

More Than Monitors: The Board's Role in Sustainability

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Editors' Note: *The following NPQ interview with Richard Brewster, executive director of the National Center on Nonprofit Enterprise NCNE (www.nationalcne.org), highlights some of the critical but often overlooked aspects of board leadership in ensuring short- and long-term sustainability.*

NPQ: In your experience, how do nonprofit boards generally approach discussions of organizational finances?

Brewster: Well, the danger is that boards—or rather, individual board members—concentrate on what is of particular concern to them to the exclusion of everything else. You often end up with a bunch of oppositional conversations, where various board members champion their points of view or the particular services they care about, with the overall welfare of the nonprofit placed somewhere in the distant background. A good board, led by its chair, will instead focus on what is necessary to achieve short-term financial health—if that is an issue—and long-term sustainability.

NPQ: To guard the short-term health of the organization, what should boards pay attention to?

Brewster: Cash—pure and simple. If the board has to think about the short-term financial health of the nonprofit, then its survival is probably at risk, and cash is always the first place to go. The board may not need to be involved in cash management, although when the risk level is high, those board/staff roles can and sometimes should mix, but it needs to assure itself that it is being done well.

Besides asking for a cash projection (the amount of money slated to come in and go out of an organization and when), the board should look at the following: (1) whether and for how long the organization can make payroll, (2) whether and when the organization can reasonably expect to pay creditors for planned expenditures, and (3) how to ensure that the nonprofit doesn't take on debt it can't afford—using lines of credit, for example, or by dipping into endowment or investments inappropriately. When an organization is under stress, staff may be tempted to cut corners in the way it manages money. This tactic is generally motivated by hope, but the board needs to help play a guardianship role with the development of well-crafted policies that protect the organization from falling off a cliff.

A lot of times the board of an organization in short-term financial trouble will first be called on to do emergency fundraising. If a member of the board has easy access to money that will solve the problem—especially if it is unrestricted—and this will not disrupt the nonprofit unduly, then fine. But the first responsibility of a board is oversight, not fundraising, and to spend time on this effort to the exclusion of ensuring fiscal discipline is a failure of accountability.

NPQ: What should boards focus on if they are concerned about long-term sustainability?

Brewster: This may be counterintuitive, but the central question is the quality of the program. In other words, the worst threat to nonprofit sustainability is when your program is crap. A nonprofit's only reason for keeping going is to change people's lives, communities, the environment, and so on for the better. If a nonprofit is not making the biggest difference it can with the resources available, it is being wasteful. From an economist's perspective, it is not putting its resources to best use and is inefficient. I'd find it odd to apply the word *sustainable* in any really meaningful way to such an organization.

I once visited an agency that provided disability care services. I walked into a foyer with a frayed linoleum floor on which, in a corner, a client with cerebral palsy was sitting kind of splayed out. A staff person was talking to me as if there was nothing out of the ordinary, and other staff members were walking around, paying him zero attention. At some point, I asked about the man, and the staff member reacted a bit defensively but gave me to believe that I should not concern myself with him. This organization had enough money to continue this kind of demeaning service, but it was not what the National Center on Nonprofit Enterprise would call "economically sustainable." It was not putting its resources to best use in terms of its mission.

NPQ: This is an unusual answer from a financial—sorry, economic—wonk. But how exactly can a board ensure that a nonprofit is "putting its resources to best use?"

Brewster: Wonk? I think not. This is a challenging aspect of board leadership. The usual answer these days is to introduce outcome reporting. Many nonprofits have to do this anyway for funders, but in terms of good governance it is a complete waste of time unless the board has taken a number of steps first. The most important of these is for the board to clearly identify the "moral owners" of the organization, as John Carver might call them. In a human services organization, they would be the users of services. The second is to establish what the best possible quality of experience would be for service users in the types of service

or activity in which the nonprofit is engaged—primarily, of course, by having extensive contact with users. The key principle is "Do unto others." Many nonprofits provide service users with a fantastic quality of life, but some organizations' board members and staff (and annual reports) extol services and premises that they wouldn't put their cat in—never mind live in themselves.

I believe that the board's role is to keep this desired quality of life front and center for both its members and staff. Staff has the challenge of converting this picture into nuts-and-bolts services that deliver this quality of service and therefore put resources to their best use.

Board members can be disruptive when they represent key stakeholders' experience and views in this way, but it can also lead to highly productive and innovative interaction between board and staff. I recall one thorn-in-the-side board member who had a son with severe developmental disabilities. The board member had what many would consider an unrealistically high expectation of service quality. He hammered on and on for a policy change by which all decision-making committees in the organization should include an advocate who would speak for those who couldn't speak for themselves. Needless to say, he created a great deal of tension, but in the end that tension was productive. The other board members agreed that such a policy would be a powerful expression of the nonprofit's values, and staff found a way of creating and financing such a service.

NPQ: What other steps can a board take to ensure long-term sustainability?

Brewster: The main one is to set in place and carefully monitor a policy that requires a significant level of reserves. It's stating the obvious, but reserves provide a nonprofit with the money to invest both in the continuation of its current activities and to improve quality and innovate in the way I've just described. Indeed, it would be quite wrong for a board or board member to insist on quality of life in the way I've just described if he has not also paid attention to creating a pot of unrestricted money—a part of the nonprofit's reserve—to allow for innovation.

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