

ENHANCING BOARD PERFORMANCE IN THE ISLAMIC NONPROFIT SECTOR:

Analysis and Recommendations



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FOREWORD

The Institute for Social Policy and Understanding (ISPU) would like to thank Aamir Rehman for his diligent work on this report. This study is part of an ongoing analysis of the Islamic nonprofit sector and was produced as part of a research project at the Harvard Business School. The report provides both empirical and anecdotal evidence that the board performance within Islamic nonprofit organizations can be significantly improved. According to the report, board performance is a pivotal component of an effective organization, and needs to be taken more seriously by the Muslim community.

While the report provides many answers, it also raises interesting new questions about the management and daily running of Islamic nonprofits. The performance of the board in Islamic nonprofits will undoubtedly impact the long-term sustainability of the organization and the sector as a whole. Mr. Rehman's conclusions and recommendations are certainly a step in the right direction.

The study raises numerous other social policy issues that ISPU hopes to address in subsequent reports. We invite feedback on this salient study and hope it sparks further discussion on the issue.

Farid Senzai
Director of Research, ISPU
May, 2005

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EXECUTIVE SUMMARY

This study seeks to explore the state of board performance in the Islamic nonprofit sector and to provide recommendations to improve the effectiveness of boards in the sector. Our study focuses on faith-based organizations in the United States which seek to serve the country's growing community of roughly 7 million Muslims.¹ The term "board" refers to an organization's board of trustees - the body which has legal and fiduciary responsibility toward the organization, controls its assets, and is the institution's ultimate decision-making body.

Section One of the study discusses the current state of board performance in the sector, exploring how boards are chosen, how board members spend their time, and key challenges boards face in upholding their responsibilities. We find that these challenges often prevent boards from devoting their time to the activities which they "should" be undertaking according to their organizations' charters and their own aspirations.

Section Two provides recommendations for improving board performance by addressing the challenges discussed in Section One. Most of our recommendations require only modest changes to current governance structures but require significant changes to how board members prioritize activities and spend their time. We believe that a change in priorities, more than for a change in structures, will lead to significantly improved performance of boards (and, by extension, organizations) in the Islamic nonprofit sector.

¹ Council on American Islamic Relations - <http://www.cair-net.org/asp/aboutislam.asp>

KEY FINDINGS

- Board members are principally chosen based on their past contribution to the organization rather than their ability to meet its future needs.
- The same board often assumes both governance and management responsibilities.
- Less than half of a board member's time with the organization is devoted to "board-level" issues.
- Cultural diversity often creates substantial challenges to board cohesion.
- Organizations offer board members little or no management training.

CORE RECOMMENDATIONS

- 1) Emphasize forward-looking criteria when selecting members of the board.
 - 2) Give board members annual performance reviews.
 - 3) Create an operating committee distinct from the board of trustees.
 - 4) Engage the board in joint spiritual and educational activities.
 - 5) Provide board members ongoing management training and support.
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RESEARCH METHODOLOGY

The study relies principally on primary research, supplemented by secondary references for information related to demographics trends.

Primary Research

The core of the research comprised of interviews with twelve Islamic nonprofits. These interviews provided perspective on the actual behavior and activities of board members, as well as explanations as to why actual behavior differed from espoused or desired behavior.

Half the organizations studied were mosques; the remainder included:

- two full-time schools,
- one weekend school,
- one social service organization,
- one adult education organization, and
- one large student organization.

Most organizations, approximately half of which were urban and half of which were suburban, were based in the greater Boston area.²

Interviews were conducted by phone and in person. Interview questions sought to understand how the board is selected, what is on the board agenda, and how board members spend their time and what they see as their main challenges. Interviews were scheduled for thirty minutes but often ran beyond one hour.

² While a larger and more geographically diverse sample size would have been desirable, it is hoped that the qualitative findings apply to a broad range of Islamic nonprofits. We have also limited ourselves to reporting only the findings that reflect very strong trends (i.e. eight out of twelve organizations) so as to avoid inappropriate generalizations of more subtle issues.

THE CURRENT STATE OF BOARD PERFORMANCE ———

The challenges facing Islamic nonprofit boards have changed significantly as the Muslim community has evolved.

A great number of board members are also founders of the organizations and have played pivotal roles in establishing these institutions. We spoke with visionaries, philanthropists, and pioneers in the Islamic nonprofit sector, without whose contributions, the sector would hardly exist. Critiques of boards today are by no means intended to belittle these contributions.

Many of our interviews, nonetheless, included discussions of the changing demands of board membership in the Islamic nonprofit sector over the past two decades. Earlier challenges related to the creation of organizations, the acquisition of capital and of facilities, and the development of core infrastructure for the Muslim community. An example of such early-stage challenges is the need to create a community to offer Friday prayers or find a space for a children's weekend school to teach the basics of Islam.

As the community has evolved, challenges shift into the realm of developing more effective programming, fostering a sense of community among American born Muslims, and building relationships with the broader non-Muslim community. Outreach, political activism, and interfaith relations became increasingly important in the wake of the September 11, 2001 attacks, after which the American Muslim community has received an unprecedented level of attention.

A typical board agenda in 2005 is therefore remarkably different than an agenda from 1995. We see much greater emphasis on external relations than before, more attention to enhancing programming, and less attention to physical plant and capital. Although physical plant still consumes a significant amount of board attention, its relative importance appears to have declined.

³ Although capital projects may be lower on the board's agenda than before, in a previous study, we argue that investment in buildings often still takes priority over investment in human capital. This is despite the fact that human capital needs are often more critical than the need for physical expansion.

Board members are principally chosen based on their past contribution to the organization rather than their ability to meet its future needs.

The criteria used in selecting board members tended to focus on contributions made to the organization in the past, such as early funding of a mosque or delivering Friday sermons in the early period of the organization's existence. These criteria reflect the role an individual has played in the organization's history. When used to select trustees, the unstated assumption is that the types of contributions made in the past are the same types of contributions needed in the future.

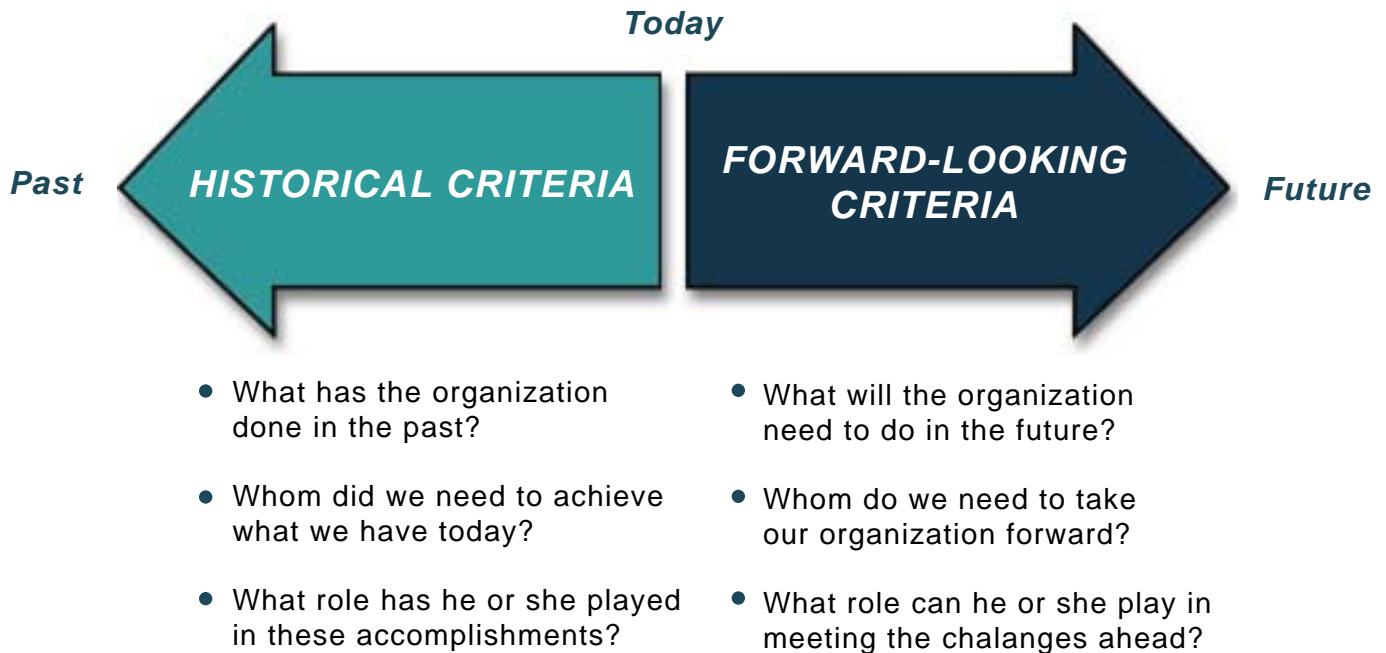
As an organization evolves, however, the contributions required from board members need to evolve as well. As mosques take on more of a role in the broader community, for example, it becomes important to have at least some board members who are familiar with other nonprofit organizations, the local political system, and the local media. Conversely, as a community hires an imam, a board member's ability and availability to deliver sermons may become less important to the organization's success.

One extreme example of misalignment between board members' ability to contribute and the community's evolving needs was found in a prominent urban mosque. The six members were founders of the organization and were appointed to the board for life. At present, however, all six reside outside the city where the mosque was and most resided overseas. Their distance from the organization made it impossible for them to effectively interact with leaders of other nonprofits and with local officials, a critical contribution needed by the organization. Their distance also made it difficult to make well-informed decisions about major projects affecting the local Muslim community.

A subtler example of misalignment was evident in a mosque that required substantial monetary donations as a criterion for selection to the board. This requirement persists despite the fact that the mosque's capital projects are largely completed and are less mission-critical than previous projects and the local Muslim community has grown more diverse and includes far more families from working-class backgrounds. Removing the donation requirement might allow the board to be more reflective of the community it serves.

The diagram below illustrates the difference between historical criteria and forward-looking criteria in the selection of board members.

Historical vs. Forward-Looking Criteria of Board Selection



The risk in relying too heavily on historical criteria is that an organization may choose board members whose skills and contributions are less appropriate for the next phase of its development. Likewise, an organization may overlook or undervalue potential board members who could add significant value in the future but did not "fit" the organization in the past.

Boards in which members are elected by the general body appeared more likely to become dysfunctional.

Interestingly, every example of dysfunctional boards (including those that fail to meet, those whose meetings degenerating into shouting matches, and those in which lawsuits occur between board members and/or outside parties) that we came across was a board elected by the organization's general body. Boards that were self-selecting (i.e. current members select new ones) tended to manage conflict more effectively and avoid organizational schisms. This pattern has been a surprising one to observe but a clear one that emerged throughout the interviews.⁴

There are a few hypotheses as to why self-selecting boards manage conflict better. The strongest is that self-selecting boards tend to have a deeper level of mutual trust, which both limits conflict and allows conflict to be handled without resorting to lawsuits or shouting matches.

A member of one self-selecting board, for example, discussed his confidence that a decision reached by consultation of all members in the board would be superior to a decision he or any other member could make individually. This confidence was clearly lacking in contentious boards, in which individual members and subsets of the group found board decisions unacceptable.

Another hypothesis regarding dysfunctional elected boards is the competition for board seats in an election causes members to focus on maintaining control of the organization rather than on actually improving the institution. Perhaps elected board members find deadlock, when it demonstrates commitment to the constituency which elected them, acceptable because they know they can wait until the next election and hope that new, like-minded members will tip the balance of the board in their favor.

Self-selected boards, of course, face another set of risks, including potentially stifling diverse viewpoints, less direct accountability to the community, and a generally less inclusive environment. Under either selection system, risks need to be carefully balanced and counteracted.

⁴ The limited size of our sample (twelve organizations) makes it impossible to draw conclusive recommendations regarding board elections. The strength of the observed trend, however, is certainly noteworthy.

The same board often assumes both governance and management responsibilities.

Board agendas in the Islamic nonprofit sector often include both operational matters, such as details of program management and property management, and issues of governance, such as strategic planning and policy formation. This phenomenon reflects a departure from board responsibilities as defined by organizations' charters. In these charters, board responsibilities tend to focus on strategic planning, general oversight and fiscal responsibility.

This blurring of governance and management often results in neglect of long-term planning, overloaded agendas, and member exhaustion. When boards need to manage urgent operational issues as well as long-term strategic concerns, it is only natural that they will turn their attention to urgent operations.

Another negative consequence of blurring operations and governance is a loss of objective distance from any particular programs. When a board member is also actively involved in managing a particular program, he or she may not be able to assess that program objectively and recognize when it needs to be cut. This lack of objectivity can undermine a board's ability to govern effectively.

One explanation of this blurring between operations and governance is a lack of professional staff to manage daily operations. According to a 2001 Council on American Islamic Relations study,⁵ a startling 55 percent of American mosques have no paid professional staff of any kind. Twenty-six percent have only one professional on staff and a mere 10 percent employ three or more professionals. When one considers that nearly 70 percent of mosques hold five prayers each day, totaling 35 services per week, in addition to other activities, the ratio of staff to services is strikingly low.⁶ In the absence of professional staff, board members are likely to involve themselves in operations.

Another explanation is a lack of awareness of what the board's governance responsibilities are. It is not always the case that board members, when initially selected or anytime thereafter, are explicitly informed of what the constitutional expectations of their roles truly are through an orientation or training process.

⁵ Ihsan Bagby, Paul M. Perl, and Bryan T. Froehle. *The Mosque in America: A National Portrait*. Council on American Islamic Relations. April 26, 2001.
http://www.cair-net.org/mosquereport/Masjid_Study_Project_2000_Report.pdf.

⁶ For more on the challenges of attracting and retaining professional staff, please see our previous study entitled *The Human Capital Deficit in the Islamic Nonprofit Sector*.

Less than half of a board member's time with the organization is devoted to "board-level" issues.

Even when boards (as a collective) do focus their time on board-level issues, individual members are often active volunteers in the organization's projects and activities. Interviews conducted to date suggest that for every hour a board member devotes to an organization, less than thirty minutes are spent on board-level concerns, such as strategic planning or financial review.

One board member explained that he devoted more than ten hours per week to his weekend school. Meeting with the board comprised one of these hours, carrying out board-level responsibilities comprised another few hours, and the bulk of the time was spent on operational issues. His colleagues on the board allocated their time similarly, several of them heading volunteer project committees.

This allocation of time may or may not be problematic, depending on whether the time allocated to the board is sufficient to fulfill its responsibilities. It is nonetheless noteworthy that Islamic nonprofit board members tend to be both strategists and front-line volunteers.

Cultural diversity often creates substantial challenges to board cohesion.

The Muslim community is culturally diverse, with significant African American, Middle Eastern and South Asian populations. Diversity on the board has immense potential to make boards more dynamic, more reflective, and more representative of the community at large. Several respondents have noted, however, that cultural expectations regarding the practice of Islam (e.g., whether to commemorate certain holidays celebrated in some parts of the world and not in others) have led to intense disagreement and fragmentation within boards.

It appears that board members sometimes form voting blocs or coalitions along cultural lines rather than through genuine debate and discussion. Instead of resolving disagreements based on persuasion and reasoning, members assume that the other camp will never agree with them because cultural boundaries seem insurmountable. In the words of one respondent, "because of ethnic divisions every issue is a great issue."

Inability to overcome cultural boundaries has posed a serious threat to the cohesion of the Muslim community. This inability may explain, at least in part, why major cities such as New York sometimes have multiple mosques in the same neighborhood, each mosque catering to a distinct ethnic community.

Joint spiritual and educational activity seems to improve group process within boards.

Not every board with diverse cultural backgrounds fell into infighting. Several institutions with members from different ethnicities described themselves as having strong group processes - clear definitions of responsibility, transparent decision-making processes, respect for differing viewpoints, and general efficiency in meetings.

An emerging pattern in the data is that board members in these "healthy" institutions engage regularly in joint spiritual and educational activities. Two organizations examined require members to participate in weekly religious classes and congregational prayers. Two others did not have such formal requirements, but did observe the requirement that members studied Islam together and engaged in joint activities outside the board. All four reported well-performing boards with strong group processes.

It appears that joint spiritual and educational processes develop trust between board members and build mutual respect. In some of the organizations, educational activities also clarify expectations about group process and etiquette, by including classes on topics such as the ethics of disagreement and the virtues of consultation. These classes, while increasing the total time commitment of board members to the organization, seem to significantly enhance cohesion and lead to more effective boards.

This finding is consistent with the view among business researchers that highly successful organizations tend to have strong, shared values.⁷ Islamic nonprofits may assume that being Muslim gives their board members a sufficient base, but the experiences of many dysfunctional boards suggest otherwise. Joint spiritual and educational activities serve to make shared values explicit and reinforce them regularly.

⁷ Collins and Porras's *Built to Last* is one example of research on the importance of shared values in corporate settings.

Organizations offer board members little or no management training.

Although many of the boards discussed in our interviews were comprised primarily of professionals without management backgrounds, no board offered management training to its board members. Even simple orientation sessions on the role and responsibilities of a board member were strikingly absent.

The experience of one respondent, who received training through an evening nonprofit management course at a university, illustrates the potential impact of management training. After describing the pattern of distrust among board members in the sector, he added, "I used to be like this... unable to delegate." His evening course was "very helpful" in helping him improve his own performance and he now believes that some training should be given to all his colleagues on the board.

IMPROVING BOARD PERFORMANCE

What can an Islamic nonprofit do to improve its board performance? In light of the findings discussed above, we offer five core recommendations.

1) Emphasize forward-looking criteria when selecting members of the board.

As discussed in Section One, an emphasis on historical criteria when selecting board members can result in a board whose skills match yesterday's needs and not tomorrow's. When the board's skills do not match the organizational context, the institution's performance can suffer severely. Institutions should instead emphasize forward-looking criteria, anticipating the future needs of the organization.

To emphasize forward-looking criteria is not to ignore the historical perspective. In fact, historical contributions are very helpful in assessing a candidate's ability and likeliness to contribute in the future. An organization's founders also add a great deal of future value through their understanding of the institution's core mission, values and history - an understanding that the organization will always need. The difference in perspective that we advocate is to view past contributions in the light of future needs rather than as stand-alone selection criteria.

We believe that a shift in emphasis from historical to forward-looking criteria of board selection can, over time, have significant impact on board composition. This in turn can lead to boards that are better suited to address the changing context of the Islamic nonprofit sector.

2) Give board members annual performance reviews.

Annual performance reviews, common among corporate employees but rare among board members in any sector, can act as a valuable tool for addressing several of the concerns raised above. A simple review process that:

- explicitly states what a board member's responsibilities are;
 - states what his or her personal goals were for the year;
 - provides metrics for measuring his or her contribution/progress toward that goal, and
 - offers feedback on his or her performance can have significant impact in improving member - and board - effectiveness.
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The first benefit of a performance review would be to raise awareness among board members as to what their stated responsibilities actually are. Such awareness may not be broadly present today, as board agendas and members' time allocation suggest. A second benefit of a review system would be explicit recognition of the organization's changing priorities and goals, as these would be stated anew each year in the performance review.

A third benefit of performance reviews would be to motivate members to adjust their allocation of time spent with the organization. Members are likely to prioritize the responsibilities on which they will be evaluated - strategic planning, organizational oversight, and fiscal responsibility - over operational activities that do not affect their evaluation.

Performance reviews could be conducted by colleagues on the board, with input from the organization's staff or other volunteers with whom the board member works. The degree to which performance reviews should have "punitive" consequences, with consistently poor reviews leading to reprimand or removal by the board, could be determined by each organization. Such consequences may not always be necessary, as volunteer board members are likely motivated by an intrinsic desire to serve and would naturally seek to meet the requirements discussed in the performance review. Likewise, members who consistently receive poor reviews may themselves reach the conclusion that their interests no longer match what the organization requires.

3) Create an operating committee distinct from the board of trustees.

One way to reinforce the distinction between governance and operations would be to create an "operating committee," separate from the board of trustees, whose role would be to manage the institution's day-to-day activities. Even if board members also serve on the operating committee, creating different forums for discussing governance issues and operational issues can help ensure that neither set of issues is overlooked or shortchanged.

As an organization evolves and hires professional staff, the staff, whose roles put them closest to day-to-day operations, can also serve on this operating committee. The operating committee can consist of fewer board members and can include non-board volunteers who are active in community affairs.

Another important benefit of creating an operating committee can be to provide a more inclusive and democratic body of leadership in the organization. While the board of trustees may be self-selecting, the operating committee can be elected by the community. Given adequate control over the operations of the organization, the committee can be responsive to evolving needs and make changes in the areas that most directly affect the community - the institution's programming.

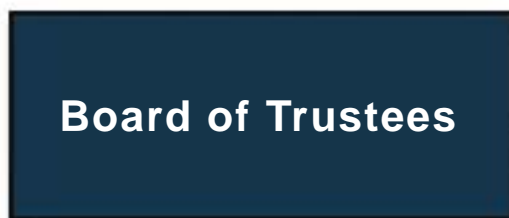
In addition, electing the operating committee can help ensure that the committee reflects the diversity of the community. If the committee becomes dysfunctional or mired in infighting, the board of trustees can exercise its oversight to break deadlocks and move the organization forward.

The operating committee is also a useful training and evaluation platform for potential future trustees. Operating committee members will gain both familiarity with the organization's issues and visibility with the board of trustees, who appoint new members to the board.

The figure below illustrates the roles of the board of trustees and the operating committee as an organization evolves.

Creating an Operating Committee

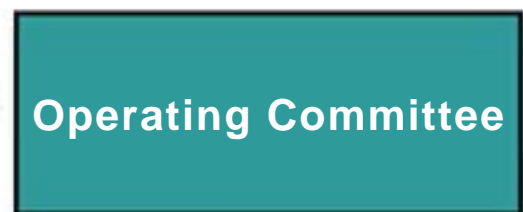
Current Structure



- Providing governance
- Managing operations
- Self-selecting body

Recommended Structure

- Providing governance
- Self-selecting body



- Managing operations
- Elected body

Governance

Operations

Oversight

Reporting

4) Engage the board in joint spiritual and educational activities.

As observed in Section One, joint spiritual and educational activities appear to build trust within the board and improve group process. It seems advisable, therefore, for boards to create space for joint spiritual and educational activities.

In designing these activities, it may be beneficial to rotate the leadership/teaching role between the members. This rotation may help foster respect for each member of the group and build mutual appreciation for one another.

It is also worth noting that in the cases of joint spiritual and educational activities that we observed, the activities took place in a separate context from the business of the institution. Such activities went beyond a prayer before or after the board meeting, a time when organizational issues occupy members' minds, taking place on entirely different occasions and often at different venues. At spiritual or educational gatherings, there was no organizational agenda.

5) Provide board members ongoing management training and support.

Management training, even at an introductory level, can significantly improve board performance. Such training can make members more aware of group process and provide tools for managing meetings and addressing issues more effectively. The importance of documentation, for example, is a management insight that could significantly enhance organizational performance in the Islamic nonprofit sector.

Training could be offered in various forms, depending on an organization's resources and preferences. One simple step would be developing a reading list of management articles and books and asking board members to review them. Individual reading could be enhanced by group discussion of the reading, perhaps facilitated by an outside party.

Organizations could also engage in regular leadership training, either in the form of a retreat or as an integral part of board meetings. Every third meeting, for example, could include a ten-minute discussion of a management principle. Organizations could also offer or at least encourage individuals to engage in classes or educational programs at universities or elsewhere to enhance their management skills. A mix of high intensity activities, such as leadership retreats, and low intensity activities, such as individual reading, can be a practical way to continuously build and refine management skills.

FINAL THOUGHTS

Board members shoulder great responsibility, and have made tremendous contributions to the development of the Islamic nonprofit sector. Enhancing board performance through the recommendations discussed here, as well as other means, is vital for sustaining and expanding Islamic nonprofit organizations and the communities they seek to serve.

About the Institute for Social Policy and Understanding

The Institute for Social Policy and Understanding (ISPU) is an independent and nonprofit organization committed to solving critical social problems in the United States through education, research, training, and policy analysis. ISPU provides cutting-edge analysis and policy solutions through publications, public events, media commentary, and community outreach. Major areas of focus include domestic politics, social policy, the economy, health, education, the environment, and foreign policy. Since our inception in 2002, ISPU's research has worked to increase understanding of key public policy issues and how they impact various communities in the United States.

U.S. society is far from being monolithic, whether culturally, socially, or politically. Therefore, it is imperative that the thoughts and insights of each aspect of this heterogeneity play a contributory role in the discourse and debate of issues that affect all Americans. ISPU was established and premised on the idea that each community must address, debate, and contribute to the pressing issues facing our nation. It is our hope that this effort will give voice to creative new ideas and provide an alternative perspective to the current policy-making echelons of the political, academic, and public-relations arenas of the United States.

ISPU firmly believes that optimal analysis and treatment of social issues mandates a comprehensive study from several different and diverse backgrounds. ISPU is unique in its ability to bring this new approach to the human and social problems facing our country, as social challenges become more complex and interwoven. Through this unique approach, ISPU will produce scholarly publications, incorporating new voices and adding diversity to the realm of ideas. Our multidisciplinary work in partnership with universities and other research institutes serves to build understanding and create programs that effect lasting social change.

Further information about ISPU can be obtained from our website at www.ispu.us