

*Excerpted comments on five challenges facing the nonprofit sector from
Plenary Speech by Deborah S. Hechinger, December 2006*

“Nonprofit governance may have been propelled to the front of everyone’s mind because of stories in the media and Congressional hearings that raised questions about whether boards knew what they were doing or whether they even cared. But the need for exceptional practices in nonprofit governance is here to stay, driven by a number of trends which will affect the environment in which all of us will operate in the foreseeable future. Five, in particular, are of major concern.

First, the needs of our communities are growing rapidly, outstripping the resources available to address them. Whether it’s a result of government devolution of programs, troubled local economies, failing education, inadequate access to health care or disasters driven by hurricanes, tornados or floods, the need is growing for shelters, food banks, affordable housing, health care, quality education, and just plain second chances. And, our communities need more than support to address problem areas. We humans need inspiration, intellectual engagement, and high quality entertainment; these needs drive community interest in public television and radio, orchestras and operas, and theatres across America. When the needs are so great and so critical, how can we afford not to use every available resource to ensure mission success? How can we not call on *all* of the leadership capacity available to us? How can we afford to have anything less than exceptional boards?

Given extensive needs and desires, and limited resources, donors increasingly look to invest in high-performing organizations – organizations that demonstrate the capacity to deliver positive societal returns on philanthropic investments. Building the case for support today means providing evidence that your organization is making a difference.

Organizations that are most likely to make a difference are those with strong boards precisely because it is the exceptional board that will demand a focus on outcomes, not outputs. This means not just fiscal, but programmatic oversight – not micromanaging programs, but asking the tough questions about what it takes to generate the kind of positive change our organizations are seeking to create for the benefit of our communities. And we need exceptional boards that recognize that while part of their role is to set the vision, the other part is to make that vision possible by opening their own wallets and opening doors to provide access to other donors.

Third, the size of the nonprofit sector is growing. Right now, charities spend over \$1 trillion a year improving and enriching lives, an amount greater than the gross domestic product of 94% of the nations in the world. As our population ages, we face the possibility of the largest transfer of wealth ever – with an oft-stated promise of new funding for charitable organizations and charitable causes. Already, the United States is home to an estimated 1.3 million charitable organizations, up 30% from 1996. Growth in the sector offers opportunities and challenges – the opportunity access unprecedented resources to fund programs, but the challenge of facing more competitors for limited resources. It's the organization with the exceptional board that stands the best chance of success in times of rapid change and increased opportunity.

Fourth, aging demographics and increased numbers of nonprofits will also increase the demand for new leaders – including both executives and board members. Boards already bear the burden of finding new, qualified board members – not an easy task as many of us know. Now, they will also bear the brunt of leading their organizations through the tens of thousands of chief executive transitions that will occur in the coming decade. Transitions will be challenging as boards seek to access talent

from an increasingly diverse pool of applicants. Exceptional boards will not only be prepared for the inevitable, they will embrace the prospect as a way of revitalizing the organization. That's truly making lemonade out of lemons!

Fifth, we can expect to see continuing overlap between the corporate and nonprofit world. For years now, we've seen corporate executives bring their talents and treasures to support nonprofits on whose boards they serve. Now, those corporate executives show up, not just with great ideas and access to capital, but with new standards and new expectations as they import for-profit corporate oversight and accountability ideas into the nonprofit arena. In the future, we may also see increasing numbers of new leaders in the nonprofit sector come from the for-profit world as corporate executives explore the possibility of living their lives in service to others."

Excerpted from Opening Plenary Speech by Deborah S. Hechinger at the BoardSource Leadership Forum, December 2006