Does Your Board Add Value?

Roles, composition, and processes that make the work of governance matter.

By Rick Goldstein

Have you ever been on a really good board?

Before you answer, consider this simple definition: As a result of its actions over time, as a whole and in committees, the board had a clear and positive impact on the organization, its mission, and goals. In other words, the work of the board mattered.

On a really good board, directors are engaged and involved, actively participating in board and committee meetings that focus on the appropriate types of issues. The board's pattern of behavior is to make well-conceived decisions and provide counsel that has a beneficial impact on the organization's performance.

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I spoke to a client recently who relayed a perfect example to me. This staff executive had worked with a 15-person board that met six times a year. The board was composed of seasoned subject-matter experts, who provided wise counsel when asked but refrained from interfering with operational decisions. The directors' experience level and professional maturity made them really strong advisors. My client used to look forward to these board meetings and consistently found them valuable.

On the other extreme, my own first experience as a board member could be summarized concisely by Ralph Waldo Emerson, who defined exhilaration as the feeling you get right after you think of a great new idea, and just before you figure out what is wrong with it. I was proud to be recruited to this board and enthusiastic at the initial meetings. This feeling quickly shifted to disappointment and later resignation. Board meetings were dominated by updates and presentations during which directors would sit as spectators and ask a few questions. Then we would move on to the next topic. At the end of the board meeting I would leave asking myself, "So what did we just accomplish?" I left the board at the end of my term without a satisfactory answer to the question.

What Determines Board Value

As a consultant working with many nonprofit organizations, I have found that boards that add minimal value are the norm—the positive experience of my client seeming to be the rare exception. That said, what does determine the value of the board? Roles, composition, and process are the three key factors.

The board's role is defined by the types of issues it addresses and what is does in relation to those issues. The key board role is governance. Raising money and creating access to resources can also be important director roles in many nonprofit organizations.

The responsibilities required for governance are straightforward: To act as stewards, providing effective oversight, wise counsel, and final decision making, with a focus on

- Strategy development and strategic plan implementation;
- Policy formulation, program development, and execution as required to fulfill the mission and achieve strategic goals;
- Ongoing revenue generation and financial viability;
- Legal and ethical integrity;
- CEO selection, performance, compensation, and succession;
- Board continuity and compliance with the corporate charter and bylaws.

A high-impact board spends the majority of its time addressing agenda items that reflect these areas of focus. Not incidentally, it is important to distinguish between governing and nongoverning volunteers and volunteer bodies. There are important leadership roles for volunteers in addition to governance. Non-board committees and task forces are essential components of nonprofit organizational structure to perform many key tasks. Volunteers are often deeply involved in planning, organizing, and executing programs. However, it is important to recognize that nongoverning volunteer roles do not carry the same authority level. In this context volunteer leaders are generally collaborating with staff, who have day-to-day responsibility for programs.

In carrying out its governance work, the board needs to maintain the right level of involvement. Some boards play a passive role. They frequently lapse into rubberstamp mode by tending to go along with what is presented by the chair or management. The meetings of boards in rubberstamp mode are characterized by many updates and presentations, with little meaningful input by directors. The proposed decisions of management or board officers are rarely challenged, debated, or altered. This can be OK when a qualified committee of board members has addressed the issue outside of the full board. However, if it is the norm on most matters, it raises the question of board relevance.

On the other end of the pendulum, some boards, officers, or executive committee leaders can move too far into managing mode. This occurs when volunteers begin to give staff explicit directions about how to carry out programs and services, handle specific operational items, or address personnel matters. For some individuals in volunteer leadership positions, the chance to become enmeshed in the details of operations is enjoyable. And on occasions, staff may ask for advice and feedback on operational matters. In general, though, this is not the way in which board directors add value. In fact, board member interference in management and operational matters tends to become a cause of organizational conflict and ineffectiveness.

The board's effectiveness in its governance role is primarily a consequence of its composition and process.

Composition includes the number of board members, the depth and breadth of their collective subject matter expertise, and leadership skills. Common problems related to composition arise when the board is too large or has too few directors with sufficient levels of needed expertise for various governing responsibilities. A trend in leading corporations and nonprofit organizations is limiting board size to facilitate engagement by all members in a majority of strategic and policy decisions. Strong boards recruit and select individuals with a mix of knowledge and skills that align with the organization's work. Typical skill sets on strong boards include expertise in nonprofit leadership areas (board operations, revenue generation, public awareness), mission-oriented efforts (programs, services, research, public policy), and business and management (executive leadership, finance, legal, marketing, and human resources).

Board process is the other key factor that determines board impact. Process includes the frequency and duration of full board and committee meetings; communication processes to keep directors informed and provide materials in advance of board action; quality of staff support work; and board member preparation. Many boards are limited by their schedules, with only three to four meetings annually, sometimes as short as two to three hours each. In limited time frames, boards cannot possibly effectively address many agenda items. Another key element of board process is the annual schedule of committee and board meetings, so that board input and decisions can align with working on the right topics, in the right way, at the right points in time. Four indicators of good board process are as follows:

- The frequency of board meetings and communication enables directors to be knowledgeable and engaged in key organizational issues and concerns.
- Board agendas match up with key work of the organization at each point in the year.
- Board meetings are effective for setting direction and maintaining oversight.
- Board interactions are effective in debating key issues and making fact-based decisions.

As an example, consider budgeting. Typically budgets are prepared by staff, overseen in detail by the finance committee, and approved by the board at a particular point in time in advance of the start of a new fiscal year.

A strong process might include

1. Finance committee and staff agreement at the beginning of the budget process on guidelines, such as the percentage increase in major categories of revenues, expenses, and reserves.
2. An overall board briefing on the agreed-upon guidelines so that board members might understand the key differences between the proposed new versus prior-year budget.
3. Initial detailed budget prepared by staff.
4. Detailed review and refinement of the draft budget by the finance committee.
5. Revised budget prepared by staff.
6. Budget presented to full board for approval.

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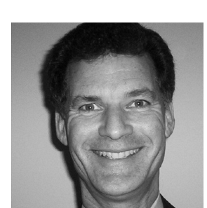
A Role for No Other

A strong governance role is essential and is the legal responsibility of all board members. Governance requires more than attending meetings, listening to presentations, and reviewing documents. It means playing an active role in shaping the direction of the organization. It is a role no other group can legitimately play.

So what makes a really good board? The roles, composition, and processes all have to be right. But the real proof of a good board is this: When you reflect on the work of the board, you can honestly say that it mattered.



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