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# Boards in Non- Profit Organizations

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## a reading

*In this reading we deal with Boards of Directors. While other types of organizations have Boards of Directors, non-profits are unique in the way that Boards govern the organization. For managers in non-profits, learning to work with a volunteer board is often the most difficult challenge. For board members, having overall responsibility and accountability for the success*

*of the organization, while depending upon paid staff to operate it on a day-to-day basis, is often a source of conflict and frustration.*

Much has been written about what boards ought to do in an ideal world where everyone understands their roles and responsibilities and there are enough competent and committed people to fill all of the available seats. In reality,

Boards and board members vary dramatically in their capacity to meet the ideal.

As one experienced Board Member said to this writer, "I am currently involved on the Board of two very successful organizations. In one case it is almost a full-time job. I work several hours every week on tasks that otherwise might be performed by staff, if we could afford them. In the other, we meet three or four times a year for a few hours and simply ratify the proposals of a very competent chief executive officer." The key for this person is that both work extremely well! Yet both violate fundamentals! In one case the board interferes in operational matters, and in the other the board operates as a "rubber stamp" for staff. How can this be?

In reality, though we do not always admit it, Boards exist to serve many purposes including...

- COMMUNITY ACCOUNTABILITY
- FUND RAISING
- SOUNDING BOARD FOR THE STAFF
- INEXPENSIVE, SPECIALIZED EXPERTISE
- MARKETING FOR THE NON-PROFIT
- MARKETING FOR THE BOARD MEMBER
- STAKEHOLDER ACCESS TO DECISIONS
- POLICY MAKING
- LEGITIMACY
- STATUS FOR ITS MEMBERS
- A VEHICLE FOR SOCIAL CHANGE
- AN OUTLET FOR THE BORED
- A MEETING PLACE FOR FRIENDS
- A RESUME BUILDER
- A TRAINING GROUND FOR STAFF
- A SOURCE OF POWER AND INFLUENCE FOR THE MEMBER
- ACCESS TO POWER AND INFLUENCE FOR THE ORGANIZATION
- and many, many others.

While only a few of these purposes are legitimate, without them, we would not have enough board members to go around. It is important that we recognize all of these reasons for having Boards even if we disagree with some of them.

## THE OFFICIAL ROLES AND RESPONSIBILITIES OF A BOARD

We have all been exposed to various lists of the official roles and responsibilities of a Board of Directors. Not every list looks the same. The one that follows is pretty comprehensive and inclusive of most items from most lists. Some people get pretty uptight about such lists, insisting that they must be obeyed to the letter. Again, we have yet to find one that does so perfectly. And we have dealt with some pretty fine boards.

On the next page you will find a box in which the work of Dr. James Hardy is captured in the form of a self-assessment exercise. You might have your board assess itself using this simple format.

### *an "OFFICIAL" LIST OF THE FUNCTIONS OF THE BOARD...*

1. FORMULATE AND APPROVE LONG RANGE GOALS AND OBJECTIVES;
2. FORMULATE AND ADOPT POLICIES
3. SELECT, EMPLOY, PERIODICALLY ASSESS AND, IF NECESSARY, DISMISS THE CHIEF EXECUTIVE OFFICER;
4. DEVELOP FINANCIAL RESOURCES FOR ACHIEVING GOALS;
5. ADOPT AND MONITOR THE AGENCY'S OPERATING BUDGET, FINANCIAL DEVELOPMENT PLAN AND INSURANCE PROGRAM;
6. MONITOR THE ACHIEVEMENT OF GOALS AND OBJECTIVES;
7. PERFORM ITS LEGAL RESPONSIBILITIES;
8. PROTECT THE ASSETS OF THE ORGANIZATION;
9. FORM LINKAGES WITH OTHER COMMUNITY ORGANIZATIONS;
10. INTERPRET THE AGENCY TO THE COMMUNITY;
11. MAINTAIN AFFILIATION AND PARTICIPATION IN THE AGENCY'S LARGER ORGANIZATION AND SUPPORT STRUCTURE

## WHO'S IN CHARGE?

In some organizations, it is not always clear who is in charge. Are the staff really running the

place while a board of friends and associates of the CEO simply “rubber stamp” whatever he or she wants? Or, does the board really run the place with paid staff or volunteers simply doing what they are told? The truth is that both extremes exist as do many positions in between the extremes. We have seen Board members intimidated by professional staff and afraid to make a decision or to interfere because they feel inadequate. On the other hand, we have seen boards made up of enthusiastic amateurs who stick their noses into everything.

On the next page, the answers to “WHO SHOULD DO WHAT?” can be recorded for each organizational function or focus. We have more to say about this Situational approach to governance later in this document under the heading SITUATIONAL GOVERNANCE.

**WHAT DO THE EXPERTS SAY?**

IN "TEACHING AN OLD BOARD NEW WORK" Harvard Business Review, Sept.-Oct. 1996, the authors argued for a new kind of work

According to James M. Hardy, author of "DEVELOPING DYNAMIC BOARDS (essex press 1990), the board has 11 key roles to play in an organization. Assess each role in terms of how important it is to your organization's success (1=not important, 5= somewhat important, 9= absolutely essential) . Then assess how your board is doing in filling each function. (1=bad, 5= OK 9= outstanding) .

importance 1-2-3-4-5-6-7-8-9	The Role of the Board	performance 1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	1. FORMULATE AND APPROVE LONG RANGE GOALS AND OBJECTIVES	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	2. FORMULATE AND ADOPT POLICIES	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	3. SELECT, EMPLOY, PERIODICALLY ASSESS AND, IF NECESSARY, DISMISS THE CHIEF EXECUTIVE OFFICER	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	4. DEVELOP FINANCIAL RESOURCES FOR ACHIEVING GOALS	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	5. ADOPT AND MONITOR THE AGENCY'S OPERATING BUDGET, FINANCIAL DEVELOPMENT PLAN AND INSURANCE PROGRAM	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	6. MONITOR THE ACHIEVEMENT OF GOALS AND OBJECTIVES	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	7. PERFORM ITS LEGAL RESPONSIBILITIES	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	8. PROTECT THE ASSETS OF THE ORGANIZATION	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	9. FORM LINKAGES WITH OTHER COMMUNITY ORGANIZATIONS	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	10. INTERPRET THE AGENCY TO THE COMMUNITY	1-2-3-4-5-6-7-8-9
1-2-3-4-5-6-7-8-9	11. MAINTAIN AFFILIATION AND PARTICIPATION IN THE AGENCY'S LARGER ORGANIZATION AND SUPPORT STRUCTURE	1-2-3-4-5-6-7-8-9

Many writers would like to provide definitive answers as to how things ought to be, but again, the reality is that we do not always have the luxury of doing things according to the textbooks. One way to come at the decision as to how a particular issue or focus area is handled is to ask who is competent to lead it, to manage it or implement it and who has the commitment to see it through to completion. Sometimes the Board is left to deal with issues for which it has minimal knowledge, few skills and even less interest and enthusiasm. In such cases, rigid adherence to a prescribed division of responsibility may be a recipe for disaster. Sometimes the CEO and staff are delegated responsibility for an issue that they do not understand nor feel is important. Again, the results are likely to be less than satisfactory, an outcome made all the more frustrating if the expertise is resident at the Board level.

for Boards. They describe this new kind of work as follows...

1. Board and management discover issues that matter, mutually determine the agenda, and solve problems together.
2. Board and management both set policy and implement it. Lines are blurred, borders open. Domains are decided by the issue at hand.
3. Structure of board mirrors institution's strategic priorities. Premium is on flexibility, ad hoc arrangements. Members occupy functional intersections. Board creates centres of action.
4. Board meetings are goal driven. Protocol varies with circumstances. Form follows function. Emphasis on participation and action.
5. Board is a constellation. It recruits team members with an eye to personality and overall chemistry. Board cultivates group norms and collective capabilities of trustees.



5. Board is a collection of stars. It recruits people with an eye to expertise and status. The CEO cultivates individual relationships and exploits each trustee's talents.

A new book published by the American Society of Association Executives Foundation publication, "The Will to Govern Well: Knowledge, Trust, and Nimbleness" carries a similar message. In order to develop and sustain the will to govern well, associations will need to focus on three primary areas of governance:

- the ability to make decisions based on knowledge rather than opinion;
- the need to create a culture of trust for staff and volunteers, with common agreement on what will define success; and
- a nimble infrastructure, with work and decision-making systems that can respond efficiently and effectively to the increasingly complex marketplace represented by the association.

#### THE CARVER MODEL

According to the above group of "experts", John Carver would clearly be an advocate of the 'old work' of the board. The CARVER MODEL has made the rounds in the non profit sector and has been welcomed by many and rejected by others. What it has done for this writer is put some definition into the "policy versus operations" language that many of us use without a great deal of thought.

Carver has written at least 2 major books, "Boards that make a Difference", and "Reinventing your Board; A step-by-step Guide to Implementing Policy Governance". In his model, the Board governs or makes ownership decisions on behalf of some larger, identifiable ownership. The Board *does not* exist to help staff do their work. According to Carver, Boards too often..

- \* get mired in trivial detail at the expense of important, strategic matters,
- \* focus mainly on the past or the short term at the expense of the long term,
- \* react to staff initiatives rather than take a proactive leadership role,
- \* spend their time rehashing, redoing, reviewing staff work,
- \* micro-managing staff members,

\* fail to delegate authority to the CEO, forcing him or her to play it safe by bringing everything to the board for approval.

The real role of the Board (according to Carver) is to focus on the future and the vision of the organization; to think externally about needs and marketplaces; to focus on the 'important' matters and not get diverted by the 'urgent'; and to decide the broad values of the organization.

These written values and perspectives are called policies and occur in four categories as follows;

**1. ENDS POLICIES:** which prescribe who specifically will benefit from the services or products of the organization, what benefits they will receive, and at what cost. This category also includes the purpose, mission and strategic priorities of the organization.

**2. EXECUTIVE LIMITATIONS POLICIES:** these establish the prudence and ethics boundaries that govern the CEO and staff. Implicit in this type of governance is that the CEO has the approval of the Board to take any action that is not in violation of its policies.

**3. GOVERNANCE PROCESS POLICIES:** these would show how the Board itself operates and how it connects to its "ownership".

**4. BOARD-STAFF LINKAGE POLICIES:** these prescribe how the CEO is delegated authority and responsibility and how he or she is linked back through accountability. The goal setting, monitoring and reporting system for the CEO is part of these policies but the actual goals are part of the 'ends' policies.

Once set, the last three are relatively long lasting and stable allowing the board to focus the vast majority of its energy on the first category. Once the Board sets the "ends", staff is free to pursue any "means" to achieving the ends as long as they live within the EXECUTIVE LIMITATIONS. The Board no longer gets involved in work that clearly belongs to staff. Rather it puts its energy into thinking about longer term issues, gathering information about beneficiaries, and their needs and priorities. Discussions at the Board level is *"...never about us, but about them, that is, what difference the organization will make."* The board continues to pursue defining the ends until it is *"... willing to allow the CEO to use any reasonable interpretation of the boards words that he or she chooses."* The CEO is evaluated against the achievement of the ends and the avoidance of any means that the board has defined in its EXECUTIVE LIMITATIONS policies.

When the Carver model is in place, the board members spend their time educating themselves on who they serve and the current and emerging needs of this important constituency. They will debate 'ends' issues at meetings. And they will monitor their own behaviour to ensure they do not slip into old habits. Their job will become "... *spokespersons for meaningful values, models of bigness of spirit, powerful representatives of the ownership (and sometimes its gadfly conscience) and ultimately to see that tomorrow is created in a better image*".

While the CARVER model may not be for everyone, there is much that we can borrow from it and much that is applicable for any board that is expected to deal with policy.

### **THE HARDY MODEL**

We have been much influenced by the work of Dr. James Hardy who wrote "Developing Dynamic Boards" published by Essex Press in 1990. At that time, Hardy's book was considered to be one of the most up-to-date and authoritative sources on developing boards for non-profit organizations. His work still stands the test of time. Hardy addresses many of the questions that we all have about boards. We have used his advice and ideas to develop an instrument to measure board performance. The instrument is made available to participants in our workshops on Managing and Leading in the Non-Profit or NGO sectors.

The instrument covers 14 dimensions of board performance each of which is addressed by 5 questions. Respondents are asked to rate their boards in terms of how important each item is to their board's success and how well the board is performing on each item. Boards that make use of the instrument receive a full report on the results along with advice and suggestions based upon Hardy's work.

The fourteen dimensions that the instrument covers follow along with some of Hardy's advice follows.

### **A. BOARD COMPOSITION**

This aspect of the survey results includes five questions that deal with the composition of the board. The questions follow including their number in the standard questionnaire;

***1. Board member attendance and participation in board meetings is high..***

***15. Board membership is balanced and as diverse in terms of gender, age, skill, expertise, representation etc.***

***29. New board members are selected on the basis of qualifications to fill needed roles.***

***43. We have very few inactive, non-contributing board members compared to other organizations.***

***57. Our board provides strong and effective leadership for the organization.***

These are critical statements and taken together, say a great deal about a board of directors. They speak to who is on the board, the contribution they make, the strengths that they bring, and the viewpoints that they represent. It also asks if they show up at meetings which may be the most fundamental requirement. Most would hope that all of the statements be true of our organizations.

Behind the questions is the premise that a major strength of any non-profit is its board and that the board derives its strength from the kind of people attracted to serve on it. In most instances, Board members represent a community of interest and often consist of individuals specifically selected for some particular strength, talent, knowledge, point-of-view, status level, etc. that is needed by the board.

However, it is sometimes useful to think of the role that the board is expected to play in an organization before looking at its composition. The table on the next page presents several types of boards (based on the role that they play) and then asks that you determine the degree to which any particular description applies to your board. It is quite likely that more than one description will apply.

### **B. RECRUITMENT OF BOARD MEMBERS**

This category includes the following five questions:

***2. We have a planned approach to recruiting new board members.***

***16. There is a board member job description or clearly written statement of duties and responsibilities.***

***30. Prospective new Board Members are normally recruited on a face-to-face basis by a team of peers.***

44. *We make the time commitment requirements of new board membership clear to prospective new Board Members*

58. *Special training is provided to those who recruit new Board Members.*

These statements address directly the question of how new board members are recruited and selected. They also provide a good description of the "right way" to do it. Dr. Hardy describes the process used in most non-profits as "... nothing **what kind of board do you have?**

short of being deplorable." He also goes on to say, "The offhanded manner and the way that contacts are made - using the telephone or mail - send a message to the prospect that neither the agency nor the job is very important." If we wish our board recruits to see us as an organization that takes the recruitment and selection of board members seriously, then it would appear that these five statements must be seen to be true of us.

TYPES OF BOARDS	TO WHAT EXTENT DOES IT APPLY TO US?
1. <b>A POLICY BOARD:</b> The board exists primarily to make policy for the organization. It determines the purpose and direction for the organization. It focuses on 'ends' as opposed to 'means'. Members are selected for their ability to make policy.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
2. <b>A 'WORKING BOARD':</b> The board exists to do most of the work of the organization (as well as set policy). There are few or no paid staff. Without the board, nothing would get done. Members are selected for their commitment and capacity to work.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
3. <b>A FUND RAISING BOARD:</b> The board exists primarily to raise funds for the organization. Board members are selected primarily for their ability to attract dollars and other essential resources.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
4. <b>AN ADVISORY BOARD:</b> The board exists primarily as a source of expertise in a field essential to the success of the organization. Members are selected for their expertise.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
5. <b>A REPRESENTATIVE BOARD:</b> The board exist primarily as a vehicle through which various constituencies can be heard and have influence on decisions made by the organization. Members are elected by their constituencies.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
6. <b>A MARKETING BOARD:</b> The board exists primarily to provide the organization access to specific market areas or client groups. Members are selected for their connections, knowledge, and status.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
7. <b>AN 'IMAGE' BOARD:</b> The board exists primarily to provide an aura of respectability, solidity, prudence, and integrity. Members are selected for their status and reputation.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:
8. <b>A FISCAL PRUDENCE BOARD:</b> The board exists primarily to ensure that the organization is soundly managed from a financial perspective and	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:

exercise due diligence in all of its important decisions. Members are selected for their legal and financial knowledge and experience.	
9. <b>A DECISION-MAKING BOARD:</b> The board exists to make decisions on matters brought before it. Members are often appointed by governments and/or other official bodies. Any staff are there to serve the board in its official functions.	Not at all      Somewhat      To a great extent 1 2 3 4 5 6 7 8 9 10 comments:

### C. ORIENTATION AND TRAINING OF BOARD MEMBERS

The introduction, orientation and training of new members of a non-profit board appears to be an almost universal weakness in this writer's experience. In many cases, several years can pass before a new member feels comfortable making a contribution. By that time, they may have lost interest, or worse, forgotten what it was that they wanted to say when they were first selected!

The five items in this category follow;

- 3. *New Board Members receive a formal orientation to the organization and their responsibilities as board members.***
- 17. *There is regular identification of Board Member training needs and a program of board member training that is carried out throughout the year.***
- 31. *Live participant reports and program demonstrations are frequently on the agenda of board meetings.***
- 45. *There is an up-to-date and complete Board Member's Manual which is given to all board members.***
- 59. *Generally, our board members take advantage of external training opportunities.***

The first four items seem fundamental for a strong board. Item 59 does not appear to be very common practice but should be encouraged.

### D. BOARD STRUCTURE

This category contains the following five 'nuts and bolts' items;

- 4. *The organization's by-laws are complete, clear and up-to-date concerning the organization's purpose, board structure and functioning.***

- 18. *There is a specified limit to how long a Board Member can serve. Turnover is encouraged.***
- 32. *Our Board meets at least six times a year.***
- 46. *Board Members fully understand the personal liabilities and legal responsibilities that go with board membership.***
- 60. *Our Board is about the right size, not too big, not too small.***

Organizational by-laws and authorizing documents such as a constitution ought to be reviewed from time-to-time and updated if need be. These documents usually cover those policy issues that Carver would call "Governance Process Policies". They generally cover such things as...

- Number of Board Members
- Method of appointment or election
- Length of office
- Frequency and location of meetings
- Quorum
- Record keeping
- Public access to meetings and records
- Finance and accounting requirements
- Officer selection
- Roles and responsibilities of the Board and its officers
- Roles and responsibilities of Committees
- Borrowing money
- Remuneration of board members
- Dissolution of the organization
- Method for removing Board Members for non-performance
- Etc.

Some Boards would be well advised to seek legal assistance in some matters to ensure that they comply with relevant regulations, that their by-laws are complete and current and that their practices are consistent with the intent of their authorizing documents.

Boards generally meet 3 to 7 times a year, more if you are young, less if mature, more in crisis,

less in stability, more if small and entrepreneurial, less if big and stable,

The "appropriate" size of a board is a controversial matter. Dr. Hardy states, "My experience indicates that few non-profits can operate effectively with a board that has less than twenty active members. Even fewer can function well with a board larger than fifty." Other authorities suggest 30-36 as optimum. Some argue for 8 to 12 persons. Carver says that we ought to justify anything over 7! Generally a board is *too big* if it cannot meet and make decisions, the quality of discussions is deteriorating, personal involvement declines, frequency of meetings is low, quality of members declines, member satisfaction drops, and there is over-reliance on an inner group. It is *too small* when it is not representative of the community it serves, it is too closely knit, it is split into factions, it cannot fund-raise adequately, it lacks the breadth of talents needed, or it simply doesn't have enough members to form sub-groups and committees.

### E. COMMITTEE STRUCTURE

This category includes the following five items related to the use of sub-groups of the larger board;

- 5. The board has few standing committees and many short term, ad hoc task teams.**
- 19. Committee responsibilities and assignments are defined in writing and supplied to all members.**
- 33. We have active committees. The full Board rarely has to do all of the work.**
- 47. Attendance at committee meetings is good and everyone contributes to the work of the committee.**
- 61. We often make use of temporary teams or ad hoc groups to accomplish an important task.**

Committees are the way most boards get their work done. Some would argue that if you wish to measure the strength of a board, you must measure the strength of its committees. Typically these committees consist of a mixture of standing committees and temporary, task-related committees. Standing committees are usually formulated around ongoing tasks such as PROGRAM, FINANCE, STRATEGIC PLANNING, NOMINATING and GOVERNANCE. Dependent upon the nature of the organization, HUMAN RESOURCES,

FUND RAISING, PUBLIC RELATIONS, PROPERTY MANAGEMENT, MEMBERSHIP, AUDIT and CAPITAL DEVELOPMENT may warrant their own standing committees.

Ad hoc groups are then formed to accomplish specific, time-bounded tasks with a specific set of objectives that have a clear beginning and a definite end (after which the group assigned to the task should be disbanded.) As you can see by the wording of the questions, Dr. Hardy favours ad hoc groups over standing committees. He is also against the use of EXECUTIVE COMMITTEES as they force the board itself to simply act as a rubber stamp of an "inner group". For large, dispersed boards there may be no alternative to an executive committee that can get some work done between meetings of the full board.

### F. MEETINGS

The meetings category contains five items related to the efficient management of board meetings. The five questions follow;

- 6. Our board meetings are productive and effective.**
- 20. Board meetings start and end on time.**
- 34. Routine matters that require action but little discussion at Board meetings are handled quickly and efficiently.**
- 48. Board meeting time is primarily devoted to policy matters, strategic issues, and performance review. Little time is spent listening to reports.**
- 62. Agenda's and adequate preparatory materials are sent out prior to each meeting of the Board.**

The advice here is obvious. Board time is precious. Don't waste it.

## G. WORK CLIMATE

This category includes five items that deal with the work climate on the board. "Climate" is a rather soft term that relates to the human relationship side of board member interactions and it is this side of board work that can often determine whether a board is effective or not. The items themselves serve to clarify what this dimension is all about...

*7. Our board discussions are open, honest, and balanced. We respect divergent opinions.*

*21. Board leadership is spread widely and not restricted to one person or a small group.*

*35. Communication among Board Members is good. We really listen to each other.*

*49. Our Board work is efficient. We build on previous work.*

*63. We make full use of the special talents and skills of each Board Member.*

Respect and tolerance for divergent opinions is essential for sound decision-making and creative problem solving. If every board member thought the same way on important issues, why would we need a board of more than one person? Yet diversity brings conflict and conflict can either be productive or destructive.

**Productive conflict** is the kind of conflict that deals with substantive issues and leads to better decisions, more commitment to action, increased cohesiveness among board members and greater empathy between members and more understanding of differences. This type of conflict is often called 'cognitive' or, C-type conflict by theorists since it deals with knowledge and understanding.

**Destructive conflict** is the kind of conflict that is personalized and deals with emotions, likes and dislikes, power, and feelings. (The theorists call this 'affective' or A-type conflict because it deals with emotions.) It can lead to hostility, distrust, apathy and cynicism among board members and if left unchecked it can destroy the effectiveness of a board and even an entire organization.

*The unfortunate truth is that cognitive conflict which is good for an organization often leads to affective conflict which is bad!!!*

**Manage 'C' without getting trapped in 'A'.** Boards that effectively make use of the positive power of C-type conflict and avoid the

destructive power of A-type conflict use some or all of the following tools and techniques...

- They plan their meetings well in advance and focus on both content and process;
- They get agendas out early with a full explanation of what will be dealt with and how;
- If there is background to be considered, it is provided in advance to all;
- Groundrules for dealing with both types of conflict should be established and understood by all;
- The meeting setting should promote discussions and equality, assigned seating can help;
- The chairperson should reward and encourage C-type conflict and discourage A-type conflict;
- Agendas should be tightly-focussed and time limits for discussion established, agreed to and controlled;
- Flipcharts should be used to list options and record 'pros' and 'cons' when decisions are being made;
- When A-type comments surface (e.g. 'I don't like your idea.')
- change them to C-type comments by asking for a list of the reasons for disagreeing with the idea and then ask for an alternative;
- Encourage everyone to contribute by taking turns speaking to key issues.

It is usually the chairperson of the Board who sets the tone of the work climate. While most chairpersons are not trained meeting facilitators they should be aware of the basics of good process.

## H. DECISION-MAKING

When board members are brought together, it is often to make important decisions affecting the future of the organization. When it must decide, participants in the process may well assess the board and their contribution to it by how the board makes decisions. Five items make up this factor...

*8. We have an orderly problem-solving and decision-making process.*

*22. Board Members receive all information (positive and negative) needed to make appropriate decisions.*

**36. Important issues are dealt with by the Board rather than ignored or dealt with outside of the Board.**

**50. Our Board is not a "rubber stamp" for the work of staff or a small group of "insiders".**

**64. We rarely have to rely on 'rules of order' to make decisions.**

This writer has spent a great deal of his time watching boards make major decisions. It is often surprising how little attention is paid the process by which decisions are made. Some simple 'groundrules' help boards operate, especially if they are developed by the group, posted at all meetings and referred to during difficulties. Here are some groundrules from a real board...

- One person speaks at a time
- We poll the board on key issues
- We listen to each other
- We always have more than one option under consideration before we make major decisions
- We discuss each option one at a time
- We respect and seek out diversity of opinion
- We keep a visible record of complex discussions
- We work until the issue is done
- We always make the action plan clear
- We try for consensus before we vote
- If it isn't said at the meeting, it doesn't count!
- Etc.

Develop some groundrules for your board.

## I. BOARD STAFF RELATIONS

Dr. Hardy states, "A non-profit organization is a very finely balanced mechanism. The balance is maintained when both board and staff understand and accept their separate roles and the importance of interdependent functioning. Simply stated, *both board and staff must be committed to the idea that working together leads to more effective decisions and actions than working in isolation.*" This category deals with the "working together" part.

The five items in this category are...

**9. There is openness, trust and mutual respect between board and staff.**

**23. Board Members rarely get involved in operational or administrative matters which should be the responsibility of staff.**

**37. The difference between what roles and responsibilities belong to the Board and what belongs to the Staff is very clear.**

**51. Staff do not make policy, the Board does.**

**65. The relationship between the Board Chairperson and the top staff person is positive, open and based on trust.**

As you can see, the assumption behind these questions is that the board is a "policy board" and that the operational work is handled by paid staff. This view is consistent with John Carver's "Policy Governance" model introduced earlier.

## J. BOARD FUNCTIONS

This category includes the board functions that we discussed at the beginning of this reading. The items in the survey related to this category are..

**10. The board makes a formal, annual appraisal of the chief executive officer.**

**24. The Board keeps up with what related organizations are doing and collaborates and shares resources whenever possible.**

**38. Board Members function as active, vocal supporters of the organization and do not leave this task to staff.**

**52. The Board assesses its own performance and procedures at least once a year and makes improvements when necessary.**

**66. The Board assumes sole responsibility for determining policy.**

The hiring and management of the CEO is a critical board function. Once hired, it is the responsibility of that person to manage the rest of the organization without interference from the board. This makes the hiring and ongoing performance management of the CEO one of the most critical board functions.

The hiring process should start with a clear understanding of the duties and responsibilities of the CEO. There should be a clear set of performance expectations and priorities established in advance and then used as a basis for ongoing performance feedback and evaluation.

The same performance planning and review process should apply to the board itself. Our survey is but one of many tools you can use to

assess the performance of the whole board and its individual members.

Advocacy is also a board function and a responsibility that each member should take seriously.

## **K. PLANNING**

Strategic Planning is a major board function that gets its own category in the survey. Included in the planning category are the following five items;

*11. The board has an on-going process for examining significant internal and external trends affecting the organization.*

*25. The Board develops a long-range strategic plan with a clear sense of purpose, overall direction, goals, and priorities.*

*39. The Board systematically reviews the organization's performance in relation to its plans.*

*53. The Board approves and is aware of the organization's short-term objectives and priorities.*

*67. The budgeting is directly related to the strategic direction, long term goals and short-term objectives.*

If the organization undertakes a regular, formal, structured approach to strategic planning, most of these items should be taken care. If not, then planning may be left to chance but still done to a greater or lesser degree. You will note that the advice behind the questions favours tying the budgeting process to the strategic plans and that it is a board function to ensure that plans, once made are carried out.

While it clearly the board's responsibility to establish the mission, mandate and purpose of the organization, Hardy also states, "To ensure intellectual discipline, the planning process should be integrated with the budgeting process so that plans do not deteriorate into vague or extravagant statements of purpose."

## **L. FISCAL RESPONSIBILITY**

The fiscal responsibilities of a board are often taken for granted in non-profit organizations but then are left to those individuals on the board with some background in accounting and or financial matters. To serve a board well, all of its

members should make it their business to understand the financial affairs of the organization. Recent failures of non-profit organizations have made more and more board members sensitive to their fiscal responsibilities and potential liabilities.

This category contains the following five items;

*12. The Board conducts regular, thorough and effective assessment of financial results against budget.*

*26. Financial reports and statements are understood by all Board Members.*

*40. The Board takes full responsibility for ensuring that the organization maintains a fiscally solvent financial condition.*

*54. A financial audit of the organization is conducted on an annual basis.*

*68. There is a financial committee of the Board that closely monitors and reviews all fiscal matters.*

Board members satisfy some of these requirements by ensuring that a respected and qualified auditor is appointed to carry out the annual audit of the organization.

## **M. FUNDING RESPONSIBILITY**

One of the key responsibilities of the board is to develop the financial resources necessary to ensure the viability of the organization and its programs. How this carried out varies widely from board to board. The writer has worked with boards that are almost solely fund-raising boards and have time for little else. Other boards avoid this responsibility like the plague! Still others have completely delegated this task to paid professionals on staff or on contract. Some organizations separate the function from the main board by creating foundations that focus exclusively on providing the funds needed by the organization.

While the development of a funding strategy may be the work of a smaller committee of the board, the entire board cannot escape the ultimate responsibility for funding the work of the organization. Of course this does not mean that they, personally, must provide all of the funds but they are responsible for attracting funds to the organization. Funding is the focus of this category.

The five items included in this category are;

***13. All Board Members make an annual financial contribution to the organization.***

***27. The Board has a plan to ensure it has adequate financial and other resources to achieve its goals.***

***41. The Board is active in the design and implementation of a comprehensive fund-raising and/or financial development program for the organization.***

***55. Most Board Members consider fund-raising to be a board responsibility.***

***69. The Board gives leadership and actively participates in organizational fund raising.***

## **N. BOARD MEMBER RECOGNITION AND REWARDS**

Board members generally do not like to talk about their need for recognition and rewards for the contributions they make to the organizations that they serve, however, the research on performance is overwhelming, rewards and recognition matter! Ken Blanchard, the author of "THE ONE MINUTE MANAGER" says, "Feedback is the breakfast of champions". Admit it or not, we all do more of the things we find rewarding, less of the things we find punishing and are unpredictable on those things that produce a neutral response.

If rewards affect board member behaviour, what do board members find rewarding? First of all, most board members find the opportunity to simply serve produces an inner sense of satisfaction that many find reward enough. Simply serving also allows us to work with others whose company we enjoy, another reward. Simply serving allows us to learn, grow and develop. Simply serving can fulfill status needs, enhance our community profile, generate new opportunities, and even satisfy a need for power and influence. All of these are powerful rewards indeed!

However, not everyone is totally satisfied with quietly doing the work of the board. More specifically, a survey of the type of recognition desired by board volunteers identified five major forms of recognition that were most highly valued. These five forms of recognition included one-on-one recognition by the board or

committee chair, media publicity, having their name publicly identified with the board, promotion to higher levels on the board, and certificates and awards.

The five items in this category follow;

***14. Media news releases spotlight the contribution of Board Members to the organization.***

***28. There is a plan to promote effective Board Members to positions of greater responsibility and authority.***

***42. We work hard to recognize the individual contribution of Board members.***

***56. Board Member accomplishments are regularly highlighted in the organization's publications.***

***70. Board Members are regularly recognized and appreciated for their contributions to the success of the organization.***

# Situational Governance

Another model of Board Governance that we have begun to experiment with carries the label ‘SITUATIONAL GOVERNANCE’. In this model the way in which the board governs, depends on the ‘situation’, or more specifically, the issue at hand.

Whether the board deals at the ‘Policy’ level only or is a ‘Working’ board depends on which function the board is performing. In order for a board to govern in this manner, it will require three sets of competencies...

- **FLEXIBILITY:** this is the willingness & capacity to change its governance approach depending on the issue at hand.
- **DIAGNOSIS:** this is the capacity to analyse situations and determine which approach to governance is most likely to be effective, and
- **CONTRACTING:** this is the capacity to negotiate a governance agreement between the Board and Management on key issues.

Lets look at each of these aspects of Situational Governance.

## FLEXIBILITY: the first competency

We think there are at least four different possible answers to the question who should be involved or have influence in a major decision affecting an organization. The options are derived from considering the influence of the Board and the influence of Management on a scale running from low to high for each. The diagram below illustrates four distinct positions.

Board Influence  
HIGH

3. Board High Mgmt Low	2. Board High Mgmt High
4. Board Low Mgmt Low	1. Board Low Mgmt High

LOW

Management

Influence                      LOW                      HIGH

Each of the four positions can be found in abundance in organizations throughout the non-profit sector. When one position dominates the stance of an organization we get these four ‘classic’ scenarios...

### 1. BOARD LOW and MANAGEMENT HIGH:

This is the classic situation in which the board functions largely as a ‘rubber stamp’ for management decisions.

### 2. BOARD HIGH and MANAGEMENT HIGH:

This could be defined as a ‘collaborative’ approach in which both the board and management have a strong influence on major decisions.

### 3. BOARD HIGH and MANAGEMENT LOW:

This is the classic ‘interfering’ or ‘micro-managing’ board that treats staff largely as its ‘arms and legs’.

### 4. BOARD LOW and MANAGEMENT LOW:

This, unfortunately is the all too common stance in which both management and the board ignore the big issues.

A flexible organization is one in which Board and Management can move from position to position depending on the issue at hand.

If flexibility is acceptable, how do we know when to use which stance.

## DIAGNOSIS: the second competency

Diagnosis is the capacity to figure out on a rational and consistent basis which of the four patterns is most likely to be effective in a given situation.

We think that some of the critical diagnostic questions are..

- Who has a big stake in the issue? Board? Management? Both? Neither?
- Whose commitment is needed to ensure that the decision is carried out? Board? Management? Both? Neither?
- Who has competence and capacity to deal with the issue? Board? Management? Both? Neither?

While the answer to each question may be different, we think that knowing the answer to all three will help you decide which of the four patterns to use.

Look at the matrix diagram again. This time focus on which of the four patterns should be

used. And the factors that might influence that diagnosis.

Board Stake,  
Competence,  
and/or Commitment

HIGH

3. Board High Mgmt Low	2. Board High Mgmt High
4. Board Low Mgmt Low	1. Board Low Mgmt High

LOW

Management  
Stake, Competence  
and/or Commitment

LOW

HIGH

Issues facing organizations can be placed in any of the four positions which then determines the response that is most likely to be effective. Consider the following...

**1. BOARD STAKE, COMPETENCE AND/OR COMMITMENT LOW and MANAGEMENT HIGH:**

When the board's stake in an issue is low and management's is high the board should stay out of the issue (even if the board has some competence and would like to be involved). Low stake issues for the board should be things like..

- the colour of carpet in the office
  - the kind of automobile the CEO drives
  - minor staff discipline matters
- and so on. However, the writer has seen each of these on board agendas.

**2. BOARD STAKE, COMPETENCE AND/OR COMMITMENT HIGH and MANAGEMENT HIGH:**

When the stake for both is high and both have something to offer and want to get involved, the case for a 'collaborative' approach is clear. The article referred to earlier, "TEACHING AN OLD BOARD NEW WORK" from the Harvard Business Review, Sept.-Oct. 1996, makes a strong case for the fact that many issues that face boards fall into this category and that when they do, both parties should be deeply involved. They describe this new kind of work as follows...

*"1. Board and management discover issues that matter, mutually determine the agenda, and solve problems together.*

*2. Board and management both set policy and implement it. Lines are blurred, borders open. Domains are decided by the issue at hand."*

**3. BOARD STAKE, COMPETENCE AND/OR COMMITMENT HIGH and MANAGEMENT LOW:**

High stake issues for the board include..

- Hiring a new CEO
- Board renewal
- Mission and Core values
- Organization renewal
- Overall direction, priorities and ends
- Some 'policy' matters, by-laws, limitations
- Fiscal prudence
- Fund raising
- Crisis that threaten the organization's survival, and others.

Even if the board is not very competent or committed to dealing with such issues, they clearly belong on the board's plate. Getting professional help when competence is low is perfectly acceptable. So are workshops and seminars.

What is not acceptable is to slough these issues off on management even if management is competent to deal with some of them and wants to take them on.

**4. BOARD and MANAGEMENT STAKE, COMPETENCE AND/OR COMMITMENT LOW:**

One jaded observer once described the typical board as... *"the well-intentioned in full pursuit of the irrelevant."* While this is obviously overly cynical, far too many low stake issues that no one really cares about get onto the agenda of boards and push out more important matters. Lengthy 'after-the-fact' financial reports often take up time that could be spent on looking at alternative future revenue sources. Detailed reviews of last year's performance of the CEO, while important, often win the competition for time that could be spent on establishing goals, priorities and indicators for next year and beyond. And how often have you heard of boards that cannot find the time to look at strategic, long term planning because this year's budget is taking all of their time and attention.

**CONTRACTING: the third competency**

If you accept that flexibility and diagnosis are important competencies for boards, then the third

competency is required to make the first two operative in your board.  
 “Contracting” means that the Board and Management (typically the CEO) should look at each key issue facing the organization and

decide who is going to deal with it. We introduced a format for looking at such issues earlier. The format is reintroduced here but with modifications based on the ‘Situational Governance” model.

*Contracting for ‘Governance’*

<b>KEY ISSUES</b>	<b>Leadership What needs some leadership? Who should lead?</b>  <i>Leaders...</i> Challenge the Status Quo  Set new Vision & Directions  Enlist Stakeholder Support  Build Systems & Capacities  Encourage & Cheerlead Celebrate  Result = Change, Risk, Uncertainty	<b>Management What needs to be well manager? Who should manage?</b>  <i>Managers..</i>  Plan, Schedule and Budgets  Organize and Assign  Direct and Support  Monitor and Control Solves Problems  Evaluate, Reward, Sanction  Result=Stability, Order, Predictability	<b>Who should implement?</b> <i>Followers...</i> Understand, Contribute, Question  Set supporting goals and action plans  Implement, Check and Adjust  Identify Problems, help find Solutions  Review, Learn and Celebrate  Result = Compliance?..... Commitment?
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The format can serve as a discussion guide or a written agreement covering a specified period of time.

Whenever a new issue arises that has not been discussed in 'governance' terms, the format can be used to rethink the arrangement.

Over time, one might expect that the leadership column will largely belong to the Board. The

management column will belong to the CEO and Senior Staff. The Implementation column will belong to paid and volunteer staff members. This is as it should be. However, do not be surprised if some issues have the Board in all three columns (fund raising, for example, in some boards is an issue handled entirely at the board level.)

Note: if you find this reading fails to address key issues or topics please let us know. If you have some advice or guidance that should be included, we welcome all and any suggestions.

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## Appendix One: The Carver Model

*Note: This section is downloaded from Carvers website.*

by John Carver and Miriam Carver

Over the last decade or two, there has been increasing interest in the composition, conduct, and decision-making of nonprofit governing boards. The board-staff relationship has been at the center of the discussion, but trustee characteristics, board role in planning and evaluation, committee involvement, fiduciary responsibility, legal liability, and other topics have received their share of attention. Nonprofit boards are not alone, for spirited debate about the nature of business boards has been growing as well. Whatever the reasons for this intense interest in governance, the Policy Governance model for board leadership, created by the senior author, is frequently a primary focus of debate.

### ***The Nature of Governance and the Need for Theory***

The Policy Governance model is, at the same time, the most well-known modern theory of governance worldwide and in many cases the least understood. It applies to governing boards of all types—nonprofit, governmental, and business—and in all settings, for it is assembled from universal principles of governance. In this article, we will focus exclusively on its use in nonprofit boards, though many descriptions of its application in business (for example, Carver, 2000a, 2000c) and government (for example, Carver, 1996a, 1997d, 2000b, 2001; Carver and Oliver, 2002) are available elsewhere.

Governing boards have been known in one form or another for centuries. Yet throughout those many years there has been a baffling failure to develop a coherent or universally applicable understanding of just what a board is for. While comparatively little thought has been given to developing *governance* theory and models, we have seen *management* of nonprofit organizations transform itself over and over again. Managers have moved through PERT, CPM, MBO, TQM, and many more approaches in a continual effort to improve effectiveness. Embarrassingly, however, boards do largely what they have always done.

We do not intend to demean the intent, energy, and commitment of board members. There are today many large and well known organizations that exist only because a dedicated group of activists served as both board and staff when the organization was a “kitchen table” enterprise. Board members are usually intelligent and experienced persons as individuals. Yet boards, as groups, are mediocre. “Effective governance by a board of trustees is a relatively rare and unnatural act . . . trustees are often little more than high-powered, well-intentioned people engaged in low-level activities” (Chait, Holland, and Taylor, 1996, p. 1). “There is one thing all boards have in common . . . They do not function” (Drucker, 1974, p. 628). “Ninety-five percent (of boards) are not fully doing what they are legally, morally, and ethically supposed to do” (Geneen, 1984, p.28). “Boards have been largely irrelevant throughout most of the twentieth century” (Gillies, 1992, p. 3). Boards tend to be, in fact, incompetent groups of competent individuals.

An extraterrestrial observer of board behavior could be forgiven for concluding that boards exist for several questionable reasons. They seem to exist to help the staff, to lend their prestige to organizations, to rubber stamp management desires, to give board members an opportunity to be unappointed department heads, to be sure staffs get the funds they want, to micromanage organizations, to protect lower staff from management,

and sometimes even to gain some advantage for board members as special customers of their organizations, or to give board members a prestigious addition to their resumes.

But these observations—accurate though they frequently are—simply underscore the disclarity of the board's rightful job. Despite the confusion of past and current board practices, we begin in this article with the assertion that there is one central reason to have a board: Simply put, the board exists (usually on someone else's behalf) to be accountable that its organization works. The board is where all authority resides until some is given away (delegated) to others. This simple total authority-total accountability (within the law or other external authorities) is true of all boards that truly have governing authority.

The Policy Governance model begins with this assertion, then proceeds to develop other universally applicable principles. The model does not propose a particular structure. A board's composition, history, and peculiar circumstances will dictate different structural arrangements even when using the same principles. Policy Governance is a system of such principles, designed to be internally consistent, externally applicable, and—to the great relief of those concerned with governance integrity—logical. Logical and consistent principles demand major changes in governance as we know it, because these principles are applied to subject matter that has for many years been characterized by a hodgepodge of practices, whims of individuals, and capricious decision making.

Such a change is a paradigm shift, not merely a set of incremental improvements to the status quo. Paradigm shifts are difficult to cope with, since they often render previous experience unhelpful; they demand a significant level of discipline to be put into effect. But if there is sufficient discipline to use the Policy Governance model in its entirety, board leadership and the accountability of organizations can be transformed.

It is important that we underscore this point. Using parts of a system can result in inadequate or even undesirable performance. It is rather like removing a few components from a watch, yet expecting it still to keep accurate time. Unlike the traditional practices to which boards have become accustomed, the Policy Governance model introduces an integrated *system* of governance (Carver and Carver, 1996; Carver, 1997).

Greater effectiveness in the governing role requires board members first to understand governance in a new way, then to be disciplined enough to behave in a new way. Boards cannot excel if they maintain only the discipline of the past any more than managers of this new century can excel if they are only as competent as those of the past. Does this ask too much of boards? Perhaps it does ask too much of many of today's board members. Yet there are other board members—or *potential* board members who thus far have refused to engage in either the rubber-stamping or the micromanaging they see on boards—who would rejoice in greater board discipline.

The Policy Governance model requires that boards become far more enlightened and more competent as groups than they have been. If that means losing some board members as the composition of boards goes through change, then the world will be the better for it. The Policy Governance model is not designed to please today's board members or today's managers. It is designed to give organizations' true owners competent servant-leaders to govern on their behalf.

### ***Board as Owner-Representative and Servant-Leader***

In the business sector, we can easily see that a board of directors is the voice of the owners (shareholders) of the corporation. It is not always apparent that nonprofit organizations also have owners. Certain nonprofits, such as trade associations or professional societies, are clearly owned by their members. Beyond such obvious cases

of ownership, however, it is useful to conceive that community-based agencies in the social services, health, education, and other fields are “owned” by their communities. In neither trade associations nor community agencies is there a legal equivalent of shareholders, but there is a moral equivalent that we will refer to as the “ownership.” Looking at ownership in this very basic way, it is hard to conceive of any organization that isn’t owned by someone or some population, at least in this moral sense.

The Policy Governance model conceives of the governing board as being the on-site voice of that ownership. Just as the corporate board exists to speak for the shareholders, the nonprofit board exists to represent and to speak for the interests of the owners.

A board that is committed to representing the interests of the owners will not allow itself to make decisions based on the best interests of those who are not the owners. Hence, boards with a sense of their legitimate ownership relationship can no longer act as if their job is to represent staff, or other agencies, or even today’s consumers (we will use that word to describe clients, students, patients, or any group to be impacted). It is possible that these groups are not part of the ownership at all, but if they are, it is very likely they constitute only a small percentage of the total ownership.

We are not saying that current consumers are unimportant, nor that staff are unimportant. They are critically important, just as suppliers, customers, and personnel are for a business. It is simply that those roles do not qualify them as owners. They are due their appropriate treatment. To help in their service to the ownership, Policy Governance boards must learn to distinguish between owners and customers, for the interests of each are different. It is on behalf of owners that the board chooses what groups will be the customers of the future. The responsible board does not make that choice on behalf of staff, today’s customers, or even its own special interests.

Who are the owners of a nonprofit organization? For a membership organization, its members are the owners. For an advocacy organization, persons of similar political, religious, or philosophical conviction are the owners. There are many variations. But for purposes of this paper, we will assume a community organization, such as a hospital, mental health or family service agency, for which we can confidently say that the community as a whole is the legitimate ownership. In this case, it is clear that in a community organization, the board must be in a position to understand the various views held in the community about the purpose of the organization. In short, if the community owns the organization, what does the community want the organization for?

Traditionally, boards have developed their relationships largely inside the organization—that is, with staff. Policy Governance demands that boards’ primary relationships be outside the organization—that is, with owners. This parallels the concept of servant leadership developed by Greenleaf (1977, 1991), in that the board is first servant, before it is leader. It must lead the organization subject to its discoveries about and judgments of the values of the ownership.

We have thus far referred repeatedly to the board and very little to board members; that is intentional. Since we are now establishing the starting point for governance thinking, it is important that we start with the body charged with authority and accountability—the board as a group, not individual board members. It is the board as a body that speaks for the ownership, not each board member except as he or she contributes to the final board product. So while we might derive roles and responsibilities for individual board members, we must derive them from the roles and responsibilities of the board as a group, not the other way around. Hence, board practices must recognize that it is the board, not board members, who have authority.

**ONE VOICE:** The board speaks authoritatively when it passes an official motion at a properly constituted meeting. Statements by board members have no authority. In other

words, the board speaks with one voice or not at all. The “one voice” principle makes it possible to know what the board has said, and what it has not said. This is important when the board gives instructions to one or more subordinates. “One voice” does not require unanimous votes. But it does require all board members, even those who lost the vote, to respect the decision that was made. Board decisions can be changed by the board, but never by board members.

### ***The Necessity for Systematic Delegation***

On behalf of the ownership, the board has total authority over the organization and total accountability for the organization. But the board is almost always forced to rely on others to carry out the work, that is, to exercise most of the authority and to fulfill most of the accountability. This dependence on others requires the board to give careful attention to the principles of sound delegation.

Since the board is accountable that the organization works, and since the actual running of the organization is substantially in the hands of management, then it is important to the board that management be successful. The board must therefore increase the likelihood that management will be successful, while making it possible to recognize whether or not it really is successful. This calls upon the board to be very clear about its expectations, to personalize the assignment of those expectations, and then to check whether the expectations have been met. Only in this way is everyone concerned clear about what constitutes success and who has what role in achieving it.

CEO ROLE: At this point, we wish to introduce the chief executive (CEO) role. (Policy Governance works in the absence of a CEO role, but the governing job is more difficult than with a CEO.) We are not concerned whether the CEO is called executive director, director-general, president, general manager, superintendent, or any other title. We are, however, concerned how the role is defined and we will use the term “CEO” to reflect the role definition we recommend.

We recommend that the board use a single point of delegation and hold this position accountable for meeting all the board’s expectations for organizational performance. Naturally, it is essential that the board delegate to this position all the authority that such extensive accountability deserves. The use of a CEO position considerably simplifies the board’s job. Using a CEO, the board can express its expectations for the entire organization without having to work out any of the internal, often complex, divisions of labor. Therefore, all the authority granted by the board to the organization is actually granted personally to the CEO. All the accountability of the organization to meet board expectations is charged personally to the CEO. The board, in effect, has one employee.

FOUNDERS: It is important that boards maintain a sense of cause and effect with respect to their CEOs. The board creates the CEO; the CEO does not create the board. As the board contemplates its accountability to the ownership, it decides that creating a CEO role will be a key method in fulfilling that accountability. It is true that a founding father or mother will sometimes be the inspiration for a new organization, so that the board then created occurs after rather than before the founder. If the founder becomes the new CEO, it will seem that the CEO is parent to the board. Boards established in this way make a grave error when they mistake an accident of history for a proper view of their accountability. The CEO role, as such, is even in these cases created and governed by the board (see Carver, 1992).

Consequently, in every case, the board is totally accountable for the organization and has, therefore, total authority over it—including over the CEO. We can say that the board is accountable for what the CEO’s job is and that the CEO do the job well. But we cannot say the CEO is accountable for what the board’s job is and that the board do its job well.

Unfortunately, much of current nonprofit practice supports this board-staff inversion. CEOs are expected to tell their boards what to talk about (provide agendas), to pull their boards together when there is dissension, and to orient new board members to their job. Nowhere else in an organization are subordinates responsible for the conduct of the superiors. Yet virtually all nonprofit literature on governance falls into this fallacy of CEO-centrism. “Thus, we argue, the board’s performance becomes the executive’s responsibility,” say Herman and Heimovics (1991, p. xiii), a position we contend excuses and prolongs board irresponsibility.

PLAN, DO CHECK: We have said being accountable in leadership of the organization requires the board (1) to be definite about its performance expectations, (2) to assign these expectations clearly, and then (3) to check to see that the expectations are being met. Traditional governance practices lead boards to fail in most or all of these three key steps.

Board expectations—which are instructions—when they are stated at all, tend to be unclear, incomplete, or a mixture of whole board and individual board member expressions. Board members form judgments of staff performance on criteria the board (as a whole body) has never stated. Regular financial reports report against few or no criteria. Staff members can be seen taking notes of what individual board members say, as if it matters and as if they work for the board members rather than the CEO. Boards decide whether CEO’s budgets merit approval when they have never stated the grounds for approval and disapproval. Virtually every board meeting—other than in Policy Governance boards—is testimony to carelessness of delegation and role clarity.

Traditional governance allows boards to instruct staff by the act of approving staff plans, such as budgets and program designs. When the board has approved a staff recommendation, doesn’t the resulting approved document become a clear board instruction? Actually, it does not. For example, when a board approves the CEO’s personnel policies or budget, does it really mean as an instruction every tiny segment of that document? Does every budget line and the smallest issues of a program plan become a criterion on which the CEO will be judged? Certainly not. Even the most micromanaging board does not go that far. But to what level of detail should the CEO treat the approved document as being a board instruction, therefore a criterion for evaluation? The tradition-blessed habit of board approvals is a poor substitute for setting criteria, then checking that they have been met. Board approvals are not proper governance, but commonplace examples of boards not doing their jobs.

What about the clear assignment of expectations to a person or persons? In conventional practice, boards’ delegation to a CEO is frequently compromised by delegating the same responsibilities more than once or by delegating to around the CEO to sub-CEO staff. An example of the former is when a board charges the CEO and a board finance committee for financial decisions. Delegating around the CEO occurs either when a board gives instructions to the financial officer or other person who reports to the CEO or when a board itself judges the performance of sub-CEO staff.

Finally, in the absence of clear instructions or clear assignment, evaluating performance is an exercise in futility. Yet boards receive volumes of information that purports to monitor organizational performance. The sheer amount of information masks the fact that proper monitoring is still not occurring. Because monitoring performance is the systematic disclosure of whether board expectations have been met, monitoring that is fair and incisive can only occur after clearly stated and clearly assigned board expectations.

### ***Using the Ends/Means Distinction***

The point was made earlier in this paper that the board is accountable that the organization works. Clearly, the word “works” must be defined; defining it establishes the board’s expectations for the organizations, the performance that will constitute success. The board need not control everything, but it must control the definition of success. It is possible to control too much, just as it is possible to control too little. It is possible to think you are in control when you are not. The zeal of a conscientious board can lead to micromanagement. The confidence of a trusting board can lead to rubber stamping. Defining success is a matter of controlling for success, not for everything. How can a board control all it must, rather than all it can?

Boards have had a very hard time knowing what to control and how to control it. Policy Governance provides a key conceptual distinction that enables the board to resolve this quandary. The task is to demand organizational achievement in a way that empowers the staff, leaving to their creativity and innovation as much latitude as possible. This is a question of what and how to control, but it is equally a question of how much authority can be safely given away. We argue that the best guide for the board is to give away as much as possible, short of jeopardizing its own accountability for the total.

What is there to control? In any organization, there are uncountable numbers of issues, practices, and circumstances being decided daily by someone. The Policy Governance model posits that all of these decisions can be classified as those that define organizational purpose, and those that don’t. But the model calls for a very narrow and careful definition of purpose: it consists of what (1) results for which (2) recipients at what (3) worth.

Let us define these more fully: Some decisions directly describe the intended consumer results of the organization, for example, reading skills, family harmony, knowledge, or shelter from the elements. Some decisions directly describe the intended recipients of such results, such as adolescents, persons with severe burns, or low income families. Some describe the worth of the intended results, such as in dollar cost or priority against other results.

In Policy Governance, this triad of decisions is called “ends.” Ends are always about the changes for persons to be made outside the organization, along with their cost or priority. Ends never describe the organization itself or its activities. For example, the professional and technical activities in which the organization engages are not ends. In a school, for example, which students should acquire what knowledge at what cost are ends issues. Ends are about the organization’s impact on the world (much like cost-benefit) that justify its existence.

Any decision that is not an ends decision is a “means” decision. In that same school, the choice of reading program, teachers’ credentials, and classroom arrangement are means issues. Most decisions in an organization are means decisions; some are very important means. But even if a decision is extremely important, even if it is required by law, even if it is critical to survival, unless it passes the ends test (designation of consumer results, which consumers, or the worth of consumer results), it is not an ends decision. Hence, means include personnel matters, financial planning, purchasing, programs, services and curricula, and even governance itself. No organization was ever formed so it could be well governed, have good personnel policies, a fine budget, sound purchasing practices, or even nicely planned services, programs or curricula.

The ends/means distinction is critical. Many boards claiming to use the model routinely confuse the Policy Governance meaning of ends and means, thereby sacrificing much of the benefit the model can give. For example, means is not synonymous with “administration” as some have misinterpreted (Herman and Heimovics, 1991, p. 44).

Ends is not synonymous with “strategic plan,” as others have misinterpreted (Murray, 1994). The ends/means distinction is not comparable to any other distinction used in management or governance; it is not parallel to policies/procedures, strategies/tactics, policy/administration, or goals/objectives. Indeed, ends may include very small and specific decisions about a single consumer, while means may include very important programmatic decisions as well as how a board constructs its committees. The ends/means distinction is exclusively peculiar to Policy Governance (with the possible exception of Argenti, 1993) and, therefore, is governed by Policy Governance principles. In Policy Governance, *means are means simply because they are not ends*.

Are ends the same as mission? Unfortunately, the answer is usually “no,” because mission statements have not traditionally had to conform to the definition we have given ends. Consider the following mission statement of a mental health center: “The mission of the XYZ Center is to be a responsible employer, providing quality mental health services in a cost-efficient manner.” This statement—quite acceptable in traditional governance—is entirely means, no ends. This organization can fulfill its mission even if consumers’ lives are not any better. In contrast, consider this broad statement of ends: “The XYZ Center exists so that people with major mental illness live productive lives in an accepting community at a cost comparable to other providers.” In the latter, unless the targeted group are benefited in the required way, the organization is not successful, no matter how good an employer it is and no matter how much “quality” its services have. Notice that the cost component in the first statement is the cost of staff activity (services), while in the second statement it is the cost of consumer results.

No matter how central ends are to the organization’s existence, however, because the board is accountable for everything, it is accountable for means as well. Accordingly, it must exercise control over both ends and means, so having the ends/means distinction does not in itself relieve boards from any responsibility. The ends/means distinction does, however, make possible two entirely different ways of exercising control, ways that—taken together—allow the board to have its arms responsibly around the organization without its fingers irresponsibly in it, ways that for the staff maximize accountability and freedom simultaneously. The board simply makes decisions about ends and means—that is, it controls the organization’s ends and means—in different ways, as follows:

- a. Using input from the owners, staff, experts and anyone in a position to increase the board’s wisdom, the board makes ends decisions in a proactive, positive, prescriptive way. We will call the board documents thus produced “Ends policies.”
- b. Using input from whoever can increase board wisdom about governance, servant leadership, visioning, or other skills of governance and delegation, the board makes means decision about its own job in a proactive, positive, prescriptive way. We will call the board documents thus produced “Governance Process policies” (about the board’s own job) and “Board-Staff Linkage policies” (about the relationship between governance and management). Both of these categories are means, but they concern means of the board, not the staff.
- c. Using input from whoever can increase its sense of what can jeopardize the prudent and ethical conduct of the organization, the board makes decisions about the staff’s means in a proactive, but negative and boundary-setting way. Because these policies set forth the limits of acceptable staff behavior, that is, the unacceptable means, we will call the board documents thus produced “Executive Limitations policies.”

At this point in our argument, we have used the ends/means concept to introduce new categories of board policies. These categories of board policies are exhaustive, that is, no other board documents are needed to govern except bylaws. (Articles of incorporation

or letters patent are required to establish the nonprofit as a legal entity, but these are documents of the government, not the board.) We will not discuss bylaws here, except to say they are necessary to place real human beings (board members) into a hollow legal concept (the corporate “artificial person”) (Carver, 1995). However, so that we might continue to discuss the concepts represented by the words “ends” and “means,” yet distinguish the titles of policy categories, we will capitalize Ends, Executive Limitations, Governance Process, and Board-Staff Linkage.

The negative policies about operational means requires further discussion. Here is the logic: If the board has established Ends and has determined through monitoring that those Ends are actually accomplished, it can be argued that the staff means must have worked. In other words, the means by which Ends were accomplished, though interesting, is of little importance to the board. This logic is largely accurate, but there is an important problem with it. Some means can be unacceptable even if they do work. Means that are effective, but still “unacceptable” are ones that are improper treatment of people or assets, that is, means that are imprudent or unethical. Consequently, although there is no reason for a board to control staff means decisions for reasons of effectiveness, there is reason to control staff means for reasons of prudence and ethics.

Whoever is directly responsible for producing ends must decide which means to use. That is, one must be prescriptive about one’s own means. But the board is not charged with producing ends, only with defining them. It is to the board’s advantage to allow the staff maximum range of decision-making about means, for skill to do so is exactly why staff were employed. If the board determines the means of its staff, it can no longer hold the staff fully accountable for whether ends are achieved, it will not take advantage of the range of staff skills, and it will make its own job more difficult. Happily, it is not necessary for the board to tell the staff what means to use. In Policy Governance the board tells the staff or—more accurately—the CEO what means not to use!

Therefore, it is the board’s job to examine its values to determine those means which it does not want in its organization, then to name them. The board can then tell its CEO that as long as the Ends are accomplished and the unacceptable means do not occur, the CEO can make all further decisions in the organization that he or she deems wise. It is in this way that extensive, albeit explicitly circumscribed, authority is granted to the CEO. Effectiveness demands a strong CEO; prudence and accountability to the board demand that the CEO’s power be bounded.

This unique delegation technique has a number of advantages. First, it recognizes that board interference in operational means makes ends harder and more expensive to produce. Therefore, delegation which minimizes such interference is in the board’s interest. Second, it accords to the CEO as much authority as the board can responsibly grant. Therefore, there is maximum empowerment inside the organization to harness for ends achievement. Third, it gives room for managerial flexibility, creativity and timeliness. Therefore, the organization can be agile, able to respond quickly to emergent opportunities or threats. Fourth, it dispels the assumption that the board knows better than the staff what means to use. Therefore, the board does not have to choose between overwork and being amateurs supervising professionals. Fifth, in this system all means that are not prohibited are, in effect, pre-approved. Therefore, the board is relieved from meticulous and repetitive approval of staff plans. Sixth, and perhaps most importantly, by staying out of means decisions, except to prohibit unacceptable means, the board retains its ability to hold the CEO accountable for the decisions that take place in the system.

Thus, when we say a board is responsible that its organization works, we simply mean that the organization (1) accomplishes the intended results for the intended people at the intended cost or priority—expressed in the board’s Ends policies; and that it (2) avoids

unacceptable methods, conduct, activities, and circumstances—unacceptable means expressed in the board’s Executive Limitations policies.

### ***Expressing Expectations in Nested Sets***

We have established that Policy Governance boards express their expectations for themselves and for their organizations in four categories of board policies: Ends, Executive Limitations (the unacceptable means), Governance Process, and Board-Staff Linkage (the latter two are board means divided into two parts). The separation of organizational values into these categories is a major organizing principle for governing boards. These four categories completely embrace all possible organizational values (except those more pertinent to articles of incorporation/letters patent and bylaws)—no other policies or documents are needed. But another feature must be added to enable the board to address its desired level of specificity within these categories.

To ensure precision as well as completeness in policy-making, Policy Governance provides an additional principle, one which recognizes the varying sizes of issues and values. One Ends statement of a nonprofit board may be that persons without shelter should have adequate housing. Another may be that families with school age children should have housing that allows children of different genders to sleep in separate rooms. It is easy to see that the second example is more detailed, or “narrower,” than the first. Notice that these two statements can be pictured as a set of nested bowls, in that the first is a broader value that includes the second one within it. Even more detailed choices exist within the second level, and so on to third, fourth, and more bowls until the specificity reaches a level where Mr. Smith rather than Mr. Jones gets a particular amount of shelter next week.

Now let’s illustrate the “nested bowls” concept with an example of unacceptable means. One means value of a nonprofit board may be that the CEO not allow anything imprudent, illegal or unethical. Another may be that unbonded persons may not have access to material amounts of funds. The first example is a broader prohibition than the second, but less specific. Even more detailed “bowls” exist, of course, such as a further proscription against access to more than \$5,000 on any one occasion or more than \$8,000 cumulatively over a one year period.

Board values about ends and unacceptable means, as well as the board’s own means, then, can be stated broadly, or more narrowly. The advantage of stating values broadly is that such a statement is inclusive of all smaller statements. The disadvantage, of course, is that the broader the statement, the greater is the range of interpretation that can be given to it. To take advantage of the fact that values or choices of any sort can be seen as nested sets, the Policy Governance board begins its policy making in all four categories by making the broadest, most inclusive statement first.

The board then considers the range of interpretation that such a statement allows, and determines whether it is comfortable with the statement being given *any* interpretation that is reasonable. If the board would be uncomfortable delegating such a range, that is a signal that the board must define its words more narrowly, moving into more detail one level at a time. At some point, the board will have narrowed its words to the point that it can accept any reasonable interpretation of those words. Now the board has reached the point of delegation.

As an example, consider an Executive Limitations policy in which the board is putting certain financial conditions and activities “off limits.” At the broadest level, the board might say: “With respect to actual, ongoing financial condition and activities, the CEO shall not allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies.” That covers the board’s

concerns about the organization's current financial condition at any one time, for there is likely nothing else to worry about that isn't included within this "large bowl" proscription.

However, most boards would think such a broad statement leaves more to CEO interpretation—even if reasonable interpretation—than the board wishes to delegate. Hence, the board might add further details, such as saying the CEO shall not: (1) Expend more funds than have been received in the fiscal year to date except through acceptable debt. (2) Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 60 days, but in no event more than \$200,000. (3) Use any of the long term reserves. (4) Conduct interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by unencumbered revenues within 30 days. (5) Fail to settle payroll and debts in a timely manner. (6) Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed. (7) Make a single purchase or commitment of greater than \$100,000, with no splitting of orders to avoid this limit. (8) Acquire, encumber or dispose of real property. And (9) Fail to aggressively pursue receivables after a reasonable grace period.

A given board might go into less or more detail than in this example. But in any case, these principles stay intact: The language moves from a broad level toward a lesser level (we showed two levels in the example just given). The values that become policy are generated by the board's deliberations, not approved from a staff recommendation. The board, not the staff, decides what to say and where to stop. No matter where the board stops, the CEO is granted authority to use any reasonable interpretation of the board's words. The board can shrink, expand, or change the content of the policy at any time, as long as it does not judge performance retroactively.

This view of organizational issues—as values that can be specified moving methodically from the broadest to more narrow levels—allows the board to manage the amount delegated. The board is always clear about the authority being given away. The recipient of the board's delegation is always clear about the amount of accountability expected in return. There is a continuum of sizes of issues upon which, in Policy Governance, the board owns the broadest level, then successively smaller levels until it decides to delegate, after which it is safe to allow the remaining decisions to be made by others.

It is often observed by other governance authors that the distinction between what is board work and what is executive work is a naïve distinction. There is no universal rule, they contend, to mark where board policy stops and administration begins. Indeed, they are right as far as traditional governance is concerned, for the conventional approach to the board job is unable to make a policy-administration distinction that holds up in the real world. Policy Governance, however, introduces entirely different, more powerful conceptual tools—rigorous "one voice" clarity of delegation using descending levels of board control within the ends/means context. Even though there is still no predetermined or fixed point where board work automatically becomes executive work, each board using the principles we are describing can establish and, when necessary change, a distinct point of delegation applicable to its own organization. It is at that point, by the values of *that board*, for *that organization*, for *that time*, that governance stops and "sub-governance" begins.

To summarize the policy development sequence, Policy Governance boards develop policies which describe their values about Ends, Executive Limitations, Governance Process, and Board-Staff Linkage. Each policy type is developed from the broadest, most inclusive level to more defined levels, continuing into more detail until the board reaches the point at which it can accept any reasonable interpretation of its words from its delegatee. A step-by-step guide to such development of policy documents is available (Carver and Carver, 1997). Ends and Executive Limitations are delegated to the CEO,

who is held accountable by the board for accomplishing any reasonable interpretation of the board's expectations in these areas. Governance Process and Board-Staff Linkage policies are delegated to the board Chair, who is given the authority to ensure that the board governs in accordance with its own expectations of itself, using any reasonable interpretation of the policy language.

### ***Board Discipline, Mechanics, and Structure***

It is clear that the Policy Governance model requires a board to govern in an organized, planned and highly disciplined manner. Boards which are accustomed to talking about issues simply because they interest individual board members will find agenda discipline to be a major challenge, as will boards that rely on their staffs to supply their agendas. Not everything is appropriate for board discussion just because it is interesting or even because the staff wants the board to make the decision. Matters that have been delegated to the CEO should not be decided by the board or by board committees, for in making such decisions, the board renders itself unable to hold the CEO accountable.

Policy Governance boards know that their job must result in the production of three deliverables. (1) The first deliverable is a systematic linkage between the organization and the ownership. This is not public relations. The board connects with the ownership in order to ascertain the range of ownership values about the purpose of the organization. If the board is to make Ends decisions on behalf of the owners, it must know what the owners in all their diversity think. (2) The second deliverable is written governing policies in the four areas, using the principles we have described. (3) The third deliverable is the assurance of organizational performance, that is, performance which can be shown to be a reasonable interpretation of the board's Ends and Executive Limitations policies.

We use "deliverables" to mean job products, outputs, or values-added. Since these summarize the purpose for the board's job, producing these deliverables is what board meetings are for. In fact, the list of job outputs can be considered to be a perpetual job description, for every agenda is an instance of the board's working to perform its job. A board can decide how much, in what detail, and at what level of excellence it will pursue its perpetual agenda in the ensuing year. By doing so, it takes control of its own agenda, rather than allowing its agenda to be staff-driven. Establishing its own job description and the longterm or midterm agenda is recorded as one of the board's Governance Process policies. As we shall shortly point out, if the board sketches its annual agenda only broadly, the specifics will be filled in by the board Chair, who is charged with taking care of Governance Process details.

Accordingly, the board must plan meetings that enable and guarantee the production of these deliverables. Being entertained or intrigued by staff jobs is no substitute for the board's accomplishment of its own job. While the board is entitled to any information it wants, it must be aware that collecting information about staff activities and even conscientiously listening to many staff reports does not substitute for governance. Let us again reiterate that the board, not the staff, is responsible that a board's meetings fulfill its governance responsibilities.

In taking responsibility for its own performance, the board confronts the difficulty of acting responsibly as a group of equals. Since the board is by definition a group of peers, no one has authority over anyone else. The first action of a group of peers is to create a position of Chairperson—a first among equals—to help it stay on task. Although it is important that each board member continue to take responsibility for the board's group behavior, the board grants the Chair extra authority required to make rulings that keep the board on track. To stay consistent with the superior role of the board as a group, however, in Policy Governance the Chair only has authority that is within a reasonable

interpretation of the board's policies on Governance Process and Board-Staff Linkage. Hence, the Chair is truly the servant-leader of the board (Carver, 1999).

It is usual for nonprofit boards to expect the Chair to supervise the CEO, but in Policy Governance there is no need for the Chair to have authority over the CEO. Only the board has authority over staff operations, and it exercises that authority through carefully crafted policies. It is not only unnecessary, but harmful for the Chair to tell the CEO what the board wants, for the board speaks for itself. Consequently, both the Chair and the CEO work for the board as a whole, but their roles do not overlap because they are given authority in different domains. The Chair's job is to see to it that the board gets its job done—as described in Governance Process and Board-Staff Linkage policies. The CEO's job is to see to it that the staff organization gets its job done—as described in Ends and Executive Limitations policies.

Board Treasurers, as commonly used, threaten CEO accountability as well as the one voice principle. Treasurers are typically expected to exercise individual judgment about the financial dealings of the organization. But Policy Governance boards do not allow Treasurers to exercise authority over staff. (Rendering an official judgment of performance against one's own individual criteria has the same effect as exercising authority.) By creating a role with supervisory authority over the CEO with respect to financial management, the board cannot then hold the CEO accountable for that topic. The board should accept responsibility for financial governance (setting policy, then comparing performance) and require the CEO to be accountable for managing finances so that performance compares favorably to policy. The typical use of a Treasurer, when a Policy Governance board is required by law to have one, is to assist the board in making financial policy, never to judge CEO compliance against the Treasurer's own expectations. For more thorough treatment of the board's role in financial oversight, including commentary on the Treasurer and finance committee, see Carver (1991, 1996b).

In keeping with the "one voice" principle, the board can allow no structures or practices in which board members or board committees exercise authority over staff, any function of staff, or any department of staff. Typical nonprofit boards have a myriad of traditions that violate the one voice principle, such as placing the Chair between the board and the CEO. So it is common for boards to underestimate the amount of board member interference in operations. Such interference, even when well-intended, undermines the board's ability to hold the CEO accountable, for the CEO can argue that his or her actions were taken in compliance with a board member instruction.

Advice is a concept often carelessly used in nonprofit boards. This seemingly innocuous and well-intended practice can have the same deleterious effect as direct instruction by individuals or committees. It is common for the board, board committees, or individual board members to give advice to staff. But advice, if it is really advice, can be rejected. If staff has any doubt that advice given by the board or one of its components cannot safely be turned down, the clarity of board-to-staff delegation will be undermined. Policy Governance boards refrain from giving advice or allowing their members to give advice unless advice is requested. This protects the board's ability to hold the CEO accountable for his or her own decisions. The CEO and any of the staff can request advice if they need it, and they can request it from wherever they wish.

Traditional boards frequently create committees to assist or advise the CEO or staff, such as committees on personnel, finance, program, property maintenance, and other such staff means issues. In Policy Governance, such committees are illegitimate. They constitute interference in the CEO's sphere of authority and accountability, and damage the board's ability to hold the CEO accountable.

If, for example, the staff wishes to have an advisory committee, it is perfectly free to create one, then to use the advice or not as it deems wise. If, however, the board controls the mechanism of advice, a very different relationship between advisors and advisees is established. The wisest route is for the board to govern and leave advice and advisory mechanisms to the staff's own initiative. This way the staff gets all the advice it needs, role clarity and accountability are maintained, and board members are frequently spared unnecessary work.

Policy Governance boards use committees only to help the board to do its own job. Hence, a committee which explores methods of ownership consultation about Ends options is legitimate, as is a committee that studies possible sources of fiscal jeopardy that the board might address in an Executive Limitations policy. But a human resources committee that advises on or intervenes in personnel issues is not. To request advice or assistance with one's own job is acceptable and does not compromise accountability, but to foist help or advice on subordinates is not only unnecessary but destructive of accountability as well.

Policy Governance takes seriously the normally rhetorical assertion that boards be visionary and provide long term leadership. The discipline required for this challenge cannot be overstated. In fact, Policy Governance has been criticized as a "heroic board" model that is romantically idealistic! Yet boards do, in fact, have a critical job to do; no amount of helping staff can substitute for getting its own job done. Boards must persevere with the arduous, complex task of describing purpose and ethics/prudence boundaries. Forming those values into clear policies is far harder than telling the staff how to do its job. Speaking proactively for the ownership requires strong commitment not to take reactive refuge in rituals, reports, and approvals.

This requires board member expertise relevant to governance, not management. Board members should no longer be recruited based on their having skills that mirror the skills of staff. Governance excellence requires members who can think conceptually and with a long term perspective, able to welcome a diversity of opinions but abide by group decisions. They must be able to speak on behalf of the ownership rather than merely from their own or some splinter group perspective. They must place organizational accountability above personal gratification. They must be able to view the board's task of assuring performance at arm's length—through setting expectations (using the ends/means principle and values viewed as descending "bowls"), delegating pointedly (to a CEO if possible), and monitoring. And it is to the function of monitoring or evaluation that we turn now.

### ***Evaluation***

Evaluation of performance is not extraneous to the board's job. It is as integral to the board's job as it is to any manager's. But, as we have shown, proper evaluation is impossible unless the board has first stated its expectations and assigned them to a specific delegatee. That is, evaluation of staff performance cannot occur appropriately unless the board has done its job first.

Moreover, if the board has a CEO, the results of proper evaluation of organizational success is the only fair evaluation of CEO performance. Since the CEO's job is to see to it that the organization meets the board's expectations, there is nothing more and nothing less to evaluate when assessing the CEO. Thus, the board's evaluation of organizational performance is the same as board evaluation of CEO performance (Carver, 1997a). Monitoring the evaluative data, as we shall see, is an ongoing activity—perhaps as frequently as monthly—and the board may wish to have a formal evaluation of the CEO once each year. However, the CEO's formal evaluation is only a summary of the accumulated monitoring data, not something in addition.

But let us consider the monitoring or evaluative information itself. Not all information is useful in monitoring performance. There are two types of information that are useful for other purposes, but not for monitoring: one is information for board decisions, the other is information simply to satisfy board members' casual interest. To examine evaluation or monitoring, we must first separate out these two types of information, for they do not qualify as monitoring against pre-established criteria.

First, information for board decisions is needed in order for the board to make wise policy in the first place. To create policies that are both realistic and demanding, boards require information from a variety of sources. These sources include staff, owners, experts, associations to which the board may belong, and others. This information is required for the board's own decision-making and does not judge staff accomplishment. Boards should invest a great deal of energy in gathering wisdom, spending perhaps half their time in becoming educated. So information for board decisions is essential for board performance, but not for monitoring staff performance.

Second, information for board interest is information about the organization or its environment that is not useful for board decision-making, but is of political, social, or technical interest to board members. This information does not include data that directly measure the degree of staff performance on board expectations, for that would qualify it to be called true monitoring information. This kind of information is incidental to the board's job of monitoring, but comprises most of what most traditional boards receive. There is nothing wrong with boards getting all the incidental information they want, but there is something very wrong with the delusion that they are at that time doing their job. In traditional governance, most staff reports, including most financial reports and reports that purport to be "evaluation" are incidental information simply because they are not data compared with previously stated board criteria.

Monitoring or evaluative information must speak *directly* to whether board expectations are being fulfilled. Consequently, it is always related to expectations set by the board in its Ends and Executive Limitations policies. This discipline not only makes it unnecessary for the board to trudge through the mountains of data staff are able to assemble, but it keeps evaluation fair. After all, it is only right that the CEO should know ahead of time the criteria on which he or she will be judged. Since monitoring information is only that information that describes actual performance compared to expected performance, it is evident that most reports collected, examined and approved by traditional boards constitute interesting information, but cannot be said to be effective monitoring reports. For example, boards that gravely approve (or accept) financial statements thinking they have thereby exercised fiduciary responsibility are simply engaging in a meaningless ritual, for without criteria they don't even know what in those reports would have been disapprovable.

When monitoring is defined as we have done here, reports tend to be straightforward and transparent. Each board member can follow the link from board criteria to management data, for the report is not cluttered with incidental information. Monitoring is not nearly as difficult or time-consuming when boards know what performance they are expecting to see proven. Monitoring is thus more exact and, simultaneously, requires negligible board meeting time. In fact, we recommend that monitoring data be mailed to board members, thereby preserving valuable meeting time for board education and deliberation. Getting monitoring largely out of board meetings allows those meetings to focus on creating the future rather than reviewing the past, because inspection of the past is now safely routinized. For each Ends and each Executive Limitations policy, the board will have set a frequency and a method of monitoring, after which the process runs automatically. The choice of method will be a report from the CEO, judgment by a disinterested party (for example, an auditor), or—less frequently—direct board inspection of organizational practices or circumstances. It turns out to be rare that monitoring needs to be discussed

in the board meeting, except for board members to affirm that they have received and read the mailed reports.

To illustrate the nature of what is reported in a Policy Governance monitoring report, we will use two items from an Executive Limitations policy already shown. In that policy, among other unacceptable means, the CEO was told he or she cannot (1) expend more funds than have been received in the fiscal year to date except through acceptable debt and (2) indebted the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 60 days, but in no event more than \$200,000. Here is what the monitoring data might look like for these two provisions: Item 1: Through the end of May, \$3,694,800 has been expended. Receipts in the same period were \$3,654,728. The shortfall of \$40,072 was offset by a \$60,000 short term loan. Item 2: Total debt is a 45 day working capital loan for \$60,000 incurred on May 25. Revenues of \$75,000 from our foundation grant, guaranteed by letter of May 5, are not otherwise encumbered and will be used, in part, to retire the debt prior to due date.

Notice that the data are rather bare-bones, only enough to answer the question, unobscured by incidental information. Board members should adopt a “prove it to me” attitude, so if the information submitted is insufficient to convince them, then more detail can be added. But the detail must be such that directly address the criteria. For example, what data prove the “not otherwise encumbered” statement? Obviously, the complexities of some organizations will cause the monitoring data to have more facets than in our simple example. Even then, however, the reported data should be as brief as possible and maintain a razor-sharp connection to the policy-based criteria being monitored. If more interesting, explanatory information, other than that directly addressing the criteria, is desired by the board or offered by the CEO, it should not clutter the monitoring report, but be distributed separately. Board members can know anything they wish, but they should never be in doubt about what is disclosure of performance on the board’s criteria and what is not.

Using similar criterion-focused reasoning, when the board seeks to evaluate itself, it compares its actual behavior and accomplishment with the behavior and accomplishment it committed to in its Governance Process and Board-Staff Linkage policies (Carver, 1997b). Policy Governance boards tend to self evaluate on a frequent basis—we recommend every meeting—because a more sophisticated system requires continual tending.

### ***Board Meetings***

Because in Policy Governance the board is in charge of its own job, board meetings become the board’s meetings rather than management’s meetings for the board. Board meetings occur because of the need for board members to learn together, to contemplate and deliberate together, and to decide together. Board meetings are not for reviewing the past, being entertained by staff, helping staff do its work, or performing ritual approvals of staff plans. As a result, many board meetings may not look like traditional board meetings at all, but learning and studying sessions or joint meetings with other boards, particularly in communities where boards rarely talk with each other.

The CEO is always present, but is not the central figure. Other staff might be present when they have valuable input on matters the board is to decide. For community boards, with rare exceptions meetings would be open—not to please the law, but because a board commitment to transparency. The board is not merely a body to confirm committee decisions, but the body that makes the decisions. Board committees might be used to increase the board’s understanding of factors and options, but never to assume board prerogatives or remove difficult choices from the board table. In contrast to the old

bromide that “the real works takes place in committees,” in Policy Governance the real work takes place in the board meeting.

Board meetings should thus be more about the long term future than the present or short term future . . . more about ends than means . . . more about a few thoroughly considered large decisions than many small ones. And by their very character, meetings should demonstrate that the board’s primary relationship is with owners, not with staff.

### **Summary**

The Policy Governance model recognizes that any governing board is obligated to fulfill a crucial link in the “chain of command” between owners—whether legal or moral in nature—and operators. The board does not exist to help staff, but to give the ownership the controlling voice. The board’s owner-representative authority is best employed by operating as an undivided unit, prescribing organizational ends, but only limiting staff means, making all its decisions using the principle of policies descending in size. The model enables extensive empowerment to staff while preserving controls necessary for accountability. It provides a values-based foundation for discipline, a framework for precision delegation, and a long term focus on what the organization is *for more than what it does*.

The Policy Governance model provides an alternative for boards unhappy with reactivity, trivia, and hollow ritual—boards seeking to be truly accountable. But attaining this level of excellence requires the board to break with a long tradition of disastrous governance habits. And it offers a challenge for visionary groups determined to make a real difference in tomorrow’s world.

For boards unhappy with reactivity, trivia, and hollow ritual—boards determined to be accountable for making a real difference in tomorrow’s world—Policy Governance offers a visionary challenge. But transforming today’s reality into tomorrow’s possibility requires a radical break from a long tradition of comfortable, but disastrous governance habits.

## Appendix two: THE WILL TO GOVERN WELL

This executive summary summarizes key findings and change strategies from a new book published by the ASAE Foundation publication, *The Will to Govern Well- Knowledge, Trust, and Nimbleness*. The book provides insights, observations, and recommended response strategies for both staff and volunteer leaders-those who design, influence, and participate in the governance systems of associations. It can be used as a reference for retreats, discussion groups; and leadership orientation sessions, and as a tool kit for organizational change initiatives and strategic thinking and planning.

### **The Will to Govern Well**

The landscape of the future for associations is by no means certain. Increased unpredictability, instability, and uncertainty about the future may warrant more open-minded inquiry into governance changes. Associations are increasingly aware of the importance of flexible governance systems that are positioned to adapt to changing environments.

In a variety of professions, industries, and interest arenas, this landscape translates into an urgent need for associations to create a unique and sustainable reputation for value among members, customers, and stakeholders. This need is creating new pressures on the association's traditional governance system. What will it truly take to successfully govern associations in the future?

This new study suggests that association leaders, above all, will need to grow, sustain, and exhibit the will to govern well. It finds that the barriers to successful evolution have more to do with the willingness of people to do things differently than with their knowing what to do differently. The will to govern well reflects personal and organizational desire: volunteer leadership and staff must develop the desire, fortitude, expertise, knowledge, and commitment to support effective governance structures, processes, and culture. The will to govern well allows successful board and staff leadership to converge and create the ability to lead the association into the future.

Associations that view themselves (and are viewed by others) as governing well have the following two factors in common:

1. What the governing structure-the volunteer and staff leadership-chooses to focus its attention on.
2. How those leaders choose to get their work done.

In an association\* that exhibits the will to govern well, the underlying strategy is to change the process of governance. Changing the process changes behavior; changing behavior changes the culture. Changing the culture increases personal and organizational desire to meet new operational challenges and opportunities.

\*The term association is used generally here to describe all types of nonprofit voluntary organizations with a service-oriented mission, such as foundations, charities, and certifying boards, as well as trade and professional associations.

### **Evolution Rather Than Reinvention: An Association's DNA**

In the past, experts and association leaders spoke of "reinventing" governance, focusing on changes in the balance of power among members, volunteer leaders, and staff. However, there is no need to reinvent governance-in fact, to do so would endanger the unique characteristics of associations and the contributions they make to societies globally.

What makes associations unique-different from corporations and other institutions-is that the

same populations are owners, customers, and, to the extent it is composed of volunteers, the workforce. Just as human DNA has two interdependent strands wound in a double helix, an association's DNA has these three strands owners, customers, and workforce-in an inseparable triple helix. Unraveling this organizational DNA, as the reinventors suggest, would put at great risk the key competitive advantages associations have in the 21st century-the aggregate intellectual capital of their membership, their energy as a community with common purpose, and their credibility as voluntary institutions.

Governance cannot be reinvented-it must evolve. What truly needs to change about association governance is not its functions and roles, but the processes for getting work accomplished and the underlying culture necessary to support more effective mechanisms. Evolving governance practice, process, culture, and behavior to establish the will to govern well is critical for associations to sustain success in increasingly complex environments.

Associations have begun to make vast improvements in governance not through radical structural change, but by merely changing a board's process of work and decision-making. By creating an opportunity for dialogue to occur within a board's traditional and often-restrictive process of deliberation under parliamentary procedure, associations have been able to increase the quality and the speed of decision-making without sacrificing participation or enfranchisement.

### **Three Key Elements: Knowledge, Trust, and Nimbleness**

In order to develop and sustain the will to govern well, associations will need to focus on three primary areas of governance:

- the ability to make decisions based on knowledge rather than opinion;
- the need to create a culture of trust for staff and volunteers, with common agreement on what will define success; and
- a nimble infrastructure, with work and decision-making systems that can respond efficiently and effectively to the increasingly complex marketplace represented by the association.

The development of a knowledge-based culture enables greater trust, which in turn drives increased nimbleness. The relationships are inextricable: There are real risks to increased nimbleness if it is not rooted in shared knowledge as the core element of decision-making and trust as the foundation of the organization's culture. If the vision is clear and the culture supportive, the association is in a better position to meet changing dynamics today and into the future.

### **The Role of Knowledge**

In this context, knowledge is defined as the fact or condition of knowing something with familiarity gained through experience or association. It is the sum of what is known and the body of truth, information, and principles acquired. It is the ability to turn what is acquired, observed, and studied into action.

In the area of knowledge collection, dissemination, and use in decision-making, this study observed that:

- **Members are becoming less tolerant of mass dissemination of information.** The ongoing confusion between knowledge and information hinders the work of associations in gathering relevant data for members. Traditionally, associations have believed they should inundate members with as much information as they could produce. But how can members be expected to discern which is the meaningful data, given increased information and less time to read it? The association of the future must transform information into relevant knowledge to succeed and to develop an effective governance system.

- **Staff's role in collecting, developing, understanding, and communicating knowledge for members and leaders will increase in importance.** Without meaningful and insightful information, boards cannot make effective decisions. Staff will be responsible for providing the background and knowledge to assist boards in making strategic decisions. To do so, association staff of the 21st century will need new skills in knowledge management.
- **In a culture with knowledge as a foundation, clear and concise communication between the governing body and members is extremely important.** Members expect their leaders to be able to communicate, through language and behavior, three things:
  1. A clear, common, and positive vision of an achievable future.
  2. An appreciation for and an understanding of the values, expectations, needs, and anxieties of the members.
  3. Optimism that ability, good plans, and hard work will lead to success. Some associations studied have embedded these statements into the job descriptions for board members and the criteria used by nominating committees in considering new leaders.
- **Associations will need to establish and maintain effective internal and external scanning mechanisms.** The organization should constantly be answering the questions: Who is the audience? What are their needs that the association is best positioned to meet? How will the association meet those needs? Associations need methodologies for identifying, capturing, organizing, and transferring knowledge openly so that leaders can make decisions that are sufficiently understood and supported. Further, associations have a greater need for strong market and member research. An increasing number of associations are seeking knowledge directly from those whose behavior they are trying to influence, rather than depending upon committees, task forces, or advisory groups as a source of filtered information. Associations need to project, anticipate, and dive beneath the surface to gather answers from members, potential members, past members, customers, and stakeholders to understand what influences their thinking, what their current concerns are, and what future trends are of concern to them. They need to understand not just the needs of those whom the association serves, but also the needs of those served by the members-the members' customers.
- **Governance will need to cultivate a culture of strategic thinking.** In addition to creating and distributing knowledge about its member base and its relevant future environment, the organization needs a baseline of knowledge about itself and where it is headed. Clarity and consensus on what constitutes success is developed through an institutionalized process of planning strategy. Such a process forms the foundation for the evolutionary governance shifts discussed here, as well as providing a lens through which to view the relevant information and knowledge so important in making future decisions. That process includes creation of a solid strategic plan, which guides staff and volunteer actions and links into board discussion.
- **Associations will need a high tolerance for ambiguity and uncertainty.** Lack of knowledge should not be an excuse for not acting. On the most significant issues a board faces today, it is likely to find that it does not know or completely understand some vital aspect of the matter. (In fact, if a board finds itself with a meeting loaded with issues that are completely known and understood, that board is probably working at a level of specificity and detail inappropriate for the board's attention.). Ambiguity and uncertainty should not become an excuse for paralysis in decision-making. Instead, they should call forth a greater commitment to knowledgeably managing risk. The decision not to decide must be a purposeful decision-not a temporary patch for failure to adequately develop the necessary knowledge base.

- **Leaders will be expected to deliver more value by expanding their knowledge bases.** Governance will require internally focused knowledge that draws insight from the external world into the knowledge base used to make informed decisions. Simultaneously, governing bodies will need to ensure that the association is engaged in knowledge management.

### **Knowledge-Based Governance: A Strategy for Change**

Possessing sufficient knowledge to inform the governance process is critical for associations of the future. Among the most effective change strategies in this area is the development of a knowledge-based governance strategy.

Knowledge-based governance is a mechanism for consultative leadership that recognizes strategy as the necessary and appropriate link between the board's role in governance and oversight and the staff's role in management and implementation.

It embraces the following basic and long-standing concepts of effective leadership that allow boards to govern strategically:

- Effective leadership focuses on the outcomes desired rather than on the activity required.
- Strategic leadership means focusing on what should happen next, rather than on what has already been done.
- Productive boards spend their valuable and limited time together using information in decision making-not collecting it.
- Successful boards routinely consider issues of capacity, core capability, and strategic position in deciding what to do;
- Strong leadership exercises fiduciary responsibility by defining desired outcomes that are consistent with strategic intent and core values, rather than by detailing how an outcome is to be achieved or re-managing finished work.

Knowledgeable governance relies on effective mechanisms for dialogue and deliberation and on information and insight relative to four knowledge bases. These bases are the answers to four key questions:

- 1. What do we know about the needs, wants, and expectations of our members, prospective members, key stakeholders, and/or customers that are relevant to this decision?**
- 2. What do we know about the capacity and strategic position of the organization that is relevant to this decision?**
- 3. What do we know about the current realities and evolving dynamics of members' marketplace-the industry, profession, or interest arena that is relevant to this decision?**
- 4. What are the ethical implications of the choices?**

In the organizations studied, the richer and deeper the answers to these questions, the more effective governance was at developing and executing strategy.

### **The Role of Trust**

In this context, trust is the alignment of what the association promises to what it ultimately delivers. Often trust within an organization is articulated in a set of values, and through a commitment by leaders and staff to act on those values.

Within associations, constituents universally expect that promises will be kept, even when the board and leaders are not supervising or showing others what to do. If others can be empowered

to carry out leadership's directions, a trusting environment will prevail. If not, the culture cannot be a trusting one until the source of discomfort is discovered. This often requires the use of sensitive dialogue, diplomacy, and a positive approach to problem solving, driven by a commitment to discover what is right rather than a compulsion to uncover what is wrong. Creating and sustaining a culture of trust becomes an imperative for successful association governance.

Associations that seek to create, enhance or maintain a trustworthy culture should consider the following:

- **A trusting environment creates an enjoyable culture.** An enjoyable culture is one that is based on trust and practices a high degree of communication. What is unique and special about an association is not its "not-for-profitness," but its "voluntaryness." An enjoyable culture draws others to become involved and make a difference. This type of environment encourages involvement, open access to information, community building, support for grassroots lobbying efforts, and a general sense that the association is at the center of relevant activity. Trust allows the association to eliminate unnecessary controls. When unnecessary controls are eliminated, nimbleness and responsiveness increases, enhancing the association's value for the member.
- **Effective governance is about balance.** As trust builds between the volunteer leaders and the chief staff officer, there is a tendency for the volunteers to increasingly rely on the staff to do the work normally assigned to the governing structure. As a result, the board becomes disengaged from the work of the association and withdraws. Directors begin to rely too heavily on the staff's competencies to lead. Volunteer leaders start sensing that the staff has too much power and dominates decision-making. Boards that are so satisfied with the competency of staff create a ticking time bomb that may at anytime explode. This could eventually lead to mistrust and conflict between the staff and volunteer leaders.
- **Effective governance understands and employs the distinction between oversight and supervision.** Board process is designed to enable oversight, while diminishing the opportunity for mischievous "snooper vision." If all parties (board, staff, and committees) are clear on what they are trying to accomplish, the leaders are then able to provide oversight, leaving staff and committees to do their work. Together they assess progress toward the outcomes they seek. Assessment is not conducted to document a problem, but to see whether progress is satisfactory. If it is unsatisfactory, adjustments can be made to increase the probability of success. . These two elements—the distinction between oversight and supervision and the ability to be clear on outcomes—can be applied organizationally. They are the ingredients critical to achieving an environment characterized by trust and the elimination of unnecessary controls.
- **There is an inextricable relationship between trust and association nimbleness.** Nimbleness and the ability to make the right decisions efficiently in response to marketplace challenges will separate those associations that provide significant member value from those that do not. An underlying culture of trust is vital to the open sharing of relevant information and the valuing of that information in the decision-making process. A trusting environment respects the qualifications, expertise, and accomplishments of the individuals it represents.

### **Dimensions of Building Trust**

A culture of trust allows associations to abandon politically motivated controls that add little or no value to the quality of the decision. An association with a culture of trust exhibits the following characteristics:

- Board members have the necessary knowledge and expertise, and engage in the appropriate dialogue, to make informed decisions with confidence.
- Roles and interrelationships are well defined for staff and volunteers so that leaders can make quick and efficient decisions without "command and control" approvals.
- Strategy and direction setting are seen as the responsibility of the board. Accountability for the detail and implementation of strategy is assumed by member and staff workgroups.
- The chief staff officer is considered an integral part of the association's leadership team, understands the members' marketplace, and maintains an open flow of communication to the volunteer leaders.
- National organizations actively solicit the opinions of state and local component leaders in creating the future for the industry, profession, or cause they represent.
- Members are constantly informed and, where appropriate, asked for their opinions so that they feel part of the decision-making process and are adding value to the overall community.

#### **The Importance of a Nimble Infrastructure .**

Nimbleness is the ability of the organization to seize opportunities. Nimbleness is not just about accomplishing work quickly- it is about accomplishing work in the right amount of time and in the right way.

Nimbleness is about being responsive. It is about reacting, but with purpose-knowing what not to do, as well as what to do. It is the ability to jump from one thing to another as it becomes necessary, and the ability to change direction quickly. In today's unpredictable environments, the ability of a nimble organization to be able to discontinue activities if they are not successful or no longer deliver value to members is imperative.

In this study, the following observations about creating and maintaining a nimble infrastructure emerged:

- **Nimble organizations are able to tolerate risk.** Risk-taking is acceptable, but in an informed sense. Honest mistakes are tolerated, as long as the emphasis remains on finding solutions and moving onto the right path.
- **Nimbleness needs boundaries, but the parameters need to be wide enough to seize opportunities.** The development of appropriate boundaries allows staff to respond quickly and effectively to opportunities that are within an agreed-upon direction, without having to "ask for permission."
- **Nimbleness is enhanced by new technology-enabled methods of work.** Technology has created an expectation for nimbleness-an anticipation that answers will be found and outcomes reached more quickly, that work can be done in ways other than face-to-face meetings. Technology has contributed to higher and more complex expectations for customized member service. But members' interest and involvement may actually deter nimbleness. If technology is readily available, and if it is used for its own sake, it may not contribute to streamlined decision-making.
- **Associations will move away from the traditional electoral process to ensure that the right board with the right expertise is in place to support a culture of nimbleness.** Many associations will move toward a more competency-based board to ensure that governance bodies have the right kinds of skills, personalities, and orientation to act nimbly.

- **Future generations will want a place where they can experiment with new methods of work, community, and involvement.** Nimble associations are places where experiments can occur. Associations must identify where they can be nimble and experimental, and what they must preserve and resist changing. With industries, professions, and interest arenas changing so rapidly, it will be difficult to continue to serve all members. Associations may need to change not just decision-making but mission and purpose.
- **Power-driven associations are moving to become value-driven.** In the past, membership structures determined an association's governing structure. Associations in the future must increasingly be driven by a focus on what will constitute value to members and the benefits the organization seeks to provide, both tangible and intangible. Once it defines value, then the association can determine what kind of work it needs to do.
- **Nimbleness will require governance to articulate a unique service niche and direct the organization to exploit only those opportunities that fit that niche.** Associations must identify the essential needs they meet-what they can do better for their members than any other enterprise.

### Strategies for Creating Nimbleness

Recognizing the importance of a nimble infrastructure, the study identified strategies associations use to achieve nimbleness.

- **A knowledge-based governance strategy that can facilitate dialogue and decision-making around critical issues.** To ensure nimbleness, the process of dialogue must be ingrained in how the association does business. Opportunities for dialogue must be available on a timely basis-the association should not miss a market opportunity because, for example, the board only meets once a year. The process of decision-making must be transparent to members so they understand how decisions to serve various markets and customers have been made.
- **Mechanisms that enable governing bodies to communicate directly with members, customers, and other stakeholders.** An increasing number of associations are seeking knowledge directly from those whose behavior they are trying to influence, rather than depending upon committees, taskforces, or advisory groups as a source of filtered information from the "customer."
- **Strong core values.** Nimbleness requires a common and universally agreed-upon understanding of the association's direction. When members or leaders are in conflict, the cause of the problem can be either a disagreement over facts or a clash of values. If the disputants disagree over facts, leadership's job is to collect information that is objective and defensible enough to be commonly accepted. If, however, the conflict arises because the parties don't share the same values, leadership must refer back to the declared core values of the group and ascertain which of the proposed choices is most consistent with those core values.
- **A clear focus.** Focus is still a huge challenge for associations-the most critical and difficult element of managing risk. An association takes its greatest risks in deciding what it will do and not do, whom it will serve and not serve, how it will serve or not serve. If those fundamental judgments of strategy are wrong, then very little else matters. Focus-being able to say that the things it does create value for members, understanding that new opportunities must fit the association's strategy-bolsters the prospects that those decisions will be made correctly.

Risk-averse boards usually lack the necessary knowledge, leaving them with no

confidence in their ability to identify and manage risks. The antidote for risk aversion is the process and tools to assess and navigate risks. There is a critical relationship between nimbleness and relevance. The more risky the environment, the more nimble the association will have to be.

### **Key Findings of Evolving Governance Models and Processes**

A number of key findings emerged from this study that have extraordinary implications for the future of voluntary organizations. These findings confront a number of myths, fantasies, and false promises about governance.

#### **1. Associations will increasingly alter key governance processes rather than structure.**

Governance itself is as much about process as it is about structure. In fact, because so many key processes are linked to governance, it may be the most essential process of the association. Altering structure without making necessary adjustments in process merely changes the players, but not the productivity. This fact is borne out by the experiences of associations that have significantly changed their structure with little gain in their ability to deliver value. Altering structure may change the balance of power, but not the quality of what is produced.

**2. The needs and preferences of members related to time and expertise are forcing both the fiduciary responsibility of boards and the chief staff officer's role to evolve.** The old bromide, "It is not the board's job to run the association, but to see that the association is well run" is evolving. While these roles are definably different, both tend to focus on operations rather than direction, on management rather than leadership, on efficiencies rather than value. Good leaders have less discretionary time to give and are more aware of the limitations of their own experience and knowledge on contemporary association operations. Increasingly, boards are holding the chief staff officer accountable for seeing that the association is well run. The board's role moves to defining what will constitute value to members, and then ensuring that value is delivered.

**3. Good governance sees its mission as having three dimensions, and the allocation of its time among those dimensions is shifting.** The three facets of leadership's mission are direction-setting, operational oversight, and attention to the organization's culture. Oversight and direction-setting have traditionally been part of the board's responsibility, and much time has been allocated to executing those roles, but few governing bodies have paid attention to their impact on the association's culture. As associations increasingly depend on their ability to offer community as a way to differentiate themselves from other service providers, the cultural element of the board's mission will need additional attention.

**4. Increasingly, governance is evolving from retreat-driven, product-oriented traditional strategic planning to a process of ongoing strategic thinking.** As members have more choices about where to belong and less time and funds to give, boards are spending more time on whether programs are achieving their desired outcomes. Governance is placing greater emphasis on ongoing strategic thinking. **Direction is being defined as a vision of preferred conditions.**

**5. Leaders desire a higher level of partnership and shared accountability with staff.** The traditional wall between governing bodies and management has become a porous membrane, with strategy as the common ground where roles meet. Governance expects staff to be more conversant with the dynamics of the industry, profession, or cause-related issues than ever before. They want staff to be a source of good and specific advice about how the association can be a tool for meeting their needs. For many years, association staff and volunteer leaders have been counseled to clearly define and distinguish their respective roles and accountabilities. Some associations spent just as much energy protecting these distinctions as they did providing value. Now, in many associations, governing bodies want a higher level of partnership and shared accountability. Clearly defined roles are less important and less valued. Increasingly, boards want staff to provide information and insight and participate in decision-making about desired outcomes and potential strategy with leaders.

**6. Expertise and honesty are becoming even more important.** Leaders of volunteer organizations have greater access to a richer and wider array of information about associations and their operations than ever before. With instant access to conversations on a larger number of Web sites and an ever-increasing number of publications specifically directed to volunteer leaders, the knowledge base of member leaders has grown exponentially. Leaders exposed to successful practices in one organization often expect improved performance in another. Therefore, association leaders are increasingly less tolerant of inexperience in staff or other volunteers.

**7. Governance is becoming less risk averse, but is more demanding of defensible information needed to effectively manage risks.** In most associations, the world that governing bodies are serving is changing rapidly, and the association has to evolve at least as quickly to remain relevant. Associations must be able to manage a greater level of risk-and leaders will require and demand information that helps them manage those risks. In many associations, the pace of change will require adding new or emerging products to the program portfolio. Systems for prudent innovation are emerging, and boards are expecting their staffs to be able to effectively design and operate such systems. Attention to these systems and the judgments they produce are replacing traditional committee status reports on board agendas. Boards are becoming increasingly less tolerant of large volumes of information-as well as reports designed, consciously or unconsciously, to demonstrate how successful the organization is and how busy the staff and committees are. What boards want instead is information that allows them to determine or anticipate whether the association is delivering value.

**8. The next generation of members will not define enfranchisement merely as having a person with similar demography in a seat on the board.** Many voluntary organizations struggle periodically with issues related to board composition in the belief that minority voices growing to majority position desire a participation in the traditional mechanisms of governance. Younger members prefer a knowledge-based approach to governance that lets them participate in dialogue on substantive issues confronting the industry and the association. They also have high expectations about technology: The next generation of leaders and members will expect associations to use technology to enable them to participate in the organization's work without having to travel to a certain place at a certain time.

**9. Governance is moving from the traditional political model of debating the ideas of others to a more knowledge-based model.** In that model, leaders define the desired outcomes and establish parameters for the work of staff and volunteers, who then become accountable for action plans and implementation. Governance that exhibits the will to govern well enables board members to distinguish between being a "representative for" a constituency and being a "representative of" a constituency. The "representative for" argues and votes on behalf of a defined population. The "representative of" assures that the interests, beliefs, and values of a population are reflected in the decision-making process and promotes and votes for the best interests of the enterprise as a whole. The shift from a traditional closed political model to a more open rational model first requires altering governance process. Where the evolution of governance has been successful, it has been catalyzed by a competent executive who knows how to enlist volunteer and staff leaders from several leadership generations as champions of the change.

**10. Good leaders and governing bodies make conscious choices not just about what will be accomplished, but also about how they will lead.** These judgments are made at an individual, group, and enterprise level on a case-by-case basis. The act of consciously making these judgments together tends to promote a) the knowledge necessary for strategic thoughtfulness; b) a common commitment to behaving in a fashion that earns the kind of trust necessary for others to agree to follow; and c) a disciplined flexibility consistent with nimbleness.

### **A Final Word: A Call to Action**

The study of associations summarized in the ASAE Foundation book, *The Will to Govern Well. Knowledge, Trust, and Nimbleness*, assists organizations in creating governance systems with optimal flexibility, controlled not by what was decided yesterday, but by conversations about what should happen tomorrow.

This book provides a number of observations about the links between knowledge, trust, and nimbleness, and how together they contribute to effective governance systems in the 21st century.

The authors believe that developing and sustaining the will to govern well is truly an imperative for all associations in the future. It is the only thing that will ensure that associations' unique strengths will not be undermined. It preserves the key competitive advantages associations have in the 21st century—the aggregate intellectual capital of their membership, their energy as communities with common purpose, and their credibility as voluntary institutions.

### **Methods and Sources Used in the Study**

The ASAE, Foundation partnered with Tecker Consultants LLC to study the current state of association governance and to provide insights and tools to assist association executives and volunteer leaders in leading their organizations forward.

To create the knowledge base for this book, Tecker Consultants LLC used:

- Several specially organized panels of experts and practitioners, who were convened for in-depth examinations of governance-related practices and case studies.
- More than two dozen associations, whose real experiences in evolving governance served as "action labs" to study changes in structure, process, culture, and strategy.
- In-depth interviews with associations identified as positive and negative examples of knowledgeable decision making, trustful cultures, and nimble implementation. '
- , -Questionnaires submitted by association staff and member leaders attending ASAE's Symposium for Chief Staff and Chief Elected Officers.

Together, these sources represented a broad mix of associations by size, industry, and cause representation; organizational structure; tax status; composition of leadership; geographic location; and membership demographics.