**The Board as the Chief Steward of the Nonprofit Organization**

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Stewardship is an interaction between three primary parties/elements: the owner of resources, the steward, and the resources themselves. In classical cultures, the owner was the individual who owned the estate, farm or business, the steward was the *oikonomos* who was given the role as steward-manager, and the resources were seed corn, animals, and agricultural products. In the biblical record, the owner of all things is acknowledged to be God (Ps. 24:1), the steward is all mankind that are imbued with the imago dei, and the resources are wide-ranging (from all of material creation to spiritual realities such as the gospel and grace itself). In the modern nonprofit organization (hereafter referred to as the “NPO”), stewardship is central to the foundation of the organization because its resources must still be managed for the common good of the community or society at large. Thus, the same three stewardship parties/elements exist, but more confusion surrounds their identity.

A hallmark of the creation of all NPOs and NGOs is that they are organizations that exist to serve the common good but cannot be owned in the traditional sense by any one person or persons. But the NPO still has an “owner” (whether explicit or implicit) for whom the organization’s resources are stewarded and to whom the steward is accountable. Among faith-based NPOs, the primary or explicit owner is readily acknowledged to be God Himself. However, since NPOs exist to serve the common good, they also have implicit or human equivalents of “owners.” Some have tried to affirm that the human owner of the NPO is society at large or the local community, but most acknowledge that a more concrete form of NPO “owner” exists among the identifiable stakeholder groups that support and have a stake in the outcomes of the organization.[[1]](#footnote-1) Sometimes the NPO has a very definable stakeholder group that serves as “moral owner” of the organization (such as an NPO that has a formal membership), but more often there are broader stakeholder groups that serve as “implicit owners” (such as donors or the families of constituents).

The definition of the second party in the stewardship triangle (i.e., the steward) is equally complex when it comes to the NPO. In the organization, the Board of Directors (herein referred to as the “board”), the Executive Director (ED), and staffs all have stewardship responsibilities because they all manage resources on behalf of the stakeholders. Each of these three groups also have different levels of accountability. As I analyze the relationships between all three with regard to stewardship and accountability, I concluded that the following chain of accountability in nonprofit organizations is the best way to understand each player’s stewardship role:

* All members of the NPO are accountable to God for their moral actions and decisions.
* The board serves as the Chief Steward and is accountable to the stakeholders.[[2]](#footnote-2)
* The Executive Director serves as the Under-Steward and is accountable to the board.[[3]](#footnote-3)
* Staff members serve as individual stewards and are accountable to the executive director.

The best way to visualize how these relationships work in the NPO is illustrated in the following chart:

**God/**

**Stakeholders**

Explicit & Implicit Owners

**Board of Directors**

Chief Steward

**CEO/**

**Executive Director**

Under-Steward

**Staff**

Individual Stewards

The Board of Directors is the Chief Steward of the organizational resources. They have been given the primary trust of the organization’s resources by the stakeholders (and typically also by law). The board has multiple members that must work together to speak and act with one voice and direction to accomplish the objectives and goals of God and the stakeholders, the owners. As such, the board must always maintain a close relationship with God and the stakeholders in order to ensure that they know what they want and that the actions of the NPO are consistent with those objectives.

The CEO or Executive Director (ED) is an employee of the board, and thus serves as an Under-Steward to the board. In classical times, there generally was only one steward that oversaw the affairs of a business or estate. But sometimes on very large estates there was a hierarchy of stewards in order to manage the larger scope of resources. In a similar way, the board serves as the Chief Steward, but the ED is also a steward leader of the organization, serving at the behest of the board. The board’s stewardship involves oversight, strategy, financial management, and policy governance, while the ED’s stewardship involves strategy implementation, staff oversight, and operational management.

Finally, in our hierarchy of stewardship, staffs play a critical role as individual stewards under the direction of the ED. Staffs are not the servants of the ED, but rather the arms and legs of the ED and board to accomplish the mission of the organization. Each staff member stewards their own special gifts, talents, and experiences along with organizational resources that have been put under their care and management.

## A Board’s Duty of Care, Loyalty, and Obedience

There is no question that the nonprofit organization is an unusual construct created for the purpose of ensuring the continuity and effectiveness of a mission that serves the public trust. Central to that purpose is the board which has been placed at the helm as the primary “trustee” or steward of the assets and programs of the organization. The board has the ultimate responsibility and accountability for the conduct and performance of the organization. It is the governing body that oversees and ultimately is legally accountable for the organization.

How does the board govern the NPO? According to modern corporate law, it does so in part by fulfilling three fundamental duties: the duty of care, loyalty, and obedience. Each of the three duties has its roots in the steward-owner relationship of classical stewardship. The duty of care is essential to the role of a steward in any capacity. When resources have been placed under the control of a steward, the owner of the resources believes that the steward will act in such a way as to advance his or her interests rather than acting in one’s own interests. The duty of care affirms the critical difference between agency theory (which posits that the agent will primarily act in self-interests unless controlled) and stewardship theory. The duty of care also assumes that the steward is acting in an environment of accountability for the due diligence of his or her actions.

The duty of loyalty is closely related to the duty of care in that the steward is once again compelled to act loyally and faithfully to advance the interests of the organization. Classical stewards were never allowed to serve more than one master in order to ensure their duty of loyalty: to the master first, and then to the resources of the organization. Regardless of a steward’s personal interests or opinions, their first loyalty is to fulfill the goals and objectives of the owner of the resources.

Finally, the duty of obedience emphasizes in a much-maligned term that many find offensive in today’s society: obedience. With our cultural emphasis on personal freedom and independence, we cringe at the concept of being “obedient” to any other human being (unless of course we are talking about the obligations of our own children). But classical stewards were expected to be obedient to their masters by following their goals and objectives. This may have involved the occasional direct order, but by and large it was expressed with a high degree of independence and trust expressed on the part of the master to the steward, which made obedience more principled than literal. But in our modern approaches towards obedience, definitions of the duty of obedience generally fall short in that they are comfortable with the idea of obedience to the organizational mission, policy, and law (*organizational* obedience), but are unwilling to state the more obvious side of obedience: the duty of obedience that involves the relationship between God, stakeholder, and steward (*relational* obedience). Later in this article we will unpack the relational side of the duty of obedience to God and the stakeholders. In the world of steward leadership, it is a necessary and important issue.

## The Slippery Slope of “Acting Like an Owner”

The board stands in the position of Chief Steward of the NPO, having been given the fiduciary position of trust[[4]](#footnote-4) by the community at large and the stakeholders. However, with today’s emphasis in nonprofit circles on the board’s position as “trustee” with fiduciary responsibilities, there are some boards that operate under the assumption that they are in fact the “owner” of the organization. A board or board member may come to this belief because they view themselves at the top of the chain of command, and thus must act like owners. Alternatively, a board member may honestly believe that the best way to fulfill his or her role is at least to “act like an owner.” In my research with nonprofit EDs and board members, I found a surprising percentage of individuals who volunteered this philosophy of board membership. They were proud of the fact that they had come to this realization on their own as the best way to define their role as board members: “If I act like an owner and manage the resources of the organization accordingly, I will take better care of them than if I assumed the resources belonged to someone else. After all, don’t we take care of our own things better than the things of others?”

There are a number of reasons why “acting like an owner” is misleading, if not dangerous to the future of stewardship and the nonprofit world. In the world of agency theory, this way of thinking might be helpful. But in the altruistic world of the steward, higher values are in play that are connected with managing non-owned resources. This way of thinking carries with it a dangerous slippery slope in which “acting like an owner” today can easily morph into “being the owner” tomorrow. I might take better care of resources that I consider my own, but they are still *my* resources, and I generally assume that I have complete freedom to do what I want with my own resources. Finally, there is nothing to compel a board that is “acting like an owner” to develop any relationship with the stakeholders. If organizational resources are treated as if they are my own, then why would I need or want to consult with others concerning the goals and objectives for those resources? A board that believes that they are the final owner or arbitrator of the nonprofit resources will either ignore or minimize their relationship with the stakeholders, viewing them at best as just a convenient funding channel, or at worst, a burden.

Therefore, an NPO board needs to be crystal clear about their role as steward of the organization. They are not owners but hold in trust that which God and the stakeholders have placed into their responsibility. They must resist any move, however slight, towards acting like owners or that dismisses the importance of their relationship with God, the stakeholders, and the community.

## Steward Leadership and Governance

Since much is said these days in nonprofit circles concerning board governance, it is important to demonstrate the stewardship basis for the various approaches to governance. Governance broadly understood encompasses the decisions and actions that define an organization’s mission along with its processes, policies and control mechanisms. It contrasts with *management* in that management consists of the decisions and actions that define performance of the organizational strategy. Governance is the responsibility of the board, while management is the responsibility of the executive staff. Michael Batts (2011) has written a small book called *Board Member Orientation* in which he boils down governance to the acronym SOP: Strategy, Oversight, and Policy. According to Batts, good governance involves establishing the general strategy of the organization, monitoring and evaluating the organizations activities against the mission (oversight), and establishing and refining organizational policies.

Today there are multiple approaches or models that define nonprofit governance. Mel Gil (2002) in his article “Building Effective Approaches to Governance” has an excellent summary of the different approaches to governance. In my experience, most organizations adopt a hybrid approach to governance or they unintentionally operate within the confines of a particular model without ever realizing they are doing so. But one thing is true about every NPO that seeks to implement effective governance: regardless of one’s approach, true governance is based on the board operating as a steward.

Governance finds its roots in the responsibilities of the classical stewards who were responsible to oversee the work being conducted on the farm, estate or business while not necessarily doing the work themselves. Although it is true that classical stewards were more managers than overseers due to the small size of the enterprises under their control, as the enterprise increased in size, the need for more oversight and management layers increased as well. With the establishment of the modern nonprofit organization, a strong separation between governance and management was needed. Boards were established as the Chief Steward of the organization in order to provide a greater focus on governance, strategy, and the organization’s relationship with stakeholders. Executive leadership within the organization became under-stewards in order to focus on management and operations. The board, or Chief Steward, is held accountable by the stakeholders primarily for the overall mission, strategy, fiduciary duties and outcomes of the organization, while the ED, or Under-Steward, is held accountable for the management of operations and fidelity to the mission and policies. It’s a division of labor brought about by the complicated nature of the modern nonprofit organization and the higher requirements for accountability in mission, financial credibility, and outcomes. Thus, governance is an important aspect of the board’s responsibility that is a specialized application of steward leadership.

## The Accountability of the Board

Since accountability is central to an understanding of steward leadership, it is important to define *to whom* the board as Chief Steward is accountable, and *for what*? We have already demonstrated that the board as steward and trustee of the organization is accountable to God and the stakeholders for how the organization is governed. So in general terms, the board is accountable for achieving the goals and objectives of the owners (explicit and implicit).

A board puts itself in a position of accountability when it exercises genuine dependency before God and when it develops an accountable relationship with the stakeholders. Communicating about the mission, vision, and values of the organization and the implementation of that mission is an important part of that relationship. The mission, vision, and values serve in part as a double-check on the board’s understanding of the goals and objectives of the stakeholders. They are the clearest articulation of the board’s synthesis of the objectives of the various stakeholder groups and constituents. When the board also communicates with the stakeholders about the strategic objectives that elaborate on the mission, it gives it further opportunity to expand on the board’s understanding of stakeholder views, effectively saying: “These are the goals and objectives for the organization that summarize our understanding of what we heard from you.”

As the board holds itself accountable to the mission, it additionally accepts accountable for the following related areas:

* Maintaining financial credibility and sustainability.
* Defining broad operational policies and processes that will guide the staff as they implement the mission and objectives.
* Monitoring and evaluating its’ own performance as well as that of the ED.
* Maintaining a close relationship with God and the stakeholders by listening to them and communicating back to them in meaningful and simple language.

## The Relationship Between the Board and Stakeholders

Since a steward leader’s relationship with God and the stakeholders of an NPO is so critical, a nonprofit board must work extra hard to develop and maintain a relationship with both. This isn’t as easy as it sounds. With varying spiritual understanding concerning what it means to listen to God, boards often don’t know how to engage in meaningful listening prayer. And it is often hard to define exactly who the stakeholders are, which stakeholders are closest to being implicit owners, and how to deal with the multiple voices and multiple directions stakeholders sometimes communicate. Although fraught with challenges, when a board pursues a strong relationship with God and stakeholders, the results actually enlarge the organization’s ability to focus on larger, community-driven issues. Ruth McCambridge (2004, p. 351) found that when a board is primarily internally focused (and not externally focused on the stakeholders and community), it spends the majority of its time on a “narrow focus in which [the] board’s work is about organizational controls and resource development…It is a pretty unimaginative and constrained approach to a situation full of need and potential.” McCambridge vividly illustrates this misplaced focus by profiling a nonprofit that sought foundation funds to replace its furniture while the neighborhood in which it resided was a picture of urban devastation. However, when the board is externally focused through engagement with stakeholders and constituents, its focus enlarges to the full extent of the need “out there” that the organization’s mission so eloquently addresses. The board is able to put constituent interests ahead of institutional interests.

From my own experience I offer the following suggestions to help a board fulfill its’ obligation to develop a strong relationship with God and the stakeholders.

* Have an honest discussion among board members as to what would constitute meaningful dependence on God and how comfortable the board is with aspects of listening prayer. Spiritual dependence, a listening posture, and seeking God’s specific will for the organization are key aspects to stewarding His resources.
* Not every board member may hear the same things from the Lord. The board needs to adopt a process whereby various “words from the Lord” are weighed and consolidated.
* Define who the stakeholder groups are for your organization. Stakeholder groups can include donors, the community, constituents served, parents of constituents, specific government offices, etc. Once the potential groups are defined, it is helpful to rank them in their overall commitment to the outcomes of the organization based on “most influential” to “least influential” or “highest ownership” to “lowest ownership.”
* In a few cases with special NPOs there may be what John Carver (2006) calls “moral owners” among the stakeholders. Moral owners are a subset of stakeholders to whom the board has a special responsibility and accountability. In a membership-based NPO the moral owners may be paid or elected members as opposed to all other potential stakeholders (customers, supporters, etc.). Moral owner stakeholders always go to the top of a board’s list and are generally treated with extra-ordinary communication and relationship.
* If multiple stakeholder groups end up ranking near the top of your list, consider “dividing and conquering” by assigning individual board members to focus on and represent a specific stakeholder group.
* Figure out ways that the board can meet with stakeholder groups on a consistent basis. This may mean scheduling an annual or bi-annual meeting with the board and/or individual meetings with key influencers in each stakeholder group. Board members should make their attendance at such meetings a priority. Consult your bylaws to make sure it doesn’t already require specific stakeholder or member meetings.
* Let the stakeholders know that you view them as the moral or implicit owners of the organization and that you as a board are the stewards of their trust. Stakeholders may have never viewed themselves in that role before and will benefit from the clarification of your stewardship role.
* Primarily use the mission, vision, values, and strategic directions as the means for opening up a conversation about the goals and objectives for the organization. This will give focus and specificity to your conversations with stakeholders.
* If the board hears multiple opinions from stakeholders as to the goals or objectives for the organization, it will have to consolidate and/or narrow the various opinions through evaluating the relative weight of each opinion and the extent that it is held by the majority.
* Remember that a stakeholder conversation is a two-way dialogue, and the board has the right to express its opinion as to the purpose and direction of the organization as a means of clarifying stakeholder views.
* Don’t allow the views of individual stakeholders (such as a major donor) to have undue influence over the board’s articulation of the final mission and objectives for the organization.
* Use communication vehicles (such as periodic reports, newsletters, and annual reports) throughout the year to provide updates and reminders to the stakeholders of the mission, objectives, and outcomes of the organization.
* Publish the names and contact information of board members to the stakeholders so that they know who to contact with questions or input.
* If the ED develops a close relationship with a particular stakeholder, he or she should always try to involve another board member in those conversations so that the stakeholder is able to develop a relationship with the board as well.

## Practical Aspects of a Board’s Stewardship

Learning how to act as a steward of an NPO is not necessarily intuitive for some people, especially leaders in a board position. It is a learned identification that takes time, encouragement, and frequent reminders. I suggest that a board start by developing board documents that define the board’s role and responsibilities, complete with a detailed board job description that thoroughly defines the board’s stewardship role.

Once the documentation is complete, steward leadership concepts need to be presented, discussed, and applied by the board in numerous meetings. The starting venue could be a board retreat where the board agrees to focus on understanding their clarified role and responsibilities as Chief Steward of the organization. Such a venue may need to be facilitated by an outside professional who already embraces steward leadership and can serve to help the board through the inevitable questions that will arise. I’ve conducted many of these retreats and almost always find stewardship concepts embraced with enthusiasm and relief (e.g. “For years I’ve wondered if we were missing something in our understanding of our role as a board, and now it finally all fits together”). The ideal goals for such a retreat are that the full board will embrace their steward role, and that role will be applied to specific responsibilities and activities of the board. This can result in a greater commitment to a stakeholder communication strategy, the adjustment of board committees aligned with the roles of the board, board agendas that stress stewardship and governance, and board development commitments, just to name a few specific outcomes.

The next level of application of the board’s re-discovered steward leadership role will be during ongoing board meetings. A once-a-year board retreat is not enough to refocus a board and all of its members on functioning like the Chief Steward of the organization. Old habits die slowly. So, at each board meeting, members need a reminder of their stewardship role and time for specific follow-up of their stewardship responsibilities. I often start board meetings by restating our role and a practical encouragement on how we can be the best Chief Stewards during our deliberations and decisions that day.

Thirdly, it always helps if one member of the board takes on the responsibility to be a steward leadership advocate for the board. This person is normally the Chair or President of the board, but it can be any board member that has a passion for steward leadership and is willing to remind the board of its stewardship opportunities on a regular basis. It is a completely different role than the board member who might oversee the board’s Development Committee or the Development Director of the organization. It is a steward leadership role, not a fund raising role.

Fourthly, the revised board purpose and job description documents need to be an integral part of new board member recruitment and onboarding. Most new board members come with a variety of board experiences, some not so positive. In the recruiting process they need to hear how your board conceives of itself as the Chief Steward of the organization and is organized around its steward leadership roles and governance policies. If you explain the board role in such a manner, your prospective board member will probably hear something they have never thought about before and will be able to better ascertain whether they are a right fit for the board. At a minimum you will dispel any unspoken myths in their minds about why you want them on the board (“You just want me for my money, my status in the community, or to fill an empty seat”). Once a board prospect agrees to join the board, an onboarding process is essential to orient the new member to the specific functions, details, and people on the board and in the organization. Every onboarding process will be different, but there are a number of printed resources you can find online (Google “new board member onboarding”) or in a local nonprofit library that are great places to create your own custom onboarding process.

Finally, an important implementation of good steward leadership on the part of the board is demonstrated in how it develops a working relationship with the ED. We have proposed that the board is the Chief Steward of the NPO while the ED is the Under-Steward, reporting directly and only to the board. Both have steward leadership responsibilities. The board functions as steward over the strategy, oversight, and policy of the organization, and is the direct link to the stakeholders. The ED has steward leadership responsibilities as steward over the operations of the organization and implementation of the strategy and policies. Both need to work closely together to insure that the organization is achieving the goals and objectives of the stakeholders as defined by the mission, vision, values, and strategy. Most often the board Chair is the direct link to the ED, and the two do well to meet on a regular basis to review the activities of the board and the ED so that they can support one another. A Chair should ask the ED from time to time, “How do you think the board is doing in fulfilling its roles?” and “What more do you need from the board that you are not getting at the moment?” Since the board and ED share accountability to the stakeholders for accomplishment of the mission, they can also discuss how both are communicating with the stakeholders and what future visits are needed with specific key stakeholders.

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This article is edited and revised from a chapter in a forthcoming book by the author tentatively titled *Steward Leadership: How to Make Your Nonprofit Thrive*. Inquiries concerning the book may be directed to the author at the following contact information.

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1. I define a stakeholder as any group or individual that has an implicit claim or share in the organization’s outcome by virtue of a direct contribution to or engagement in the organization. [↑](#footnote-ref-1)
2. In proposing this chain of accountability, I acknowledge the contribution of Kao, Kao, and Kao (2005) who offer a form of accountability that they call the “hierarchy of stewardship responsibility” (pp. 140-41) and the “stewardship proprietary decision-making hierarchy” (p. 62). [↑](#footnote-ref-2)
3. I do not believe, as some nonprofit executives hold, that the executive director serves as “co-steward” with the board. The executive director cannot be both co-steward and accountable to the board at the same time. I also do not believe that the executive director is *directly* accountable to the stakeholders. If such were the case, the executive director would be put in a compromising situation of conflicting accountability to the board and the stakeholders. [↑](#footnote-ref-3)
4. “Fiduciary” fundamentally meaning “a trust of property or power to a person for the benefit of another,” which is the same thing as stewardship. [↑](#footnote-ref-4)