Improving Board Performance

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Introduction

This article presents a nonacademic review of what it takes to create effective boards for nonprofit organizations. It identifies the main factors affecting the board's operation which shape its impact on the organization. For each set of factors, the typical problems that can arise are noted and various approaches to handling them discussed. The "solutions" are based in part on the results of the limited empirical research in this area, in part on the voluminous "how-to" literature and on the author's own experiences as a member of, and consultant to, a wide variety of boards.

These notes are predicated on three basic assumptions:

1. There is no one best way to design and manage a nonprofit board;

2. The pattern or model that is best for any given organization must fit the needs created by that organization's history, culture, future plans, and the personalities of key board and staff members. The secret of success with boards is to find the unique pattern that fits a given set of circumstances and recognize when these circumstances change, thereby requiring a change in the board's mode of operation.

3. The single most important element of board management is ensuring that all relevant parties in the organization from rank and file staff and volunteers, through the management ranks to the board itself *clearly understand who is responsible for what and how the evaluation of accomplishments is to be carried out.*

Four Basic Dimensions of Effective Board Functioning

When attempting to improve boards, there are only a limited number of factors that can be adjusted. They can be grouped under four broad headings. They are not independent of one another so to change one often means having to change others so they will be mutually supportive.

The four dimensions are:

   I   Roles and Responsibilities of the Board

  II   The Board's Own Structure and Formal Operating Procedures

 III   Board Composition and Membership Characteristics

 IV   Board Culture and Leadership

I. Board Roles And Responsibilities

Typical Problems

There are three basic problems that arise from an inappropriate allocation of roles and responsibilities between the board and the management team:

1. *The Meddling Board:* Usually the complaint of the organization's chief executive and other managers, this is the perception that the board is getting too much involved in "operational details" that should be the sole responsibility of the organization's management group. This causes the board to waste time and make bad decisions on matters it knows little about. It also ends up confusing staff who are not sure whose orders they should follow and this makes the chief executive's life very frustrating.

2. *The Rubber Stamp Board:* At the other end of the spectrum is the belief, more commonly held by some board members, that the board does nothing but ratify, without meaningful debate, the recommendations of the chief executive. Board meetings consist of little more than reports "for information" and the passing of "routine" motions. In the eyes of certain chief executives such boards are seen as well meaning but essentially incapable of understanding the complexities of major issues hence they must be "strongly guided" toward the "right" decision.

3. *The Confused Board:* This is an intermediate pattern in which the board behaves erratically, at some times dabbling in operational detail while at others wanting only to "rubber stamp". The swings from one state to the other appear to be explicable mostly in terms of the personalities of influential members rather than any common understanding of how the board should operate.

Reaching agreement on the appropriate board roles and responsibilities for any given organization depends on understanding the basic choices among responsibilities, roles and identity levels.

Responsibilities of Boards

The most common areas of responsibility in which boards become involved are:

1. *Mission and Strategic Objectives:* Setting the overall purpose for the organization—why it should exist, who is should serve, what services it should provide and what values and ethical guidelines it should follow in providing them.

2. *Fiscal and Legal Oversight:* Ensuring that the organization behaves in a fiscally and legally responsible manner. This includes such matters as overseeing investments, capital budgeting, property management and compliance with various laws applying to the organization.

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. *Boundary Spanning:*

    (a) Representing the interests of the organization to its external publics; and

    (b) 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., setting its criteria for membership, training its members, evaluating the effectiveness of its meetings.

Roles of Board Members

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*.

1. *Decision-Maker/Evaluator:* Played passively, this role involves mostly "monitoring" what others are doing and ratifying the recommendations of others. Played actively, it involves the board in coming up with its own suggestions and voting on them. Both passive and active versions of this role involve making some judgements about the degree of success achieved by previous decisions. This is the evaluation function of boards.

2. *Advisor:* In this role, board members provide information and expert advice to others such as the CEO or other management staff.

3. *Implementer:* Board members may actually carry out the activities required by the policy decisions they (or others) make, e.g., approaching prospective donors for funds or interviewing candidates for the CEO position.

Identity Levels of Board Members

Those who write about nonprofit boards often assume that board members have only one identity, e.g., acting as the collective board-as-a-whole meeting in formal session. However, equally important, they also act as members of *board committees* and as *individuals*.

1. *Whole Boards:* Much of the writing on boards consists of discussions of what roles the board should play at the official board meetings. There is also the assumption that if boards act in any other capacity than collectively they cause problems.

2. *Board Committees:* Most boards have several committees which play some of the roles discussed above (advisor, decision-maker, implementer) for some of the areas of responsibility. There are two common problems here:

    (a) Committees which duplicate the functions of the whole board waste time and cause confusion. It is easy to tell that this is happening when board meetings are spent rehashing the same issues as those discussed by committees or listening to interminable committee reports that are "for information only".

    (b) Committees which try to do the same work as paid staff by directing staff who already report to a manager.

The clarification of board responsibilities and roles must be based on an examination of each of the potential areas of responsibility and coming up with the answers to these two questions:

1. Should the board be involved in any way whatsoever in this area of responsibility?

2. If "yes" what *role* should be played by each of the three levels of identity that board members can assume—whole board, board committee or individual members?

One way to get the answers to these questions is by having the board and management staff fill in the boxes in the following framework in two different ways: (a) How they perceive the current situation; and (b) how they believe things *ought* to be. Inevitably, different people will come up with different answers to these questions. Especially important are differences between the board and management staff. This revelation of differences then forms the basis for problem-solving discussions aimed at reaching a common understanding of what the board's "role and responsibility" problems are and how they should be solved in a way that all parties can accept.

Framework for Clarifying Board Responsibilities and Roles

Responsibility Areas	Board Identities*		
	Whole Board (at formal meetings)	Board Committee	Individual Board Members
1. Mission and Strategic Objectives			
2. Fiscal and Legal Oversight			
3. CEO Selection and Evaluation			
4. Boundary Spanning			
5. Fund Raising			
6. Management Systems			
7. Board Self Management			
8. Other (add whatever is appropriate to the organization)			

* In each box above indicate the ROLE the board members should play: Decision-Maker/ Evaluator; Advisor; or Implementer

Typical Role and Responsibility Problems Revisited: Solutions

1. *Convert Meddling Boards to Appropriate Working Boards*

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 nonpejorative name for boards 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 whose services are not numerous or complex. For example, many self-help groups, small advocacy organizations, housing co-operatives or other collectives, and groups operating shelters, hospices or daycare centres all operate very successfully with Working Boards.

In these conditions, board members are often the most committed and knowledgable members of the organization and have often worked up to the board as volunteers. It is too much to expect board members not to bring operational concerns to whole-board meetings. In fact, at this sage, 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 is doing what and that a basic agreement exists about what things are the most important. In general, whole-board meetings should be spent focusing on the most important issues (see the discussion of "policy levels" below), but time spent on apparent details isn't wasted if the chair can spot the larger strategic issues that can be buried in them. There should also be periodic special meetings of all active participants (such as board members, other key volunteers and any staff) exclusively 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, e.g., large organizations with a high proportion of paid staff and full-time managerial personnel who are operating a large number of programs that take considerable skill and experience to implement well. Most large public institutions such as universities, hospitals and large social service agencies fit these conditions. Such organizations cannot long tolerate the confusion created by board meetings, committees or individual members trying to "micro manage" the organization's affairs when others are responsible, and better prepared, to do so.

2.   Convert Rubber-Stamp Boards to Governing Boards

A Governing Board is one which restricts itself to providing broad, overall leadership to the organization by focusing only on issues that relate to the basic strategic question of "who is to receive what services at what cost." (Carver, 1990) In terms of the Framework for Clarifying Board Responsibilities and Roles, this means that the Whole-Board identity becomes the most important, that decision-making/evaluating becomes the key role being played and that the first four of the responsibility areas (plus number seven) become the focus of discussion. The conditions that most suit the development of Governing Boards are virtually the opposite to those that favour the Working Board.

The dilemma facing the large complex institutions that need Governing Boards, and one of the reasons they so often have rubber-stamp boards, is that most board members are busy civic leaders who have very little time to become thoroughly knowledgable about the organization, or the sector in which it

operates, such as health care, education or the arts. This makes informed debate about major strategic issues very difficult. For example, it takes a lot of savvy to know whether a university should close down one of its faculties or whether a hospital should convert 50 per cent of its beds from active to chronic care. Some organizations try to compensate for this by choosing for the board only those who represent people with inside knowledge such as representatives of client groups, staff associations, government regulators or related service organizations. However this can lead to the opposite problem: a board which gets too involved in operational management issues and can't step back to consider what is best for the organization as a whole; in other words, another version of the meddling board.

The secret of creating an effective Governing 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 (see the discussion of the strategic planning responsibility area below).

It should go without saying that it is a major mistake to force a Working Board to become a Governing Board when the conditions are not supportive of it. Unfortunately, this has been happening recently due to certain writers about boards (such as Carver, 1990) promulgating "one best way" models. The allure of a "paradigm change" which will fix all board problems is much greater than the less exciting job of trying to change from "meddling" mode to effective "working" mode.

3. Convert Confused Boards to Successful Mixed-Model Boards

Confused boards occur most frequently during periods of transition or crisis. As small new organizations grow and age, they usually diversify geographically or by adding more programs. As they do this, they employ more paid staff and acquire professional managers. Paid staff handle most of the operating duties but board members, who managed many things in the past, still know a lot about how the organization works. They may even be needed to perform certain functions that are not yet being performed by paid staff, e.g., publicity, fund raising, government relations. These members of formerly successful Working Boards run into increasing conflict with staff over who is to do what and who has authority to decide what.

At the other end of the spectrum, Governing Boards can revert to a confused state during major crises such as the loss of large grants, financial mismanagement, serious labour unrest or the advent of new client groups or militant client organizations. Insofar as the paid managers have trouble handling these situations, the temptation on the part of board members to get involved in the direct management of operations is strong; indeed managers may ask for it and it may be necessary. Once the crisis is over, it is easy to allow things to keep going in a confused mix of Working and Governing modes.

The main solution to the problem of the confused board is to push it toward clarifying its role by fully embracing one or the other of the two basic modes—"working" or "governance". However, if the conditions are too unstable or critical to allow this *or* the organizations still must use some board members as volunteers to manage certain parts of the organization's operations, it is possible to sustain an intermediate board model that can work well. This can be called the Mixed Model. In this model certain board members or committees take responsibility for managing specific functions. If they are committees, the chair becomes a de facto operating manager. The remainder of the management functions continue to be played by paid managers who report to a chief executive officer. At the Whole Board identity level, effort would be made to focus primarily on strategic issues.

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 meetings of the whole board are meant to be used 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. The trick is to train everybody—management and board alike—to recognize what is "strategic" and what is not. This is discussed below.

More Problems: How Boards Mishandle Their Responsibilities and What to Do About It

Even if it is perfectly clear what areas of responsibility the board should accept and what roles should be played by the whole board, board committees and individual members, there are still many problems that can crop up in each of the seven main responsibility areas identified earlier. What follows is a brief overview of the most typical problems associated with each area and ways to deal with them.

Mission and Strategic Objectives

These are two typical problems that keep boards from doing a good job of carrying out their number one responsibility: that of deciding on the mission and strategic objectives for the organization.

Confusion Over What Is "Strategic"

What, exactly, is a strategic issue and what is not?

Not long ago, the United Way of America suffered a grievous blow to its image when its executive director was found to be running up gigantic expense accounts by living lavishly while ostensibly on business. One could say this happened because the organization was lax in not having clear policies regarding what should be eligible as refundable expenses. Should the board have been responsible for deciding what such policies should be? Many would say no, this is a management matter, yet, in the end, the lack of these policies had tremendous strategic consequences for the organization.

In general terms, this issue has to do with "levels" of policy and each board must define what each level means for it. Then it must agree how far "down" the policy levels it will go in terms of what will be taken to board meetings for a vote. Finally, it must decide which level applies to any specific question. The concept of policy levels is relatively well discussed in the how-to-do-it literature on strategic planning for nonprofits, e.g., Bryson (1988), Chait (1989), Duca (1986), Nutt & Backoff (1992). While there is no consensus on how many levels there are, most writers agree there are at least four:

(i)   *Mission* – These are the basic questions related to mission: Why should this organizations exist and what is this organization trying to achieve? A mission statement must reveal in general terms who the organization is intended to serve, what services it intends to provide and the fundamental values that lie behind the way it will operate. Any issue which suggests a change in mission must be brought to the board.

(ii) *Strategic Priorities* – There are usually many ways to reach a goal and an organization has only limited amounts of effort and money to expend. It can't do everything that its clients, funders, members, volunteers or staff would want. There are usually only a small number of very broad strategic directions in which it might go at any given time. These must be identified and prioritized so everyone knows what is most important and what is less important.

For example, almost all nonprofit organizations must be concerned with getting enough money to operate. For many, raising funds is quite separate from deciding how to spend the money and the latter decisions have only an indirect impact on how funders behave. Hence, most organizations these days have a clear strategic objective specifying the amount of money they need to raise and, in general terms, how they will go about it. (Of course there are always a few lucky nonprofits with wonderfully secure incomes for whom this objective can assume a low priority).

Setting priorities regarding what to spend the money on is a much more difficult task. For example, charities set up to help the victims of various diseases and disabilities must always struggle to set priorities

between supporting research into cures and treatments, public education about the disease, and "patient services" (activities to make the lives of victims or their families easier). Performing arts and other cultural organizations must face the classic struggles between "audience appeal" and "artistic integrity", i.e., exploring new artistic frontiers that don't have mass appeal. International development organizations must choose between the basic options of long-term versus short-term forms of aid. Community service agencies with multiple programs have to decide which groups and social problems get what priority: children-at-risk, new immigrants, single mothers, or poor and lonely seniors? Universities face continuous dilemmas between "accessibility" and "student quality", i.e., making admission equally available to students from all backgrounds (including those from deprived conditions where prior education may have been a low quality) versus an emphasis on attracting only the "best and the brightest" (which often excludes many from deprived backgrounds). There are also inevitable tensions around the amount of support to provide for research (lower teaching loads, top grade research facilities) versus teaching quality; not to mention almost impossible choices over what academic programs to keep or chop when funds are cut.

(iii) *Operating Policies* – Once the strategic objectives and priorities are identified, there are the decisions surrounding what particular programs, activities, or systems will best meet these objectives. Human resources policies must be decided (e.g., compensation levels, benefit plans, selection criteria). Accounting systems must be put in place. Actual plays must be produced by the theatre company. Specific treatments must be chosen for the family violence program in the social agency.

(iv) *Rules and Procedures* – These are the myriad specific decisions made in implementing programs.

Boards will always find that, no matter how much they might agree that at the whole board level they will only discuss issues that represent policy levels i) and ii), they will sometimes get into debates that seem "beneath" them. Skilled board leaders will be able to distinguish between an item that is truly an operational matter and one that is not. Managers and committee members, on the other hand, must possess the equally rare knack of spotting a big policy question in what appears to be a routine operational decision. For example a question of whether to do X or Y in staging a special event fundraiser may actually raise much bigger questions about the whole fund-raising strategy. An informal pilot project for getting street kids off the street may contain the seeds of a radical reorientation of an entire agency. As Mintzberg

points out in his recent book *The Rise and Fall of Strategic Planning* (1994), the sources of information on strategic issues and ideas for strategic change are to be found in all parts of the organization. The great skill in leadership lies in recognizing this and knowing how to tap these sources.

b)   Not Enough Information Or Too Much

When a key strategic issue does arise for the board to decide, the decision is often faulty because there is not enough of the right kind of information to assess its pros and cons in any rational way. This occurs because there are no systems for gathering and synthesizing what it is important to know, or because what is provided is distorted.

Distortion can occur because the main (sometimes only) source of information for many boards is the chief executive. CEOs consciously or unconsciously "filter" what goes to the board so as to "tilt" the decision toward a predetermined outcome which they favour. One of the biggest difficulties for boards is finding independent sources of information and ensuring that the information they do get from "the administration" is as complete and unbiased as it can be. Public auditors fulfil this function in the case of basic financial information. Other methods include: independently conducted client and donor satisfaction studies; using information from "umbrella" associations of organizations in the same "business"; and carefully overseeing the kind of information *systems* put in place for the organization, e.g., ensuring that budgetary systems provide program and unit cost data; insisting on policy-oriented funding statistics and human resources information systems that monitor staff morale, absenteeism and productivity.

On the other hand, there is the problem of too much information presented in a way that does not relate to strategic issues. The "snow job" (in which board members are buried in paper just before a meeting with no idea what parts of the pile are important) is a classic ploy of chief executives trying to manipulate a board to "rubber stamp" a particular recommendation. The only way to stop snow jobs is for the board chair to insist that supporting information be provided in ample time to be digested before a meeting and that it be explicitly shown how it relates to the issues under debate. Information not related to strategic issues would either be refused or presented in another forum outside of the board meeting.

c)   A Note On the Dilemma of Nonprofits Primarily Funded by Governments

A special kind of problem in providing strategic leadership exists for nonprofits which are legally independent but are funded by government (federal, provincial or municipal departments of social services, health, education, etc.) There is much truth in the old adage that says "he who pays the piper calls the tune". Governments decide what services they want to fund and contract with a group of nonprofit organizations to provide them (e.g., universities, hospitals, social

service agencies). If the role of the boards of these organizations is to establish strategic directions for them, how can they do this when government holds the purse strings?

There are three basic kinds of strategic direction they can take when government dictates deviate from the board's wishes:

The first is for the board to decide between going along, lobbying strenuously to persuade the government to change or, if permitted, dropping out of the funding system. The latter, of course, immediately raises huge problems of finding alternative sources of money before going broke.

The second is for the board to scale down its governance role to a lower level of policy concerns. Often the government only specifies *what* it wants, not *how* these wants are to be met. It may also say little about how the organization is to be managed. For example, it will contract with a hospital to provide for the health care needs of people in a given community and set general parameters around what services it can provide. But it may not tell the hospital how to provide the services or how it should be run. The organization, led by the board, decides these latter issues and simply accepts the government's higher level authority over the bigger strategic questions.

The third, and most radical, option is to focus primarily on issues not related to government funded programs. This puts the emphasis on developing a diversification strategy aimed at reducing dependence on government by devising a series of programs that can be self-supporting or funding schemes that can pay for new programs outside of government control.

d)   Fiscal/Legal Oversight
Boards that are not capable of identifying and grappling with genuine strategic issues often fall back on an obsession with the organization's finances. If they can't do anything else, they will make sure it does not go into debt. The problem here is that, if concerns about costs are abstracted from an overall perspective of the organization's strategic priorities, they can lead to poor policy decisions. This happens when the annual budget approval exercise for the board is disconnected from the strategic priority decisions. All budgets contain implicit strategic plans within them in that they determine who gets what resources. This is the main "reality" for most operational managers and it heavily constrains their ability to accomplish whatever objectives may be laid out in a completely separate "strategic plan". Board chairs must insist that budgets and other financial information be presented in the context of the organization's strategic priorities.

Another reason the board can mishandle its fiscal oversight responsibilities is because the budgeting system provides an account of costs and expected expenditures solely in line item terms, i.e., the budget consists of lines showing rent, office supplies, salaries, transportation, etc. This makes it almost useless

as information to use in deciding whether a given program or support service is costing "too much" or is "worth it" relative to the benefits it provides. These are never easy decisions, but they are usually strategic and could be improved by cost information based on programs or units of service. (See Ziebell and Dacosta (1991) for a detailed explanation of this approach to budgeting which is also discussed in "Improving Cost Information For Decision Making" (1996), 13 *Philanthrop.*, No. 3, pp. 10– 26.

Many boards are very careless when it comes to ensuring that their organizations are not inadvertently failing to adhere to the many laws that apply to them. This failure is usually due to ignorance on all sides. The usual way for the board to handle this problem is by ensuring that a committee or board office take responsibility for running occasional "compliance checks". They may need outside expert advice to help them do this.

e) CEO Selection and Evaluation
Virtually all boards take this responsibility very seriously, at least in the selection part. Yet all too often they choose a dud. Even more commonly, they fail to tackle seriously the job of performance evaluation. This leads to frustrated chief executives who have no clear idea how they are doing in their boards' eyes. It also leads to major crises and lawsuits because the board fails to act on poor performance until too late, then fires the CEO who promptly sues for wrongful dismissal on the grounds of never having been told s/he was performing poorly.

This is not the place to go into a technical discussion of how to carry out a good executive search and selection process. Suffice it to say that, if it can possibly afford it, the board should obtain the services of experts in this area. But even this will lead to failure if the board is not clear about the organization's strategic priorities both at present and for the future. One of the major reasons that newly selected CEOs don't work out is because they are chosen to lead the organization as it was, or is, but not the organization that will have to exist to succeed in the future.

As to CEO performance evaluation, it simply must be taken seriously. This means following the basics of good evaluation practice: jointly setting, with the CEO, clear and reasonable objectives; providing the resources and necessary authority to achieve these objectives; agreeing beforehand on what would be reasonable indicators of success; then meeting periodically to review progress and jointly decide what can be done to obtain improvement if it is deemed necessary. Usually this cannot be done by the whole board and is best done by a committee. The choice of committee depends on the board's committee structure (see below). The whole board would come into play only in rare cases when serious performance problems persist over time and the possibility of dismissal exists.

f) Boundary Spanning

Problems arise in bringing the concerns of constituencies, stakeholders and the general community into important discussions on strategy when the board has no way to learn about them. This can be because no members are close to these groups and because there is no training in how to approach them or any expectation that the board will do so. Solving the problem requires:

(a) Re-examining the criteria for board membership so as to ensure that there is representation of people who know the concerns of key stakeholders (see part III below).

(b) Changing the board's own management system (see below) to ensure that there are formal occasions for board members (not only staff) to meet key external groups and prior training in how to relate to such groups.

The opposite problem to inadequately representing the interests of external stakeholders occurs when board members are explicitly appointed to represent such groups but do so in a narrow, single-minded way. They pay attention only when issues arise that concern "their" interest group then contribute only that group's "line" on the issue. For such people there can be no modification of position based on dialogue and no compromise for the good of the organization as a whole. One method for tackling this problem (not guaranteed to succeed) is to write the expectations of a "good-of-the-world" approach into official job descriptions for board members and reinforce them during orientation sessions for new members. An example of one such statement is as follows:

> Board members will be expected to make decisions based on the best interests of the institution as a whole and in keeping with its mission and objectives rather than on the basis of special interests. Members will also be expected to support the majority decisions of the board and work with fellow board members in a spirit of co-operation.

Turning to the "taking the inside out" side of boundary spanning, the main problems are a lack of members capable of doing this or a failure to use the resources that are there. This is usually a function best performed by individuals or a board committee (e.g., community relations, government relations). If the board is made up primarily of "insiders" such as volunteers, clients, etc., they may not have contacts with important outsiders. In other situations, members with excellent contacts (with the media, government officials, potential donors, etc.) may not be asked to do anything. "External relations" must be a formally recognized, and planned for, board responsibility. If this responsibility is always an afterthought, it will not be carried out successfully.

g) Fund Raising

Surveys of board members and CEOs assessing their satisfaction with the board in the area of fund raising reveal that most of them believe that boards should

be "responsible" for fund raising but few think the board does a good job of it. This is largely because of confused expectations about what being "responsible" means. Chief executives often expect board members to both "give and get", i.e., donate generously themselves and personally approach others for donations. Board members are more likely to expect the board to be involved in approving an overall fund-raising strategy (and maybe offer advice as individuals when it is being developed) but do not expect to have to actually "give or get".

Clearly, expectations of the board's role in this are must be developed and communicated without equivocation to all incoming board members. If applicable, individual members would be informed before they join that they may be approached on a purely individual basis and asked to approach people in their networks to discuss donations. At the whole board level, however, discussion should normally be limited to overall fund-raising strategies. A fund-raising or "development" committee might be called a board committee but, in effect, would advise and assist the actual fundraisers. Only when implementation issues have strategic implications would the committee bring them to a board meeting.

h) Management Systems

This refers to the processes and procedures used to manage the organization. They include the organization's systems of accounting and control, information systems that track client demand and satisfaction, efficiency indicators and human resources policies and practices (compensation, benefits, working hours, collective bargaining, etc). Most how-to-do-it books on board management insist that boards should stay out of this area, yet in practice, many boards do get involved. The problems arise when the chief executive wants to involve individuals or committees only in an advisory capacity and board members want decision-making authority with detailed discussions at the whole board level. In small, mainly volunteer organizations with working boards, the board and management functions are so intertwined in any case that there need not be a problem provided there is a clear understanding of who is responsible for what.

The main problem is with Governing and Mixed Model boards. Many boards contain genuine experts on various management subjects such as accounting, human resources, marketing, etc. Should the organization be prohibited from tapping this expertise? Of course not. But it should be at an individual level and in the form of advice on, or implementation of, a decision made by the designated manager.

At the whole board level, the question of management systems should come up only in the context of discussions regarding how the board is to evaluate the performance of the organization. Everyone agrees that the board must evaluate how the organization is doing if it wants to set future directions. To do this

requires information on many matters concerning the organization's environment and current performance. Thus it is appropriate for the board to discuss what information systems are needed in order to reveal to the board how well the organization is doing. While Governing Boards should not get into debates as to whether this or that budgeting software package or human resources policy is best, they should feel free to insist that information of the kind they need for evaluation be provided and express their displeasure if current management systems fail to provide it.

i) Board Self Management
Again, there is little disagreement that the board should spend time assessing how well it manages its own affairs. This means giving consideration to the remaining three basic dimensions of effective board functioning identified on p. 3: Board Structure and Procedures; Board Composition and Board Culture and Leadership. The following sections discuss these.

II. Board Structure and Formal Operating Procedures

Typical Issues
"Structures" are simply snapshots of who does what in an organization. They become frozen in time as formal rules which then influence subsequent actions. For boards, structural issues include such questions as:

- What is the best size for a board?

- How many, and what kind of formal positions should exist (e.g., chair, vice-chair, past president, president-elect, treasurer, secretary, vice-presidents, etc.)?

- How many and what kind of formal board committees should exist and what authority should they have as compared to that of the whole board and the management team? Also, how large should they be and what should be the criteria for appointment to them?

Procedures are operating rules that govern how people ought to do their jobs. The following are typical procedural issues for boards:

- Should there be a fixed term of appointment for board members? If so, how long should it be? What rules should govern reappointment?

- Should there be rules about attendance at board meetings? If so, what should be done about members who break them?

- How frequently should the whole board meet and for how long?

- What should be the format for the board meeting agenda?

- What rules should govern the conduct of board meetings?

- What procedures should exist for orienting and training board members?

- What procedures should exist for evaluating the board's own performance?

Implicit in all of the above questions, is the idea that there are right and wrong answers to them. Also implicit is the belief that if the "right" answers can be found, the board's problems will be solved and it will become effective: no more rubber stamping or meddling, no more bad decisions or fund-raising failures, etc. It turns out that none of these implicit assumptions is true.

Once again, there is no "one best way"; only structures and procedures that fit the circumstances of a given organization at a given time. The following are brief comments on some of the pros and cons to consider when looking at various answers to these questions.

Board Size

The "how-to" books on boards are fairly consistent in warning against boards that exceed 15 or 16 people yet many which do, give every appearance of being very successful year after year. The recommendation arises because the larger the number of people involved in the complex business of setting strategic directions (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. It will be too easy for "group think" to take hold and keep out radical ideas for changes.

Nevertheless, large boards (20 to 30, say) can work as long as everyone recognizes and accepts that a smaller subset of board members will probably evolve to play a leadership role. Whole board meetings will be dominated by a "core group" and others will usually ratify their ideas. The contributions from non-core-group members will come mostly at the individual and committee-identity levels. At these levels they can provide useful advice or contacts on request.

Where large boards get into trouble is when major contentious issues arise which divide the group into factions. Whole board meetings degenerate into a political melée with parliamentary rules of order used as ammunition. The larger the number of sides involved in the dispute, the harder it will be to achieve any necessary compromise.

More generally dangerous is the small board (say, fewer than six members) where there is a real risk that the board will not be made aware of changing conditions that threaten the organization. Small boards are easier for a chief executive or board chair to control, 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.

Formal Offices

The generally accepted recommendation is to "keep them (formal offices) to a minimum" on the ground that many of them have no real function other than ceremonial. At minimum, however, there must be a board leader (chair, president), and someone to step in if the leader cannot perform her or his duties as well as learning the ropes to take over when the current leader's term is up. A skilled treasurer is usually helpful to take the lead in carrying out the fiscal oversight responsibility and a secretary is required to keep track of board decisions. The main point is that these *functions* must be performed; the actual titles used are not important. In some simple, stable organizations all functions reside in the chair or vice-chair. In richer organizations, the secretarial function is usually performed by paid professional staff.

Other formal officers are usually the chairs of the board committees discussed below. The important requirement of all formal offices is that provision be made for training. Nothing is worse than having office holders who take up their jobs without a clue as to what is required. With luck, they can learn by osmosis before a major issue arises, otherwise they can get themselves and the organization into serious trouble.

Board Committees

At one extreme in the "how to" literature on boards are those such as John Carver (1990) who argue that the correct number of committees a board should have is zero. 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 get involved with strategic issues that are the responsibility of the whole board. The board and committees therefore end up duplicating each other's work and wasting everyone's time. These are real problems, but going to zero committees is not the only approach to solving them. In fact, in the Mixed Model and Working Boards, as already pointed out, committees may be vital to the operation of the organization.

There are two basic reasons for having committees. They can be used:

(a) as small problem-solving groups which can study strategic issues in depth and produce reports for the whole board with recommendations and supporting data; or

(b) as policy implementation groups which either assist paid staff in carrying out tasks that staff cannot do alone or are used instead of paid staff who are not 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 level 1 or 2 policy issues must be recognized and brought to the whole board for discussion in the context of the strategic plan. 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 isn't.

Even in Governing Boards, some implementation-oriented committees will be needed at times to help with new operational activities in which the management has little experience, e.g., 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 be kept to a minimum in Governing Boards. Too many committees with titles such as Property Committee, Program Committee, Purchasing Committee, Human Resources Committee, etc., have no clear function either as task forces to study specific strategic issues or as operational helpers. 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 with very clear terms of reference and deadlines for doing their jobs, after which they would disappear. It is important to note that a big advantage of temporary task forces of the board is that they can be staffed with well-qualified non-board members. Only the chair need be a board member to bring the policy issues to the board.

Should boards using the Governing Board model have *any* standing committees then? Since giving strategic direction is the number one board responsibility, a good argument can be made for a Strategic Directions Committee to work with other strategically oriented groups in the organization (such as the management teams; the Medical Advisory Committee in a hospital or the Administration and Senate in a University). 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. Also, because the board's responsibility for fiscal oversight is so critical, there is probably a 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, 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 evaluating 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 an "inner cabinet" called 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 Committee.

A Word About Informal Groups In Boards

Many of the "how-to" writers on boards deplore the existence of "cliques" within boards. They urge that the board must speak with "one voice" and that every effort be made to give all board members equal voice in decision-making. Reality, however, is something different and cliques need not be all bad. One recent study (Murray and Bradshaw 1994) found the over 60 per cent of a sample of 427 Canadian nonprofit boards of all types were seen as having "core groups" within them.

Of those reporting core groups 71 per cent said they were a "positive force for change". This would suggest that boards commonly have informal groups within them based on differences in the degree of commitment and experience of members. Such groups are often highly valuable advisors to both the board chair and chief executive. This said, it must be admitted that some core groups can be a strong force inhibiting needed change and a board that is broken into several competing cliques usually has the basis for destructive political conflict that can tear the organization apart.

Terms of Appointment and Reappointment

Again, the consensus of board management gurus is that it does an organization good to get periodic infusions of "new blood" on the board so members should be appointed for fixed terms (e.g., of two or three years) and rules made as to how many consecutive terms a member can serve. Of course the number of members turning over every year must not be too great so as to provide continuity of experience. This leads to procedures such as three-year appointments with one third of the board retiring each year. Reappointments can be made only, say, for two terms after which the person must retire for at least one term. Such formal procedures are potentially useful provided there is a

ready pool available of qualified candidates for board appointment. This may be the case either where membership in the board is eagerly sought by excellent people or where the organization has a "farm system". A farm system gets potential board members involved in the organization as volunteers and carefully develops and promotes them to the point where they become ready for board membership. The former strategy is followed mostly by well-established mainstream organizations with governing boards and the latter by smaller, lower-profile organizations with working boards.

Some organizations persist in keeping the same people on their boards year after year and don't seem to suffer. Chances are they will not continue to be successful in the future, however, unless they are among the few organizations with stable environments, secure funding and an unchanging and contented membership or client group.

Attendance

Poor attendance is usually an indicator of problems—members who are dissatisfied with the board and their role on it. Some consultants urge compulsory attendance rules as a way of getting the members out, e.g., "Members must attend at least 2/3 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.

Meeting Frequency and Times

There is definitely no fixed rule about the optimum frequency of official meetings of the whole board. Actual practice varies 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 Working Boards, this could be quite often. For many Governing Boards even less often than at present could be desirable. Chairs and CEOs can recognize if they are calling too many board meetings if they find themselves thinking "Oh oh, another board meeting coming up. How can we fill up the agenda this time?"

If the aim is to restrict board meetings only to the discussion of issues with implications for strategic direction, these might well crop up only two or 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.

Many nonprofit organizations today are finding that it is useful to differentiate between decision-making meetings and another kind of whole board meeting held for the sole purpose of discussing a single important strategic issue. These meetings are devoted to less formal discussions of specific issues such as a university's admissions policy, a social agency's ability to reach out to diverse ethnic and racial groups or a theatre company's ability to reach a younger

audience. 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 occur at one of the "official" board meetings. Thus, even though the number of "decision-making" meetings may decline, the number of "policy advisory" meetings could go up.

The question of the *time of board meetings* is important when board membership is diverse and everyone does not find the same period of the day, or day of the week, convenient (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. If whole board meetings regularly last more than two hours there are probably 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 don't contain enough supporting data. When these kinds of long discussions occur regularly, attention should be paid to how to improve the work of the committees or managers who prepare the agenda items in question.

One thing has been made clear by psychological research—the ability of a large group of people (over 10) to attend to, and constructively contribute to, a debate declines dramatically the longer a meeting wears on. This leads to the common ploy used by manipulative executive directors seeking a board rubber stamp for 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.

Conversely, short meetings that the board rushes through in, say, half an hour could be an indication of a rubber stamp board. Quite improperly, the board has been trained to trust the chief executive and not debate any of the items put before it.

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 the board members until very shortly before the meeting so members have no time to prepare for the meeting;

- 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 are too disorganized; or, conversely, are too "rule bound" thereby preventing "full and frank debate".

Except in rare emergency situations, there is really no excuse for not getting meeting agendas into the hands of board members at least a week beforehand. Agendas should be organized so that items with strategic significance 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" to be used in conducting official board meetings. This, however, does not necessarily mean that all meetings must be run in strict accordance with these 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 fight, rules are needed to make it fair. These would include: how often a person can speak, control over how amendments to motions can be made, when and how a motion can be tabled, what constitutes being "out of order", etc. In other situations, given an informal consensus (see below), a much more relaxed approach can be taken to meeting rules.

Board Orientation, Development and Evaluation Procedures

One of the most important reasons that boards fail to perform effectively is that their members do not know what is expected of them or lack the skill and knowledge needed to make good decisions. (The other is that there are not enough of the "right" people as members; see "Board Composition" below.) The most direct way to deal with this problem is through a well planned system of board training, development and evaluation. The components of such a system are:

- A board manual which provides full background information on the organization and its current programs and plans, descriptions of the position of board members, and outlines of the responsibilities of board officers and committees.

- A formal orientation program at which board members meet top management officials and hear presentations on the organization's programs and background information on strategic issues. Also helpful here are informal "mentoring" programs which pair new members with current members. A good mentoring program will "train the trainer"

by providing the mentor with a checklist of topics to discuss and the necessary information to cover.

- Periodic formal occasions at which the board assesses its own performance using feedback questionnaires covering much the same topics as the content of this paper. Additional feedback from the management team on those same topics can also be used.

III. Board Composition

Critical to having a successful board is getting the right people on it in the first place. The difficult part is deciding who will be "right" for the organization during his or her tenure. Too often the tendency is to appoint members who resemble members who were suitable for the past but will not be suitable for a changing future. There is a good deal of advice, often contradictory, available to those who are seeking to put together a successful board but there are only two universal criteria which are supported both by research and the "how-to" authors:

1. Board members must be *committed* to the organization's mission, i.e., they must believe strongly in what the organization is trying to do and seriously want to help. People who agree to sit on a board as a favour to a friend or because they feel a vague "civic duty" to do "good works" will not usually be effective.

2. Prospective members must have the *time and energy* to do the board's business.

(a) How many "prestige" members?

Having a lot of "big name" people on the board can be a big help in giving a nonprofit organization credibility and a high profile in the community. And some, if not all, "names" have valuable talents. The dilemma is that many of these people are so busy they don't really have time to do much more than make token appearances.

Many organizations elect to keep the percentage of "prestige" members relatively small and tolerate minimal involvement as the price that must be paid for the ability to provide contacts and credibility. The majority of the board carries the work load. Of course if the "busy names" become the majority of the board, this will almost automatically create a Rubber Stamp board. (Many do this and survive quite well as long as the CEO and the management team can handle all the responsibilities.)

The other approach is to put the prestigious names on an "Advisory Board" comprised of those who can give useful help with specific matters (such as fund raising) and heighten the organization's profile but who are not expected to govern. A variation of this idea is the creation of a category of "honorary"

board members who are listed as board members but do not have voting privileges.

(b) The Diversity Dilemma

It is generally agreed that boards should represent the diversity of people in the communities they serve but research has established that many boards do not achieve this representation. Instead, the majority of their members have similar backgrounds (usually middle class, middle aged, well educated, with business or professional experience and of European ethnic origin). To what extent this affects the board's, or organization's, performance depends on how diverse the populations are that the organization ought to be serving. The hypothesis is that a non-representative board will increase the chances that the agency will serve the needs of non-mainstream communities poorly. Put in positive terms, the hoped for advantage of expanding a board's diversity along ethno-racial, social class and other dimensions is that this will improve the board's "boundary spanning" function and lead to better strategic leadership.

The fear associated with a very diverse board is that these new kinds of members won't always understand how the board operates and won't try to see what is best for the organization as a whole. Again, there is no research evidence that this, in fact, happens. Differences in background may sometimes make it more difficult to develop a comfortable, open, problem-solving climate but it is not impossible. Given careful selection of the individual nominees and adequate board development programs, a diverse board can be much more effective than a homogeneous one.

(c) The Stakeholder Representative Dilemma

A related question is how much the board should be made up of "stakeholders" who have specific interests in the organization as opposed to more general "community representatives". Stakeholders consist of organized interest groups, e.g., in a university—student governments, faculty associations, government ministries, alumni associations, support staff associations and associations of potential students such as racial, ethnic or religious groups. Again, the positive side of organized stakeholder representation is the greater ease of "bringing the outside in" and "taking the inside out". Once more, the downside risk is the possibility that the representatives will feel they must act solely in what they see as the interests of the organized group they represent. Hard data on the extent to which this actually happens are very scarce. The probability is that problems arise only infrequently, but stakeholder organizations can cause major upheavals during crisis periods such as downsizing, opening or closing programs, or shifting attention form one client group to another. Again, great care in selecting the individual representatives and thorough board training can help minimize the frequency of destructive approaches to conflict during periods of change.

(d)   How well should candidates know the organization?

Another dilemma is the extent to which the board should consist of members who already have an in-depth knowledge of what the organization does and how it operates. For boards using the Working Board model, this is quite important, at least for selection of the majority of their members. For Governing Boards, it may be impossible, other than by choosing internal stakeholder representatives. A majority of Governing Board members will not be "experts" in the organization they govern. This raises the question: how can they provide strategic leadership? As noted, the solution to this problem lies in thorough orientation and provision of at least partially independent information systems for the board.

(e)   How much should "business skills" be emphasized?

A related question is the extent to which board members should possess specific skills or knowledge based on their employment or training in areas such as law, accounting, marketing, human resources, public and government relations. One school of thought says this kind of talent is very useful for providing the executive director with invaluable free advice on all sorts of management issues. The other says it is overrated and runs the serious risk of creating a board which is going to be primarily interested in management issues and unable to focus on governance issues. Again, there are no data to support either of these assertions so probably there is not a universally correct mix. Organizations with Working Board and Mixed Models are, by definition, deficient in certain management skills so board members who can help fill the gaps are important. Even in large professionally managed institutions there can be certain areas of specialized knowledge that the organization cannot afford to pay for but which a board member might possess. The key in all cases is to train these useful specialists to understand that they will be acting as individuals or committee members and that their expertise will be sought from them in the roles of advisor or implementer only, not as decision-maker.

(f)   What individual personal qualities to look for?

Once the broad criteria for membership are established and a general idea exists as to how much candidates have to know about the organization, possess prestige or special skills, represent a stakeholder, and so on, there remains the problem of what else is important. The "what else" usually boils down to certain kinds of personality characteristics. Everyone who has ever spent much time watching different boards come and go in an organization will agree that some years the majority of board members seems particularly quick to understand issues, creative, constructive in their handling of differences and businesslike; in other years, the opposite qualities prevail. Since most boards don't like to check carefully into the personal qualities of the people they nominate, it is almost a matter of chance how well the mix works out in any particular year.

What is needed, clearly is: (a) an attempt to articulate the kinds of personality characteristics that are being sought and (b) a serious attempt to state how they will be confirmed in any given nominee. Under heading (a), the following are some of the qualities that are important for most board members: creative imagination, ability to see "the big picture", openness to change, ability to communicate and ability to work well with others and handle conflict constructively.

Regarding (b), there is not space here to provide a full review of the most valid methods for assessing these characteristics in people; most textbooks on human resource management will do that. Suffice it to say here that the essence of the process lies in how the candidates are interviewed and how their past behaviour is checked through references. Both processes need to be systematically thought out in advance and implemented with care. The all-too-common method of nominating someone whom a board member believes "is a wonderful person" just isn't good enough.

(g) The Special Problems of Low Profile or Non-Popular Nonprofits

Unfortunately, for a large number of worthy but low profile organizations, or others which support causes that are not widely popular, the problem of board composition is not how to choose among a range of possible candidates. It is to find enough people of any kind who meet the basic criteria of commitment to the organization's mission and willingness to devote enough time and effort to the cause. This is a problem of recruitment, rather than selection. Solving it requires developing a focused, formal recruitment program for board members.

The usual method employed by successful nonprofits of this type is the "grow-your-own" approach. This is accomplished by concentrating on getting a lot of working volunteers to help with programs and projects. The best of these are then identified and systematically wooed and trained to accept increasing amounts of responsibility, including the leadership of others. Before long, they reach the point where they can be asked to sit on the board (which, in these situations, is almost always a Working Board). In desperation, one can trust recruitment to the efforts of a few board members to pressure their friends to join, but don't expect a very effective board as a result.

(h) A Final Word on Board Composition

Though there are no hard and fast rules about how a board should be made up, there is probably one generalization that fits all voluntary organizations that are facing rapidly changing, often threatening, environments: strive for balanced diversity. The exact *kind* of mix will vary from situation to situation, but a mix it should be. Older, younger; men, women; rich, poor; "old hands", "young blood"; business or non-business; multi-ethnic and multi-racial—the criteria can vary. But only with a balanced mix can the organization improve its chances for getting the fresh ideas and specialized information it needs to

cope with its changing world. Remember, however, to make it all work, the board needs training in how to discern the greater good of the organization as the basis for making all decisions.

IV.   Board Culture and Leadership

So far, the critical factors that shape the effective board have all been "formal": they can be the subject of written statements in board bylaws and manuals of operation. The roles and responsibilities of the whole board and its committees should be clearly set down; structures and procedures are best embodied in bylaws; and criteria for the composition of the board can be similarly published. However, even if all the "official" and "formal" policies, structures and procedures are ideal, the board may still perform poorly. This is because, behind the formal framework, is an informal one which can be called the board's "culture". A culture is a set of attitudes, values and beliefs widely shared by a group, which influences their behaviour. Taken together, they represent the shared understanding of "how we do things around here". They are often taken for granted and so deeply ingrained that group members are scarcely conscious of how they colour their individual ways of viewing the world. Not all boards have strong, widely shared cultures, especially when they are new or when there are wholesale changes in their makeup. But most do eventually evolve, in an unconscious way, ways of thinking and feeling about how the board should function.

Some Elements of Board Culture

Elements of the How-To-Run-A-Meeting Culture
A stranger observing the meetings of the boards of several organizations with similar memberships, structures and operating policies will quickly note how they can differ. In one, for example, meetings of the whole board may be stiff and formal. Discussions consist of "speeches" each of which makes little reference to previous speeches. Expressions of disagreement are few and are quickly smoothed over. There is a tendency for the meeting to be dominated by a few "senior statesmen/women". In another board, governing the very same type of organization, the meetings are much more relaxed and informal, members appear to know each other, one person's comments pick up on others adding to, or modifying, their ideas. Disagreements arise but are "talked out" until there is consensus or the parties "agree to disagree". Though some may participate more than others, everyone usually contributes something to the discussion and the ideas of a newcomer have as much chance of influencing the debate as those of the old hands.

What we have here are cultural differences in the matter of how meetings ought to be conducted. The important elements of the meeting culture are: the formality of discussion, the inclusiveness of participation and the management

of differences. They can have a huge impact on the quality of the decisions reached by the board. Other important elements of board culture include:

Openness to Change

Some boards come to view themselves as the "keepers of the flame". They have a strong sense of what has made the organization distinctive and successful in the past. Every proposal for change is scrutinized for evidence of a departure from tradition. At the other end of the spectrum are boards that have little or no sense of the organization's basic mission or values so are willing to embrace every new fad or opportunistically take on every new program that looks as though it might bring money or popularity. In between are those which intuitively understand the core values and mission but also appreciate that threats and opportunities in the environment require change, sometimes major change.

Acceptance of Diversity and Equity

Organizations may make official pronouncements about their commitment to increasing diversity and promoting equity in their treatment of clients, staff and volunteers. These may even be reflected in the board's membership as new members who represent different backgrounds are appointed; however behind the formal are the informal attitudes toward these others that can be reflected in a hundred ways through tone of voice, choice of words, body language and what is left unsaid. That message is one of non-acceptance and the newcomers quickly pick it up. Either they leave or try to "fit in", conforming to the others' expectations of how they ought to act.

Commitment to Action

One of the most important aspects of board cultures is the extent to which they have an orientation to action as opposed to "just talk". In one situation, new board members rapidly learn that the main role of board members is simply to express their opinions in whole-board meetings. When it comes to taking an active role by digging up new information, consulting outside stakeholders, raising funds, sitting on task forces, etc., everyone gazes fixedly at the ceiling until someone suggests that the executive director or other staff do the work. In others, the sense of partnership with management is pervasive. Members sense when and where they can help and step forward.

Deep-Seated Convictions About Board Roles and Responsibilities

It is quite common for boards to hold retreats at which they make firm resolutions to change the pattern of roles and responsibilities they use from, say, a Rubber Stamp Board to a Governing Board, or from a Meddling Board to a clearer Mixed Model Board. Reports are written and motions passed to this effect. Yet two or three years later they have drifted back to their old ways of rubber stamping or meddling. Why is this? In all likelihood it is because the

deeply held, shared beliefs about how boards ought to operate were never touched in the "change" exercise.

What can be done to change board cultures?

The Importance of Leadership

Students of organizational culture are far from unanimous about how board cultures (or any others) are created and what makes them change. Without doubt, the characteristics of individual board members are important. So too are the formal policies, structures and procedures of the kind discussed throughout this article. But they are not sufficient to make positive changes without leadership. There are two critical leadership roles that strongly influence board cultures: those of the board chair, or president (terminology varies, but this is the volunteer head of the board) and the organization's chief executive (the paid top manager where this positions exists). In all-volunteer organizations, the chair usually fills both the top board and top management roles. The way these roles are played can have a great deal of influence on the board's culture: when the two are played in complementary ways, the influence is multiplied; when they are in conflict, they can paralyze both the board and the organization.

An excellent book that summarizes the literature on leadership in nonprofits and reports research on the differences between effective and ineffective leaders in this sector is *Executive Leadership in Nonprofit Organizations* by Herman and Heimovics (1992). In condensed form, the way the two top positions influence board cultures can be described as follows:

The Chair

The board chair is often the one who decides what will go on the agenda for board meetings, the order of the items and what will be provided as background information. This "gate-keeper" role can strongly influence the extent to which operational, rather than strategic, issues generate discussion.

One of the chair's key roles is that of actually chairing the meetings of the whole board. Leading meetings is very much a combination of learned skills and personal disposition, including:

- *Degree of Control.* Strict application of rules of order versus a looser approach. The more controlling the chair, the more likely the board climate will be formal and the greater will be the tendency to adopt a Rubber Stamp model of operating. Conversely, overly loose control can lead to a Confused Board in which all members feel free to do and say whatever they want, for as long as they want to.

- *Degree of Organization.* Meetings start and stop on time, discussions end with clear action plans (who is going to do what and when), agendas are organized with items appearing in order of importance.

The more organized the chair, the more boards will value commitment to action as opposed to "just talk".

- *Tolerance for Digressions.* This refers to how the chair handles discussions that wander off the topic. Too much tolerance breeds a "just talk" culture; too little can kill spontaneity and creativity.

- *Tolerance for Dominators and Disturbers.* If the chair cannot control the tendency of a few members to dominate discussions by too much talk or personal attacks on the contributions of others, a culture will develop in which the majority of members (if they stay on) will feel there is no point in their saying anything.

- *Ability to Draw Out Non-Speakers.* Some board members are too inhibited to contribute so must be skilfully brought out of their shells. Unless this happens a board can evolve into two cliques—the talkers and the non-talkers. This may not be a problem until a major controversial issue arises. Valuable input will be lost from non-talkers and some may eventually "blow up" in damaging ways.

- *Ability to Inspire and Motivate Commitment.* By far the most important function for the board chair to play is that of helping the board to articulate its vision and find the strategic paths to achieving the goals. Some will try to do this through a form of personal charisma which inspires a sort of messiah-like devotion on the part of followers. Without thinking too much for themselves, they buy the leader's dream and do whatever the leader suggests needs to be done to make it come true. The danger of this form of charisma is that it creates a Rubber Stamp board dominated by the chair. If and when the vision fails, it is very difficult for the board to see a new way. Usually the fallen leader leaves and most of the rest of the board follows (and if it doesn't, it becomes paralyzed).

  There is another kind of charisma, however: that of the leader who has the talent to spark creativity in others; who can synthesize and articulate the contributions of others. The result is a vision and strategic plan in which the whole board, indeed the whole organization, feels ownership. If it experiences difficulties in implementation no one runs away or blames others, rather they pull together to make the necessary changes.

The Chief Executive

According to Herman and Heimovics (1992), the way CEOs lead is the single most important factor differentiating successful from less successful nonprofits. Without doubt, CEOs can strongly influence the ability of boards to play their roles effectively.

The reason CEOs are so important to their boards is because of their power to control information. Because of the amount of time and energy they put into the organization, they simply know more about what is going on both inside and outside among critical stakeholders. This gives them a tremendous advantage in determining how problems are defined. For example, "Our problem is not enough money" versus "Our problem is that our programs don't meet the needs of our clients"—both could be offered as "explanations" for bad publicity from dissatisfied clients. They also control what information is provided to analyze issues and what solutions will be seen as "feasible".

Experienced, long-tenure CEOs who want to control and manipulate their boards so they become Rubber Stamps, usually have little trouble doing so because they can influence who is invited to join, who is nominated to key positions as board chair and committee chairs and, as mentioned, they can control the board's agenda and its information resources.

On the other hand, CEOs who want to ensure that board meetings are truly strategic will do so by involving members in information gathering and the creation of recommended actions well before complete reports and formally worded motions are put to the formal meeting for approval. They will also be very aware of contributions that board members can make in their capacity as committee members and individuals with useful skills and knowledge. Those who need a Working or Mixed Model board will help train the volunteer/manager board members in how to distinguish between big-picture strategic issues and operational matters so that only the former are brought before whole board meetings.

Conclusion

The key assumption behind this paper cannot be overemphasized—there is no one best way to run a board; there is no one formula for success. The way to find the approach that works best for a given configuration of personalities, historical forces, environmental pressure, and future needs is a five step-process:

Step 1   Look at the discussion of each of the four basic dimensions of board functioning discussed in this article under Roles and Responsibilities, Structures and Procedures, Composition and Culture and Leadership.

Step 2   List the factors discussed under each dimension.

Step 3   Have the board members, the board chair, the CEO and the management team indicate how they perceive the board's strengths and weaknesses in each set of the four sets of factors. (See example diagnostic questionnaire on p. 36.)

Step 4   Identify the information needed to make informed judgments about current board problems and what changes should be made. Where it is inadequate, try to get more and better information.

Step 5   Discuss ways to improve and decide on specific changes (e.g., changes in board responsibilities and roles; new committee structures and terms of reference; new criteria for membership; better board training). Implement these ideas and repeat this five-step diagnostic process at regular intervals to check progress.

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Diagnostic Questionnaire:
Identifying Areas for Improvement in the Operation of the
Board of Directors of Nonprofit Organizations

1. Below is a list of broad areas of responsibility in which boards of directors (governors, trustees) could in some way become involved. Question: Given the nature of your organization, in which areas of responsibility could your board improve its performance?

    a) Setting the mission and strategic objectives for the organization and evaluating progress in achieving these objectives;

    b) Making sure the organization operates in a fiscally responsible manner and complies with all laws and regulations applying to it;

    c) Selecting, and evaluating the performance of the chief executive officer;

    d) "Boundary Spanning":

        (i)   by bringing the concerns of the outside community and particular constituencies into the organization; and

        (ii) by representing the organization to the community and constituencies;

    e) Helping to raise the financial resources needed by the organization;

    f) Ensuring that the management of the organization operates as efficiently as possible and uses the best available systems, policies and administrative practices to do so;

    g) Helping to decide the particular programs or services the organization should offer;

    h) Ensuring that the board itself functions as effectively as possible (e.g., gets the best people to serve, provides adequate training for members, manages its meetings and committees well).

Areas Needing Improvement:

2. Given that the board has only limited amounts of time and resources, it can't always do everything it would like to do. If you agree with this, can you rank the areas of responsibility above in order of their importance for your board?

    First Priority.   Areas of responsibility which are of critical importance for the board: (Insert areas from list above, e.g., a, c, f, etc.):

    Second Priority Areas:

    Third Priority Areas:

    Board members can function at several levels. At one level is the board acting as a whole at its official meetings. Another level is that of board committees. Finally, members can help the organization as individuals. At each level, members may play several roles: (a) that of the final authority which votes on recommendations made to it and evaluates the success of prior decisions;

(b) that of advisors providing information or other assistance in developing the recommendations that they, or others decide on; (c) implementers actually assisting in carrying out decisions that have been made.

3. What needs to be done to improve the effectiveness of official meetings of the whole board? (For example, devote more or less time to certain responsibility areas; spend more time on decision-making as opposed to listening to presentations "for information only" or giving advice; improve information provided in support of motions; change the order of the agenda; remove certain agenda items; provide more, or less control of discussions from the chair.)

Suggestions for Improving Board Meetings:

4. Considering the committee structure of the board in the light of the board's primary areas of responsibility and the roles it should play:

   (a) Are there existing committees which are either unnecessary or confused as to their responsibilities or authority?

   (b) Are there areas of responsibility which should be dealt with by committees but are not adequately covered at present?

   (c) How else could the structure and functioning of board committees be improved?

Suggestions for Improving the Structure and Functioning of Board Committees

5. Thinking of the contribution that board members make to the organization as individuals (outside of board or committee meetings), should it be greater?, less?, different?

6. (a) Are we getting enough of the "right kind" of people on the board? Should the overall makeup of the board be different?

   (b) Should the process by which new board members are identified and nominated be changed? How?

Suggestions for Improving the Composition of This Board

7. What else could be done to improve the effectiveness of this board?