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Governance—A Tale of Good Intentions

In the city of Serenity, located about mid-point between the Shenandoah Valley and Silicon Valley, life was generally peaceful and pleasant. The city had survived the downturn in relative prosperity, and it had no reason to think that it would not continue to flourish in the quiet composure reflected in its name. It certainly could not imagine that it would be the place where a Great Truth would be revealed.

The changes began inauspiciously enough. George Radnor, senior partner in Radnor Motors, came back to his office one morning after attending a meeting at the local Red Cross, where he served on the board of directors. He remarked to his brother, Glenn, that serving on agency boards gave him a solid, deep-down sense of satisfaction. His brother agreed, noting his own service on the local museum and symphony boards.

Soon, George convinced himself that the satisfactions and advantages of a volunteer board shouldn't be confined to nonprofits alone. If the Red Cross and the museum and the homeless shelter could have boards of directors, why not Radnor Motors? A dinnertime conversation with his cousins, Liz Radnor, an attorney, and Rick Radnor, editor of the *Daily Serenity*, convinced him that he was onto something. "We'll get new ideas," George said. "Having a volunteer board of directors would be like having the Good Housekeeping Seal of Approval for the way we do business."

Soon, they were all genuinely excited about the idea of having their own boards of directors to lead them to new heights of visibility, prosperity and effectiveness. Within a week, they had each recruited a splendid board of well known movers and shakers, distinguished doyennes, up-and-coming entrepreneurs, marketing VPs from local companies, and a few professors, being careful not to duplicate their choices among these exemplary citizens.

Over the course of the next few months, all of their boards met, elected officers, formed committees and set meeting schedules that seemed, to most of the Radnors, to be a bit more energetic than they had expected. Appropriately, the bloom first began to come off the rose at Radnor Motors, where George Radnor had come up with the board idea in the first place.

It began when the Sub-committee on Product came to George to tell him that his first problem was limited product line. Add motorcycles, they said, and boats if possible. Eventually, mopeds or bicycles would bring an additional demographic. George tried to explain that the dealership had done very, very well with the automobiles it sold. Short-sighted approach, they told him. Transportation means more than cars, they said. Better diversify now, even if it means borrowing to buy inventory.

The marketing committee headed by Prof. Simmons reported next. The name of the dealership is all wrong, he said. Too staid and old fashioned; not modern or catchy. George tried to explain that his father and uncle had begun the dealership 50 years ago, and it was now welcoming its third generation of the Radnor family into the business. People had come to know and trust the Radnors. Customers came from miles around, and many bought cars there because their parents and grandparents had dealt with the Radnors. James Jeffers, vice president of marketing at the regional energy company, explained patiently to George that a name was more than a name and had to be kept "fresh." "Look at us," he said. "We used to be Energy-Serenity, then EnSeCo, then EnCo, then Energize and now ElektrikOptionOne. You need to change the name, change your image, on a regular schedule. Like Lady Gaga." George was too embarrassed to ask who Lady Gaga was.

When his board began to ask questions about the employees at Radnor Motors, George became defensive. "We have a great team here," he assured the board, "and they are responsible for our success. From the sales staff to the service people, they're all skilled, dedicated, and effective. Many have been with Radnor for 20 years or more."

"But are they Rotarians?" asked Prof. Simmons. "Your people have to be visible in the community. They have to be the public embodiment of your image, of your marketing strategy."

"I need them be what they are—great mechanics, technicians, bookkeepers, sales people," protested George, but by then the board had moved on to a discussion of trendy logo colors.

Over at the *Daily Serenity*, Rick Radnor was having his own problems. His board, too, had formed committees and said it wanted to give Rick hands-on help. He was expecting his board to endorse and applaud his idea for a seasonal sports insert featuring the local high school and college teams. But the board's first project was to re-arrange the sections of the newspaper, recommending that sports ("limited interest") be placed behind the classifieds, and reducing the space for obituaries ("negative, negative, negative.") Muffy McGuire, president of the Serenity Society League, persuaded the board that social news deserved a much more prominent space, such as the first page of the second section, because all Serenity families would sooner or later be in those pages and they'd know most of the other people mentioned in that section. They can get world news every night on TV or on Twitter, she reasoned, but only the *Daily Serenity* can tell them that the Harrisons were in Hawaii for their 25th anniversary. That made sense to the board, although it made no sense to Rick Radnor. And the board made it clear that it wasn't suggesting, it was instructing.

"Don't be afraid of change, my boy," said Dr. Chimorra, a respected proctologist. "When I chaired the United Way campaign last year I re-organized the whole thing. The last chairman had structured it according to geography – towns, boroughs, etc., but I told them that we had to do it according to business type – retailers, manufacturers, professionals, healthcare, education, and so on. I think it would have worked well if they'd given it a few years' run. But I understand that this year's chairman has asked the staff to re-arrange all the accounts according to size – large companies, mid-size employers, etc."

The board at Liz Radnor's law office had formed only two committees, business development and social justice. While she had done her share of pro bono work and was involved with several nonprofits, Liz had never intended to carve out a specialty. Hers was a basic, general practice, and she enjoyed the variety of clients and issues with which she dealt. The board told her that her personal investments should be moved to social conscience funds. Immediately.

Edwin Graves, retired chairman of Graves Knitting Mills, was the first person to tell Liz that her business needed more of an edge. "Billboards that make it clear that you'll find deadbeat dads, get millions for accident victims, and get results. Maybe a graphic with a three-dimensional fist coming out of the billboard," mused Graves. Liz reminded them that her practice was largely estate planning and real estate, with a few divorces and DUIs thrown in. "Hardly cutting edge," taunted Graves. Just as Liz was starting to wonder what kind of billboards she would put up, she reverted to the more basic question of how she had found herself in her own conference room taking instruction from people who knew nothing about the law, her clients, or her.

The next two years were rough on the assorted Radnors. They discovered that, once formed, boards of directors took on a life of their own. They formed nominating committees and drew up by-laws, assuring their tenures and ongoing influence.

But sales at Radnor Motors dropped instead of increasing. Circulation of the *Daily Serenity* plummeted after the board ordered the removal of the Sunday comics ("sexist, violent, and political"). The United Way staff spent more than 1,000 hours changing campaign records and data from geographic to industry type, without increasing contributions. Liz was blessedly too busy to really alter her practice or move her investments but she was constantly being compared to every lawyer her board members had seen on TV.

Just before he was about to order the motorcycles, George Radnor called a friend with an auto dealership in Raleigh. He wanted to ask if his friend had added anything to his inventory beyond cars. When he explained his board's recommendations, his friend asked, in measured tones, "Do you mean you asked a group of people who know almost nothing about your business to come in and tell you how to run it and give you instructions to follow? And you have to keep doing all of your work, accommodate their changes, and report to them at the same time?" Though he hated to hear it in those words, George had to admit that, yes, that's exactly what he had done.

"But George," said his friend, "only nonprofits are crazy enough to do that."

A Great Truth of Governance

Nonprofit Boards of Directors….

…assure the trustworthy management of resources – human, financial and program

…support the organization and help to gather support from others

…define mission and policies to fulfill mission

..and 'do no harm.'

—Carol Henn
Executive Director
Lehigh Valley Community Foundation
Allentown, PA