

Houston Business Journal - February 2, 2009

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HOUSTON BUSINESS JOURNAL

Friday, January 30, 2009

Private-sector leaders can influence nonprofits in challenging times

Houston Business Journal - by [Bill Boyar](#) Special to Houston Business Journal

Many leaders in the private sector contribute their time and talents to the nonprofit community.

Whether in education, health care, social services, the environment or the arts, the challenges facing the nonprofit community mirror, or even dwarf, those facing the private sector today. With the depressed earnings of private foundations, redirection of government funds to meet other demands and the obvious pressure on individuals to carefully manage their personal resources, many nonprofits are facing reductions in funding while in many instances the demand for their services is increasing.

So, how can business leaders help these nonprofit organizations overcome challenges and continue to pursue their missions?

The nonprofit sector needs strong private sector leadership to provide guidance and experience to help shape these organizations. In times of economic and social stress, the contributions that private sector leadership can make to support the sector are even more pronounced. By providing sound leadership at the board level and supporting and mentoring senior management, board leaders can influence organizations in many ways.

Here are some specific ways in which private sector leadership can contribute to the success of nonprofit organizations, regardless of the economic climate.

Board development and engagement: The starting point for a successful nonprofit is the makeup and engagement of the full board. The board must be diverse in backgrounds, viewpoints, talents and resources, and represent a cross-section of the community. The board members must be committed to the mission of the organization and individually engaged in its work. To be effective and efficient, the board must be right-sized for the organization. The board members must be informed and involved, but that involvement should be strategic and not tactical. The most effective boards are those that provide guidance, strategic direction, expertise and financial support and rely on a competent staff to execute strategy and run the business. Meddling board members who insert themselves in operational matters can create waste.

Clarity of mission: A key area of concern for nonprofit leaders today must be the relevance and clarity of the organization's mission. One of the things that will endanger a nonprofit in these difficult times is a lack of a clearly defined and relevant mission. Another is mission creep — the expansion of mission beyond that clear mission on which the organization is fundamentally based — to the point of confusion. Leadership must preserve the mission and be able to communicate it effectively to all constituents. This is another area where private sector leadership can bring discipline to the organization.

Financial discipline: A very critical contribution that private sector leaders can provide nonprofits is strong financial discipline. Organizations should recruit qualified corporate financial managers to serve on the

board and provide guidance to the nonprofit's accounting team. Implement sound financial reporting and controls, including budgeting, preparation and presentation of financial statements and cash management. Doing so can mean the difference between survival and failure for many nonprofits that live at the edge financially. Strong financial reporting and controls are respected by the donor community and can often be the determining factor in getting funding.

Development of strategy and board engagement: A fundamental responsibility of any board is to set strategy and oversee execution. In the nonprofit environment, this is where board makeup and engagement are so critical. A board comprised of diverse members with a breadth of expertise and experience can contribute enormous value to the strategic direction of a nonprofit. Moreover, once a finite set of strategic initiatives is adopted, and if the board is organized along strategic lines (rather than traditional corporate committee governance lines) board members' talents can be much better utilized. This can enable the board to contribute to successful execution of strategic initiatives, which can contribute to stability.

Organizational development: A final area where private sector leadership can have a tremendous impact on nonprofits is in the area of organizational development. Many of the important structures and tools that are implemented in private companies do not find their way into the nonprofit world. Examples include such things as articulated core values that are developed with staff input, regular institutionalized performance reviews, bonus compensation programs, succession planning and leadership development. Board leadership should work closely with senior staff leaders, provide mentoring and help design professional development programs.

These are difficult times for many nonprofit organizations doing critical work in the community that has to be done. There will be increased demand to feed hungry people, help the mentally and physically ill, provide shelter and services to the homeless, protect and nurture the environment and provide access to the arts. Our private sector leaders can contribute enormous value to these many organizations. Now is the time to do so and bring private sector wisdom to bear.

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