

**GOVERNANCE OF NONPROFIT ORGANIZATIONS
SYLLABUS 2009**

**SEEK 453-B SECTION 91 (Board Fellows Section)
TUESDAYS February 10th, 17th, 24th, March 3rd and 10th 3:15-6:15 pm
and
SEEK 455-B SECTION 91
WEDNESDAYS February 11th, 18th, 25th, and March 4th and 11th 6:30-9:30 pm**

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Office Hours: Monday-Friday 8:30 am – 2:00 pm**

Because governing boards are such a vital component of nonprofit organizations in the U.S. and NGO's throughout the world, and so crucial to an organization's success, we include this course in the SEEK curriculum.

GOALS OF COURSE

This course is designed to provide an understanding of how nonprofit organizations are governed for students who may serve on a nonprofit board of directors, be employed by or work for one of them as a volunteer. The intent is to help students appreciate the nature of nonprofit organizations; the roles and responsibilities of boards, the staff and volunteers; how their boards function including the unique aspects of nonprofit board governance; and what makes boards and individual board members effective and ineffective. The course will also address changes in governance as a result of recent federal and state legislation. The course will be developed through readings, lectures, cases, discussions, role play and individual and group projects. Several guest speakers will add additional perspectives to the class.

By the end of the course, students will have an understanding of: why nonprofit boards are important and what might and should be expected of board members. They will learn how to determine whether or not joining a particular board and how their behavior influences a board's effectiveness. They will learn how to assess the effectiveness of a board, the executive director and the overall governance structure of a nonprofit, to how to maximize that effectiveness. In addition, students will have some understanding of how to recruit, orient and develop board members, how to plan for and organize a board meeting and how to maximize the value of such a meeting.

In sum, having taken the course a student should have gained enough familiarity with the principles of nonprofit governance to be a far more effective board or staff member.

COURSE DESCRIPTION:

Note: Copies of power point presentations to be used in class will be available on the class blackboard site at least 2 days in advance of each class.

Week 1: The first class will address the overall roles and responsibilities of nonprofit boards including the rationale for such boards, the ethical, fiduciary and legal obligations as well as their responsibilities for fund development and programmatic guidance. The special duties of care, loyalty and obedience will be reviewed as will aspects of board organization, e.g. size, composition, structure, selection, recruitment, orientation, tenure and evaluations. Questions include:

- Why do we grant nonprofit status in our country? What are the related obligations?
- What do boards typically look like and how is that changing?
- What is the range of roles and responsibilities a board might play? Which roles are most central?
- When it comes to board members, is the only thing that matters the “give, get or get off” philosophy? Or, is there a role for board members who won’t/don’t/can’t do fundraising? Conversely, can a board fulfill all its functions if it is entirely composed of fundraisers?

During this class we will discuss the challenges faced recently by one urban museum and the role of its Board in creating the problems and responding.

Readings:

CASE: XYZ Museum, Major City, USA, KSM, 2001

- “Dark and Light Matter in the Nonprofit Universe”, John Pratt, *The Nonprofit Quarterly*, Spring 2007
- excerpts, Nonprofit Board Governance, BoardSource, 2007
- excerpts, Ten Basic Responsibilities of Nonprofit Boards, Richard Ingram, BoardSource, 2003
- “Who ‘Owns’ Your Nonprofit?”, Judith L. Miller, *The Nonprofit Quarterly*, Fall 2002

READINGS POSTED ON COURSE BLACKBOARD SITE

- o “Personal Payoff: Corporate Types Help Themselves by Helping Nonprofits”, *Washington Post*, November 20, 2006
- o “Some Officers of Charities Steer Assets to Selves”, Oct. 9, 2007, *Boston Globe*
- o “Where were the Boards?”, *Wall Street Journal*, October 25-26, 2008

Week 2: The second class will include an in-depth look at how the age and size as well as the environment in which nonprofit work influence how boards organize themselves and conduct their work. The class will address what contributes to effective boards and the range of tools boards can use to best manage their work. Questions include:

- How do changes in the environment affect the role of the board and the governance structure in general?
- What are the “life cycles” boards often pass through and how does that impact what a board does?
- What are some of the unique issues nonprofit boards need to consider as they move through change? When do committees start to play a role and what are the range of roles they may play?
- What tools exist to help boards govern?
- What should you look for in new board members, what do new board members need to know to do a good job and what does a board job description look like?

Our guest speaker, Lanetta Hayes, CEO, CASA of Cook County, will reflect on her experiences serving as board member of a nonprofit organization and then moving into the CEO position; she will related her experiences and the challenges of being a volunteer and of being a paid professional. She will explain her efforts to change the role of the board. . The class will also discuss The Cradle case and how the board of that organization initially failed to changes in the environment that impacted its work. *Note: for those who have studied this case in previous classes this will be a different look!*

Readings:

CASE: “The Cradle: The Story of Resurgence”, Case A, KSM, 2002

- “Failing to Govern: The Disconnect Between Theory and Reality”, Stanford Social Innovation Review, 2005
- “Getting over the Growing Pains: Life Cycle analyses help charities deal with the Challenges of aging”, Holly Hunt, Chronicle on Philanthropy, April 2006

READINGS POSTED ON COURSE BLACKBOARD SITE

- o “The Smile Factor: A Potent Boardroom Tool”, Ithai Stern, May 18, 2007, KSM
- o “Women’s Place: Their Own Boards”, Crain’s Chicago Business, Nov 27, 2006
- o “How many Women do Boards need?” Commentary, Harvard Business Review, July/August, 2008

Week 3: The third class will address the differences and similarities between nonprofit and for profit boards, what makes them effective (and ineffective) and what makes individual directors effective. Mergers of nonprofits will be explored. Questions include:

- How are the roles, responsibilities, governing strategies and rewards of for profit and nonprofit board members similar? Different? How is performance of each typically assessed?
- What constitutes an effective and even an exceptional board?
- What laws/legislation have been passed in recent years and what is the impact of each for both the profit and nonprofit worlds?

Our guest speaker, Julie Tye, President, The Cradle, will address how to run a nonprofit board like a

business and the challenges of nonprofit mergers. Also covered in class will be the implications of Sarbanes-Oxley Act and recent efforts by the federal and state governments to apply the principles of that Act to nonprofit governance; we will also look at responses of the nonprofit field to those efforts. The class will discuss the United Way of America case, a classic in the field.

Readings:

CASE: UNITED WAY OF AMERICA, Harvard Business School, 1993.

- “When a Business Leader Joins a Nonprofit Board”, W. Bowen, HBR, Sept/Oct, 1994
- “The Merger Proposal”, Stanford Social Innovation Review, Summer, 2007
- The Source: Twelve Principles of Governance that Power Exceptional Boards, BoardSource, June, 2005 (final draft before publication)

POSTED ON THE COURSE BLACKBOARD SITE

- o Nonprofit Governance in the United States: Findings on Performance and Accountability, Francie Ostrower, The Urban Institute, 2007

Week 4: The fourth class will focus on governance issues from the staff and volunteer perspective. We will analyze the relationships between board and staff in a nonprofit setting and how and why they are often problematic. Other topics will include the roles and responsibilities of the staff director and the staff, motivating and guiding the staff, the board and volunteers and the recruitment and evaluation of the staff director and the board. We will discuss the newer role nonprofit CEOs are playing. Questions include:

- What is “The Founders Syndrome” and how can it best be managed? Should there be an ongoing role for a founder in an organization? What are the positives and negatives?
- What is the nature of the relationship between the Chief Staff Officer (e.g. the Executive Director) and the board? and the Chief Volunteer Officer (e.g. the Board Chair)?
- What enhances these relationships? What can detract from them? What are the implications of strong or weak relationships?
- What qualities are most important in the Executive Director? In the Board Chair? What roles are most important? Who needs to bring the vision? the charisma?
- How can the board best support the Executive Director? and how can the staff best support and motivate the board?
- What qualities should you look for in the CEO? In the Board Chair? How can the performance of the board and staff leaders best be evaluated? and by whom?

Our guest speakers, Jane Mentzinger, Executive Director, Communities in Schools Chicago, and a member of her board, will address how to manage a board both from an executive’s and a board member’s perspective and questions of changing board roles.

Readings:

- Executive Summary, Daring to Lead, CompassPoint, March, 2006 and, Executive Summary, Ready to Lead, CompassPoint, March, 2008
- “The View from the Top”, Board Member, BoardSource, December, 2004
- “The Real Salary Scandal”, Stanford Innovation Review, 2006

POSTED ON THE COURSE BLACKBOARD SITE

- o “Smithsonian Head Resigns under Fire”, Johanna Neuman, New York Times, March 27th 2007

Week 5: The class will be divided into smaller groups and role play a board meeting of the Whitney Clinic. (Assignments for this role play will be made during Week 4). Robert’s Rules will prevail -- make sure you know what they are! Professor Wally Scott and CEO’s from local nonprofits will help facilitate this role play. The class will discuss how to effectively plan for, organize and run a board meeting and how to productively use committees.

Readings:

***CASE:** The Whitney Clinic Board Meeting, KSM, 1997 (updated 2007)

- “Building Better Boards”, David Nadler, Harvard Business Review, May 2004
- “What Makes Great Boards Great”, Jeffrey Sonnenfeld, Harvard Business School Press, 2002
- “Appraising Boardroom Performance”, Jay Conger et. al. Harvard Business Review, 1998

ASSIGNMENTS

Note: ALL ASSIGNMENTS must be submitted as a hard copy in class or to the SEEK office (room 513) on the fifth floor of Jacobs Hall. No electronic copies will be accepted.

Each student will be expected to complete the following assignments:

- A memo (3-4 pages—space and a half) analyzing the desirability of joining a particular nonprofit board; due at fourth class: March 3rd for 453-B, March 4th for 455-B.
- A 36-hour take home assignment (3-4 pages—space and a half) assessing the effectiveness of a nonprofit board; you may do this on your own or with a small group of students: due March 12th at 9am for 453-B and March 13th at 9am for 455-B.

Descriptions of the assignments follow:

Assignment One: You are invited to join the Board of a nonprofit organization which does work in an area of interest to you. Flattered, your first inclination is to say “yes”. But, being a prudent prospective board member, you seek to learn certain things about the organization and its board

before saying “yes”....or... “no”.

Your assignment is to determine what you would need to know -- and who you would like to talk to, and what documents you would like to see, before responding to your invitation. Having done so, you are to approach a local nonprofit organization, one you are not familiar with, (a list of potential prospects will be provided in Class One) secure whatever information you can and then prepare a memo (3-4 pages) on why you would or would not join the organization’s board. Ideally you will meet in person with a key representative or two from the organization. Your resulting memo should:

- (1) identify what criteria/information you would ideally use in deciding whether or not to join a board
- (2) list who you spoke with, whether it was in person or by phone and explain what you were actually able to learn
- (3) demonstrate your understanding of the roles and responsibilities of nonprofit boards in general and, to the extent possible, how they are carried out at the specific organization
- (4) explain why you would or would not join this particular board, and
- (5) reflect learning not just from the classroom but also from the readings.

Your paper will be graded on all five of the above items. More details on this assignment will be provided in class.

NOTE: A list of pre-screened nonprofits to use for this assignment will be available at the first class for students to choose from; only one student will be assigned to a given organization.

Assignment Two—36 hour take home paper: During the final class you will participate in a board meeting role play of the Whitney Clinic Board (see case in reading packet). This assignment, which builds on that role play, substitutes for a final exam. Details of the assignment will be provided in the final class.

NOTE: Students may do this assignment on their own or as a team; no more than a total of 4 students may be on a team.

A NOTE ON ADDITIONAL READINGS:

The science or research on nonprofit board functions has grown in recent years. Literature that describes the theory and practice of nonprofit board governance both nationally and internationally, particularly in the wake of Sarbanes-Oxley, has exploded. The Course Reading Packet draws in part on this literature. All students are expected to read all of the pieces in the first 5 sections of the packet.

The sixth section of the Course Reading Packet contains materials that the student will want to be familiar with and may find of value in the future including:

- The Legal Responsibilities of Nonprofit Boards; Bruce Hopkins, BoardSource, 2003
- Statement of Values and Code of Ethics for Nonprofit Organizations (2004) and Principles of Good Governance and Ethical Practice, (2007), Independent Sector
- Better Business Bureau Wise Giving Alliance’s Standards for Charity Accountability, 2003-

- Sample Board Member Job Description
- Sample Bylaws, Prevent Child Abuse America
- Sample Conflict of Interest Policy

In addition, students interested in more in-depth study may wish to obtain one or more of the following:

Reinventing Your Board, John Carver and Miriam Carver, John Wiley and Sons, SF, 2006
International Corporate Governance after Sarbanes-Oxley, Paul Ali and Greg Gregorious, John Wiley and Sons, Hoboken, NJ, 2006
The Art of Governance: Analyzing Management and Administration; Patricia Ingraham and Lawrence Lynn, Georgetown University Press, Georgetown, 2004
Corporate Governance, second edition, Robert Monks and Nell Minor, Blackwell Publishers, Malden, MA, 2001
Governance as Leadership: Reframing the work of nonprofit boards, Richard Chait, William Ryan and Barbara Taylor, Wiley Publishing, 2004

And for those looking for a very light read, and as a reflection of how “hot” a topic governance has become, there is now a *Nonprofit Law and Governance for Dummies*.

GRADING

Grades will be determined generally as follows:

-First individual assignment	35%
-Classroom participation, including attendance, participation in board role play and class discussions	25%
-Second written assignment	40%

PLEASE NOTE: serious consideration in grading the two written assignments will be given to the degree to which the papers reflect familiarity with not only topics covered in class but in the reading materials as well.

HONOR CODE

All students are expected to abide by the Kellogg Code of Honor in completing all work for this course. This is especially relevant to group assignments. Full participation from all students placing their names on a given assignment is expected.

OTHER EXPECTATIONS

Students are expected to attend all classes and to have completed the reading for the week before class. Students are requested to always use their name plates. And, while class is in session, unless otherwise specified, lap tops are not to be used.