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The Four Principles of Purpose-Driven Board Leadership

In the face of increasingly pressing systemic inequities, nonprofit boards must change the traditional ways they have worked and instead prioritize an organization's purpose, show respect for the ecosystem in which they operate, commit to equity, and recognize that power must be authorized by the people they're aiming to help.

By Anne Wallestad |

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With our country's growing awareness of its own deep and systemic inequities prompting long-overdue reflections about how institutions need to change, the social sector is asking important questions about who and what we need to be to advance progress. For example: are nonprofit boards, as they exist today, equipped to govern the social good organizations for which they are responsible?

Some believe boards are too flawed to be a part of the solution, but many more are hungry to enable boards to be the leadership bodies they need to be to advance and accelerate the social sector's potential for positive impact. As the leader of BoardSource, it is no surprise that I believe deeply in the importance and potential of nonprofit boards. However, BoardSource also believes that as they are currently operating, boards are not well-positioned to lead us toward a more equitable future as a society. That has led us to do deep thinking about why that is and what it would take to change.

The State of Boards Today

Boards are a unique and curious leadership structure. They have significant power, but only as a collective, since no individual board member can enact anything independently. They sit both atop and outside of the organizational structure, with a role that is accountable to those outside of the organization as well as those within. And, except for basic state-by-state parameters around structural guidelines, they have a completely flexible structure, governed only by their bylaws, which they themselves are entitled to change.

For all these reasons, a board can be redesigned in any number of ways, provided it has the collective will to do so. This is both the beauty and the challenge of a board structure: only a board has the power to change itself, and boards can interpret and apply their own expectations of their roles and responsibilities. In most of the ways that matter, boards are their own accountability mechanism. This structure can work beautifully or fail miserably, depending on how a board is populated and self-managed.

WHAT
the board understands its role to be

WHO
board members are and the perspective and expertise they bring

HOW
the board prioritizes and decides for the organization

The relationship between board role, composition, and decision-making.

As a result, boards tend to self-define their most essential responsibilities, organizing themselves around their interpretation of what is most important. For example, when boards see themselves primarily as a fundraising body, it is likely they are populated primarily based on access to wealth and wealthy networks. But what happens when a fundraising-oriented board gets involved with strategic work that requires a deep understanding of the work that the organization does and the community it seeks to serve? Or hire an executive that is well-positioned to earn and maintain the trust of its organizational stakeholders? Or make tough organizational decisions that need to be considered valid by the people and communities its work impacts? What about a board that sees itself primarily as a financial or legal oversight body but is ill-equipped to address the more strategic challenges that a board must face?

In these scenarios, organizations are left with two deeply problematic options:

1. Sidelining the board for all strategic decisions of consequence, which leaves the organization extremely vulnerable to CEO transition or leadership challenges; or

2. Having decisions made by an ill-informed board, which is challenging in any context, but especially high stakes when you consider the potential for negative impact on our society's most vulnerable and marginalized.

According to BoardSource's most recent *Leading with Intent* study, which is a survey of more than 800 public charity CEOs and board chairs, nonprofit boards are currently:

- *Preoccupied with fundraising above all else* | When asked how important the board's performance is, across 18 areas of board responsibility, 70 percent of chief executives rated fundraising as "very important" – above most other categories of board performance (including thinking strategically as a board, setting the strategic direction of the organization, knowledge of organizational programs, and understanding the context in which the organization is working).

- *Disconnected from the communities and people they serve* | Half (49 percent) of all chief executives said that they did not have the right board members to "establish trust with the communities they serve." Only a third of boards (32 percent) place a high priority on "knowledge of the community served," and even fewer (28 percent) place a high priority on "membership within the community served." (Notably, this question was not a forced ranking, meaning that respondents were not limited to only one "high priority" area, and were able to select high priority for any of the criteria listed.)

- *Ill-informed about the ecosystems in which their organization is operating* | Only 25 percent of boards say that "knowledge of the organization's work or field" is a high priority in board recruitment, and only 11 percent place a high priority on "prior or current experience with a similar organization/mission area."

- *Lacking in racial and ethnic diversity* | Not only are boards overwhelming white (78% of board members are white and 19 percent of boards are all white), but boards lacking in racial/ethnic

diversity self-report that their boards' racial/ethnic makeup negatively impacts their ability to understand the organization's operating environment and work, attract and retain talent for both the board and staff, enhance the organization's standing with funders and donors and the general public, understand how to best serve the community, and cultivate trust and confidence with the community served.

Purpose-Driven Leadership

We need to have a more explicit conversation about what a board's most essential work is and how board composition must shift to be able to support that critical work. And we need a new orientation to the board's leadership role, something that BoardSource describes as "Purpose-Driven Board Leadership," a mindset characterized by four fundamental principles, mutually reinforcing and interdependent, that define the way that the board sees itself and its work:

- **Purpose before organization:** prioritizing the organization's purpose, versus the organization itself.

- **Respect for ecosystem:** acknowledging that the organization's actions can positively or negatively impact its surrounding ecosystem, and a commitment to being a respectful and responsible ecosystem player.

- **Equity mindset:** committing to advancing equitable outcomes, and interrogating and avoiding the ways in which the organization's strategies and work may reinforce systemic inequities.

- **Authorized voice and power:** recognizing that organizational power and voice must be authorized by those impacted by the organization's work.

Purpose Before Organization

Traditionally, boards are understood to be "mission-driven," which means the board is responsible for ensuring that the organization does good work that advances its cause. But while being mission-driven is centered on the *organization's* role in doing good, we believe boards need to re-center on

purpose: the fundamental reason that the organization exists.

At BoardSource, we see vision, mission, and values as more narrowly-defined elements of purpose:

- **Vision:** the desired future state

- **Mission:** an organization's role in working toward its vision

- **Values:** the principles and beliefs that guide how an organization enacts its mission

- **Purpose:** an organization's reason for being in the world, which is a melding of the concepts of mission and vales in pursuit of vision

This distinction may sound like semantics, but in reality, it is a profound and substantive shift. The traditional board frame is all about the organization and its mission, with the organization at the center of its own universe and sphere of influence. Applying the concept of "purpose before organization" moves away from the organization as the center of its own gravity, re-focusing on its purpose and the question of how it can best steward its resources in service of that purpose.

When an organization's purpose may be served by something that does not directly or indirectly serve the organization—or even works against it—the distinction between a more traditional board role and a Purpose-Driven Board becomes quite clear:

- **Traditional Framing of the Board Role:** Board service operates in service to an organization that seeks to advance the public good. The board is primarily responsible for sustaining and supporting the organization and its ability to exist in service to its mission.

- **Purpose-Driven Board Leadership:** Board service operates in service to the organization's purpose. The board is primarily responsible for stewarding organizational capacities and maximizing positive impact in service to that core purpose or cause.

The duty of loyalty is one of a board's three essential legal duties, a legal perspective aimed at avoiding self-dealing and conflicts of interest. In practice, however, the duty of loyalty is often interpreted as the responsibility to think *only* of the organization when making governing decisions. This interpretation unnecessarily focuses board members on loyalty to the organization as a

corporate entity. Instead, boards should focus their loyalty to the organization's purpose or reason for being, fidelity to the reason that the organization exists and—by extension—to the people and communities its work impacts. What is best for purpose and community is not always synonymous with what's best for the organization.

Consider an organization working on a public health initiative to help educate their community about vaccination. If focus groups show the organization's name and logo confuse the public, or detract from the campaign's key messages, staff will naturally be disappointed. Changing the ads would create an additional cost and remove positive organizational branding elements. If the staff brings the question to the board, a purpose-driven board would ensure that this is a conversation not just about the budget but about what will best enable the organization to advance its core purpose. Moreover, it will not allow the organizational benefits of brand recognition to get in the way of doing what is best for that purpose.

- **A traditional board asks:** What is best for our organization?
- **A purpose-driven board asks:** What is best for the desired social outcome we seek?

Respect for Ecosystem

From the public policy environment, the relationships between organizations and their programs, the funding environment, or simply coexistence in the same geographic area, the context in which organizations operate *matters*. However, awareness of those dynamics is often not a priority for board-level knowledge and understanding. When board members are selected for technical expertise, in areas related to legal and financial oversight, and capacity for giving and fundraising, board members can be focused on the narrowest definitions of board governance and fiduciary oversight, with a limited perspective on the organization's work (and the context in which the organization is operating). That is a problem.

Many boards work to address this lack of ecosystem awareness through board education and exposure to programs, but second-hand insight is not enough. Boards need *perspective*. Knowledge of the ecosystems in which the organization operates is an essential piece, but it is not enough to

know who the other players are. Organizations must acknowledge that each of our organizations is a part of informal (or formal) collectives working to address societal challenges and their impacts; individual organizations' choices and actions impact the overall strength and success of the ecosystem. As in nature, when an organization is disruptive to the ecosystem, it has an impact that can be felt in very real ways. Boards and their organizations must understand how their actions might disrupt the ecosystem and consider the impact on the ecosystem as part of their decision-making process. If a decision is good for the organization but bad for the ecosystem, the purpose-driven board pauses and considers a different path.

An example might be an organization that is looking for a new location for its physical programs. In considering possible locations, they identify an ideal site based on all of their criteria. However, it is also very close in proximity to another organization. As the larger and better-resourced of the two organizations, locating there could make it challenging for the other organization to hold on to program participants and funders. A purpose-driven board would seek to understand the disruption this could cause for the other organization and ask whether this location would create the best outcome for the overall ecosystem.

- **A traditional board asks:** How would this impact our organization?

- **A purpose-driven board asks:** How would this impact all of the players and dynamics within our ecosystem? Will it help us—as an ecosystem—do the most good?

Equity Mindset

The board's role in advancing equity is not one-dimensional and involves embracing an equity mindset across all its work and decision-making. An equity mindset is not just about the thoughtful allocation of resources within the organization, programmatic oversight that interrogates disparate outcomes based on race and other demographics, diverse and inclusive board composition, and power-sharing with and across the staff team – but it is most certainly all of those things.

Boards play a critical role in helping organizations understand the context in which they work and how best to prioritize resources and strategies based on that reality. Our American system is rife with

inequities that are the outcome of intentional and systemic choices designed to advantage some and disadvantage others. An awareness of how systemic inequities have affected our society—and those an organization's programs seek to serve—creates powerful opportunities to deepen the organization's impact, relevance, and advancement of the public good. Conversely, a lack of understanding can lead to flawed strategies and a damaging effect on programmatic participants and the community as a whole.

An equity mindset builds on an awareness of systemic inequities and commits the organization to advancing equity in all that it does. This includes interrogating the ways in which the organization may have fallen short in the past and uses the advancement of equitable outcomes as a screen for all organizational decision-making.

Take, for example, an organization with a large and well-funded job development program. As a result of disaggregating programmatic evaluations by race, the organization learns that its programs are highly effective with white participants but largely ineffective with Black participants. When these data are shared with a purpose-driven board, it will ask deep, reflective questions about this program's future. They will hold themselves and the staff accountable for doing deep listening with Black program participants and developing a strategy for change. These efforts might result in a redesign of the program or a programmatic partnership with another organization (with the resources to back it up and support the partnership). The board may even consider a programmatic transfer to another organization better suited to run the program in service to the neighborhood. Despite the financial incentives to maintain the status quo, an equity mindset means prioritizing those strategies and tactics that will advance equity, even if it requires organizational risk or loss.

- **A traditional board asks:** How will our strategy advance our mission?
- **A purpose-driven board asks:** How will this decision or strategy create more equitable outcomes? Are there ways that it would reinforce systemic inequities, and—if so—what are we willing to do to avoid that?

Authorized Voice and Power

The individual leaders who compose nonprofit boards reflect an organization's values and beliefs about who should be empowered and entrusted with its most important decisions. When boards are populated in a way that disconnects them from the communities their organizations exist to serve, it signals that the organization is not in partnership with the community it seeks to serve. Perhaps even more problematic, it signals that the organizations see this as a perfectly acceptable way of operating.

At BoardSource, we believe that boards have a responsibility to engage and share power with those impacted by their work, including at the board level. It is not enough to have good intentions or be well-informed; boards have a responsibility to engage directly with those they seek to serve in a way that ensures that organizational decisions are made within the context of real understanding of community assets, needs, preferences, and aspirations. This requires deep listening to program participants' needs and experiences, but it goes far beyond that. As BoardSource's Jim Taylor recently highlighted, "It's not just about insight and perspective – it's also about power. Boards need to go beyond inviting input from those with relevant lived experience – they need to share power by ensuring that these lived experiences are embedded into the composition of the board itself – with all of the rights, responsibilities, and power that board membership brings with it." We know from our most recent *Leading with Intent* study that this is far from today's board reality, as is highlighted above.

In an activity that BoardSource has done with nonprofit CEOs and executive directors, we asked leaders to think through a hypothesized—but very realistic—scenario in which a community development organization is struggling with how best to serve its constituency in the context of rapid and severe gentrification that is displacing communities of color. We invited participants to grapple with board-level questions that would emerge in this scenario in small groups and provided a profile of the board and each of its members. However, we intentionally held back a vital piece of information from the participants: we had given them two radically different board profiles. Some groups received a board profile that included diverse voices from the community; the others had a board dominated by outsiders, including some with a vested interest in the development that was driving gentrification.

After a bit of time working together in small groups, we asked them to reflect on their board's ability

—based on how it is populated—to make and represent organizational decisions to the public and key stakeholders, including the local news. The room started to rumble as some groups shared discomfort with the profile of their board ("We have a bunch of developers and bankers on our board who are benefiting from the development of this neighborhood. And we don't have anyone from the neighborhood itself. This isn't going to look good.") Then we hear from participants across the room, "Wait a second, what are you talking about? We have lots of folks from the neighborhood on the board." At that moment, the full group realizes that—within their small groups—they have received two radically different board profiles. We then talk about how and why the differences in board composition matter. One participant notes that the board comprised primarily of developers and bankers would be considered by many to be the "better" board, based mainly on fundraising goals and assumptions, but how ill-equipped it is to make decisions that could be trusted by the community. There are nods throughout the room. And then we talk about the price that we pay as organizations—and as a society—when boards are comprised in this way.

Community voice and power on boards are essential. It is the mechanism for earning and maintaining the trust required to do the work of social sector organizations.

- **A traditional board asks:** What do we* think is best? *(*without intentional reflection on how who "we" are informs our perspective)*

- **A purpose-driven board asks:** Is our board populated in a way that ensures that our power is authorized by and inclusive of the community impacted by the work that we do? Are we doing all we can to listen to what our programmatic stakeholders tell us is most important?

Purpose-Driven Board Leadership Up Close: The Museum of Us

The Museum of Us in San Diego is an example of purpose-driven board leadership in action. After a more than 40-year legacy as the San Diego Museum of Man—and ten years of thoughtful work to decolonize their practices—they made the significant decision to change their name. All four of the purpose-driven board leadership principles are in action within this organizational transformation:

- **Purpose first** | It is clear that the Museum of Us takes seriously its role as an organization that exists to expand minds and thinking about the human experience. They have been willing to make significant decisions to put purpose first, even at some level of organizational sacrifice.

- **Equity mindset** | The museum's decolonizing effort began with an acknowledgment that many of the cultural resources they steward were acquired in ways that were deeply problematic. As a result, they needed to do the work to systematically return belongings that had been stolen, in one form or another, from their rightful owners. This led to a much broader set of decolonizing initiatives that now go well beyond cultural resources to include the museum's exhibits and educational programs, and its marketing, governance, human resources, and even fundraising practices. The driving question for the organization became: Does any given particular practice contribute—either directly or indirectly—to the colonial enterprise and systematic oppression? If so, how can the organization best work to change that in partnership with the communities it seeks to serve?

- **Community voice and power** | In both the decision to change the museum's name and its ongoing decolonizing initiatives, the Museum of Us has been intentional about listening and sharing power. They listened closely to community feedback through the renaming process and put Indigenous communities in the driver's seat about how best to handle their belongings that are stewarded by the museum without informed consent.

- **Ecosystem awareness** | The museum is a thoughtful ecosystem player. One example of this is its land acknowledgment practice, which recognizes that the museum sits on the unceded ancestral homeland of the Kumeyaay peoples, who have lived there since time immemorial. Land acknowledgments are present in the entry to the museum, in exhibitions, on the website, in staff email signatures, at the beginning of tours, during public programs, media interviews, fundraising events, and before various consultations and board meetings. These statements are the first step towards building a more inclusive future that eliminates the ongoing erasure of Indigenous peoples' voices, lives, and history, globally.

A Look Ahead to Purpose-Driven Boards

Purpose-driven board leadership can transform the way that boards are populated, over time drawing in leaders who are motivated and inspired by purpose-driven principles and slowly shedding those who are differently inclined. Purpose-driven board leadership makes explicit what is different about social sector governance (as opposed to corporate governance) and how more traditional ways of thinking about nonprofit governance fail to acknowledge the unique charge of social sector organizations and the boards that lead them. Applying purpose-driven board leadership principles means leaning into the pursuit of a social good purpose at an ecosystem level and a shift away from protectionism and self-promotion at an organizational level.

For some board members, this will be an exciting and inspiring shift toward greater social impact. For others, it will create a sense of loss around personal identity and status that are intertwined with organizational positioning in the competitive landscape.

But purpose-driven board leadership is a shift in thinking and orientation toward the board's role, less a structure or set of technical practices than a way of being and thinking. It is radical in its simplicity: a large-scale move toward purpose-driven board leadership would not only address the very real challenges of boards as they currently exist but create an upswell of boards and organizations that are deeply connected and interconnected in their service to positive social impact and change in service to community.

Leaning into purpose-driven board leadership can begin without initial collective action from the board and does not require immediate radical shifts in board composition or leadership—requirements that can stall any action at the board level. Instead, boards can leverage the flexibility of the existing board structure as a container and begin filling it differently based on a new understanding of the board's role and what that requires in terms of the people, perspectives, and mindsets needed to fulfill that role.

Embracing purpose-driven board leadership is absolutely within our reach because it is an evolutionary approach. It does not require us to tear down the existing board structure and create something new from scratch. A shift toward purpose-driven board leadership is transformational, but the initial steps are incremental enough that every board can do it, including yours.

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