

GUIDELINES FOR REVIEWING BOARD PERFORMANCE AND PROCESSING BOARD CHECK-UP™ RESULTS

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Introduction

The purpose of these Guidelines is to provide information and a framework for nonprofit organizations to use in reviewing the performance of their boards of directors and makes the best use of the results from the online self-assessment tool available at www.boardcheckup.com. The approach taken here is similar to that which lies behind health checkups for individuals. Doctors usually begin by asking us to review a lengthy list of many possible health issues and we check which ones we have concerns about. The doctor and patient then focus their discussions on these issues. The typical process proceeds through the following three stages:

1. Understanding the *symptoms*. The doctor and patient begin by trying to define the issues more clearly.
2. *Diagnosis*. Effort is made to understand the *causes* of the problems through tests and further examination.
3. *Treatment*. Once the problem has been properly diagnosed, a treatment program to remedy it is begun.

While the *Board Check-Up* survey does not pretend to be as scientifically rigorous as a medical examination, it *is* based on the same logic. It begins by having those who belong to, or relate to, boards provide their perceptions of how well the board is working by guiding them through a list of potential "health issues", i.e. statements of possible problems that boards might encounter in their work. These statements are derived from comments made by other board members, as well as from the work of researchers and consultants, who have reported on boards with problems. Once issues have been identified, the board needs to review and discuss them. As symptoms, they become the focal point for discussions that explore how serious they are, what might be causing them (diagnosis) and what can be done to resolve them (treatment).

These Guidelines are divided into nine sections representing the nine dimensions of governance effectiveness assessed in the online *Board Check-Up Survey* (at www.boardcheckup.com) and the paper-based instrument known as the *Board Performance Self-Assessment Questionnaire* (see Murray, 2009). Each section begins with the items (symptoms) assessed in these instruments followed by a review of the relevant literature to help boards process (diagnose and treat) results. Please note however that these Guidelines are intended to offer short practical suggestions on how best to use the results of a self-assessment survey so do not provide an exhaustive review of the literature on governance effectiveness. Those wishing greater depth on the theory and research of board governance should consult additional sources and adopt those that seem to be a good fit for your board and situation. Some of these sources are contained in the "References" section of this document

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1. Overall Clarity of the Board's Authority and Responsibilities

Symptoms

The most frequently written about topic in the literature on nonprofit organization boards deals with the question of what the board's role and authority ought to be compared to that of the organization's CEO and management team. A high percentage of agreement with the following statements indicates that there is a lack of clarity in and around the board as to what its role ought to be:

- *The board seems to be unclear about what its role ought to be.*

- *The Board and the Chief Executive Officer (CEO or Executive Director) sometimes seem to have different ideas about the authority each should have.*

- *The board tends to act too much as a "rubber stamp" for decisions made by the organization's top management.*

- *The board gets too involved in making decisions about operational details that ought to be made by management.*

- *Board members are unclear about their legal liabilities and what protection they have against them.*

A closer look at the above statements shows there are actually two issues involved here:

1. What is the board's legal authority? There are certain duties boards *must* perform because they are legally responsible for the actions of the organization. Their primary role is that of a fiduciary, which is to say that they are entrusted to look after the interests of the organization. In practical terms this translates into making sure that the organization is achieving its mission, not wasting its money and not breaking any laws.
2. However, it is usually not feasible for boards to make *all* the decisions. While retaining responsibility for the overall performance of the organization it must delegate authority to others such as the CEO. Those to whom authority is delegated have the power to make certain decisions, which the board can review only in the context of assessing the organization's overall performance. The question is, therefore, what matters should

boards decide on and what should they delegate? This question is discussed under "Treatment" below.

Diagnosis

Why do boards and those who relate to them become confused about the role of the board?

Regarding the board's legal authority, a lack of clarity usually exists because board members are not properly informed about the laws defining the board's authority and legal liability with respect to board activities.

Confusion and lack of clarity about the board's responsibilities and decision-making authority arises for a number of reasons.

- The most common cause is that boards fail to adapt to changes in the organization's environment. Many nonprofit organizations start with very little money and little or no paid staff. As a result, volunteers conduct much of the work and are among the most active volunteers are board members. Meetings of boards often deal with everyday operating problems and small crises. When these organizations become more successful and are able to employ professional managers, many board members experience great difficulty in letting go of their involvement in day-to-day operations. At the same time the management team becomes frustrated over not knowing what they can decide what they must refer to the board for decision. Once patterns of decision-making become established they form part of the board's informal culture receding into the background to the point they are taken for granted and never questioned.
- The same kind of confusion can arise when an organization experiences sudden major crises such as large funding cuts or unanticipated resignations of key staff. At such times board's often find themselves pushed into making operating decisions and don't know how or when to relinquish this role.
- In some cases, the lack of clarity exists because the CEO and key board members simply differ in their convictions about what the role of each party should be. If these root philosophical differences are never addressed directly, this situation leads to an endless series of disagreements over many issues.

Treatment

Lack of clarity about the board's legal authority and liability

The basic knowledge about the board's legal authority and responsibility can be most easily obtained from a few good websites. These also provide important information about the nature and extent of a board's legal liabilities—the grounds on which boards can be sued for failure to carry out their duties properly. Normally, providing board members with orientation and simple written materials on this subject will suffice, however, if specific circumstances suggest that the organization faces any unusual situations, lawyers with specialized knowledge of this field should be consulted. A useful resource covering the board's legal authority can be obtained from *Carter's Law*. This is one of Canada's premier law firms specializing in all aspects of the law as it applies to nonprofit and voluntary organizations. This article covers the basics of the legal duties of boards: <http://www.carters.ca/pub/article/charity/govset/A-duties.pdf>

Clarifying the board's role in decision making

The only way to deal with confusion or conflict around the role of the board is through education and discussion among all affected parties. This includes all board members, the board Chair, the organizations CEO and other members of the management team who have expectations about the board carrying out certain actions. It should also include key funders or stakeholders who might feel they have some kind of authority to make decisions involving the organization.

To clarify the board's role, all those involved must understand the basic options available. These are described in what follows. This material is adapted from “Managing the Governance Function” by Vic Murray and published in *The Management of Nonprofit and Charitable Organizations in Canada* (2nd ed.), V. Murray, ed., Toronto, LexisNexis, 2009, pp. 60-66.

To deal with the problem of achieving clarity regarding board roles and responsibilities, we need an understanding of what it is that boards do. The most common areas of responsibility in which boards may become involved are:

1. *Mission, Values, Goals, Strategic Priorities and Performance Assessment*: Setting the overall purpose for the organization—why it should exist, who it should serve, what services it should provide and what values and ethical guidelines it should follow in providing them. This area also includes the setting of objectives and the development of broad strategic plans for achieving them. To do this properly requires assessing how well the organization has performed in achieving the goals set for it as well as understanding the challenges and opportunities that lie ahead.
2. *Fiscal/ Legal Oversight and Risk Assessment*: Ensuring that the organization behaves in a fiscally and legally responsible manner. This includes such matters as overseeing operating and capital budgets, investments, property management and compliance with various laws applying to the organization. It also includes risk assessment—attempting to

- identify areas in which the organization is subjected to high risk to its assets or reputation.
3. *CEO Selection and Evaluation*: Ensuring that the best person holds the position of chief executive officer and performs it at a satisfactory level of competence.
 4. *Community Relations (also known as “Boundary Spanning”)*:
 - Representing the interests of the organization to its external publics; and
 - Building alliances and partnerships with others that benefit the community; and
 - Ensuring that the interests of key external stakeholders are made known inside the organization.
 5. *Resource Development*: Ensuring that the organization obtains adequate funds to enable it to achieve its objectives.
 6. *Management Systems*: Ensuring that the organization is managed efficiently and effectively, e.g., that it has the right administrative structures and policies, information systems, human resources policies, etc.
 7. *Board Self Management*: Activities aimed at ensuring the board itself is as effective as it can be, e.g., recruiting, selecting and training its members, evaluating the effectiveness of its meetings and committees.

Roles of Board Members

To list the areas in which boards should have some kind of involvement is important, but it does not indicate *how* they should be involved. This is the question of the *roles* the board can play in the organization. It is common in writing about boards to talk only about the role of members as *decision-makers*. In addition, however, they may play two other critical roles in the organization: *advisor* and *implementer*. Thus there are at least three roles that board members may play in organizational governance:

1. *Decision-Maker/Evaluator*: The most important thing to understand about the decision making role of the board is the concept of delegation. Except in the smallest of NPOs, the board cannot make all the decisions needed to get things done. It must trust staff and volunteers to make many decisions that it will never hear about. When the organization employs an E.D., the authority to make many decisions is delegated to that position and the E.D. may, in turn, delegate some of that authority to others. The only decision the board makes about all these delegated matters is whether they all add up to satisfactory performance for the organization as a whole. This is the evaluation function of boards and it cannot be delegated. When the board *does* make decisions, it usually occurs only at the level of the whole board meeting in a formal session in which it votes on motions put forward to it.

2. *Advisor*: In this role, board members provide information and expert advice to their board and, less formally, to others such as the E.D. or other management staff. This role is usually played at the level of board committees, which may develop recommendations for the whole board or E.D. Individual members derive the information and advice they provide from these sources:
- Knowledge gleaned through their training and experience; and
 - Information gleaned from contacts in their networks. This latter contribution—the results of board members interacting with the outside world-- has only recently been recognized as a vital part of the board’s overall potential contribution (Renz, 2006)
3. *Implementer*: In a few instances, board members may actually carry out the activities required by the decisions they (or others) make. For example, they usually carry out the work of selecting future board members and selecting the E.D. They may also approach prospective donors for funds or represent the organization in dealings with critical stakeholder groups. Implementation activities are usually carried out at the level of committees charged with specific tasks such as fund raising or board recruitment. Occasionally, individual board members may get involved in implementing decisions such as approaching prospective donors to ask for contributions or presenting briefs on behalf of the organization to government bodies.

Patterns of Board Responsibility and When They Are Appropriate

Understanding the kind of matters boards might get involved in and the various roles the members can play is the first step to achieving clarity about what the board should do. However, the temptation is then to assume that there is a single pattern of board responsibilities and roles that is best for *all* NPOs. In spite of the assertions by some “how to do it” writers on boards that there *is* a “one best way” for all situations, the limited research on what makes for successful boards suggests that there is not. Let us look at several common patterns of board roles and responsibilities and discuss when each may be appropriate.

The Working Board. There are conditions when it is quite acceptable to have board members who simultaneously participate in setting strategic directions, manage the implementation of plans and actually “do work”. The term for a board like this is the “Working Board”. A successful Working Board can exist when the nonprofit organization is new, small, all (or nearly all) made up of volunteers and offers services that are not numerous or complex. For example, many self-help groups, small advocacy organizations, housing co-operatives, collectives, and sport organizations operate very successfully with *Working Boards* (see Gill, 2005).

In *Working Boards*, board members are often the most committed and knowledgeable members of the organization and have worked up to the board as volunteers. It is not surprising,

therefore, that some of them bring operational concerns to board meetings. In fact, at this stage, it may be impossible to differentiate between "the strategic" and "the operational" in any case. One botched special event fundraiser or one bad story about a mishandled client in the newspaper could end the organization's existence. Almost anything and everything has the potential to be "strategic". Getting established requires everybody with talent and energy to wear many hats.

All that is needed to create a successful *Working Board* is to make sure that everybody is clear about who can make which decisions and who is going to do what. There should also be basic agreement about what things are the most important (priorities). In general, *whole-board meetings* of working boards should still focus on governance issues—planning for the future, setting broad objectives, setting priorities and assessing performance. But time at board meetings spent on apparent “details” is not necessarily wasted *if* the chair or others can spot the larger strategic issues that can be buried in them. In these kinds of small organizations the board can benefit by holding periodic special meetings of all active participants (such as other key volunteers and any staff) to discuss "how well are we doing in fulfilling our mission", and "where do we go from here".

The Working Board is *not* appropriate under conditions opposite to those that fit it best, that is, large organizations with a high proportion of paid staff and full-time managerial personnel who are operating many programs that take considerable skill and experience to implement. Most public institutions such as universities, hospitals and mid to large sized social service agencies fit these conditions. Such organizations cannot long tolerate the confusion created by board meetings, committees or individual board members trying to "micro manage" the organization's affairs when others are responsible, and better prepared, to do so.

The Governance-Only Board. A *Governance-Only* Board is one which restricts itself to providing broad, overall leadership to the organization by focusing primarily on issues that relate to the basic strategic question of "who is to receive what services at what cost" (Carver, 2006). This means that decision-making/evaluating becomes the key role being played and that the first four of the responsibility areas (plus number seven) discussed above become the focus of the board's attention.

The dilemma facing the large, complex institutions for whom *Governance-Only* Boards are the most appropriate, and one of the reasons they can so easily become rubber-stamp boards, is that most board members are busy civic leaders who, though great supporters of the organization, have very little time to become thoroughly knowledgeable about it or the sector in which it operates (such as healthcare, education or the arts). This makes informed debate about major strategic issues very difficult. For example, it takes a lot of expertise to know whether a university should open (or close) a department or whether a hospital should convert 20 per cent of its beds from active to chronic care.

The secret of creating an effective *Governance-Only* Board lies in developing a shared understanding of basic levels of policy, deciding which of them are "strategic" and devising information systems that supply valid data on past performance and future needs in ways that

clearly relate to the basic strategic issues.

The Mixed Model Board. Many boards in practice are neither purely *Working Boards* nor *Governance-Only* boards. They tend to be located between the two ends of the organizational involvement continuum. Sometimes they are very involved in making decisions about day-to-day operations while at other times they keep their involvement limited to matters of policy and strategy. In these organizations, paid managers may make most of the operating decisions but may not have the time or expertise to handle all functions such as publicity, fundraising or government relations (see Gill, 2005). In such situations it might be expedient to turn to experienced board members for implementation assistance.

At the other end of the spectrum, there are times a Governance-Only board can revert to a mixed model state and that is during a major crisis such as the loss of large grants, financial mismanagement, serious labor unrest or the actions of militant client groups. Insofar as the paid manager has trouble handling these situations, the temptation on the part of the board to get involved in the direct management of them can be strong; indeed managers may ask for it and it may be necessary. Once the crisis is over, however, it is easy to allow things to continue in an inappropriate Mixed Model state rather than reverting to the prior Governance-Only model.

It is possible to sustain a Mixed Model form of governance that can work well. In this situation, certain board members or committees take responsibility for managing specific functions. These would typically be seen as working committees and their chairs become de facto operating managers. At the level of the Whole Board, effort must still be made to focus primarily on strategic issues. Insofar as possible, the operational committees and board members with specific operational responsibilities should work under the authority of the Executive Director.

The Mixed Model is a difficult one to implement successfully because there are so many occasions where confusion can arise, especially as the organization's environment continues to change. The secret of success lies in exceptionally full and open communication in which all parties feel free to raise questions over gaps or overlaps in authority and responsibility. There must also be high levels of tolerance for ambiguity. For example, even though the purpose of meetings of the whole board is for discussing major issues of policy and strategy, some board members will want to talk about matters pertaining to their responsibilities as operational managers. They may thus seem to be cluttering the meetings with "managerial" details and undermining the authority of the Executive Director. The key to success lies in training everybody--management and board alike--to recognize what is "strategic" and redirect the non-strategic matters to the E.D.

In summary, there is no "one best way" of structuring the roles and responsibilities of a board of directors that fits all situations. The board cannot avoid its legal requirement of exercising "due diligence" in ensuring that the organization achieves its mission and does not get into financial or legal difficulties. However, the way it gets involved in the other responsibility areas discussed above, can be highly variable. The important thing to understand is that the board

is part of the whole organizational system that includes paid managers, staff, volunteers, and external stakeholders. All have roles to play in the process of deciding what to do and then implementing those decisions. Everyone must be clear about who will do the deciding, who will have input into those decisions, who will do the implementing and what information will be obtained to assess how well the decisions have worked out.

2. *The Board's Role in Planning*

Symptoms

It is commonly accepted "best practice" that a major role for boards ought to be thinking about the "big picture" of how the organization is doing and where it ought to be heading in the future. It is usually recommended that this big picture thinking be captured in a "Strategic Plan" which can be used as a guide by all in the organization in making specific policy decisions. A high percentage of agreement with the following statements would indicate that the board might be having problems with its role in the planning function:

- *The board has not spent enough time establishing a clear mission and vision for the organization.*

- *The board never seems to have time to explore external challenges and opportunities that the organization might face.*

- *The board does not do a very good job of learning about the concerns of external stakeholders who can influence the organization.*

- *The board does not do a very good job of learning about the concerns of the communities that the organization serves.*

- *The board rarely holds "creative thinking" sessions aimed at trying to find new ways the organization could develop.*

- *The board does little to learn about innovations tried by others that might help the organization.*

- *The board is not provided with a clear enough picture of the organization's internal strengths and limitations in dealing with its external environment.*

- *The board has not developed a clear, well-researched, strategic plan that sets out broad goals and establishes priorities for the organization.*

- *Plans exist on paper but they don't get implemented at the operational level, i.e. other concerns drive what actually gets done.*

Diagnosis

The main reasons that boards have difficulties with fulfilling their planning function effectively are:

- The organization faces an external environment that is too turbulent or complex to understand hence the board feels it is not possible to make plans for the future. (Note,

however, that it may be possible to develop useful scenarios based on several different hypothesized futures.)

- Lack of clarity about who should play what role in the planning process.
- Lack of understanding of the planning process. This can occur because the board does not contain enough members who have experience in strategic planning, or who have not been provided with the opportunity to learn about it.
- Lack of time. This is usually due to meeting agendas that are too full of "routine" matters or short-term "firefighting" issues that do not allow the board to step back and look at the big picture.
- Structural problems. The board has not created a committee whose function it is to engage in the in-depth information gathering and analysis that is necessary for effective strategic planning.

Treatment

To treat planning problems, consider the following points:

- Decide on the role in the planning process that is best for the board given the organization's unique characteristics (its age, size, presence of experienced senior managers, number of members with strategic planning experience, etc.) choose between one of these three basic roles:
 - Doing it all themselves, i.e. the board obtains all needed information and decides on recommended directions;
 - Using a board committee with responsibilities for planning to work along with members of the management team in obtaining the needed information and creating the recommended directions;
 - Having the needed information and recommendations developed by the management team and presented in draft form for the board to discuss and decide upon.
- Ensure that there is sufficient time and money for those responsible for preparing the initial draft of the strategic plan to carry out that work.
- Provide education in strategic planning to all board members who lack sufficient experience. See appendix 1 below for a brief outline of what is involved in strategic planning.
- Always involve the organization's CEO and other members of the management team in providing needed information on the state of the organization's external environment and internal capacity. *But*, also attempt to find reliable information from independent sources on these same matters.

For additional guidelines on strategic planning and the board's role and capacity to engage in it, see the following websites:

- "Developing Your Strategic Plan" by Carter McNamara is by far the most comprehensive web based overview of all aspects of strategic planning covering all stages of the process. See: <http://managementhelp.org/freenonprofittraining/strategic-planning.htm>
- InnoNet.Org is an extraordinary organization dedicated primarily to helping nonprofits to do a better job of evaluating their performance. It provides all sorts of tools and checklists for self-assessment and among them is a planning tool called "Point-K". See: http://www.innonet.org/?section_id=64&content_id=182 .
- "The McKinsey Capacity Assessment Grid" A key to successful strategic planning involves not only looking at external opportunities and challenges but the internal capacity of the organization to deal with that environment. This is one of the best tools to use in carrying out that assessment. See: <http://ocat.mckinseysociety.com/>

The following Appendix on The Role of the Board in Planning by Vic Murray (2011) provides basic information on the questions that need to be answered by a Strategic Plan and the kinds of information needed to answer them.

Appendix

The Role of the Board in Planning

OUTLINE OF THE ELEMENTS OF A STRATEGIC PLAN FOR NONPROFIT ORGANIZATIONS AND THE KEY QUESTIONS THAT NEED TO BE ANSWERED FOR EACH ELEMENT

Strategic Plans are usually comprised of statements dealing with the following components:

1. Mission

This section must answer the questions: What is the purpose of your organization? Why does it exist? Who does it serve?

2. Values

What values should the organization uphold in the process of doing its work? For example:

- What is the underlying philosophy behind your approach to the way you seek to achieve your mission?
- What are the beliefs and attitudes you share regarding way you want work with your clients, volunteers, staff and other stakeholders?

3. *Vision*

A Vision Statement answers such questions as:

- What should your organization look like in, say, 5 years?
- What will it be known for?
- What will it be doing that is different from what it does now?
- What will be its reputation in the field of those who assist the population you seek to serve?

4. *The environmental context of your organization's operations*

This is a very important section that outlines the challenges and opportunities that shape the reality within which you must work. It addresses such questions as:

- What changes are likely to occur in the next 2-3 years in the following aspects of the external world and what implications will they have on your operations:
 - The economy
 - The political environment
 - Societal values and beliefs
 - Technology
 - Demographics
- Who are the critical stakeholders who influence the ability of your organization to succeed in what you do? For example: clients, their families and close friends, funders of all types, regulators, potential allies and collaborators.
- For each of the key stakeholders answer these questions:
 - What do they want from you, and are these wants likely to change in the next 2-3 years? How much influence do they have over you?
 - To what extent do their expectations of you conflict with one another?
 - What are the organizations with missions similar to yours doing that you might learn from?

5. *The internal capacity of your organization*

- What are your present internal strengths and weaknesses in terms of resources, people, systems and leadership capabilities? In other words, what is your *capacity* for influencing, or successfully adapting to, the external environment that you will likely be facing in the next few years?

6. *Strategic goals and priorities*

There is usually no way that any organization is able to find the time, money and people to do everything that it would like to do in an ideal world. So what should be the key strategic goals for your organization over the next two years in the three major components of your operations?

(a) Programs

- Should there be any changes in the kind of people you serve?
- What changes are needed in the quantity and quality of your networks?
- How many and what kind of *additional* programs (beyond the basic networks) should you have to support your clients?
- Which of these desired goals are of highest priority?

(b) Resources

- What is the potential for increasing financial support from all sources to support programs priorities?
- What should be our resource development goals and which of them are most feasible to implement?

(c) Capacity building

- What changes are needed in staffing, volunteering, information technology and other management systems to support program and resource development priorities? Which of these changes are needed most?

7. Implementation and Accountability

Strategic plans often fail because the goals and priorities they identify do not get translated into implementable operational plans for which individuals take responsibility. The connections between budgets and more detailed 'business plans' must be obvious and strong.

As well, there is often little effort made in tracking progress; in fact there may be no widely accepted systems for doing this. This means that the plan is not updated and quickly becomes obsolete. To avoid this, your organization's plan must contain agreed upon procedures for the assessment of progress and the plan must be reviewed and updated annually in the light of this assessment.

3. The Board's Role in Performance Assessment

Symptoms

Boards of nonprofit organizations are required to exert “due diligence” in ensuring that the organization they govern is achieving its mission effectively and efficiently. Quite aside from legal requirements, most boards feel an obligation to hold those who run the organization accountable for achieving results in carrying out the responsibilities delegated to them. In turn, boards are morally and legally accountable to those for whom they act as trustees. To fulfill all these accountability responsibilities requires that the board receive reliable and valid information on how things are going. The areas in which due diligence assessments need to be carried out are:

- The performance of the organization as a whole. This includes:
 - Attainment of strategic plan objectives
 - Assurance of the organization's financial and legal soundness
 - Assurance that the organization is aware of serious potential risks it may face and is mitigating them as well as possible.
- The performance of the organization's CEO (paid or unpaid top management person).
- The performance of the board itself.

Indications that the board is experiencing challenges in this area of their responsibilities arise when a significant numbers of board members or others related to the board, report high levels of agreement with the following statements:

- *The board does not do a satisfactory job of assessing how well the organization is achieving its mission.*

- *The board does not get enough of the right kind of information to give it a clear picture of how well the organization is doing.*

- *The board does not ensure that an analysis is done of serious risks that the organization might face.*

- *The board does not do a very good job of ensuring that the organization's finances are being managed soundly.*

- *The board does not regularly and systematically carry out assessments of the CEO's performance (e.g. Executive Director, President, etc.).*

Diagnosis

The main reasons for difficulties that boards may have in carrying out their duties in the critical area of performance assessment are as follows:

- There is lack of clarity about the amount and kind assessments the board should undertake. Either the management and board have differing ideas about this or the board itself is unsure what its role is.
- The board may *wish* to assess performance in the areas noted above but it does not get sufficient information to enable it to carry it out. This could be because there are inadequate systems for gathering and reporting the information or because it is intentionally or unintentionally withheld from the board by the management team.
- The board does not create suitable internal structures and processes for carrying out its assessment duties, i.e. there are no board officers or committees with responsibility for gathering the needed performance data, analyzing it and bringing it to the full board for proper consideration.
- The board is not adequately trained in, or does not have enough members with knowledge of, how to understand performance data.
- The board has evolved an informal culture in which it believes that it does not have to take one or more of its performance assessment responsibilities seriously. For example, it may feel uncomfortable “judging” the performance of the CEO or raising questions about the validity or amount of information it is given about the organization’s finances or reputation in the community.

Treatment

Some of the general approaches to improving the board’s ability to carry out its performance assessment responsibilities are as follows.

- The most important requirement is to develop a supportive culture for evaluation not only within the board but in the whole organization. There must be an atmosphere of collaboration, trust and respect between the board, the top management team and, indeed, all those in who control information on how well the organization is doing. If there is a feeling that information is going to be used by the board to ‘blame’ or punish somebody for doing a bad job, the process of assessment will turn into one of political game playing between the evaluators and evaluatees.
- The next question, of course, is: How do you change a board’s culture when most people are not even aware such a thing exists? This is where the leadership of the board chair and the organization’s CEO becomes important. Boards are more likely to face the need to change aspects of their culture when those they respect lead them in examining their heretofore taken-for-granted assumptions about how they do things like performance assessment.

- It is also vital that board members receive *training and development* in how to obtain and interpret the information provided in each of the key areas of assessment: strategic plan objectives, financial soundness, risk mitigation, CEO performance and the board's own performance.
- Finally, it is necessary to create structures within the board that facilitate carrying out its performance assessment responsibilities. This usually means creating committees or officer positions in which the duties include gathering, analyzing and making recommendations about performance in each of the areas identified above. Leaving such matters to the board as a whole, or delegating them to the CEO and management team will usually result in less than effective oversight.

What follows is a list of resources that will help boards in each of the specific areas of performance assessment identified above.

Assessing the performance of the organization as a whole

For more specific guidance in how to assess the performance of the organization as a whole, check out the following websites:

- Authenticity Consulting's ever useful Free Management Library contains useful tools that boards might use for reviewing their organization's performance--<http://managementhelp.org/aboutfml/diagnostics.htm> .
- The Innovation Network also provides a very thorough checklist for boards to use in carrying out this area of their responsibility though you have to register (for free) to access it. http://www.innonet.org/?section_id=64&content_id=185 .
- A big problem with the evaluation of the performance of nonprofit organizations and programs is that those being evaluated often do not understand the process and may react against it. The only way to overcome this is by involving those who are to be evaluated in the whole process from start to finish. An excellent series of articles on how to do this effectively can be found in the site of the Harvard Family Research Program: <http://www.hfrp.org/evaluation/the-evaluation-exchange/issue-archive/democratic-evaluation>.
- Another problem with evaluation of organizational performance is choosing suitable methods of measurement.
 - For information on what constitutes nonprofit organizational effectiveness see the following paper by Robert Herman and David Renz:
<http://bsbpa.umkc.edu/mwcnl/research/Nonprofit%20Organizational%20Effectiveness%20Booklet.pdf>. In this paper, Herman and Renz advance "nine theses to explain nonprofit organizational effectiveness".

- Another useful way to understand organizational effectiveness can be found in *The Competing Values Framework* by Robert Quinn and John Rohrbaugh. The CVF depicts means and ends effectiveness criteria in two dimensions (structure and focus) drawn from four schools of organizational thought (rational goal, internal process, human relations, and open systems). It is also been useful as a diagnostic and management tool. Information on the CVF can be found in the following sources:
 - For a general introduction see <http://competingvalues.com/competingvalues.com/wp-content/uploads/2009/07/The-Competing-Values-Framework-An-Introduction.pdf>
 - See also: Quinn R, Rohrbaugh J. A competing values approach to organizational effectiveness. *Public Productivity Review* [serial online]. June 1981;122. Available from: Public Administration Abstracts, Ipswich, MA. Accessed July 4, 2012.

The board's role in financial management

Most boards are highly conscious of their responsibility for ensuring that their organization is managed in a financially responsible manner. But this is easier said than done, especially when most board members have little or no expertise in understanding financial statements, auditor's reports, budget documents and the concepts behind financial strategies. Nevertheless, it is possible for boards to improve their competency in this vital area. Have a look at the following useful articles and resources:

- In the journal *Nonprofit Quarterly* (Summer 2012), see the article *Truth or Consequences: The Implications of Financial Decisions*, in which author Clara Miller answers important financial questions, including the relationship between revenue sources and profitability. This article provides helpful information for boards considering financial decisions such as diversification of revenue streams as well as whether to fund new programs or not. This article can be viewed at: http://www.nonprofitquarterly.org/management/20281-truth-or-consequences-the-implications-of-financial-decisions.html?utm_source=NPQ+Newsletters&utm_campaign=b9fc3e1d5e-Daily_Digest_Jul_2_2012&utm_medium=email
- For a Checklist of financial effectiveness indicators see Carter McNamara of Authenticity Consulting at <http://managementhelp.org/organizationalperformance/nonprofits/finances.htm>

- For a tool to evaluate revenue sources among many other useful financial management and other capacity assessment tools, see Fieldstone Alliance at http://www.fieldstonealliance.org/client/articles/Tool-revenue_Evaluation_Matrix.cfm click on
- The Roberts Enterprise Development Fund is a San Francisco-based organization primarily dedicated to helping social enterprises. But this tool for interpreting the meaning of audited financial statements is useful for any nonprofit: <http://www.redf.org/learn-from-redf> (scroll down to “Tools)
- From the United Church of Canada comes a very thorough Financial Handbook for Congregations. Though prepared for church congregations almost all of it applies equally well to any small, mostly volunteer nonprofit organization concerned about getting its finances in order. <http://www.united-church.ca/files/handbooks/financial.pdf> .

Risk assessment

- The link below provides a comprehensive discussion of the board’s responsibility for ensuring that risks are identified and mitigated from the Charities Commission of Britain. <http://www.charitycommission.gov.uk/Library/guidance/cc26text.pdf>
- The best Canadian guide to risk management comes from Imagine Canada: http://library.imaginecanada.ca/files/nonprofitscan/kdc-cdc/prince_albert_planning_guide.pdf
- There is a particular set of risks that boards must be especially careful to assess—those having to do with compliance with the laws under which nonprofits operate. These can vary from jurisdiction to jurisdiction. Here is an excellent discussion of the kinds of things to pay attention to from a leading Canadian law firm specializing in nonprofit organizations: <http://www.carters.ca/pub/checklst/nonprofit.pdf>

Assessing the performance of the CEO

Assessment of the CEO can be a contentious and difficult process for boards. These sites provide useful guidelines:

- See this contribution from the ever-helpful Carter McNamara of Authenticity Consulting: <http://managementhelp.org/boards/evaluating-chief-executive.htm>
- Board Cafe also provides some excellent advice about carrying out an annual performance evaluation of the Executive Director.

<http://www.compasspoint.org/board-cafe/annual-evaluation-executive-director>

The board's assessment of its own performance

There are a number of free self-administered questionnaires that can be found on the Internet to help boards assess their performance for free:

- The *Board Check-Up* (www.boardcheckup.com) is one free method by which boards can track over time how well they are doing at least in the eyes of their members and others with whom they regularly interact. The Board Check-Up is an online information system based on statements made by those who serve on and interact with boards about the issues that challenge boards. This instrument has been the subject of several empirical tests that found it to provide a valid and reliable self-assessment tool. As described in the introduction of this guidebook, the Board Check-Up is also a research project that is being used to answer questions about the impact of self-assessment on board development and change.
- Board Effectiveness Quick Check, Appendix B can be found in Mel Gill's (2005) *Governing for Results: A Director's Guide to Good Governance*, Trafford Publishing, Victoria, BC, Canada.
- The Competing Values Approach to Group Decision-Making Effectiveness by John Rohrbaugh can be used to assess group decision-making effectiveness within the nonprofit governance context. For further information, contact Yvonne Harrison at yharrison@albany.edu.

There are also self-assessment tools that charge fee for their service:

- Governance Check-Up by BoardSource found at www.boardsource.org.

It must be noted that most of these tools require the board to analyze results. That is, they do not provide automatic scoring and tabulating of results. The Board Check-Up service is the only one that provides an assessment tool and reports results automatically.

The major alternative to self- assessment of board performance is to find the time and resources to bring in an outside consultant with expertise in governance. They can either facilitate the process of looking at self-assessment survey results or do their own independent review of board performance. Consultants of this type can be found in most urban centers but care must be taken to check carefully on their reputation by getting in touch with several of their former clients face to face or by phone and asking for informal feedback on the consultant's value.

4. *The Role of the Board in Fundraising*

Symptoms

Effectively performing the board's role in fundraising is one of the most common challenges reported by both board members and those to whom they relate. Dissatisfaction in this area comes in two forms:

- A lack of clarity about the board's role in this area relative to that of paid staff and/or professional fundraisers.
- A feeling of dissatisfaction with the board's activities in this area.

High levels of agreement with the following statements would indicate challenges in this area:

- *The board seems confused about its role in fundraising for the organization.*
- *The board has not approved an overall strategy for fundraising.*
- *The board has problems engaging in actual fundraising activities.*

Diagnosis

The main reasons for dissatisfaction with the board's role in fundraising are:

- Criteria used (formally or informally) in selecting board members do not include checking for a prospective recruit's willingness to engage in fundraising or experience with this activity.
- Potential board nominees are not informed beforehand regarding expectations of board members in the fundraising area.
- Differing expectations exist between the board's understanding of what its role in fundraising should be and those held by the CEO and/or professional fund raising staff.
- Orientation and training of new board members does not include coverage of the board's role in fundraising.
- There is a lack of a clear overall fundraising strategy for the organization and/or a clear structure indicating who is responsible for what in implementing the fundraising plan.
- There is lack of awareness of the range of roles and responsibilities that board members may play in fundraising.
- There is a lack of leadership within the board to facilitate fundraising activities.

Treatment

The first step in optimizing the board's contribution to the generation of financial resources for the organization is to understand the full range of roles and responsibilities it can undertake. Table 1 below illustrates the potential board roles and responsibilities in fundraising.

Table 1
Board Roles and Responsibilities in Fund Raising

Responsibilities	Roles		
	Board-as-a-whole	Committee	Individual board member
Approve strategy developed by others	Definitely	Never	Never
Participate in developing strategy	Possibly	Usually	Possibly
Help implement strategy	Possibly	Possibly	Possibly
Oversee implementation of strategy	Possibly	Usually	Never

It can be seen from this table that there that there are three possible roles for board involvement:

1. The board acting as a whole in the way it does during official board meetings.
2. A committee of the board or a special fund raising committee containing board members.
NB: It is important to understand that fundraising committees do not have to be committees of the board and, if they are, they can contain some members who are not board members. Such committees should normally only help develop plans and policies to recommend to others for approval or assist in actually implementing fund raising activities.
3. Board members acting as individuals, for example as they do when they make a donation to the organization or visit a potential donor.

Down the right hand side of Table 1, it can also be seen that there are four possible levels of responsibility that can be taken up by the board:

1. Responsibility for reviewing and approving fundraising strategies, plans and policies developed by others such as fund raising professionals, a fund raising committee, etc. This is usually done at official meetings of the board as a whole.
2. Becoming involved in the *creation* of fundraising strategies, plans and policies, often within a fundraising committee.
3. Once plans are in place, there is the hard work of actually raising the money—holding special events, soliciting corporate sponsorships, applying for grants, running mail campaigns, asking potential big donors for support or just giving fundraisers contacts to approach. These tasks would usually be carried out through one of the board committees or by individual board members volunteering their time.
4. Finally, there is the job of tracking how well fund raising plans are working out—receiving and reviewing reports and suggesting changes if needed. This responsibility is often the job of a board fundraising committee but could, in some circumstances, be carried out by the board as a whole.

It is important to understand that there is no “one best way” when it comes to the board’s involvement in fundraising. The content in each of the boxes in Table 1 represents common practice and should not be taken as the way it ought to be in all cases. Each organization must decide for itself which responsibilities should be carried out by whom and at what level-- that of the board-as-a-whole, a committee or the individual board member. Where your board belongs on the fundraising involvement continuum depends greatly on a few factors:

- The ability of the organization to employ professional fundraisers. Such people are experts in developing plans and leading teams who will implement them. Small, new and low budget nonprofits can rarely afford this kind of support so the work has to be undertaken by volunteers and staff usually working in a committee structure. Board members can sit on committees and contribute as individuals.
- The level of commitment and experience/knowledge about fundraising among board members.
- The availability and expertise of other volunteers and external supporters and potential partners who could provide assistance in this area.

Once it is decided who should play what roles in doing what, the next job is making sure everyone is capable of performing those roles. In the case of fundraising, this can involve making the following changes:

- Developing criteria for the kind of person you want to recruit to your board to increase fundraising competency. If members will be expected to play a role other than general oversight, they should be ready and willing to do so. (Note: It is not necessary for *all* board members to be fund raising whizzes but, if you want involvement, some should be.

- Provide training and development. Much of fundraising consists of learnable skills. Orientation and training for board members should address them.
- If the analysis of possible roles carried out in Table 1 reveals that a committee should be involved, be careful and thorough in defining its terms of reference so it does not tread on the toes of fundraising staff or take over the job of the board as a whole which is responsible for policy decisions made in this area of board responsibility.

For further information on the board's role in fund raising, see the following useful websites:

In Canada, one take on the difficult and complex matter of just what role the board should play when it comes to helping to raise money for the organization comes from the Government of Alberta Department of Culture and Community

Spirit. http://culture.alberta.ca/bdp/bulletins/fund_development.pdf.

In the U.S. it seems that boards are more willing to get involved in helping to raise money for the organizations they govern. Here are five short but wise contributions from Guidestar:

- Five Fundraising Mistakes We Make With Our Boards
<http://www2.guidestar.org/rxa/news/articles/2008/five-fundraising-mistakes-we-make-with-our-boards.aspx>
- The Myths and Realities of Board Members and Fundraising
<http://www2.guidestar.org/rxa/news/articles/2008/myths-and-realities-of-board-members-and-fundraising.aspx>
- The Fired Up Board: Preparing Your Board Members for Fundraising
<http://www2.guidestar.org/rxa/news/articles/2008/fired-up-board-preparing-your-board-members-for-fundraising.aspx>
- Four Steps to Take Board Members From Fear of Fundraising to Enthusiasm.
<http://www2.guidestar.org/rxa/news/articles/2008/four-steps-to-take-board-members-from-fear-of-fundraising-to-enthusiasm.aspx>
- No-Ask Fundraising: Six High-Impact Jobs for Board Members.
<http://www2.guidestar.org/rxa/news/articles/2008/no-ask-fundraising-six-high-impact-jobs-for-board-members.aspx>.

5. *The Board's Structure and Operating Procedures*

Symptoms

A high percentage of agreement with the following statements indicates a board that might have formal structures and operating procedures that are inhibiting its effectiveness.

- *The by-laws that provide the rules within which the board operates are in need of a thorough review.*
- *We don't have a board policy manual or we have one, which is badly in need of revision.*
- *The board seems too large and cumbersome to enable it to act as an effective decision-making body.*
- *Job descriptions for the positions of board members and board officers (e.g., Chair, Vice-Chair, Treasurer, Secretary, etc.) are nonexistent or not well understood.*
- *Administrative support for the board (secretarial assistance, record keeping, assistance in arranging meetings, etc.) is inadequate.*
- *The board lacks access to potentially useful information and communications technology (e.g. computers, software, internet and the web)*
- *Most board members don't make much use of the information and communications technology made available to them*
- *Some board committees are not all that useful.*
- *Some board committees are unclear about their responsibilities and/or authority.*
- *Some board officers and chairs of committees lack the training or experience needed to meet the demands of their position.*
- *Some committees have members who contribute very little or don't have enough experience to be of much help.*

In essence, these items can be clustered in two categories:

1. Issues related to matters of procedure:

- The organization's constitution and by-laws within which the board must operate;
- Board manuals that contain basic information on the board's responsibilities and operating procedures;
- Position descriptions for board members and officers of the board; and

- The nature and extent of administrative support provided to assist the board in carrying out its work efficiently

2. Issues related to the formal structure of the board:

- Board size
- Officer positions
- Committees—number, function, authority

Diagnosis

Why do boards experience problems with inadequate structures and procedures? There are three basic explanations for these problems:

1. The most common is simply that boards fail to pay attention to them. When they first come into existence most boards usually begin in a friendly, informal way. The existence of a lot of rules and procedures seems unnecessary as everyone wants to focus on doing whatever they can to help the organization succeed. As the organization grows and the management of the organization professionalizes (i.e. it becomes necessary to create separate positions and introduce paid executives), the board often fails to realize that it, too, needs to become more professional. Instead, the original culture of informality tends to dominate governance practices without anyone realizing it.
2. A lack of focus on developing optimum structures and procedures can also occur when the leadership provided by the board chair and/or the CEO is not conscious of the negative impact that arises when people are unclear about what to do or get into conflicts because by-laws are confusing or absent all together. In some cases those in leadership positions actively seek to dominate the board by unofficially blocking attempts to increase clarity and transparency in board procedures
3. A similar situation can arise when boards become dominated by an informal “core group” of insiders (for example a dominating Executive Committee or group of “old hands” who hold informal “backstage” meetings to preplan board votes on contentious issues.

Treatment

Procedural Issues

Constitution and By-Laws. Most nonprofit organizations that become incorporated must submit to the government body that approves incorporation a copy their constitution and by-laws. Various publications or websites exist which provide things like sample by-laws. *Note that specific requirements for the content of by-laws can vary by governmental jurisdictions—national, state or provincial.*

In Canada good information on constitutions and by-laws can be found in the following websites:

- Dalhousie University in Nova Scotia has a useful overview of what needs to be contained in by-laws with footnotes and when exceptions can be made.
http://collegeofcontinuinged.dal.ca/Files/NP_Non-ProfitOrganizationBy-Laws.pdf
- A similar publication is available from
http://www.muttart.org/sites/default/files/downloads/publications/drafting_revising.pdf
- Yet another that is very well done comes from the Canadian Province of Saskatchewan
http://www.plea.org/legal_resources/?a=259&searchTxt=incorporation&cat=28&pcat=4.

Board Manual

While general guidelines on what to put in by-laws are useful, there are still many decisions that need to be made for which there are no universally agreed to rules of thumb. These kinds of issues should be identified and addressed in a Governance Manual. This important document is invaluable for new board members to orient them to how the board works but it is also crucial in resolving occasional disputes over how the board should handle various matters. For an excellent guide in what should go into a board manual and suggestions on content see this useful site from Carter McNamara and Authenticity Consulting: “<http://managementhelp.org/boards/manual.htm>”.

An example of the kinds of questions that each board needs to answer for itself, based on its analysis of its own unique environment and history, is that regarding terms of office for board members and officers of the board. Generally, it is desirable to infuse boards with “new blood” at regular intervals. This can be assured by having a by-law specifying how long a board member’s term of office will be and how many times it can be renewed before the incumbent must leave the board. Term lengths of two or three years, renewable two or three times is a common rule. There are instances, however, when being this specific could be unwise, for example, when it is clear that there is a relatively small pool of qualified candidates to draw from. The same problem holds true for officer positions, e.g. Chair, Treasurer, etc. Is it good for the board to have the same leadership team year after year? Generally, no, but sometimes it is really difficult to replace certain people, such as treasurers. In cases like this, by-laws can be written with qualifying words like “*normally* the term of office for board officers will be three years”. This allows a board to make exceptions to the rule if necessary.

Other examples of by-law variations for which there is no “one best rule” and which therefore need to be thought out in the light of the organization’s unique history and environment are:

- Definitions of who can and cannot be a member of the organization;

- How to remove members from the board and organization;
- The authority of members—what they must approve;
- Quorums for board meetings and annual meetings;
- Matters which can be decided by members attending the annual meeting versus those that must be put to a vote of the whole membership via mail ballots, etc.;
- The nature and extent of board decisions that can be made via telephone conference calls, email voting, etc.; and
How to amend bylaws

Whatever the board decides with respect to bylaws, it is helpful to have an attorney familiar with nonprofit law in the local jurisdiction advise the board on bylaws. Many legal cases concerning governance decisions have been decided on the basis of the board following written rules contained in the bylaws. See the following link for a nonprofit case concerning bylaws: <http://www.501c3.org/blog/why-nonprofit-bylaws-matter-a-tragic-tale/>

Position Descriptions for Board Members and Officer/Committee Chair Positions. For many small nonprofit organizations, the idea of having written “job descriptions” for board members and officer positions such as the Chair or President, Treasurer, Vice-Chair and Chairs of various committees may seem unnecessarily bureaucratic and formal. And indeed this might be the case especially if there is any likelihood that people might become disputatious over who has what authority over what or get upset when they believe others are trying to move into their “turf”. After all, the desired culture most people want in a board is one of teamwork where anybody is willing to lend a hand with anything that needs doing without getting fussy over whose territory it is.

On the other hand, if no effort is made to clarify who is responsible for getting things done, even the most well-meaning team can get into trouble with things “falling between the cracks” or being duplicated or decided in different ways. For this reason, for most nonprofits, the time and effort required to develop position descriptions is worth the effort. Position description documents should cover:

- The responsibilities of the position—the work it does;
- The authority that goes with the position—what matters the holder of the position is able to decide and what matters need to be decided by the board as a whole or other office holders;
- The qualifications required for carrying out the responsibilities of the position; and
- The competencies to meet the performance expectations of the position.

For a good review of the content of position descriptions on nonprofit boards, click on the link to this website, again from Authenticity Consulting: <http://managementhelp.org/boards/job-descriptions.htm>

Administrative Support. One of the major conditions that can lead boards to feeling ineffective is inefficient internal administrative support—minutes are not taken or done well, records of past decisions or of who is going to do what and when are not kept, meetings are poorly organized or there is not enough support to prepare for them, etc. If budgets permit, investment in professional staff to support the board is well worth it. If there is no money for paid staff, the next best approach is to clearly define the role of the volunteer board secretary as the *de facto* administrator then select someone who is well organized and at least somewhat detail oriented and provide them with adequate training and the equipment and supplies needed to do the job well.

Another important aspect of the internal administration of the board that is often neglected is the extent to which it makes full use of the potential of modern information and communications technology, i.e. Internet, intranet, online calendars video-conferencing, voice over Internet-Protocol (e.g. Skype), email, social media, etc.

Boards should consider three questions when making technological decisions:

- For what purposes are ICT tools needed?
- Do we have the capacity to implement and support the use of them in our board and organization (e.g. can volunteers use them or do we need to hire people)?
- Which tools are most likely to return the greatest value for the investment of time and effort?

The following conclusion along with other useful information on how to “Optimize the Potential of Information and Communications Technology in Nonprofit Organizations” by Yvonne Harrison is found in the book edited by Vic Murray, *The Management of Nonprofit and Charitable Organizations in Canada, 2nd Ed.* (Toronto: LexisNexis, 2009).

The key to getting the most value out of a technology is to think of it as a means to an end in terms of meeting performance objectives. Once performance objectives have been established (a committee of the board or task force could develop them) and agreed upon (at the whole board level), strategies should be implemented to achieve them. With respect to future strategies, nonprofits should assess the flexibility of the technology to facilitate additional functions. In the governance context this means the capacity of ICT tools to store documents, share information, communicate, conduct performance assessments, opinion surveys, engage constituents in issues of meaning etc.)

There are numerous tools on the market that can be used for administrative support. For example, consider the following.

- For smaller, mostly volunteer, nonprofits, www.clubvpa.com (virtual public administration) has designed websites to help them administer programs more efficiently and effectively. Based on a subscription model, boards can create a website, manage it

and events through an online calendar. They can also register new members through the online registration form. Please contact Yvonne Harrison at yharrison@comcast.net for more information about this volunteer friendly (no technology experience required) virtual public administration tool.

Board Structures There are three important aspects of the basic formal structure of the board that, if they are improperly designed for the board's situation can cause major problems: (a) the size of the board; the number and nature of formal "officer positions" within the board; and (c) its committee structure.

(a) *Board size.* The "how-to" books on boards are fairly consistent in warning against boards that exceed 15 or so people. This recommendation arises because the greater the number of people involved in the complex business of setting strategic direction (the board's #1 responsibility), the more difficult it will be to give them meaningful roles and arrive at a consensus on contentious issues. Conversely, the smaller the number involved, the more difficult it will be to get valid representation of the views of the community the organization is serving or, in the case of working boards, enough people to carry out the work of the board. It may also be too easy for "group think" to take hold (a feeling that one should not criticize if the majority share the same point of view) thus keeping out radical ideas for change.

Nevertheless, large boards (e.g. 20 to 30) do exist. They often occur in part because it is believed that this is the way to gain the support of a lot of influential community leaders who will be useful in raising money and for other purposes. They are also common in national NPOs who feel the need to have representation on the board from many geographical regions. However, it should be realized that it is possible to get the support of prestigious people or input from all regions without resorting to the creation of unwieldy sized boards. One of the more common alternatives is to create Advisory Boards or Funding Campaign "cabinets".

Even large boards may be effective, however, as long as everyone recognizes and accepts that a smaller subset of board members will probably evolve to play a leadership role. Meetings of the whole board will tend to be dominated by a "core group" and others will usually have to be satisfied with less input on issues. The contributions from non-core-group members will come mostly at the individual and committee levels. At these levels they can provide useful advice or contacts on request though, as noted, the same thing could be provided in other ways.

More generally problematic is the small board (fewer than six members) where there is a real risk that the board will not become aware of changing conditions that threaten the organization. They are also not very effective when the board needs to be a working board. Members tend to become overloaded with work and "burn out" can occur rapidly. However, many small boards are not necessarily a problem until a crisis hits. To cope in such situations requires the small board to ensure that it has independent sources of information and expert outside

advice on how the organization is doing.

(b) *Formal Offices.* The generally accepted recommendation is to keep formal offices few in number on the grounds that many of them have no real function other than ceremonial. At minimum, however, there must be a board leader (chair, president), and someone (usually a vice-chair) to step in if the leader cannot perform her or his duties as well as learn the ropes to take over when the current leader's term is up. A skilled treasurer is a very important office with the role of taking the lead in carrying out the fiscal oversight responsibility of the board. As discussed above, the office of board secretary is important because of its function of keeping track of board decisions and other records. Wherever possible, however, it is usually preferable to have professional staff employed to carry out these administrative functions. The main point is that these *functions* must be performed; the actual titles used are not so important. For example, in some small, simple organizations all functions might reside in the offices of chair and vice-chair. Other formal leadership positions are usually the chairs of the board committees discussed below. The important requirement of all formal offices is that there be clear descriptions of the duties of the office and that provision be made for training those who fill these positions. Too often office holders take up their jobs without a clue as to what is required. With luck, they can learn by on the job trial and error before a major issue arises, otherwise they can get themselves and their organization into serious trouble.

(c) *Board Committees.* At one extreme in the "how-to" literature on boards are those who state that the number of committees of the board should be kept to an absolute minimum. It is argued that committees do more harm than good because they either try to dabble in operations, thereby subverting the authority of managers, or make decisions on policy issues that are the responsibility of the whole board or the CEO. The board and committees therefore end up duplicating each other's work and wasting everyone's time. These are real problems, but eliminating committees is not the only approach to solving them. In fact, in smaller organizations with small budgets unable to hire paid staff to manage all its programs and functions, committees may be vital to the operation of the organization.

There are two basic types of committees:

Policy committees. These are small problem-solving groups, which can study important issues in depth and produce reports for the whole board with recommendations and supporting data. Note that they do *not* decide on policies, they only make recommendations to those with the authority to do so, i.e. the board as a whole. *Working committees.* These are policy implementation groups which either assist paid staff in carrying out tasks that staff cannot do alone or are used instead of paid staff because none are available. Some argue that, strictly speaking, such operational committees should not be considered as committees of the board of directors, rather they should report only to managers. This is

fine in theory but, in many organizations with Working or Mixed Model boards, the best people to head such committees are already board members. Besides, in doing their work, operational committees often must make decisions that have large-scale implications. These kinds of issues must be recognized and brought to the whole board for discussion. Trained and sensitive board members as committee chairs may well be the best judges of what is a major issue with strategic implications, and what is not.

Even in Governance-only Boards, some working committees may be needed at times to help with new operational activities in which the management has little experience, e.g. implementing shared services or a merger with another organization, a new kind of fund-raising activity, implementation of a pay equity program, property acquisition or investment decisions.

This said there is much to support the commonly offered recommendation that *standing* committees (i.e. permanent committees created by the organization's by-laws) be kept to a minimum. Too many committees with titles such as Property Committee, Program Committee, Purchasing Committee, etc., may have no clear function as either policy or working committees. Instead they waste the time of managers who have to think of things for them to do when they are not really needed, or they necessarily confuse the lines of authority of both managers and the whole board.

Many consultants urge that these useless standing committees be replaced by task forces to be created on an "as needed" basis with very clear terms of reference and deadlines for doing their jobs, after which they disappear. It is important to note that a big advantage of temporary task forces of the board is that well-qualified non-board members can more easily augment their membership. At the extreme, only the chair need be a board member to bring any policy issues to the board.

Should boards using the Governance-only board model have any standing committees, then? Since giving strategic direction is a key board responsibility, a good argument can be made for a *Planning Committee* to work with other strategically oriented groups in the organization (such as the management team). It would work with these other groups to help define the issues, assemble relevant information and lay out options for the whole board to consider.

Often the role of taking the lead in strategic planning is played by the *Executive Committee* so it is worth saying a few words about the risks and benefits of such a committee. An Executive Committee is usually made up of those holding formal offices on the board (e.g. President, V. P., Treasurer, etc.) and, in some cases, the chairs of standing committees. Its formal role is usually to look after board business between meetings and set the agenda for board meetings. The pitfall with Executive Committees is that they can become a powerful "inner cabinet" that arbitrarily makes decisions the board should make and skews the way issues are put before the board so as to favour a predetermined position.

For this reason, some board experts advise against the existence of such a committee. On the other hand, someone must perform the function of setting the board agenda and ensuring that everything that goes before it is of sufficient importance and is well enough prepared and supported with good information. Leaving these matters solely up to the Board Chair and/or E.D. increases the possibility of just these two becoming the overly powerful “inner circle”. Hence an Executive Committee with strictly limited powers as to what it can decide is probably a worthwhile entity especially for Governance Boards.

Because the board's responsibility for fiscal oversight is so critical, there is also usually need for a *Finance Committee* provided it can be kept from making *de facto* strategic decisions when it reviews the accounts and budgets. Organizations with unique characteristics may well identify other areas where constant operational assistance from volunteer directors is required, thereby necessitating standing committees.

Finally, most boards need help to ensure that they manage themselves well. This self-help is sometimes provided in part by a standing committee of the board such as a *Nominating Committee*. It attempts to locate the best possible people to stand as potential board members. The trouble is that the conventional nominating committee does not go far enough. Who will arrange to have new board members oriented and trained? Who will take a lead in assessing the board's performance or deal with the cases of individual board members who fail to live up to the expectations for members? In some cases, these very important matters are the responsibility of the Executive Committee. In others, the terms of reference of the Nominating Committee are expanded and it is renamed as, for example, the “Board Development” or “Governance” Committee.

- For other points of view and additional information on how best to handle board committees, Blue Avocado’s website of the always interesting <http://www.blueavocado.org/content/boards-should-only-have-three-committees>.
- For a more traditional point of view see the following contribution from Authenticity Consulting: http://www.authenticityconsulting.com/pubs/BD_gdes/BD_pubs.htm.

6. *Effective Board Meetings*

Symptoms

A high percentage of agreement with the following statements indicates a board that might have problems in carrying out its meetings effectively and efficiently.

- *The agenda for board meetings does not get into the hands of board members in time for them to familiarize themselves with the issues before the meeting.*
- *When the agenda does come, there is too much information to digest or not enough to adequately familiarize board members about the issues.*
- *The agenda for meetings is too full of “routine” motions or items “for information only” so there isn’t time to discuss more important matters.*
- *The agenda items of greatest importance often come up too late in the meeting when board members are too tired to concentrate on them.*
- *We have problems when it comes to attendance at board meetings; too many members miss too many meetings.*
- *Board meetings often go on too long.*
- *Once the board has finished discussing something, it is not clear who is going to do what and when.*
- *There is too much unconstructive arguing among some members during meetings.*
- *Meetings are run too informally, for example with more than one person talking at once, no time limits on discussions, etc.*
- *Meetings stick too much to formal “rules of order” so that thorough, probing discussions are discouraged.*
- *A few members seem to dominate discussions and this discourages quieter board members from contributing.*

In essence, problems with board meetings can be grouped under five headings:

1. *The agenda.* Critical to the success of any formal meeting is having a clear agenda that organizes the planned content of the meeting. If the agenda document is delivered to participants

too late (or, even worse, not made available until the beginning of the meeting), people cannot prepare adequately for the meeting.

2. *Supporting Information.* There also needs to be enough documentation on the matters to be discussed to get everyone “up to speed” on them before they are brought up. Nothing renders a board ineffective more than members scrambling to read important materials at the same time as an issue is being discussed or, worse, not having important material available for them to read beforehand.

On the other hand it is also possible to provide *too much* in the way of supporting materials with agendas—materials that are not really relevant to the matter at hand but that the agenda preparers misguidedly think “might be useful”. The regrettable tendency of many board members, when faced with a huge pile of documents that do not obviously relate to the issues at hand, is give it all a glance at best. 3. *Meeting content.* The most common problems with board meetings is that too much time is spent listening to reports “for information only” (i.e. that do not require any decisions other than a motion to “accept the report”) OR discussing matters that could better be discussed and decided upon by the CEO and her/his management team or a working committee of the board. The ideal meeting puts the most important matters requiring motions and decisions as close to the top of the agenda as possible and provides enough time for careful deliberation.

To be sure, *some* of the matters that are “for information only” could be conceived of as necessary in that they represent the board carrying out its “due diligence” function of ensuring that everything is running well and according to plan. Identifying these matters requires careful thought. However, even in the case of certain reports from committees or managers, it may not be necessary to actually take up the time of board meetings to deal with them unless they contain motions requiring board level decisions (see discussion of “consent agendas” under “Treatment” below).

4. *Clarity and effectiveness of decisions made at board meetings.* Even when the agenda and the meeting content are well designed, board meetings can be less than successful if the decision-making process is flawed. For example, meetings are dominated by a small group of “talkers” while quieter members with useful things to say are not drawn into the conversation; not enough time is scheduled for a full discussion of an issue; the discussion goes off on tangents that are not relevant to the issue; decisions are reached but lack clarity about who is going to do what and when then there is no follow up to check on progress.

5. *Attendance.* If there are problems with meetings in any or all of the four areas discussed above, they may result in poor attendance at board meetings—too many people missing too many meetings. Whatever the cause of poor meeting attendance, attendance is a good indicator of a board meeting effectiveness.

Diagnosis

Since very few people like taking part in meetings that are too long, confusing or boring, why do so many boards seem to get into situations where this is exactly what happens? The simplest explanation is that these practices become habitual and no one seems to recognize that they could be changed. Typically, when a nonprofit organization is young and being run by a small handful of enthusiasts who are willing to do anything and everything needed to keep things going, informal board meetings that deal with everything and have to move quickly from crisis to crisis are common. As the organization evolves and professionalizes to the extent that it can afford to hire a paid CEO or develop committees to whom things can be delegated with confidence, the old meeting practices of the board fail to evolve even though they become more and more inappropriate for the situation.

Another major reason for poor meetings is lack of a good meeting facilitator in the board chair. Our research and that of a few others on the role and impact of the board chair suggests that meetings become ineffective when the chair is either under controlling (lets the meeting get off track) or over-controlling (the meeting becomes very formal and rigid. Poor chairing can occur when the skills and aptitude needed for effective meeting leadership are overlooked when choosing a chair, or the chair has not had time to develop the skills in the role. The skills for meeting management are very learnable if communicated and actively developed but many of those who end up accepting nomination for the Chair or President role may not see they need to develop them. A more detailed discussion of the role of the Chair appears in the Guideline on Board Leadership in this series.

Sometimes the reason for ineffective board meetings, unfortunately, is the presence of a CEO (paid top manager) who, consciously or unconsciously, does not want a strong board but rather one that is dependent on him/her for information and guidance in all their deliberations. Such CEO can provide too little information for “rubber-stamp” decision-making, or too much—“a snow job”. They can also bias the information that is provided so as to favor one position on an issue over another. As well, they can strongly influence the selection of new board members so as to ensure that only those with the same point of view on issues as themselves are chosen. All of these actions by CEOs can reduce board effectiveness.

Treatment

The following comments on how to improve the quality of board meetings are taken from “Managing the Governance Function” by Vic Murray in *The Management of Nonprofit and Charitable Organizations in Canada, 2nd Ed.* (Toronto: LexisNexis, 2009)

Meeting Frequency and Times. There is definitely no fixed rule about the optimum frequency of official meetings of the whole board. Actual practice can vary from monthly to annually. The governing criterion ought to be that the board should hold a formal meeting when it has enough business to warrant doing so. For example, in *working boards*, meetings could occur quite often. In *governance-only* boards, they may occur less often. Chairs and E.D.s can recognize

if they are calling too many board meetings if they have an attendance problem or if they find themselves thinking, "Oh- oh, another board meeting coming up. How can we fill up the agenda this time?"

The goal of board meetings should be to focus on issues that have implications for the strategic direction of the organization or that create understanding about an issue or situation the board is facing. In their 2005 book, *Governance as Leadership*, Chait, Ryan and Taylor suggest "landmarks" or "characteristics of an issue" boards should recognize as opportunities to engage in what they call "Generative Governing":

- The issue or situation is *ambiguous* or there are multiple perspectives on it;
- The issue or situation is *salient* in that it is important to different people or constituents;
- The issue or situation is *high stakes* is that it relates to the organization's purpose or core values;
- The issue or situation may be *polarizing* and there is a need to bring people together; and
- The issue or situation is *irreversible* in that it cannot be easily changed after a decision is made (p. 107)

In the case of some governance-only boards in very stable environments, meetings might be only three times a year: a meeting to approve the strategic plan; an interim progress report meeting; and an evaluation meeting to assess how well the organization has performed. These, however, are *official decision-making* meetings. But in today's complex governance environment with multiple stakeholders and a fast changing and threat-laden world, it is much more likely that issues will come up that will require boards to come together more often.

Furthermore, many nonprofit organizations today find that it is useful to differentiate between decision-making meetings and another kind of board meeting held for the purpose of becoming informed about a single important strategic issue. These meetings are usually less formal discussions and feature input from invited staff or experts from outside. Specific motions are not debated; instead, information is provided, alternatives identified and opinions sought. This is all fed to relevant board or management working groups, which then develop specific policy recommendations in the context of the organization's strategic plan. Formal discussion and voting on such recommendations occurs at one of the decision-making board meetings.

The question of the *time of board meetings* is important when board membership is diverse and everyone's schedules do not fit the same period of the day, or day of the week (mothers caring for children unable to attend midmorning meetings, shift workers unable to attend evening meetings, or others unable to meet on weekdays). The organization must be conscious of the need to vary meeting times in such circumstances so all board members have an equally fair opportunity to attend.

Meeting length can be another indicator of board mismanagement. Board meetings that regularly last longer than two hours can be an indication of problems. Either too much time is being spent on issues that do not need to be considered by the whole board or there are too many items that involve long-winded reports "for information only". Alternatively, the regular occurrence of long debates that extend meeting times may indicate badly worded motions or poorly prepared reports that do not contain enough supporting data. When these kinds of long discussions occur often, attention should be paid to how to improve the work of the committees or managers who prepare the agenda items in question.

One thing that has been made clear by psychological research is that the ability of a large group of people to constructively contribute to a problem solving discussion declines dramatically the longer a meeting wears on. This leads to the common ploy used by some manipulative executive directors seeking rubber stamp approval of their recommendations on contentious issues. They insure that these items are placed at the *end* of a long agenda. By that time, no one has the energy to think, let alone object. More commonly, however, the problem of overly long meetings exists because boards spend too much time listening to reports "for information only" or discussing matters that are not the board's responsibility. Poor committee work that places ill thought-out recommendations on the agenda are another reason for this problem.

When board meetings go on too long because too many of the items being presented are "for information only", a solution increasingly adopted by many, is the introduction of a "consent agenda". An example of the use of a consent agenda suggested by board expert David Renz would be "when a bylaw or some other rule or regulation requires to be formally approved by the board, yet there is no value added by engaging the board in discussion about the item (e.g., a routine lease renewal for a facility already included in the approved agency budget)" (See <http://www.bloch.umkc.edu/mwcnl/board%20resources/Consent%20Agendas.pdf>). The procedure is to include all items of this type in the agenda sent beforehand to board members. When these items come up at the meeting, there is no oral presentation of the information. Instead, it is taken as understood that the information has been reviewed by members before hand and will only be discussed if anyone has a question or wants to comment on it. Consent agenda items are usually put forward at the beginning of the meeting. Some items can be added to the regular meeting agenda if directors believe they need to be discussed. Use of a consent agenda can save large amounts of time though the disadvantage of it is that it might hurt the feelings of those who prepared the reports and would like to have their "moment in the sun" before the whole board.

The flip side of meetings that go on too long is the meeting that ends too early. Meetings that the board rushes through in, say, half an hour could be an indication of a rubber stamp board. If this happens regularly it might suggest that the board has been conditioned not to question whatever is put before it or simply that there should be fewer meetings.

Meeting Agenda Formats and Meeting Rules. One of the most common complaints of board members is that meetings are "not properly organized". Specific problems include the following:

- The agenda does not reach board members until very shortly before, or even at, the meeting so they have no time to prepare;
- The agenda contains too much information that is irrelevant to the issues to be discussed *or* there is not enough relevant information;
- The order of the agenda items places unimportant and routine items at the top while important ones are at the end, when energy tends to run out;
- Meetings fail to follow accepted "rules of order" so can become too disorganized; *or*, conversely, are too rule bound, thereby discouraging full and frank debate.

Except in rare emergency situations, there is really no excuse for not getting agendas into the hands of board members at least five working days before the meeting. Agendas should be organized so that items requiring decision are put at the top. All supporting material should be directly relevant to the impending discussion.

Even the most informal working boards should adopt one of the standard authorities on "rules of order", such as Roberts Rules (<http://www.robertsrules.org/rulesintro.htm>) to be used as a guide in conducting official board meetings. This, however, does not mean that all meetings must be run in strict accordance with these "parliamentary" rules. The rules are primarily of benefit when the items to be discussed are likely to be highly controversial with a lot of disagreement among board members. As in any emotion-laden debate, rules are needed to make it fair. These would include: how often a person can speak, rules regarding how amendments to motions can be made, when and how a motion can be tabled, what constitutes being, "out of order", etc. In most non-crisis situations, however, a much more relaxed approach can be taken to meeting rules provided the informal culture of the board is one that values an orderly, businesslike approach.

Attendance. Spotty attendance by a high proportion of board members is usually an indication that a significant number of members are dissatisfied with the board and/or their role on it though sometimes it indicates logistical problems like meeting times that don't suit a number of people. Some consultants urge compulsory attendance rules as a way of getting the members out to meetings, e.g., "Members must attend at least 2/3rds of the meetings each year or resign unless a valid excuse is provided and accepted by the Executive Committee." This may get out the members but can mask the real problems behind low commitment.

Other sources of help in improving the quality of board meetings:

- See Carter McNamara's "[Guidelines for running effective meetings](http://managementhelp.org/misc/meeting-management.htm)" (<http://managementhelp.org/misc/meeting-management.htm>) for a good overall summary

of meeting leadership skills.

- Sometimes board members fail to attend meeting because they find them "boring" or feel that they have nothing to contribute. This resource provides practical suggestions for keeping meeting lively and interesting. See: [How to avoid board member boredom](http://nonprofit.about.com/od/boardquestions/a/boardboredom.htm?nl=1) from About.com (<http://nonprofit.about.com/od/boardquestions/a/boardboredom.htm?nl=1>).
- For a good site that summarizes the key rules of order for meetings and provides connections to other more detailed sites, see this one: [Trout's Top 10 Rules of Order](http://www.newkent.net/rules.html) (<http://www.newkent.net/rules.html>)
- For a great introduction to Robert's Rules of Order, see *Roberts Rules of Order for Dummies* at <http://www.dummies.com/how-to/content/what-are-roberts-rules-of-order.html>
- For more on Robert's Rules, see this useful Youtube: "Crash Course on Robert Rules of Order" at: <http://www.youtube.com/playlist?list=PLFD533C34516C7F61>
- For more on consent agendas by David Renz see: <http://www.bloch.umkc.edu/mwcnl/board%20resources/Consent%20Agendas.pdf>

7. *The Composition and Development of the Board*

Symptoms

A major component of effective boards is having the right combination of people on them and providing them with ample opportunity to learn what they need to know to be good governors. The two basic requirements for all board members is that they be *committed to the mission* of the organization and have the *time and energy* to devote to the work of the board. After that, the specific mix of leadership competencies that is best for a given board in the environment in which it works can vary greatly from one organization to another. Even though most board members tend to get along quite well many have a sense that, as a group, the mix of people might not be ideal. Board members and others may also feel that the board has not received the level of orientation and training it needs to become a highly effective board. A high percentage of agreement with the following statements indicates that board composition and development might be improved:

- *Looking at the board as a whole, there is not enough “new blood” coming on to it to bring fresh energy and ideas.*

- *Finding high quality new board members is a problem for us.*

- *We do not pay enough attention to making sure we get the mix of skills and backgrounds we need in the new board members we recruit.*

- *The diversity of publics with an interest in this organization is not well represented in the make-up of the board.*

- *We don't do a very good job of orienting and training new board members.*

- *There is not enough ongoing development and training for regular board members.*

Diagnosis

There are several possible reasons for issues relating to composition and development of the board:

- As with so many problem areas in board governance, the root of difficulties with the composition of the board may lie in the culture that the board has evolved. Unspoken shared attitudes may exist such as "We can always find good members just by asking our friends"; or "It's too hard to find new people so let's just keep the ones we have"; or "New members can easily learn the ropes just by sitting in on our meetings and watching how we do things".

Where do such attitudes come from? Sometimes there are informal subgroups within boards – older members who have been around a long time, for example – whose

opinions dominate the rest of the board. Since their selection and training was informal and based on connections to prior board members, they feel there is no need to change.

- Another source of the difficulty in developing a better mix of members and a trained board is failure to allocate responsibility for doing this to a specific role (e.g. chair) or board committee (e.g. governance committee). Thus, even though the board may sometimes talk about developing the board or recruiting new members, the board may not be knowledgeable or organized enough to implement those decisions.
- Also, board bylaws that make no provision for limited terms of office for board members invite the possibility that the board will not attempt to rejuvenate itself.
- It could also be the case that the board does not carry out regular assessments of its own performance and is thus “blind” to the need for change in board composition selection criteria or development.

Treatment

With regard to composition and developing the "right mix" of people on the board, it is necessary to go through the following steps:

- Establish clear criteria for board membership. This means deciding on the role, experience and competencies you would like at least some board members to possess; the amount and kind of representation you may wish to have from communities with an interest in the organization such as clients, potential funders or others; the need for representation from certain demographic groups such as women, men, youth, people of color, etc. It is obvious from looking at this list that these kinds of choices are not easy. The mix that is best for one organization might be quite different for another. You also have to be careful to counter the pitfall of having board members who feel they are there solely as "representatives" of some external group and who therefore fail to govern with the best interests of the whole organization as their chief concern.
- Once the criteria for board membership are clear, create a matrix with the criteria listed across the top and the names of current board members down the side. Go through the list assessing the extent to which each person meets one or more of the criteria for the office they will occupy. This should yield a picture of the “gaps” in desirable characteristics that future recruiting should seek to fill.
- Board recruitment needs to be a year round process. Once you know the kind of people you are seeking, you need to think of all the possible places they might be found and how best to approach prospective candidates. This means asking for suggestions from existing board members but also from other stakeholders (e.g. clients, volunteers, funders, underrepresented groups in the community) who know the organization.
- A board committee best carries out the activities required to establish board selection criteria and locate a pool of potential candidates. Many boards do have a nominating committee to fulfill this function but thought should be given to enhancing the role of this

committee by calling it a Governance Committee and expanding its responsibilities to include board job descriptions, orientation and development and board performance assessment.

- Once the Governance Committee has a list of potential board recruits it is usually wise to take it to the full board for discussion before any of them are actually approached and asked to stand. This process should result in a short list and, ideally, effort should be made to gather further information about the suitability of these candidates.
- Recruitment of high profile candidates who are likely to have many demands on their time also takes time and effort. A board member who is acquainted with them should approach such people if possible. It is best to first arrange an informal meeting between the board member, the organization's CEO and the candidate in which the candidate is "sounded out" as to their possible interest in the board and given a positive but realistic picture of the good the organization does and how the candidate's contribution could be of value.

Once board members have been recruited, it is extremely important that they receive a well thought out orientation to the organization and the work of the board. This should involve the following, if possible:

- Presentation of a board orientation manual. This should not be a massive tome but a well designed, specially written document that summarizes the work of the organization and the governance practices of the board.
- It is also useful to develop a "buddy system" in which the new board member is "adopted" by an experienced board member who is asked to have one or more informal meetings to discuss how the board works and the important issues of the day. The end result should be that the new board member should feel at ease in consulting his/her mentor at any time during their first year of tenure.
- Finally, if several new board members join in a given year, thought should be given to an organized orientation session in which the CEO and other key members of the management team along with the board chair meet with the new recruits for a more formal training session.
- While orientation of new board members is important, it is also important to consider the ongoing development of existing board members. The issues that come before boards for decision can often be new and complex, dealing with matters that many board members are not familiar with. Instead of expecting them to just "muddle through", they should be given formal training in these matters. One of the ways to uncover areas in which some board members may not feel adequately knowledgeable is to ask them. This can be done through the use of an annual questionnaire that asks individual board members to reflect on their own performance. An example of such a questionnaire is included in the information and resources described below.

Here are a few websites that provide additional useful information on board recruitment and development:

- This is a questionnaire for individual board members in which they can assess their own contributions to the board and indicate areas in which they would like further development.
<https://docs.google.com/viewer?a=v&pid=sites&srcid=dXZpYy5jYXx2aWMtbXVycmF5LXMTYXJ0aWNsZXN8Z3g6MzQ5NDc3NDdlYjcxNmUyNQ>.
- <http://culture.alberta.ca/bdp/workbooks.aspx> provides another of the excellent booklets offered by the Alberta Department of Culture and Community Spirit. This resource covers all aspects of deciding who you should get on your board, how to find such people and how to get the best out of them.
- <http://www.managementhelp.org/boards/recruit.htm> provides a link to a sample board recruitment grid and board member application form developed by Carter McNamara.
- <http://www.charityvillage.com/cv/research/rbod10.html>. This article by Canadian nonprofit consultant Cynthia Armour provides a quick reminder of how to get the best people on boards.
- http://www.help4nonprofits.com/NP_Bd_Diversity_Art.htm The ever provocative Hildy Gottlieb, head of www.help4nonprofits.com, suggests here that seeking to increase ethnic, gender and other forms of diversity on the board might not be the main issue. Read her analysis of what is really needed for effective board recruitment.

8. *The Informal Culture of the Board*

Symptoms

Board culture is the collection of taken-for-granted attitudes, social norms, perceptions and beliefs about "how we do things around here" shared, usually unconsciously, by a majority of board members. A high percentage of agreement with the following statements might indicate problems with the informal culture of the board:

- *Too many board members seem unwilling to devote much time or effort to the work of the board.*

- *There are many differences of opinion among board members that never get resolved. The board doesn't handle conflict very well.*

- *The board does not regularly and systematically assess its own performance and change itself if it thinks it can improve.*

- *Board members tend not to be involved in representing the organization to the outside community or bringing the concerns of that community into the organization.*

- *As far as I know, many board members have contacts among people who might help the organization but they are not encouraged, or given the opportunity, to make use of them.*

- *Individual board members with skills and knowledge that might be of use to the organization are rarely approached informally for their assistance.*

- *Little effort is made to help board members get to know one another and develop "team spirit" as a group.*

Diagnosis

Why do cultures evolve the way they do? There are at least five major sources of influence that can shape board culture without the members of being aware of it:

1. Sometimes there are external pressures for boards to act in certain ways that come from critical stakeholder groups such as funders, members or associations of other nonprofit organizations in the same "business".
2. In the case of relatively young boards or those with a high percentage of new members, certain beliefs, attitudes or social norms may come from members who have previous experience on other boards.

3. Similarly when most board members share a homogenous background in terms of such things as age, social status, ethnicity, etc., there is a greater likelihood that they will quickly evolve similar attitudes toward the way their roles and responsibilities on the board should be carried out.
4. One of the strongest influences shaping board culture is the behavior of those in the critical leadership positions of Board Chair and CEO. While these positions do not have formal authority to make board decisions, they do carry a great deal of informal influence over the process.
5. Finally, in addition to the influence of the board chair/CEO positions, boards sometimes evolve small sub-groups within themselves, sometimes referred to as cliques or “core groups”. These informal groups are not recognized officially in any way though they may dominate certain committees or formal offices. They are important because their attitudes and beliefs regarding how the board should operate or what position it should take on various issues can significantly impact those who are not part of the group. This could be a positive or negative thing but, in either case, is a matter for open discussion. It is important to realize that “core groups” are not necessarily a bad thing. Sometimes they emerge simply because some people have more time and interest in the organization so do more and find others with a similar outlook to whom they naturally gravitate. Other inner groups develop because they are made up of people with similar periods of long tenure on the board. This is especially common when there are no fixed maximum terms of office for board members. New members might come and go but a core of “old timers” stays around.

When core groups become a problem is when they engage in any of the following behaviors:

- Control of information or a willful disregard for providing proper orientation to new members thus leading them to feel like outsiders;
- Pushing an “agenda” of their own based on interests or positions on important issues that are not shared by others;
- Engaging in “backstage” politicking in the form of ‘secret’ informal meetings outside of regular board meetings to plan how to have their positions on issues approved at the meeting.

Treatment

Changing a board's culture can be very difficult because, by definition, it is something that has developed over time that many are not consciously aware of. So the first step in the change process must be that of surfacing what has heretofore been taken for granted. How to do this?

- One way is through the use of critical self-assessment exercise such as that offered by www.boardcheckup.com . This questionnaire, which includes the items above, is especially useful if effort is made to obtain accurate perceptions of the board's culture from board and non-board people who have occasion to observe and/or interact with the board. In the case of results that show the perception there is an inner group that has more influence than other members this finding needs to be put before the whole board for discussion. This discussion should cover the following points:
 - What is the evidence that suggests such a group exists?
 - If it there is consensus that it does, why has it emerged?
 - Most importantly, is the behavior of this group good for the board or not-so-good? That is, on balance, do the group's actions contribute to, or reduce the effectiveness of the board's decisions?

The objective of this open discussion of the perception of an inner group on the board is not necessarily to do away with them. Indeed the board might well want to encourage them since they often do more than others are able to do. Instead, the goal is to work on ways to keep them open and communicating with all board members and discourage "backstage" maneuvering. One of the best ways to prevent negative sub-groups from developing is to regularly conduct exercises in team building for the board. The more the board as a whole thinks of itself as a team, the more sub-groups within it are likely to be positive, open and sharing.

- In a similar way, the use of outside consultants may yield insights into the workings of the board that the board has been unable to see for itself.
- One advantage to having bylaws that specify fixed terms of office for board members is that there will always be new members joining at regular intervals. Usually new members are expected to adopt social norms or go along with the ways of operating the board has followed in the past. However, if a conscious effort is made to ask new board members to provide critical feedback on how the board might function better, a beginning to the surfacing process might take place and needed changes in board culture might be made. However, if a board engages new members in a critical process, it must be open to new information and careful not to be critical of those who authentically engage in it.
- Finally, it is difficult to over emphasize the importance of the Board Chair and the organization's CEO in creating and changing the unspoken culture of the board. Their leadership styles often set the tone for the way in which the board exercises its collective leadership of the organization.

To learn more about culture in nonprofit organizations and how to influence it see the following website:

- [Understanding organizational culture](#). This piece by Carter McNamara provides an excellent introduction to culture in organizations, what creates it, and how to influence it. For a useful guide to team building, see this website from Team Management Systems of Australia:
 - <http://www.tms.com.au/tms12-3c.html>

To assess the effectiveness of the board as a decision-making body, consider the Competing Values Approach to Group Decision Making Effectiveness by Professor John Rohrbaugh out of the University at Albany, SUNY.

- Contact Professor Yvonne Harrison to create an online survey to assess nonprofit board decision-making effectiveness at yharrison@albany.edu

9. Leadership on the Board

Symptoms

Most literature on leadership of nonprofit organizations concentrates on the role of the board of directors as a whole. Legally speaking, this is because the board is the final authority for the organization—even if it delegates some of it to an Executive Director (ED) or Chief Executive Officer (CEO).

Just as in other work groups, boards have both formal and informal leaders within them—people who have a significant influence over how the group works and how effective it is. It is generally agreed that the most important of these leaders in nonprofit organizations is the board chair and the ED/CEO. It is also realized that in many small voluntary organizations with no paid staff, the board chair and ED/CEO may be the same person.

A high percentage of agreement with the following statements might indicate problems with leadership of the board:

- *There is a kind of “inner group” that seems to run things on the board and those who are not part of it sometimes feel left out.*

- *The board chair tends to be overly controlling.*

- *The board chair seems to have her/his own “agenda” which is not always shared by others.*

- *The board chair is a bit too passive and disorganized in her/his leadership style.*

- *The board chair’s meeting leadership skills are not as strong as they could be.*

- *As far as I know, the board chair is reluctant to speak to board members who don’t carry out their responsibilities properly.*

- *As far as I know, the relationship between the CEO and the board chair is quite formal; they don’t talk much “off the record”.*

- *As far as I know the CEO rarely consults individual board members for informal advice or assistance.*

- *There seems to be a lack of trust between the CEO and the board.*

- *The information that the CEO provides the board to help it make decisions is sometimes inadequate or too slanted.*

- *The CEO seems to be trying to dominate or control the board too much.*
-

Diagnosis

It is important to realize when respondents check the statements dealing with leadership that they are providing their perceptions only, not an “objective” reality. Also, it must be remembered that the reasons people are perceived as being more or less effective leaders may, or may not, lie within the leaders themselves. In other words, it is possible that situations and circumstances may create conditions that make it difficult for almost anyone in a leadership position to be perceived as effective. It is also possible that a person in such a position might be very effective under one set of circumstances but not seen as effective in another. The case of Winston Churchill is often presented as the most vivid example of this— a universally acclaimed leader during WWII who was defeated in the polls once peace was restored after the war. Times changed and he was no longer seen as the leader people wanted.

With respect to reasons for perception of leader ineffectiveness, our research suggests there are five:

1. Perceptions of leader ineffectiveness may be explained by lack of role clarity. In our research on board chairs, we found a significant positive relationship between clarity of key actor roles and perception of chair leadership effectiveness. Cornforth (2001) noted a similar finding with respect to board role clarity and perception of board effectiveness. Kooiman (2003) suggests that lack of role clarity: “increases tensions within and between roles of actors involved and situational factors...which, in turn, shapes perception of chair leadership effectiveness” (p. 14).
2. Perceptions of leader ineffectiveness may be explained by situational factors (Zaccaro and Klimoski, 2001). In our research on chairs, for example, we found evidence of a negative relationship between CEO turnover and perception of chair leadership competency and impact. This finding suggests that CEO turnover may present a situation in which the chair’s leadership effectiveness is put to the test and revealed.
3. A third explanation is that perception of leader ineffectiveness is explained by the board’s own prior ineffectiveness—its failure to adopt “good governance practices”. Our research points to a significant positive relationship between the adoption of good governance practices (e.g. strategic planning, board performance assessment, assessment of CEO leadership and organizational effectiveness etc), and perception of chair leadership effectiveness. Because this research was based on a one-point-in-time correlational methodology, however, it is not possible to say whether the presence of good governance practices makes it more likely that chairs will be seen as effective leaders, or whether chairs who are seen as effective leaders are more likely to help create boards that use good governance practices.

4. Another explanation is related to the traits leaders bring to their position. For a short presentation on the kinds of leadership Chairs bring to the position see this summary of our research from *The Nonprofit Quarterly*:

http://www.nonprofitquarterly.org/governancevoice/559-the-best-and-worst-of-board-chairs.html?utm_source=NPQ+Newsletters&utm_campaign=c26377e67f-Newswire_July_9_2012&utm_medium=email.

In this research it was found that chairs who were perceived by those we surveyed as being honest, humble and helpful were seen as having more impact on the performance of the board, the CEO and the organization. The same relationship was found with perceptions of chair's "emotional intelligence" (i.e. as someone who is self-aware and socially aware) and the traits associated with team leadership (being open, fair, respectful, able to create a safe climate where issues can be discussed, one who recognizes others, and does not distract them from goals, etc). The findings of this research are supported by those from general leadership studies that have shown leader personality to be a strong influence on the effectiveness of leaders, groups and organizations (see Miller and Droge, 1996). Further support comes from studies of leadership in the governance context, where leader motivation, the quality of leader-member relationships, and the exchange of resources members need have been found to be relevant explanations of leadership effectiveness.

5. Finally, people are more likely to perceive their leaders as effective when their involvement with them is high. This could be due to the nature of the role they play (e.g. CEO, executive member, board member, staff or external stakeholder), and their frequency of interaction (more to less frequent). This explanation assumes that the "closer" people get to their leaders, the more likely they are to think favorably of them. Conversely, perceptions of leadership *ineffectiveness* may be due to lack of interaction. This tendency has previously been shown to exist, for example, in the context of governance, which is interactive by nature (see Kooiman, 2003) and by Hogg et al 1998 who consider interaction frequency a form of bias.

Whatever the reason, leadership ineffectiveness can be costly for the board and organization that fails to address it. Cost can be seen in board and CEO turnover, level of engagement, job dissatisfaction, low social cohesion, poor board morale, lack of public trust, inability to innovate, etc.

Note: For a full discussion of the informal leadership that may be exerted by "core groups" within the board, see Guideline 7 on Board Culture.

Treatment

The results obtained from this section of the Board Performance Self-Assessment are the most sensitive and potentially difficult to handle of any. Most people, when asked if they would like to have their job performance reviewed, tend to say they welcome feedback on how they are doing

so they can use it to improve. In practice, however, many do not appreciate being what they see as “unfairly criticized” no matter how much effort is made to make it “constructive” criticism. Varying degrees of defensiveness and hostility are common reactions even though they may not be made obvious at the time. In one early experience with the Board Performance Self-Assessment instrument, for example, an instance arose in which a quarter to a third of respondents indicated that they thought the board chair had difficulties running effective meetings. The board chair said nothing at the time but within a month quietly resigned, well before her term was up. One might argue that this was all for the best but this overlooks the possibility that, if these results had been handled differently, she might have reacted differently and, for example, obtained some training in meeting leadership.

- For this reason, it is best if, before the results of the survey are revealed to anyone, the survey Coordinator hold a discussion with both the CEO and the Chair about a hypothetical situation in which some board members report perceptions that these leaders are engaged in one of more of the problematic situations described in this section of the survey. This discussion should cover to whom these results should be communicated and how they should be interpreted.
- It is recommended that, at first, they should be communicated only to the person involved, e.g. the Chair or the CEO. It should also be agreed that there are various possible reasons for such results as described above which should be explored and that they do not necessarily mean that the board is dissatisfied with the leader. It could be that there is a situation that the board needs to address that negatively impacts the leadership of the chair or CEO.
- Finally, it should be understood that all the behaviors described in this section could be addressed through additional training and/or coaching. It is not always possible for Chairs or CEOs to find the time or opportunity to take leadership development courses. What is more possible, in many cases, is to find experienced leaders who are willing to act as mentors or coaches for short periods of time. Retaking the Board Assessment Survey after a period of such coaching can provide useful indicators of the extent to which leadership from these critical officers has improved.

Leadership Development

The preceding discussion addresses how to help key leaders like the Board Chair and CEO develop their leadership competencies but it does not get into detail about what these competencies should be. There is not the space here to get into the very large and complex topic of how to be a leader, however, a few key points can be made. Perhaps the most important is that there is no “one best way” to lead in all situations. Different roles and different external conditions call for differing approaches to leading. The key question the board should consider is *how can nonprofit leadership be managed for higher performance?*

It is generally agreed that the most important relationship the board has is with its CEO. The Chair is also a critical leader and the Chair-CEO relationship is the most important for the board and organization as a whole.

The question of why some leaders are more effective in their role than others has emerged in recent years in response to public board and organizational failures. Some of the items in the list of board leadership issues relate to the leadership competencies of effective chairs and CEOs. Other items relate to leadership influence and impact. For example, research has shown that board chairs seen as exerting too little or too much influence in the role are also seen as having limited impact on the board, the CEO, the organization, and the support of external stakeholders (again, see Harrison and Murray in the Summer 2007 edition of *The Nonprofit Quarterly* (http://www.nonprofitquarterly.org/governancevoice/559-the-best-and-worst-of-board-chairs.html?utm_source=NPQ+Newsletters&utm_campaign=c26377e67f-Newswire_July_9_2012&utm_medium=email); and Harrison and Murray in the Summer 2012 *Special Governance Issue* in *Nonprofit Management and Leadership*).

Herman and Heimovics (1991; 2005) identified the following competencies of “board centered” CEOs. They:

- *Facilitate Interaction in Board Relationships;*
- *Show consideration and respect toward board members;*
- *Envision change and innovation for the organization with the board;*
- *Provide useful and helpful information for the board; and*
- *Promote board accomplishments and productivity.*

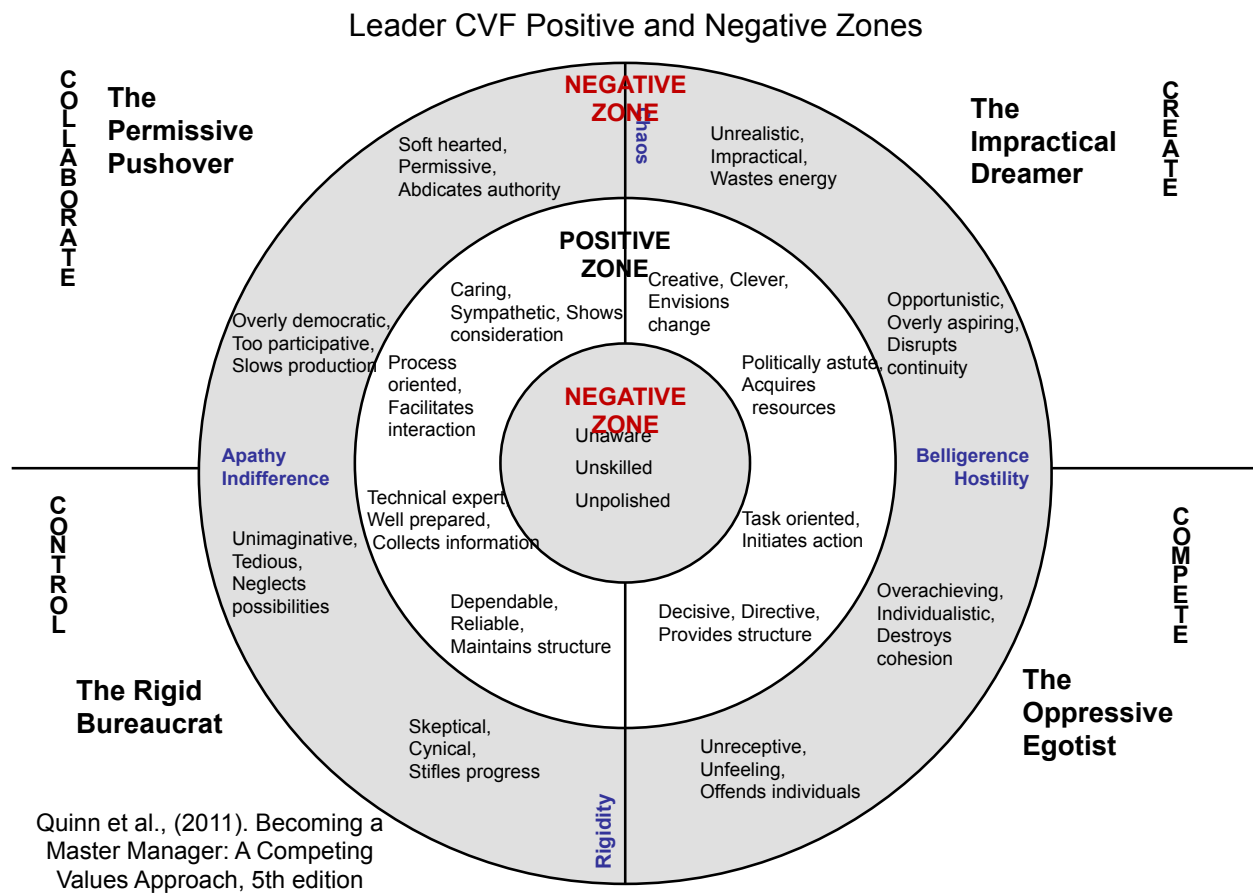
The National Learning Initiative (2003) also identified competencies of leadership volunteers saying they:

- *Are motivated to Serve* (e.g. Recruited for the right reasons, empowered for the service of mission/others)
- *Create, Shared Vision, and Align Strategically* (e.g. Are informed, consider best practices, contribute to the development of, and commitment to, a shared vision that provides *meaning and direction*)
- *Develop Effective Relationships* (e.g. Nurture a healthy organization and work environment, are socially aware and maintain effective relationships)
- *Create Value* (e.g. open to innovation, creativity, and change; translate theories into action; are responsive and accountable)

One of the better ways to design the kind of leadership that is best for your organization is that offered by the Competing Values Framework to leadership effectiveness. The CVF can be used as a tool to:

- Assess and manage nonprofit leadership effectiveness and contributions to the organization
- Provide reflective feedback to nonprofit leaders on their strengths and weaknesses
- Analyze paradoxical situations (i.e. paradoxes and tensions organizations, groups, and leaders struggle with)
- Develop a focused plan for leadership development based on evidence

Figure 2 below describes leader behavior (effective and ineffective) within different dimensions of the CVF (See Quinn et al, 2011). As can be seen, each competency dimension (Collaborate, Create, Compete, and Control) depicts leader effectiveness on a continuum. This suggests that to increase leadership effectiveness, the leader simply needs enough information to adjust their behavior in a given role rather than alter it altogether. This approach to leadership should reduce the tendency for organizations to swing from one ineffective leader to another.



See Quinn et al (2010) *Becoming a Master Manager: A competing values approach*, 5th edition for a description of CVF and assessment tools that can be used to assess leadership effectiveness in different leaders roles and dimensions.

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