

The Director's Creed: Give, Get or Get Off

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Members of the board of directors are the front line partisans of a charitable organization. They are the converted, preaching. But what the charities themselves really want to hear from their directors, besides exhortations to financial responsibility, is the sound of cash coming into the till. The skills sought from directors have been described as the "Three Ms": management, marketing, and money.

A recent survey of 14 smaller arts organizations carried out for the Council on Business and the Arts in Canada in connection with the CBAC/Davis & Henderson *Young in Art* program showed that the way in which the companies surveyed most wanted help was in raising money. Some, more farsighted, asked for help in setting up a coherent fund-raising strategy. "Teach a man to fish . . ."

Just as charity begins at home, so does fund raising. Directors should give for three reasons. The first, and most important, is to help the organization itself, as generously as possible. The second is to demonstrate a public dedication to the group. The third is to establish credibility when they are asking other people for donations. A prospective donor may well ask: if the board does not care enough to give, why should I? Public funding bodies often feel the same way. Governments help those who help themselves.

How does a charitable organization get money from its directors? Start at the beginning. Anyone being recruited as a potential director should be told that the charity will expect as generous a contribution as the director can reasonably afford. A charity can certainly expect a director to provide at least two of the Three Ws: work, wisdom and wealth. A focus on the last should not come as a surprise when the president or chief fund raiser calls on the directors for generous donations.

If the charity is a corporation, then in most provinces a person must be a member of the corporation to qualify as a director. The by-laws may provide for the sale of memberships and they could require that a director be a particularly expensive kind of member. One would, however, not want to eliminate hard workers from the board because they lacked means. A scale of membership fees may encourage generosity without being a barrier to service.

Guilt can be helpful. If a director is not keen on fund raising, or seems unable to get around to it, a substantial personal donation may be a reasonable substitute. This depends, of course, on the size of donations the charity is seeking from the

public. It also puts a heavier burden of work—letters, phone calls, visits—on those who do the fund raising. Letting directors buy their way out of their fund-raising obligations should be a last, or at best an interim, resort.

Some organizations with irregular cash flow need bank lines of credit. Often these are guaranteed by the directors but giving a guarantee is not a substitute for a donation of real money. It is only an incentive for a director to keep an eye on the financial statements. (If directors do guarantee debt, they should ensure that the guarantee is limited and several, so the bank cannot go after a few of the directors for the charity's entire debt.)

Those in charge of the charity should not hesitate to remind the directors of their duties. These include the Three G's: give, get or get off. This last duty, however, is sometimes difficult to enforce.

Why should a charity want to get rid of directors? Perhaps the screening process, whatever it was, did not function well and the director is just not prepared to show the interest, do the work, or contribute or raise the funds required. Possibly strong personality clashes have arisen among the directors or between the board and the staff. Directors may differ so strongly on policy matters that the organization can scarcely function. Even the best directors eventually burn out and cannot maintain their enthusiasm or energy at the initial rate. Finally, just a change for the sake of a change can be worthwhile. A charity gets new blood to tackle new problems and to provide new perspectives on old problems.

Who is it who really "wants" to get rid of a director? The members elect the directors of the corporation. Membership may be as narrow as the board or as broad as the community that the charity serves. In almost every case it will be impracticable to mobilize the members to throw out a director at the annual meeting, much less remove him or her in mid-term. More often it is the chairman of the board or a faction of the board, or the staff people who set the tone of the organization, who decide that some one is not working out.

At that point, it is up to the chairman to demonstrate the leadership qualities which the position requires. Diplomatic approaches may vary. If the problem is policy, and the chairman represents a strong majority, then he or she may point out to non-conforming directors that the organization is not what he or she is expecting or hoping for, and time and energy might be put to better use elsewhere. If the "dissident" has allies, however, they may be hopeful of bringing the organization around to their thinking. Invitations to resign will be quickly rejected. In these cases, the battle may be won by the directors who are most willing to stick it out.

If the problem is that the "target" director is not doing the work and does not respond to suggestions for improvement, then sometimes the direct approach works best. The chairman could ask the director to resign, or to agree not to stand for re-election at the next annual meeting, or, perhaps more constructively, to step down to make room for some impressive candidate with much to

contribute to the charity. If a nominating committee exists, it may be prepared to do the “dirty work” and not renominate a problem director. Often directors who are not carrying their weight will, themselves, be uncomfortable about it. Perhaps they are only staying on out of a sense of duty. It comes as a relief to them to be able to escape honourably.

It is not always easy, however. The opinion of the chairman/general manager/artistic director and that of the target directors may differ on the value of their contribution. Directors are volunteers, therefore people who care about what they do and get some reward out of it, whether satisfaction, excitement or social status. It may prove emotionally difficult to try to deprive a director of that benefit.

If all this makes it sound as if “firing” a director can involve serious differences of politics, personality and pride, that is correct. Many charitable organizations try to reduce these problems and get the benefits of renewal by prescribing a maximum term for directors. The rules are set out in the corporate by-laws or in the charter or constitution of an unincorporated group.

The rules may prescribe a fixed number of one-year terms, or a single term of two or three years. Since it often takes a director a year or so to get the feel of the organization and the confidence to participate actively, the term should not be too short. Three years would be an absolute minimum, while six or seven is getting pretty long. It is also possible to provide that the limit does not apply to directors who are serving on the executive. Thus someone who is working harder than average, or in a more important job, is enabled to serve longer to the benefit of the organization. Such organizations usually prescribe a regular progress through the executive offices, so tenure on the executive is also limited.

Not all organizations would want such rules, however. The organization may benefit from a secretary or a treasurer who holds office for years and years, to provide stability and counsel to the holders of more frequently rotated positions. To some extent, of course, this depends on the individuals holding long-term offices. What appears to be wonderful stability with one incumbent can feel like management by a “dead hand” with another. The purpose of the compulsory rotation is to avoid this element of luck.

Of course, the fixed term does not solve all the problems. Someone who is really not up to the job may have to be eased out before the term is up. The maximum cannot be a minimum. Rotating boards, where one half or one third are elected each year, lessen the possibility that the board will be stampeded by a season’s whim, but they can produce dead weight that is also hard to oust.

In a “mature” organization, the permanent staff will probably not be on the board, as they are employees of the company managed by the board. However, it is common for the founder of a charity to be on the board, and she or he often sets the tone of the operation. It may not be advisable to remove this person as a director, on a rotation or otherwise. A possible solution would make the founder

a director *ex officio* or an observer, so that the usual rules would not apply. Whether or not a charity can survive the departure of its founder is a serious test of its maturity.

What should be done with retired directors? Former directors may be quite knowledgeable about the charity and the community in which it operates. They may also be inclined to be generous. It would be a shame to lose touch. Some sort of formal organization may be helpful, if only as a means of continued communication. An honorary board, perhaps, or an advisory board (the solution of the National Ballet of Canada), or a Senate (with the Stratford Festival), can reunite those who have contributed in the past and who have a continuing interest at a lower level of activity. They should be given little or no responsibility but the opportunity to continue to feel they are still part of the organization.

Indeed, it may prove easier to induce directors to retire if there is an appropriate honorific awaiting them on departure.

This gives us a glimpse of the best of all possible worlds: a group of directors who reach deep into their pockets for the charity while they serve, and who retire gracefully, if automatically, to a charitable Valhalla from which they can dispense occasional wisdom and regular donations for as long as they are able to do so. It is up to all present members and directors of charities to order their affairs as best they can to create this ideal situation for their own organizations.