

**A Strategic Approach to Board Involvement In Financial Resource
Development**

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About the Author

Dr. Herrmann provides CEO mentoring, board and financial resource development consulting services to nonprofit organizations. He has almost thirty years of experience in working with nonprofit boards, large donors and directing successful fundraising campaigns.

He holds a Ph.D. degree in management of post-secondary institutions/ higher education administration from Syracuse University (with post graduate course work in public administration at the Maxwell School). He recently developed a graduate course on financial resource development (fundraising) for public and nonprofit organizations that he teaches at University of North Florida. He has also taught graduate courses in the areas of leadership/management and strategic planning for public and nonprofit organizations at the University of North Florida.

After serving as a senior management consultant in private industry, Dr. Herrmann has held several senior level nonprofit leadership positions. From 1983 to 1995 he served as Chief Development Officer (CDO) of the Foundation of Miami Dade College, one of the largest public multi campus colleges in America. One example of the major fundraising successes was the establishment of one hundred endowments for the nationally recognized Endowed Teaching Chair Program. Effective board involvement was a significant factor in generating major private financial support for the institution's strategic learning/teaching goals, Miami Dade College's fund-raising performance was rated in the top 3% of all public and private colleges and universities in America in 1994 (Council for Advancement and Support of Education-CASE, Circle of Excellence Award).

From 1995 to 2004 Dr. Herrmann served in the University of North Carolina System as CEO of the Appalachian State University Foundation and Vice Chancellor for University Advancement. He provided leadership for the Foundation Board and his alumni, foundation and public affairs staff team to raise an unprecedented amount of private support for scholarships and academic programs. Effective board involvement was a major factor in the university's most successful fundraising campaign and its national leadership with the largest university endowment of all peer institutions in America.

ABSTRACT

The new strategic paradigm of resource development described in this paper recognizes that there are a number of important resources, in addition to financial ones, that are important to support the mission and to achieve the vision of a nonprofit organization, such a college or university. It acknowledges and utilizes board members, with useful abilities, talents and experiences, as important resources. Under this new paradigm effective CEOs involve their boards in the learning process of monitoring opportunities and challenges of the organization's external environment. This strategic approach also suggests that the CEO seeks the involvement of the board in the development of a vision statement for the organization. This process allows board members to have a better understanding of the specific resources that are needed to achieve the vision and supporting goals.

The literature in the area of board involvement in fundraising includes a number of best practices and recommendations for nonprofit organizations. Some of the earliest articles on this topic were written for foundation boards of public colleges and universities. For example, a case study of increased board member involvement of the foundation board of one of largest public multi campus colleges in America, Miami Dade College, reviewed a change in the board governance committee structure to facilitate more active board member participation. (Katsinas, S., Herrmann, S., & Traylor, H, 1988). The assumption was made that increased board member involvement at the committee level would provide board members with greater board fiduciary responsibility and greater and more meaningful involvement in the organization (Katsinas, S., Herrmann, S., & Traylor, H., 1990). It was also suggested that greater board member involvement in specific committees, such as the ones in the areas of finance and endowment investments, might create a better understanding of current and future financial needs and create greater board member confidence and involvement in the fundraising process (Herrmann, S., Traylor, H. & Wolfson III, L, 1991).

The review of major writing contributions for nonprofit organizations by Dove (1988), Rosso and Associates (1991, 2003), Henderson (2005), Fogel (2005) and Herman (2005), suggest a number of recommendations to facilitate greater involvement in the fundraising process. These recommendations include the utilization of board members role as “door openers” to new major donors, the development of more effective job descriptions for board members, educating board members how to build effective relationships with new donors, the involvement of board members in thanking major donors and advising them about their fiduciary responsibility to assist in generating financial resources.

A number of professional board development consultants like Cionte (2005) and the author of this article have recommended the utilization of a board development (fundraising) committee to their clients, as a tool for more effective board involvement in the fundraising process.

While significant research of board of trustee involvement and effectiveness is just beginning to emerge (Jegers, 2009), it appears that an outdated paradigm of fundraising, of asking for money only, may be a factor in deterring board of trustee members from their involvement in the fundraising process (Henderson, 2005). Henderson suggests that many boards operate with a misconception of the nature and process of fundraising. “ Fundraising is interpreted in its most limited meaning, collecting money, with the implication that the process begins and ends with asking friends and strangers for money” (Henderson, 2005, p.335). Rosso and Associates (2003) and Fogel (2005) suggest that this outdated paradigm is frequently used in the initial “formative stage” of fundraising of an organization. It is characterized by the idea that fundraising is all about asking for money and the more people are asked the more money is raised. “ Success is measured by how often asking for gifts results in ' making a sale' ” (Fogel, 2005, p.421).

Over the years a new fundraising paradigm has emerged. It is based on the idea that a variety of important resources, not just financial ones, are required in support of the mission and achieve the vision of the organization (Rosso, 2003; Bryson, 2004; Herderson, 2005; Fogel, 2005). This new resource development paradigm also recognizes that board members can be important resources for the organization (Herman and Helmovics, 2005; Herman, 2010). Moreover, this paradigm recognizes the resource of individual board member’s unique experiences, skills, abilities and knowledge and that may be utilized in achievement specific vision goals. For example, a board member’s professional experience in the area of investments may be of value to the growth and preservation of the organization’s endowment fund (Herrmann, S., Traylor, H. & Wolfson III, L, 1991).

A major research study on board involvement examined the significance of the CEO’s role in that process (Hermann and Helmovics, 2005). The study concludes that most effective CEOs have the ability to provide their board members with meaningful involvement in their organizations.

This effective CEO -board leadership involvement and relationship is also referred to as “board centered leadership” (Herman and Helmovics, 2005, p. 153; Hermann, 2010). The research findings suggest that most effective CEOs support, value and respect their boards and see their boards at the center of their work and they assume the responsibility to facilitate and support the board's work. One of the significant findings of the study was that most effective CEOs involve their board in the learning process of monitoring opportunities and challenges of the organization's external environment (including economic and political), thus allowing board members to better understand the resources that are needed to support the organization's mission and strategy to achieve its vision. “ In short, the executive challenges the board consistently to think and rethink the connections among mission, money and other resources, and strategy ” (Hermann and Helmovics, 2005,p. 158). The importance of such involvement in the strategic learning and thinking process is also emphasized by Bryson (2004). In reference to his major writing contribution in the field of strategic planning for nonprofit organizations Bryson (2004) states, “A key point that is emphasized again and again is that strategic thinking, acting and learning are the activities that are important, not strategic planning per se”. (p.2).

In the use of the old fundraising paradigm the CEO of the organization might inform the board members about the need for additional funding or projects such as the construction of a new building. The CEO would inform the board that a decision has been made to build a new facility and would ask for the board's assistance in raising the needed funds.

Under the new strategic resource development paradigm the CEO seeks the involvement of the board in the planning process and the development of the vision statement (Allison, M. & Kaye, J., 2005, p. 85) for the organization. In other words, the leader works with the board in the development of a clear and simple vision statement that makes it easy to describe the specific resources needed to achieve the revised vision of the organization (Allison & Kaye, 2005).

In teaching graduate students the author has used a simple case example of a small organization that serves one hundred homeless children. The CEO and her team have kept their board informed about the great need to serve an additional 20 homeless children. Therefore, the CEO, her team and the board have agreed on a new and simple vision goal statement to “Increase the number of homeless children to be served from 100 to 120 by the end of the next fiscal year”. The CEO, her team and the board have worked closely in outlining of resources needed to achieve this vision. The resource needs were additional facility space and staffing. These resource needs were then translated into one time and ongoing annual budget expenditure needs (Bryson, 2004, p. 244-248). Because of their involvement in the process, board members were in a better position to understand and assist in providing financial and other resources in support of the organizational vision goal.

In conclusion, CEOs of nonprofit organizations would be well advised to be aware that a new paradigm of fundraising has emerged. This new strategic paradigm of resource development recognizes that there are a number of important resources, in addition to financial ones, that are important to support the mission and to achieve the vision of the organization. It acknowledges and utilizes board members, with useful abilities, talents and experiences, as important resources. Under this new paradigm effective CEOs involve their board in the learning process of monitoring opportunities and challenges of the organization's external environment. This strategic approach suggests that the CEO seeks the involvement of the board in the development of a vision statement for the organization. This process allows board members to have a better understanding of the specific resources that are needed to achieve the vision and supporting goals. While research on effective board involvement is just beginning to emerge, it appears that a strategic approach with greater board involvement would be more effective in facilitating greater board member participation in the development of financial and other resources for organizations.

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