



SEQUUS

Boards in Non- Profit Organizations

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.

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 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.

what kind of board do you have?

TYPES OF BOARDS	TO WHAT EXTENT DOES IT APPLY TO US?
<p>1. A POLICY BOARD: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>2. A ‘WORKING BOARD’: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>3. A FUND RAISING BOARD: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>4. AN ADVISORY BOARD: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>5. A REPRESENTATIVE BOARD: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>6. A MARKETING BOARD: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>7. AN ‘IMAGE’ BOARD: The board exists primarily to provide an aura of respectability, solidity, prudence, and integrity. Members are selected for their status and reputation.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>8. A FISCAL PRUDENCE BOARD: The board exists primarily to ensure that the organization is soundly managed from a financial perspective and exercise due diligence in all of its important decisions. Members are selected for their legal and financial knowledge and experience.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>
<p>9. A DECISION-MAKING BOARD: 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.</p>	<p>Not at all Somewhat To a great extent 1 2 3 4 5 6 7 8 9 10 comments:</p>

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 officers
- 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. 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 BOARD DEVELOPMENT. 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’

KEY ISSUES	Leadership What needs some leadership? Who should lead? <i>Leaders...</i> Challenge the Status Quo Set new Vision & Directions Enlist Stakeholder Support Build Systems & Capacities Encourage & Cheerlead Celebrate Result = Change, Risk, Uncertainty	Management What needs to be well manager? Who should manage? <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	Who should implement? <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.