

Management File

Tips, resources and information to better manage and develop your working life

By Robert D. Poirier

Management File is designed to help readers overcome management and work challenges, while also providing tips, tools and resources of interest to nonprofit executives. If you have a management tip, challenge or information you would like to share, please email ap@afpnet.org.

Boards of Advisers: Good for Nonprofits, Too

Are boards of advisers appropriate and useful for nonprofits or only for for-profit organizations? Actually, both types of entities benefit when they create boards of advisers simply because founders, majority stockholders and executive directors of a growing organization may, at some point, lose sight of the forest and become too engrossed in the trees. The recent spate of major corporate disasters and the advent of Sarbanes-Oxley have focused much of the attention on board of directors and far less on advisory boards. However, although advisory boards do not have the legal responsibilities of full boards of directors, they can play a vital role in the success of a nonprofit organization.

Despite the old adage “It won’t happen to me or my organization,” many entity leaders do, in fact, lose sight of the forest. At times they will be befuddled by operating and growth issues simply because their thinking is tainted by the fact that they often are members of the founding family or organization, they function as the chief operations/financial/marketing person, they may be the majority stockholder, and frequently they may be running the operation without a solid management staff. Advisory boards help mitigate that dilemma by bringing outside perspectives and certain elements of objectivity, confidence, affirmation and, to some extent, accountability to the organization’s growth and profitability objectives.

What is a board of advisers? It is an

informal group of advisers selected by the executive director or CEO from outside the organization. It is more structured than an ad hoc group of peers or a management committee composed of internal staff.

Typically, boards of advisers may eventually become involved in several areas, including providing strategic direction, developing key business contacts, mining competitive intelligence, weighing in on information technology alternatives and solutions, establishing better community relations, generating new ideas, raising capital, providing a sounding board, establishing credibility in the marketplace and, in some

cases, even evaluating the financial performance of the organization (the latter depending on how much the CEO is willing to share with the board). These are all fertile areas for consideration at meetings. However, just as important, the CEO or executive director must set the tone of the organization’s direction and clearly articulate it so that each member develops the proper context in which he or she will operate and be better able to generate sound advice, ideas and impressions.

If the idea makes sense, one of the difficult considerations for the executive director is deciding whom to ask to be on the newly formed board. Although there is no right or wrong answer to this question, executive directors need to keep in mind that they must expect and require complete confidentiality from any member. Individuals must bring a barrel of business acumen and be willing to offer honest, unbiased opinions regarding the issues raised. They also should be people who are inquisitive enough to ask tough questions, stimulate thinking, challenge and



mentor the executive director, and ultimately provide the appropriate advice and be a catalyst for action.

The CEO should not necessarily attract “yes” men or women or those who would agree to serve simply to gain a notch in their résumé or bragging rights about the appointment at the Lions Club, the local town meeting or the country club. Also, it is not necessary to have your organization’s accountant, lawyer or consultant as a member of the board. In fact, there is a strong argument for not having these individuals involved on advisory boards. Your organization is already paying them for advice. Instead, leaders should seek to bring new, unadulterated thinking on the issues raised at meetings. Unaffiliated advisory board members can help provide a fresh and different perspective that is often

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needed for full board of director discussions. However, on balance, advisory board meetings should be fun and stimulating, fostering vigorous discussion. When selecting board members, that should be kept in mind.

So, where does one look to identify and attract new members? The CEO’s personal network, outside referrals and contributors, as well as nonprofit consultants are often common sources.

The executive director may even want to consider a key vendor or a significant client. (However, if one chooses to discuss financial information with the board, this could be a double-edged sword). Other possibilities may include a business school academic, a recently retired executive with advisory or corporate board experience, a recognized community activist, an industry consultant or an appropriate person from the medical or religious community. In some cases, even a highly regarded former employee may be suitable. In any case, the executive director or CEO needs to be sure that the candidate has a sincere interest in giving back to the entrepreneurial community; has the ability to mentor growing companies; has sector connections; is passionate; and has a sincere desire to meet with like-minded, experienced individuals



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to help brainstorm the hot issues of the day, all in the best interest of the organization. Availability is also very important. The selection of a “name” candidate who attends meetings infrequently is of little value.

Regarding compensation, the CEO must offer something. This may be a nominal fee per meeting, culinary fare, reimbursed expenses, free services or products provided or produced by the entity, etc. Whatever the compensation, it should not be the main reason to join. The aforementioned motivators should prevail, and thus a token amount will usually suffice. The CEO should seek a long-term commitment and take the responsibility for providing a stimulating forum to encourage the enthusiastic contribution of each member to the meeting agendas. Attracting a solid group to an advisory board does not absolve the ex-

ecutive director from leading the process and gaining the most horsepower from all participants.

More often than not, meeting frequency can become an issue for advisory board members. Meeting dates should be planned six months in advance, and an agenda should be provided one week to 10 days before each meeting. Ideally, meetings should be held at least quarterly. Monthly meetings may be too frequent because it often sets a precedent for advisory boards to function as operating committees and, therefore, diminishes their effectiveness. Minutes should be taken (simple and short) and distributed soon after each meeting in order to lend some historical perspective to each session. They provide the basis for agenda items for the next sessions, as well as feedback to the members on what the previous meeting accomplished in the

intervening periods with regard to their recommendations.

Despite the obvious benefits of forming boards of advisers in emerging, closely held businesses and non-profits, it is estimated that only about 20 percent or less of all organizations actually get around to doing so. That is probably unfortunate. The opportunity to rise above the trees and view the entire forest can be quite revealing. An executive director’s or CEO’s time invested in organizing a board of advisers and attracting the best and brightest to participate will pay off multifold and be an investment well worth making. ☞



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To help managers keep up with the wealth of research on philanthropy, philanthropists and fundraising, the following review provides some pertinent findings.

Soliciting Donors With a Gift

By Russell N. James III, J.D., Ph.D.

Does it make financial sense to include a small gift with a donor mailing? Dr. Armin Falk of the University of Bonn in Germany conducted a field experiment to help answer this question.

Dr. Falk worked with a large international children's relief charity to mail three different versions of an appeal to about 10,000 donors in Zurich, Switzerland. All households received identical letters requesting gifts to fund schools for street children in Bangladesh. One-third of the recipients received a set of four postcards featuring reproductions of paintings drawn by children, another third received only one of the postcards and the final third received no addition to the letter.

The frequency of donations increased by 17 percent when one postcard was included and by 75 percent when all four postcards were included. The inclusion of postcards was most likely to increase the number of smaller gifts (up to \$50), and it had no positive effect on the frequency of large gifts (over \$100).

After subtracting the cost of the postcards, net revenue still increased substantially with the postcards. Inclusion of one postcard generated a net revenue increase of 22 percent. Inclusion of four postcards yielded a net gain of 55 percent.

Dr. Falk then examined whether these gains were real or simply reflected donors' changing the timing of their giving. He compared the response rates among the three groups to another appeal sent two months later. There appeared to be a small amount of substitution taking place. Those who had received postcards in the previous appeal were slightly less likely to



give in the following appeal. Even with this substitution, the four-postcard approach still generated 38 percent more revenue across both appeals combined.

While this study does not show the effects of repeated gift interventions, it does suggest that a one-time small postcard gift has a positive effect on response rates, total revenue and net revenue.

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