

# A Not-So-Happy Hour

Every fourth Friday evening, Betsy Koltrane Jones, chief executive of a regional nonprofit resource center, met for drinks with a group of other nonprofit chief executives to decompress. Serving as a chief executive can be a somewhat lonely undertaking, and Betsy appreciated the support she received from her peers.

At the most recent “happy hour,” Ralph, chief executive of a local food bank, shared an experience that involved one of his organization’s board members. Little did he know that his story would strike a nerve with everyone at the table.

“I lost a key employee this past month,” Ralph said. “Laura, my chief financial officer, left the food bank. It seems that one of my board members was quite impressed with her, because he offered her a position with his firm at a salary the food bank couldn’t come close to matching.”

“Hmm,” said Carolina. “I have a board member who asked one of my staff members — during the course of a private dinner party they both happened to be attending — if I was a likeable person.”

“One of my board members — a gentleman who happens to serve on several local boards — called me a few months ago asking for the contact information for one of our major donors,” chimed in Rose. “I later learned that he asked that donor to support one of the other organizations he serves.”

“We have a board member who asks our human resources director to hire one of her relatives or friends every time we post a job opening. These ‘candidates’ never come close to meeting the minimum qualifications. It’s a waste of our time to go through the process of interviewing them,” added Daniel.

“You’re all familiar with our annual golf tournament,” said Tomas. “Well, the board member who chaired the event last year requested that he be included in the ‘private’ lessons with a PGA pro awarded to the tournament’s winner. He felt he ‘deserved’ the lessons due to his hard work on behalf of the organization.”

“Don’t let your IT expert attend a board meeting,” advised Chuck. “Every time ours does, he can’t get out of the boardroom without members asking if they can stop by his office with their malfunctioning personal computers.”

Betsy shook her head in dismay as she listened to her colleagues share one board member blunder after another. They were laughing, but Betsy could see that most of those seated around the table were frustrated by the inappropriate behavior. And yet most also felt it was better to put up with the blunders than to call attention to



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Having a clear understanding of how board members should interact with an organization’s staff is an important characteristic of an effective board, yet this is one of those areas in which challenges and frustrations are very common. In situations like this, it is always most effective for the chief executive to be able to refer to clearly written governance policies.

Betsy should inform her colleagues of their organizations’ need for a policy that speaks to the accountability of the chief executive. At my agency, one of our policies states the following: “The board will not give direction to

persons who report directly or indirectly to the Executive Director.” The organizations should also develop board member codes of ethics and conflict-of-interest policies, which should be reviewed annually by the board and be part of the orientation process of new members.

Having clear policies would allow the chief executives mentioned above to communicate with their board chairs and then have conversations with the board members who acted inappropriately. When communicating with board members concerning their behavior, the board chair needs to be involved. If the behavior relates to the chair, the board policies should speak to the process the chief executive needs to follow to confront the situation. Many times this type of behavior is the result of ignorance rather than malice. Nevertheless, the behavior needs to be addressed as part of an ongoing process of making a board stronger.



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Bring together any group of nonprofit executives and you will hear stories similar to those told at this happy hour. Besides being frustrating, a tolerance for these inappropriate behaviors may eventually result in a fiduciary faux pas that finds itself on the front page of the local newspaper, damaging the reputation of the entire nonprofit community.

Many times, inappropriate behavior is a result of ignorance of the duties of board members rather than a deliberate disregard of them. These happy hour horror stories could be prevented if board members

them. Often, they said, the individuals committing the fiduciary faux pas were among their boards' most generous members. The chief executives didn't want to risk embarrassing and perhaps offending valuable board members. Betsy, however, wasn't convinced, and that weekend, she mulled over the following question: How could she, the nonprofit resource center, and her peers go about putting an end to these and other inappropriate — and sometimes unethical — behaviors?

#### RESOURCES:

"The Nonprofit Ethicist." *The Nonprofit Quarterly*.

*Structures and Practices of Nonprofit Boards, Second Edition*, by Charles F. Dambach, Melissa Davis, and Robert L. Gale. BoardSource, 2009.



understood that their actions were potentially illegal and unethical.

Betsy should invite her colleagues' boards to a training session on board member roles and responsibilities. By doing so, Betsy can help create a shared understanding of what it means to be a board member on individual boards and in the community. In addition, she and the resource center should promulgate best practices, such as having conflict-of-interest policies and codes of ethics. By providing samples, templates, and technical assistance, the center can make it easy for boards to write, adopt, monitor, and ensure adherence to policies and procedures.

Since we live in a time of heightened interest in nonprofit accountability, Betsy and the resource center should be able to enlist the support of major funders and other leaders of the nonprofit community. Their enthusiastic embrace of high ethical standards and best practices and a clear statement of their expectations can stimulate a discussion of these issues in boardrooms across the community.



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Dealing with the inappropriate or unethical behavior of board members, especially generous, effective, and influential members, is a delicate situation for any chief executive. However, the behavior must be addressed. Ignoring it perpetuates the behavior and may ultimately adversely impact the effectiveness of the board, staff, and organization.

Betsy should encourage the happy hour revelers to meet with their board chairs to discuss the inappropriate behaviors and to suggest the three following actions.

First, the board chair might speak privately and compassionately (remember, these are volunteers) with the involved board members to explain why their behaviors are inappropriate and to ask that the behaviors cease. Because board

members want their organizations to succeed, those involved will most likely be willing to modify their behaviors once they are made aware of the issue.

Second, at an upcoming retreat or meeting, the board chair or perhaps Betsy should present a "refresher training" in which appropriate and inappropriate behaviors are modeled. Role playing is a very effective teaching tool for this scenario.

Finally, a new board member orientation should be developed that includes board member "dos and don'ts."

If it is the board chair who is displaying inappropriate behavior, the chief executive should consider speaking directly to the chair. If that would be uncomfortable, then the chief executive might ask a trusted board member to discuss the matter with the chair.

Regardless of the difficulty, inappropriate and especially unethical board member behaviors must be addressed. If allowed to fester, the potential negative impact on the organization is significant.