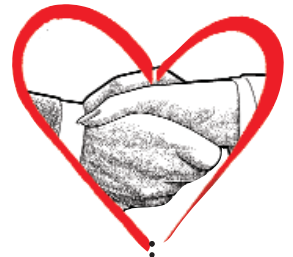


Module 1

Trends Affecting Nonprofit Organizations: Managing Nonprofit and Voluntary Organizations in a Changing Environment



Drivers of Change in the Governance of Nonprofit Organizations

Board Governance Trends

Generational and Demographic Patterns Trends

Regulation, Legislation, and Legal Liability Trends

Finances, Accountability, and Fund-raising Trends

Ethics, Image, and Public Relations Trends

Diversity, Specialization and Collaboration Trends

Technology and Data Management Trends

(BoardSource, 2002)

In their book, *Reinventing the Board*, John Carver and Miriam Mayhew Carver (1997:3-6) make a case for preparing boards to be successful in this changing environment. The rationale used by Carver and Carver requires boards to become stronger. This means that a stronger and more sustainable board relies on modified and updated board governance. Specifically, policy governance is the theoretical framework that fosters greater efficiency and effectiveness among nonprofit organization boards.

The new policy governance model does not directly increase control by the board or the chief executive officer. Instead, it is the reassignment of areas of responsibility by making distinctions between internal organization and external organizational matters. It involves a reinvention that shifts board attention during meetings from behaviors, reports, and activities to policy formation. The theoretical model is based on a rational, decision-making framework (Carver and Carver, 1997: 4-5).

The dimensions of board attention are altered with the policy governance model. The CEO's role is to execute and administer policy. Under this reinvented model, the board addresses policy and procedures. The distinction in the new model addresses (1) the type of decision or policy and (2) the size or scope of decision or policy. Therefore distinctions between policy and procedure, strategy and tactics, policy and administration, and goals and objectives are not as significant with the new model. The matrix is defined by function tied to internal and external linkages (Carver and Carver, 1997: 10-11).

The starting point for the policy governance model is board accountability for the organization it governs and the constituents it serves. The matter of moral and legal "ownership" is a significant enhancing factor that contributes to this sense of



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accountability and responsibility. The board is the forum that expresses the linkages between clientele and effective programs to serve the clientele (Carver and Carver, 1997: 10-11).

The organization’s mission must be clear and easily understood. The mission must show a direct connection to those served by the organization. The board holds the responsibility to ensure that end is realized. Thus, the board members must understand the principle that they have authority and accountability to serve the interests of mission specified clientele and constituents (Carver and Carver, 1997:16). The board accomplishes this through its structure including the board, the CEO or administrator, the chair of the board and the committee structure (Carver and Carver, 1997:16-17). Each of these elements is linked together to address the organization’s ends through specified means (Carver and Carver, 1997:17-18).

Carver and Carver (1997:25) propose a theoretical model that identifies four quadrants of Board Policy Making:

Board Policy Governance Model by Types of Issues

(Carver and Carver, 1997:25)

Trends and Factors to Consider

Governance Process Policies	Ends Policies
Governance Process Issues	Ends Issues
Board-CEO Linkage Policies Board-CEO Linkage Issues	Executive Limitations Policies Staff Means Issues

While Managing Change and Shaping Boards

Board Government Trends

Focus on Policy Formation: Boards are focusing less on show-and-tell reports about programs during meetings and more on action-oriented discussions. Board members are expected to read the reports prior to meetings and be prepared to recommend actions to implement policy during meetings. Consent agendas are likely to become a meeting and agenda management tool. This allows the board’s attention to become focused on issues that matter most to the organization. In particular, the agenda of meetings addresses issues important to stakeholders and constituents.

Changing Board Focus — Activity vs. Policy: The focus on boards is changing



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from operational to strategic and policy outcomes. Management of programs by the board in recent years has become too complex, too litigious and too risky. The administrators, staff and volunteers are taking on a greater operational and management role. Boards are shifting from an internal focus to an organizational and out-reach context within the community.

Regulation, Legislation and Legal Liability Trends

Focus on Efficiency: More board tasks are shifting from volunteer members to staff. The duties of treasurer, secretary and administration are becoming more formalized. The board education process is moving from mentoring and learning by watching to formal orientation, which addresses mission-related issues and board duties and legal responsibilities. Board manuals that contain job descriptions, orientation materials and copies of important documents speed the learning process and provide a base of common information for new members.

Focus on Smaller Board Size and Fewer Standing Committees: Boards are getting smaller. Gone are the days of 20- to 30-member boards. The recommended size of a nonprofit board is 8-12 members. Special purpose boards may contain as few as 6-7 members. This increases the level of individual responsibility and impact during decision-making. Meetings are marked by easy communication and active participation among all members. Boards are creating fewer formal standing committees and more *ad hoc* committees and time-limited task forces (Taylor, Chait and Holland, 2000; Bowen, 1994:20-68; Carver and Carver, 1997:15).

Efficiently Run Meetings — Decision Making vs. Reports: Board members and leaders are reacting constructively to the increased demands for effective time management. Board members will not tolerate long and time-wasting meetings.

Influence of Founders vs. New Constituents: The influence of founders and charter members is diminishing over time in terms of board actions and directions. This influence has changed with the addition of new members and diverse interests. Role and influence of the organization's founders are less visible. This trend also points to the gradual erosion of history, custom, tradition and past successes. The success of the past ironically may deter planning for new objectives. In short, the history and the past are less significant than current demands.

Organization Lifecycle — Early, Middle, Late or Crisis: Nonprofit organizations are always experiencing change. Board members, staff and volunteers come and go more so now than ever before. The organization is always in some stage of a lifecycle — either the organization is growing, stable or declining. The threat of decline is an on-going feature of life in any organization no matter how strong it is. Each stage has its own risks and opportunities. The current stage in the organizational lifecycle influences staff and volunteer morale, program success, community impact and perceived program effectiveness, and organizational image and fund raising.

In previous decades the organizational lifecycle underwent slow change because the tenure of membership on boards and among staff and volunteers was longer, and the pace of change was slower. Today the lifecycle process and the duration of different



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phases of a nonprofit organization's lifecycle is much shorter. The composition of a board can change drastically in three years or less.

Finances, Accountability and Fund-Raising Trends

Board Members and Board Legal and Fiduciary Responsibilities: Board members must understand the level of responsibility they take on when becoming affiliated with a nonprofit board as a director or board member. There is a need for recognition to occur at two levels: (1) responsibilities as an individual serving on the board and (2) responsibilities of the board to its constituents and the public's general welfare in accordance with the specifications of the organization's charter with the state's Secretary of State. These legal responsibilities include ethical and fiduciary responsibilities. The nonprofit organization must uphold the public trust to serve its clientele.

Changing Stakeholders — Key vs. Moneyed Representatives: A significant trend seen on nonprofit boards is the process of building support through stakeholders in this increasingly competitive environment. The nonprofit organization provides services to a constituency; and, therefore, it must be financially sustainable in order to provide those services. Board membership must undergo change to reflect the need for sustainable financial support. Placement of members on nonprofit boards is now strategic. It reflects the organization's internal and external constituencies. Service on a nonprofit board must reflect the needs of stakeholders, constituents and clientele.

Build Support for Program Sustainability: A major activity of the nonprofit organization is to build support for its program delivery by aligning itself with new stakeholders and supporters. Strengths and commitments of board members are changing from respected families, key personalities and traditional community leaders to business and political and individuals with the financial means to support programs or the ability to direct community assets and financial support to the organization's programs. The question today is, "Who can benefit the organization with direct financial contributions or attract financial contributions to the organization?" In short, board members have financial assets themselves or they have access to financial assets.

Focus on Program Outcomes and Results: As boards move from an operational focus to a strategic focus, greater emphasis is placed on outcomes rather than on how things are being done. The board's annual evaluation process is moving away from length of service and history among board members, staff and programs to increased accountability and measurable outcomes. The industry-based and government-service term, benchmarking, is being used as a barometer of performance. Boards are more likely to measure administrative staff performance against a job description and performance reviews.

	1936 & Before Depression WWII Generation (66+)	1937-1944 Post WWII Generation (65-58)	1945-1964 Baby Boomers (57-38)	1965-1979 Generation X (37-23)	1980 & After Generation Y (22 & under)
MAJOR EXPERIENCES	The Depression WWII Sacrifice Hard work for a better future	Transition, change, and opportunity Education Automobile access Mobility Industry	Prosperity and large size Responsive marketplace and public crunched by own size	Prosperity and smaller size High tech/high touch Competition with boomers Negative view AIDS, riots, crime, TV (Violence), 40% products of divorce Living in an era of diminished expectations	Uncertain prospects Large size Boomer & buster parents w/active grandparents High tech/high touch Latch key - 2 income families
KEY MOTIVATORS	Stability and security	Consumerism Credit access Mass media	Respect and success	Enjoyable experience (Prosperity for fun) Many options, freedom	Disposable Instant gratification Truth and team play
VALUES	Loyalty Experience is the best teacher Pay your dues Respect for authority and institutions Patriotic Save for rainy day	Work Education Mass consumption Mass marketing Mass media Mobility Enhance opportunity	High social conscience & self interest (do good & do well) Work as part of self identity (work hard) Credential important Demand for involvement in decision making	Self indulgent, soul searching, cynical Not involved in issues (keep options open) How time is spent is more important than what is being done Sense of entitlement Little loyalty to institutions	New civic community Focused on the outer world - science, math, economics, politics More self-confidence Distrustful of gov't, health care & media (determined to improve things)



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Purpose of Evaluation: Since the organization exists to serve clientele, the board should use evaluation methods that help program areas measure success. The purpose of the evaluation is to enhance professional development, along with efficient and effective delivery of services designed for clientele. The evaluation is not an audit, test or system to promote criticism of the program. The board must ensure that job descriptions are in place and that achievement of program objectives are evaluated in a reliable and valid manner. The purpose of assessment is to learn and improve rather than criticize. The performance appraisal is driven by results and outcomes that are linked to defined timetables. Evaluation also provides clear measures of program outcomes and success (Taylor, Chait, and Holland; Bowen, 1994:20-68; Carver and Carver, 1997:114-124).

Ethics, Image and Public Relations Trends

Focus on External Relations and Factors: Boards are moving from an internal board-oriented focus to external relationships. This takes into account changes in the community and the private and public sectors. The Board orientation moves from informal to formal relations and structures.

Community Links — Long-Term vs. Short-Term: Strong long-term links to communities and institutions are threatened by shorter commitments on all fronts: board members, CEO's and administrators, staff and volunteers. The links with the community at-large are more utilitarian.

Volunteer Base — Life Long vs. Situational: Boards must adapt to the changing profile of volunteers and their needs and expectations. The level of professionalism is increasing on all fronts. Volunteers, themselves, are becoming more selective when making choices to serve with nonprofit organizations and voluntary activities.

Diversity, Specialization and Collaboration Trends

Focus on Diversity: Boards are more sensitive to different forms of diversity other than gender, ethnicity and geography. Generational diversity is becoming a stronger influence in determining how boards conduct business. Board composition moves from personal connections to strategic diversity.

Change in Purpose and Audience — Clientele Driven: The board must recognize and effectively respond to changing mission, clientele and constituencies. They must change with the times. Boards are moving from stand-alone models to collaborative relationships as the focus become more client-oriented. This clarifies special functions, roles and niches in the provision of services. It also addresses overlapping interests.

Collaboration — Independent vs. Interdependent: Movement among agencies is from independence to collaboration and mergers. Similar nonprofit organizations are merging or, at the least, forming partnerships or collaborations. Organizations that



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complement one another as they offer a range of interrelated services to clientele are linking efforts, sharing resources and providing mutual support for one another.

Technology and Data Management Trends

Focus on Technology: Boards are relying more on electronic mail and conference calls to communicate, disseminate and exchange information for decision-making, reports and agenda items. Equipping board members with wireless laptops will become the norm, not the exception within a few years (Hughes, 2002; Fisher and Cole, 1993:81-96).

The Potential of Generation-X for Nonprofits

Greater Impact on Society's Value System and Workplace

- Boomers are beginning to move into retirement from one career, but they will continue to work. They are 10-15 years from true retirement.
- The Generation-X group is beginning to take over politics, arts, education, media, business, etc. This will result in quicker solutions and less political maneuvering.

Different Conception of Family and Church Roles

- Gen-X shows more interest in family values, relationship commitment, later marriage, less divorce, having children late, and having fewer children.
- Gen-X members show more connection to a faith community. This may include church, new age, and increased spiritualism. A form of new morality seems to be emerging that is more naturalistic and holistic.

Greater Efficiency in the Use of Work Time

- Gen-X and Boomers demand a shorter or rearranged workweek with improved efficiency and productivity.
- Gen-X members are engaged in a wide variety of activities with a short attention span.
- The virtual business setup fulfills many time and efficiency needs of the Gen-X group.

Greater Adherence to the Business Model

- Gen-X and Boomers focus on entrepreneurship that includes few constraints
- They seek freedom, individuality, and creativity. Many find reward as specialists and consultants
- They use the franchise industry to gain wealth in a different more independent way.

Increased Diversity is Taken For Granted

- Gen-X shows greater acceptance of diversity and improved racial and ethnic



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relations.

- As traditional political parties do not serve their interests, expect new political parties to form.

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