

# The Importance of CEO and Board Communications for Nonprofits

~ Ric Gregoria and James-Allen McPheeters

This past fall, Williams Parker hosted a half-day seminar for over 75 leaders of nonprofit organizations in our community. The seminar, entitled “Nonprofit Matters Forum: Management Challenges Facing Nonprofit Leaders,” included talks by Kathryn Miree, a nationally recognized philanthropic advisory consultant; breakout sessions exploring current issues facing nonprofits; and a roundtable discussion among local nonprofit executives. The nonprofit forum focused on how to build an effective, dynamic, engaged board; the keys to success in order to survive and thrive in a challenging nonprofit environment; and the top issues and challenges faced by nonprofits. Two consistent themes emerged: first, that clear and regular communication between the nonprofit’s board and its chief executive officer is critical to the success of a nonprofit, and second, that a nonprofit’s board and its chief executive officer must understand what they are doing and why they are doing it.

In a prior *Requisite* article, “Want to Join a Nonprofit Board and Have a Rewarding Experience? Increase Your Odds with Due Diligence,” Michael J. Wilson of Williams Parker wrote about issues a prospective board member should consider before joining the board of a nonprofit. That article explored, among other things, how the size and structure of a board can affect a board member’s experience, due diligence regarding a nonprofit’s finances, and the basic legal obligations of a nonprofit board member. Having participated in the nonprofit forum, and with Mike’s article in mind, we were struck by a simple reality—that to ensure quality communications between stakeholders in a nonprofit and for those stakeholders to understand what they are doing and why they are doing it, there must be a thoughtful and robust relationship between a nonprofit’s board and its chief executive officer. Undoubtedly, there are many aspects to such a relationship. The focus of this article is of the high-level variety: understanding the basic structure of a nonprofit organization, who are the key individuals in a nonprofit organization, and insights into the interactions between a nonprofit’s board and its chief executive officer, which are critical to the success of an organization.

Nonprofits are top-down organizations wherein a discrete group (the board) is responsible for interpreting the nonprofit's governing documents and, in so doing, guiding the mission of the organization. In contrast to for-profit endeavors, however, a key distinction with the majority of nonprofits is that the board members guiding the organization are not shareholders or executives in the organization, with long-term institutional knowledge; rather, they are volunteers who serve a finite term governing the organization. In practice, this means that unlike for-profit endeavors where an individual may simultaneously be an employee, board member, and owner of a company, the majority of nonprofit board members, by their nature, do not have the same long-term, institutional knowledge as does the nonprofit's chief executive officer who, typically, has been with the organization for an extended period of time. While providing finite terms for board members can be a positive way of continually introducing new perspectives and new ideas to an organization, it is important to keep in mind that no matter the recency or duration of a board member's involvement with a nonprofit, by law, board members as a whole are charged with the direction and management of the affairs of the organization.

As Mike Wilson addresses in more detail in the previously mentioned article, the obligation to direct and manage the affairs of the organization takes the form of certain legal obligations that board members owe to the organization. Among them is a board member's obligation to make decisions in good faith with the level of care that an ordinarily prudent person in a like position would exercise under similar circumstances. Because the law provides that a board member may rely on the officers and employees of an organization in discharging this duty, the communication and balance of the relationship between a nonprofit's board and its chief executive officer are of great importance—not only in the board member and the chief executive officer working together to help the nonprofit articulate a strategy for the organization that best fulfills its mission, but also in a board member fulfilling his or her legal obligations.

In order to bridge the knowledge gap that often occurs as a result of board term limits and board member turnover, some nonprofit boards will have the chief executive officer serve as a member of the board, while others often have the chief executive officer participate in board meetings solely by invitation of the board. In most nonprofits, the chief executive officer does not serve as an active or voting member of the

board, which helps avoid conflicts and allows the board to act independently of management in the fulfillment of its role. While having a chief executive officer serve as a board member in a nonprofit can have its benefits in offering a greater bank of institutional knowledge and fostering clear communications, these benefits must be carefully weighed against the murkiness the chief executive officer's board membership creates in defining the role of the chief executive officer, in defining the role of the board, and in preserving the appropriate level of board independence. This can be a polarizing issue among leading nonprofit experts, as some are adamantly against a chief executive officer acting as a board member while others are strong proponents of a chief executive officer acting as a nonvoting member of a nonprofit's board. Because each nonprofit organization is unique, this issue must be thoroughly addressed on an organization-by-organization basis.

Though the scope of a chief executive officer's role varies by nonprofit, there are fundamental aspects that ensure a proper dynamic between the board, in its role of directing and managing the affairs of the organization, and the chief executive officer, in implementing the directives of the board and managing the day-to-day operations of the organization. Among these fundamental aspects are the following: (1) that board members are respectful of each other and the chief executive officer, and vice versa; (2) that there is complete candor between the board and the chief executive officer; (3) that board members and the chief executive officer appreciate and solicit each other's ideas on a regular basis; (4) that board members and the chief executive officer share the philosophy and values of the organization; and (5) that board members and the chief executive officer advance the philosophy and values of the organization, not their own agendas.

Though these are basic tenets for any relationship, these concepts, as well as the legal obligations that board members owe to the organization, illustrate that the relationship between a nonprofit's board and its chief executive officer must be a supportive series of checks and balances. When present, these tenets, as well as an adherence of board members to their legal obligations, will allow the board to craft a strategy to advance the organization and its mission, and provide clarity to the chief executive officer to implement that strategy and execute the mission of the organization. The inherent tension in any system of checks and balances—especially one of a nonprofit where board members roll on and off a board, while a chief executive officer (who serves at the pleasure of the board) attempts to implement the board's strategy for the organization—in the best of circumstances creates a structure that allows for and fosters creativity in advancing an

organization's mission. Such advancement must be strategic in nature, based on knowledge of the organization and rooted in a thoughtful and robust relationship between an organization's board chair and its chief executive officer.

The importance of the relationship between a board chair and an organization's chief executive officer cannot be overstated. As a starting point, the board chair must not only adhere to the tenets outlined above, but she or he must also focus intently on developing a working relationship with the chief executive officer. Such a relationship must be based on a clear understanding of what the organization's mission is, what the strategy is to implement that mission, and what the chair, on behalf of the board, and the chief executive officer are doing separately and together to advance that mission. The development of this sort of relationship is not borne by simply attending a monthly or quarterly board meeting. Rather, to form and maintain such a relationship, a board chair and an organization's chief executive officer should meet on a regular basis (scheduled or nonscheduled) to discuss issues affecting the organization and the board. These discussions necessarily need to cover the health of the organization—how it is meeting its mission in the community—but should also contemplate the health of the board—how the board continues to develop and improve its management of the organization.

An often overlooked aspect of most nonprofits is the succession plan for the board and the organization's employees, i.e., who will lead the organization in the future and how best to integrate those individuals into the organization. Regardless of how well an organization communicates and the checks and balances it implements to help ensure that the stated mission is fully and properly carried out, it is vitally important that a nonprofit select the right board members and chief executive officer, and that it has a clear succession plan in place. In order to help select a person who has the proper attributes to serve as a board member or a chief executive officer, you will find it helpful for your nonprofit to have a detailed, written description of such attributes created by the board. This description should be carefully and thoughtfully created and reviewed for propriety, and revised, as appropriate, on at least an annual basis. Properly created, this will serve as a filter that helps to ensure the right people are selected for both interviewing and hiring, which in turn helps to secure the success of the organization and its members. Once board members and employees are selected, it is equally critical to have an established orientation program in place, one that educates the new chief executive officer or board member about the organization, its goals, values, and mission. In fact, some organizations find this to be so important

that they mandate that every board member and its chief executive officer read the organization’s mission statement each year and affirm both their understanding and “buy-in” of the organization’s mission.

The relationship between a board and a chief executive officer needs to be viewed in light of a clearly articulated mission and plan for the organization. By understanding the basic structure of a nonprofit organization, the relationship between a nonprofit’s board and its chief executive officer, and by developing and maintaining regular and thoughtful quality communications between a nonprofit’s board and a nonprofit’s chief executive officer, a nonprofit is in the best position to know what it is doing, why it is doing it, and how to meet its mission in a challenging and ever-changing nonprofit environment.



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