions when they understand their board's mission, constituencies, strategic plan, initiatives, and operations. The executive director works for the board. This means that board members should ask questions and insist on mutual accountability. Transparency in spending allows the board to exercise due diligence. The author has outlined three best practices to ensure effective financial oversight. Finally, perceptions of board integrity depend on the self-reflective and ethical choices of its members, and the willingness of a board to hold its members accountable.

Fred Shaffer

Correspondence: Fred Shaffer, PhD, BCB, Barnett Hall 2400G, Truman State University, 100 E. Normal, Kirksville, MO 63501-1820, email: fshaffer@truman.edu.