



Boards and Beyond: Understanding the Changing Realities of Nonprofit Organizational Governance

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CONCEPT PAPER

The Nonprofit Board Secretary¹: A New Role

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All progress has resulted from people who took unpopular positions.

Adlai E. Stevenson

INTRODUCTION

The Post-Enron era has fostered a great deal of interest in nonprofit governance. The effectiveness of boards, audit committees and governance committees, as well as leadership, ethics, accountability and internal controls have all fittingly received a great deal of attention. Despite this vital focus on governance, little – if any – attention has been paid to one of the central positions in the leadership structure of nonprofits that could make a genuine impact on the success of their governance efforts – the Secretary of the Board.

Unfortunately, the most misunderstood and underutilized position in the governance structure of most nonprofits is the Secretary of the Board.

The contemporary view of the role of the Board Secretary is woefully incomplete. From its historical role as a critical element of the leadership team and confidant to the Chairman of the Board, the Secretary role has been largely relegated to that of a note-taker and file clerk. I say this not to demean the important work that Board Secretaries are currently doing. I want to suggest, however, that they should be offered the opportunity to do a great deal more meaningful work.

Although frequently noted as a member of the “leadership” or “Executive Committee,” the Board Secretary is most often described in a largely ministerial manner - even by some of the most thoughtful and progressive nonprofit governance experts.² As conceived by the majority of the nonprofit community, the contemporary view of the position appears to be something akin to a high-level scrivener, a reviewer of minutes and the custodian of organizational documents and policies. Some larger nonprofits – such as certain healthcare institutions and universities – add additional responsibilities to the position; but such organizations appear to be in the minority.



Indeed, the position has been so marginalized that the low expectations concerning the work of the Secretary have likely contributed to a number of the governance challenges facing nonprofits today.

THE GENESIS OF NONPROFIT GOVERNANCE

As Peter Dobkin Hall has chronicled, boards (in one form or another) have been a vital element of the American experiment since the earliest settlers from Europe appointed a small group of people to manage the Massachusetts Bay Company.³ While an individually responsible working board of trustees took decades to evolve, by the early and mid 1800's, there were signs that the notion of nonprofit governance itself was of genuine interest. The fiduciary duties of trustees were debated, the prudent man rule arose to suggest “prudence, discretion and intelligence, and that trustees should be knowledgeable about how to govern and their moral agency on behalf of the community.”

As Peter Drucker has pointed out, fifty years ago “no one talked about ‘non-profit organizations’ or of a ‘non-profit sector.’”⁴ Today we recognize that nonprofits as a whole are central “to the quality of life in America, central to citizenship, and indeed carry the values of American society and the American tradition.”⁵ “Among the most powerful forces transforming board governance were changes in the fundamental laws that had given American nonprofits their uniqueness as private corporations serving the public interest.”⁶ The most critical legal change in the last fifty years was likely the product of the American Bar Association’s Model Nonstock Corporation Statute. It allowed nonprofits to be established for any legal purpose and “freed nonprofits to engage in business activities as long as these ultimately served charitable objectives.”⁷

This model statute (once adopted by states into law in the latter half of the 20th Century) had a remarkable impact on eliminating many of the distinctions between for-profit and nonprofit boards. While freeing nonprofits to pursue new challenges, it created even more ambiguity as to the proper role of a nonprofit board. In addition, as nonprofits multiplied and “their purposes expanded beyond traditional charitable, educational and religious activities, the pool of trustees began to include men and women who had no previous board experience.”⁸ At the same time, the professionalism of management increased, often marginalizing the work of boards and ultimately stimulating “a crisis in nonprofit governance.”⁹

The crisis created by these significant changes captured the attention of many thoughtful people concerned about the future of the nonprofit sector. The idea of looking at the way in which nonprofits should be governed exploded in the mid-1980s throughout academia and various national nonprofit trade groups. Books, articles and newsletters discussing the role of board members and their critical responsibilities proliferated. A series of high profile nonprofit scandals also took place in the late 1980s and early 1990s, further “increasing confusion about the role of nonprofit boards of directors.”¹⁰ As a result, the National Center for Nonprofit Boards (now BoardSource) was established in 1988 in response to what Hall refers to as “the increasing call for governance information.”¹¹



WHAT IS GOVERNANCE?

If there is a lesson to be learned from the business and nonprofit scandals of the past, it is that governance really matters. Be it a for-profit corporation or a nonprofit, the way in which an organization is governed has a tremendous impact on the manner in which it is run and its ultimate success. “To govern is to steer, to control, and to influence from a position of authority.”¹² Governance, therefore, deals with “the legitimate distribution of authority throughout a system – whether a country or an organization.”¹³ Two critical concerns come to mind. One - although everyone would acknowledge the importance of governance (at least in theory), it is less clear what leaders should actually do to foster better governance. And, two (as Richard Chait cautions) “boards need to stop and think about governance – instead of just constantly doing what they think is governance.”¹⁴

Recent research suggests that Boards should be thinking in a more disciplined manner about their work. Unless Boards are able to utilize thought (and ask questions) at three levels, or modes, they may not be truly governing the organization appropriately. The three modes of governance thought recommended by Chait, Ryan and Taylor in “Governance as Leadership” are (1) fiduciary, (2) strategic and (3) generative.

Type 1: A Fiduciary Mode of Thought is when the Board’s primary concern is oversight and stewardship of tangible assets. “Type 1 thought constitutes the bedrock of governance, the fiduciary work intended to ensure that nonprofits are faithful to mission, accountable for performance and compliant with relevant laws and regulations.”¹⁵

Type 2: A Strategic Mode of Thought, not to be confused with strategic planning, is to foster a “strategic partnership” with management. “Type 2 is where boards develop strategies with management to set the organization’s priorities and course and to deploy resources accordingly.”¹⁶ This creates a mental shift and entails a host of new relationships. Implications can be changes in board structure from committees to task forces, agendas looking more like discussion than checklists and communication and information flowing more freely between the Board, senior staff and key stakeholders.

Type 3: A Generative Mode of Thought allows the board to ask the fundamental questions that enable boards to see their work and the work of their organization from a new frame of reference. “Type 3 is where boards, along with Executives, frame problems and make sense of ambiguous situations.”¹⁷ Great governance often starts with asking great questions – Who are we? Why does our organization exist? What are our core values? How can we make better decisions? How can we ask better questions? What questions are we *not* asking?

The generative mode of thinking is perhaps the most neglected, but most important work a Board should be doing. The Board asks such fundamental questions that they have the power to creatively approach the mode and manner in which the organization thinks about itself and does its work.



NONPROFIT GOVERNANCE TODAY

It may also be helpful to identify some of the critical features of today's nonprofit governance context – an environment in which the nonprofit sector is both in flux and under a good deal of scrutiny. Bundled into three core areas, colleagues at BoardSource have identified eight of the most critical trends impacting nonprofit leaders and their organizations today:¹⁸

Government

1. Devolution: There is shrinking government support for some critical nonprofit services at the same time that many community needs have ballooned.
2. Legislative Reform: There are increased legislative reform efforts spurred on by scandals, from intermediate sanctions, Sarbanes-Oxley to a number of activist Attorney Generals (i.e. NY, CA, PA, OH). The current draft proposals and hearings of the Senate Finance Committee, as well as the ongoing IRS Compensation Investigation are shining examples of the actuality of legislative reform.

Corporate Influence

3. Encroachment: Nonprofit is a tax status, not a business strategy. For-profits have moved into the profitable corners of what has traditionally been nonprofit territory (e.g., healthcare). The reverse is also taking place – see “5” below.
4. Professionalization: Movements of the 1960s have become industries of the 21st Century. Earlier generations of nonprofit leaders were raised on the frontlines of service delivery. There is now a new breed of nonprofit leaders, trained in management programs and MBAs that are in search of on-the-job meaning.
5. Venture Philanthropy and Entrepreneurial Mindset: Increasingly, philanthropists look at themselves as “investors” rather than “donors.” There is an increased demand for outcome measurement such as ROI (return on investment analysis) and Social ROI (social return on investment analysis). In addition, some nonprofits are blurring the lines between for-profits and nonprofits by taking on entrepreneurial for-profit ventures to benefit their cause or mission.

Accountability

6. Media and Public Scrutiny: The spotlight of the information age is currently on the nonprofit sector. Unfortunately, there is a growing list of challenges that have come to light, from the United Way of America in the 1980's to The Nature Conservancy. In many communities, the spotlight is equally bright at the local level.
7. Enlightened and Empowered Donors: Donors know more and have access to more information than ever before. Examples of this include the ‘Best of’ lists



for colleges in US News and for charities in Worth. There are also online resources to educate donors, like Guidestar.

8. High Expectations: Nonprofits have always had a special trust placed in their efforts. Today they are being called upon to play even greater roles in our communities and represent a critical role in providing vital information and services to many citizens. This has fostered a high set of expectations concerning the actions and decisions of nonprofits.

In addition to these trends, there remains a good deal of interest in the evolving nature of effective board governance models and innovative approaches towards the work of boards. BoardSource conducted a study on innovative approaches to board governance entitled “Governance Futures Discovery Project.” In addition, Lakey, Hughes & Flynn authored the booklet “Governance Committee” in 2004. This information more definitively laid out the duties of a governance committee and capped the conceptual transition from “nomination committees” (too narrow a charge) to “board development committees” (too confusing a title) to the more robust “governance committee” role described today. Lastly, Chait, Ryan and Taylor have authored “Governance As Leadership: Reframing the Work of Nonprofit Boards,” an intriguing study that outlines a new model of nonprofit board governance based on the three essential modes of thought already discussed.

On top of this work, there is also the recent ripple impact of the Sarbanes-Oxley Act of 2002 passed as a result of a number of corporate scandals. While not designed to directly regulate nonprofits, the Sarbanes-Oxley legislation (and the best practices imbedded within it) have been a catalyst for a great deal of governance and financial systems innovation in the non-profit field.¹⁹

THE ROLE OF THE BOARD

Good governance begins and ends with the Board. While other elements of a nonprofit have vital governance responsibilities, the ultimate fiduciary duty to ensure the success of the organization rests with the Board. It establishes the leadership, culture, structure, processes and procedures whereby the mission of the organization is effectively accomplished. The Board has five absolutely critical tasks. These core tasks are non-delegable – although management and others often assist with the implementation of each. They are:

- Governance
- Performance
- Management Development & Accountability
- Strategy
- Ethics & Financial Integrity

Interestingly, the first, third and fifth of these critical tasks are often given a lower priority when it comes to the actual work of the Board. They “sound right,” but when you actually match the activities of a typical Board, you find an overwhelming slant towards performance and



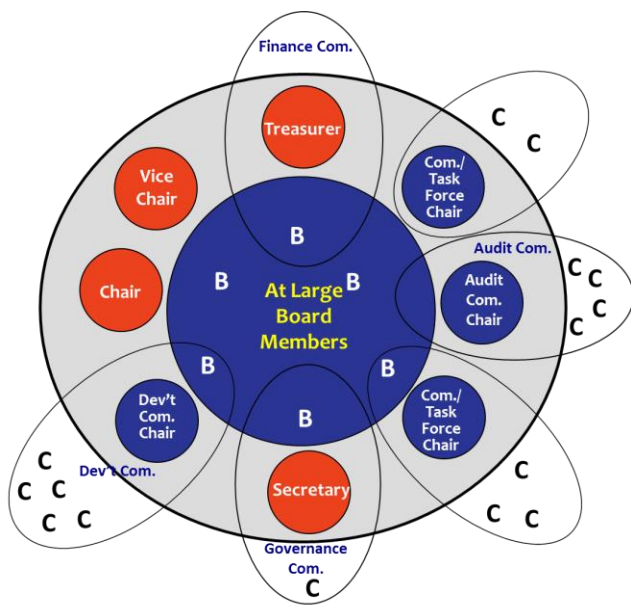
(sometimes) strategy. Significant attention to performance issues and strategy is warranted, but not to the exclusion of the other three.

Problems may occur that appear to be one thing (an ethics or management problem), but are often a result of poor oversight or governance practices. Without proper attention, the Board’s relationship with management can become unbalanced with micromanagement a looming danger at one end of the spectrum and lack of any meaningful oversight at the other end.

NONPROFIT BOARD STRUCTURE

As a colleague of mind is fond of saying, “if you’ve met one board – you’ve met one board.” Each board is truly unique in a variety of ways. Board structure also varies a great deal according to an array of factors such as the mission of the organization, the type of organization it is, the size of the organization, the complexity of its tasks, its budget, its geographic scope, etc. There is simply a huge amount of discretion and innovative potential as to how any individual board chooses to constitute itself.

It is, nevertheless, useful to identify certain Board structures that are widespread for many types and sizes of nonprofits. Cognizant of the fact that I am not suggesting a one-size-fits-all approach, the graphic model below presents some of the more common features of nonprofit board structures. Highlighted in dark blue is the area of the model that pertains directly to the role of a Board Secretary.



This model is designed to illustrate the complex nature of a typical nonprofit Board. Members (“B’s” at the center circle) elect a number of officers of the board (chair, vice-chair, treasurer and secretary circles in the outer ring). Also in the outer ring are other committee or task force chairs who are likely members of the executive committee (the outer ring only). Some of the critical work of the board is divided into the efforts of committees and task forces (ovals). Joining the board members in their efforts are a number committee members (“C’s”) who are not members of the board.

In larger or more complex nonprofits, this model is similar to the thinking of a great many experts that one of the standing committees should be a “Governance Committee.” The duties of the Board Secretary closely parallel those described for the members of a Governance Committee but are not intended as a substitute for the work of such a group. Indeed, I suggest that the most logical chair of the Governance Committee be the Board Secretary for that very reason. For those nonprofits unable or unwilling to constitute a Governance Committee (or that wish to get their



incrementally) the charging of the Board Secretary to help lead governance matters may be the ideal way to go.

While the above diagram is static out of necessity, think of it in a vein similar to that of a diagram of a living cell (which would also appear “static”) that we know is representative of an organic reality. That is, it’s a constantly changing dynamic system. Just as the cell needs to constantly monitor and carefully balance its functions, so too does a board need to monitor and balance itself on a regular basis. While the Chair, board members and CEO are all important elements in keeping such a dynamic equilibrium, something more is needed in many organizations where, for one reason or another, their board and CEO are too busy or too close to the issues to see the governance issues that frequently arise. Someone is needed who has access to the board and staff leadership, who can be trusted, and who can help the organization focus on those elements of its own governance that need attention.

What is needed is an overhaul of how we conceive of – and utilize – the Secretary of the Board.

A NEW ROLE FOR THE BOARD SECRETARY – “CHIEF GOVERNANCE OFFICER”²⁰

In an era where meaningful innovation is needed in the governance of nonprofits, it is time to begin the effort to design a new – and more meaningful – role for the nonprofit Board Secretary. The governance efforts of most Boards would be enhanced if the Board Secretary were asked to take a new role – a role that would position the Board Secretary to governance matters in a manner that is substantially more meaningful than that of a scrivener.

As such, I suggest that nonprofits should re-conceptualize the Board Secretary position to become the equivalent of the “chief governance officer” of their organization.

Why so?

There are three central reasons:

- (1) Many nonprofit boards need to take actions or make changes that will meaningfully improve their governance practices. This will enhance their ability to successfully carry out their mission. To do so, more is needed than information – there needs to be a champion of successful governance.
- (2) Board chairs, board members and CEOs are often too busy to sufficiently pay attention to board and governance matters per se. While the Chair and CEO are vital to governance success, it is often challenges concerning their efforts that are at issue. It is not always best to have the “foxes watching the hen house.” A Board Secretary can also, ideally, be a bit more objective.
- (3) There is a tremendous amount of focus on governance matters today. Nonprofits would be more accountable and meaningfully reduce the risks they face if they charge someone to pay attention to governance as “their job.” Good governance is



vital to success and yet it is almost impossible for many key nonprofit leaders to keep up with governance developments and best practices on a consistent basis – unless they have someone around who can genuinely focus on such matters.

What is needed is a leader and catalyst within nonprofits that can be a steady force to maintain a consistent and proper amount of focus on how they are leading and governing the organization. As Chait, Ryan and Taylor have pointed out, boards “don’t think about or debate governance – they just do it.”²¹ In essence – boards often just take the process of governance for granted.

Boards should be much more thoughtful and self-reflective concerning the ways in which they lead their organizations. When asked which model of nonprofit governance they utilize, many boards respond by asking, “There’s more than one?” In addition, CEOs and Executive Directors are often blamed for issues that flow from the lack of genuine leadership at the Board level.

This should not be taken to suggest that an inordinate amount of time be suddenly spent on the process of governing to the detriment of the ongoing operations of a nonprofit. Balance is, of course, appropriate. Unfortunately, in most organizations, the current balance is almost 100 percent on the operational oversight side of the equation to the detriment of effective governance.

DUTIES OF THE NEW BOARD SECRETARY AND CHIEF GOVERNANCE OFFICER

The Board Secretary should and can play a new and vital role in ensuring the effective governance of the functioning of the board and the entire nonprofit. The Board Secretary can do so by:

- (1) Working with the Chair and CEO to prospect for, recruit, elect, appoint and educate new Board members;
- (2) Encouraging and facilitating the regular process of board and committee self-assessments;
- (3) Helping the Chair with the recruitment and selection of the committee or task force Chairs;
- (4) Helping the board craft (and periodically review) the charge, scope and effectiveness of committees and task forces;
- (5) Encouraging and fostering leadership development and election of effective Officers;
- (6) Assisting with the periodic evaluation of the chief staff officer;
- (7) Maintaining (working closely with staff) the official records of the organization, the policies of the Board and the policies and procedures of the organization as a whole;
- (8) Helping with the periodic review and modification of Bylaws;



- (9) Assisting the Executive Director or President with board members that are dysfunctional or do not carry out their duties;
- (10) Helping the Chair craft effective agendas and ensure the quality of board meetings;
- (11) Serving as the Chair of the Governance Committee (if one exists).

CONCLUSION

There is a great deal more than needs to be learned about the potential role that Board Secretaries may play in the future of nonprofit governance. This brief concept paper is but a small piece of the puzzle. Research into the history of the Secretary role would be constructive. In addition, a more complete understanding of the distinction between the Secretary of the nonprofit corporation and the Secretary of the Board would be a meaningful contribution. The interplay between this new conception of the Board Secretary as a “Chief Governance Officer” and the Chair, CEO, Board and the Governance committee are also areas that need further exploration.

Despite this genuine need for more information and analysis, it does appear to be the case that a new conception of the Board Secretary role would be a useful catalyst in helping nonprofits to govern themselves in a more successful manner. With the increased scrutiny of nonprofits in the modern era, it is essential that nonprofits take innovative steps to ensure they are more effectively led. It is time to be thoughtful about this issue not only at a conceptual level, but also by looking at – and perhaps re-conceptualizing – the fundamental roles played by nonprofit leadership. In that vein, it is time to begin the effort to design a new – and more meaningful – role for the nonprofit Board Secretary. The Secretary is uniquely positioned to step easily into the role of “Chief Governance Officer” or Chair of the Governance Committee. This new role has the potential to greatly impact the governance of contemporary nonprofits and heighten their organization’s ability to carry out their vital missions.



ENDNOTES

- ¹ At the outset it should be noted that the term “secretary” is often used to refer to two different officer positions within a nonprofit: (1) the “secretary” of the nonprofit corporation, a position required by state law in many states to form a nonprofit organization, and; (2) the secretary of the board – an elected officer position of the Board. This paper concerns the latter, not the former – although I would suggest that once the Board Secretary is properly elected he or she could, in appropriate circumstances, also be appointed the Secretary of the nonprofit corporation as well. This might help to eliminate confusion, ambiguity and the duplication of certain critical responsibilities.
- ² For example – the “Job Description” of a Nonprofit Board Secretary currently listed on the BoardSource website is:

What is the job description of a board secretary?

- ③ **Attend all Board Meetings**
- ③ **Serve on the executive committee**
- ③ **Maintain all board records and ensure their accuracy and safety**
- ③ **Review board minutes**
- ③ **Assume responsibilities of the chair in the absence of the board chair, chair-elect, and vice chair**
- ③ **Provide notice of meetings of the board and/or of a committee when such notice is required**

³ Hall, Peter Dobkin, *A History of Nonprofit Boards in the United States*, 2003 (BoardSource).

⁴ Drucker, Peter, *Managing the Nonprofit Organization*, Harper Business, 1990, p. xiv. Indeed, he points out that “hospitals saw themselves as hospitals, churches were churches.”

⁵ *Id.* p. xiii.

⁶ *Id.* p. 22.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* p. 23

¹⁰ *Id.*

¹¹ *Id.*

¹² Lakey, Berit, *Nonprofit Governance: Steering Your Organization with Authority and Accountability*, 2000 (BoardSource)

¹³ *Id.*

¹⁴ Chait, Richard, *The Problem with Governance*, Board Member, June/July 2004 Volume 13, Number 4, p. 7.

¹⁵ Chait, Ryan & Taylor, *Governance as Leadership*, Board Member, June/July 2004 Volume 13, Number 4, p. 9.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Bobowick, Marla, BoardSource, from an unpublished BoardSource briefing paper, 2005.