



Nonprofit expertise on boards

As societal understanding of corporate responsibility and the role organizations play in solving problems such as climate change and social injustice evolves at unprecedented speed, nonprofit expertise—comfort navigating the current sociopolitical climate, experience working with activists, and ESG fluency—can be valuable.

The shift from shareholder value to stakeholder value as the measure of what a company should do accelerated markedly through 2020. Boards are among the corporate leaders that are having to juggle a more complex and often contradictory group of priorities.

Much of the drive behind these changes is an evolving societal understanding of corporate responsibility and the role organizations play in solving problems such as climate change and social injustice. Even 18 months ago, it was common practice for organizations to not get involved in current events. Now, more and more, customers and employees expect organizations to take a stand and leverage their political power; boards and CEOs are therefore required to actively choose where and how to engage, or not. Both getting involved and not getting involved can be met with varying degrees of backlash.

One thing that will help corporate boards make better and faster decisions in these situations is greater expertise in both specific issues and in managing broad stakeholder networks: directors comfortable navigating the current social landscape and political climate, with experience working with activists and fluent in ESG, broadly defined. As a result, both private and publicly held boards are, perhaps unsurprisingly, showing interest in nonprofit executives. They can take three steps to increase their chances of finding and attracting the expertise they need most: clearly define the expertise the board needs, tap a rarely sought source of expertise, and consider how best to attract those candidates.

Clearly define the expertise the board needs

We are in the early days of this evolution, and many boards are in uncharted territory. However, boards can work to clearly define what new expertise they need most. One key area of expertise many organizations are looking for is diversity and inclusion—particularly through the lens of social and racial justice. But the definitions of such skill sets are still shifting, and in order to attract the right candidates, the role and how it aligns with the overall organizational strategy should be well understood by the entire board.

Boards can begin their considerations by asking themselves questions such as the following:

- Where do we see the most quickly changing stakeholder expectations?
- Which issues do we expect our stakeholders to take the most interest in over the next three years?
- Are there any issues that our organization plays a particular role in? (For example, energy and paper and packaging companies have important contributions to make toward sustainability.)
- Are there inconsistencies within our organization between our purpose and our actions that we need to address? (For example, do our company's stated values align with its political contributions?)

Tap a rarely sought source of expertise

Executives of nonprofit companies have not typically been seen as obvious candidates for corporate boards. Indeed, previous corporate CEOs and CFOs remain the most frequent additions to boards. In the United States in 2020, for example, 51% of the new directors on Fortune 500 boards were former CEOs or CFOs.¹ But in today's context, nonprofit executives offer clearly useful and differentiated expertise.

First, they are, by definition, not focused on profit in the short term; the ways they measure their successes are far more complex than financial gains or losses. As a result, these leaders are far more comfortable than most corporate executives balancing varying and often contradictory priorities, working in the complex ecosystem all organizations now find themselves in.

In addition, nonprofit leaders typically have expertise in issues that have become more important than ever before. Depending on the areas their work has focused on, this can range from climate and environmental sustainability to racial and social justice to healthcare. Finally, nonprofit leaders have networks many corporate leaders don't, to which they can reach out when the board may need more specific advice on how to handle a certain issue; these leaders can make introductions to leading nonprofits or activist organizations and make quick connections between organizations.

Consider how best to attract those candidates

Even with a well-defined role and a clear need for their expertise, nonprofit executives may still be undecided about joining for-profit organizations. Some may worry about the scrutiny or backlash they will face from their employees or communities they serve. Others may be concerned about being seen as window dressing, bringing their credibility to a board but not having any real influence.

It is important for organizations seeking to attract these candidates to be authentic in their intentions and be prepared to honestly and openly answer candidates' real questions. We have seen some candidates walk away from boards because they don't believe companies are genuinely interested in making a positive social impact. Above all, potential directors need to know they will be supported by their new fellow board members. Board chairs in particular will also have to work to integrate these experts into the board, ensuring that they are supported and listened to.

As societal understanding of corporate responsibility and the role organizations play in solving problems such as climate change and social injustice evolves at unprecedented speed, boards and CEOs are being required to actively choose where and how to engage, or not. Nonprofit expertise, those comfortable navigating the current social landscape and political climate, with experience working with activists and fluent in ESG, can be valuable. By clearly defining the expertise the board needs and considering how best to attract those candidates, boards can increase their chances of finding and attracting the talent they need most.

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¹ *Board Monitor US 2021*, Heidrick & Struggles, on heidrick.com.

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