

# Beginning a Review

## of Your Association's Governance System

*Is your organization's board and committee system working well, or is it creating major challenges for your volunteer and staff leaders? Start your assessment by brushing up on the fundamentals of governance and the key steps to take when you consider making changes.*

By Rick Goldstein

When an association's executive committee recently agreed on the need to undertake a governance review initiative, it did so with a bit of trepidation. Many people within the association believed that its governance system had evolved in a way that inhibited the ability of the organization to function effectively. Yet all were wary of opening up a potentially divisive set of issues, and they were unsure of the willingness of the volunteer leadership to support change.



ILLUSTRATION BY P.J. LOUGHAN

## Making improvements that will strengthen the ability of volunteer and staff leaders to focus on the mission and achieve key objectives can make a big, positive difference.

As members of the executive committee decided to proceed, they agreed that it would be critical to follow a transparent process that would build credibility for their recommendations and to focus on creating consensus. They began at the beginning—by gaining a keen appreciation for the key issues that are important to address in getting started and by using that understanding to help frame the work that was ahead of their governance review task force. This article, based on a letter to help them begin, doesn't answer every question about governance review but rather highlights some of the key things to consider as you begin your own assessment.

A review of governance structure and processes presents an important

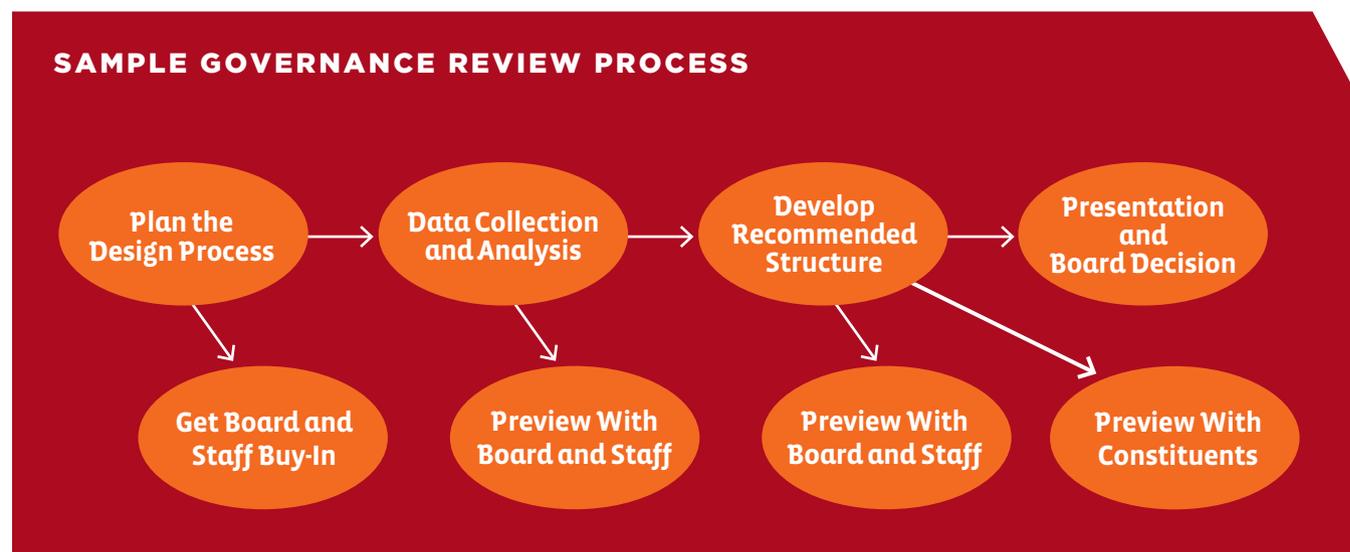
potential turning point for a nonprofit organization. Board and committee roles and processes have a profound impact on the way associations and nonprofits function. Many volunteer leadership structures have evolved to be less than optimal for getting things done yet prove highly political and difficult to change. When the window of opportunity presents itself, making improvements that will strengthen the ability of volunteer and staff leaders to focus on the mission and achieve key objectives can make a big, positive difference.

### Design the Governance Review Process

Two related but different challenges face any governance review task force.

The first is to determine what the structure should be and to develop recommendations for change. The second is to gain the support of volunteer leadership to implement needed changes. My experience has led me to work on both of these issues in parallel. While you and your team have a responsibility to conduct an objective analysis and determine the structure you believe is needed, I suggest you will need to be continually thinking about the process your task force will be using, how and when you will solicit input, and how you will preview draft ideas to build support before presenting them formally for a vote.

The diagram below shows an example of a simple task force process. The ongoing communication with the



board maximizes the opportunity to build consensus, as does the effort to preview ideas with a wider group of stakeholders. The inclusion of staff is important to build the needed partnership relationship. Staff will have valuable perspectives and ideas, even though they will not have a vote. Make the design of the governance review process one of the first tasks of your task force.

### Establish Common Definitions

While all of the members of your task force may have experience in volunteer and paid leadership roles, they are likely to have varying ideas about governance: what it is and what it should be. So in beginning your work, seek agreement on some key terms. Here are some initial thoughts to help you start your discussions.

**Governance defined.** Good governance means acting as stewards of the public interest and ensuring legal and ethical integrity, ongoing revenue generation and financial viability, board continuity, an effective governance process, and compliance with the corporate charter and bylaws. In your governing role, you should provide oversight, value-added guidance, and final decision making on strategy, program, and policy formulation; CEO selection; and oversight of strategic plan implementation.

**The importance of governance.** The structure and processes for governance set the tone—internally and externally—for how the organization

is perceived and how it operates. The approach to governance demonstrates how volunteer “owners” of the organization exercise their authority to provide direction and oversight to the CEO and staff and where volunteers exercise an approval role over what is being done in the organization by staff and by other members or committees.

**Volunteering versus governance.** There are important value-added volunteer leadership roles beyond governance—in providing services and programs; recruiting members, sponsors, and donors; and providing input to staff and board leadership. Many volunteer committees do not have governance functions. This distinction is important, because in governance the staff is essentially taking direction from volunteers, but the relationship in volunteering functions is different. To the extent that the CEO and staff are carrying out the board-approved plan and budget, they must have discretion over operational matters without waiting for volunteer committees to “approve” what they may do. So the volunteer role is to collaborate with other volunteers and staff to help get the job done.

### Define Objectives

As you move beyond common definitions, it is useful to ask a question: If we were starting the organization over again today from scratch, what governance structure would we seek to establish? This question is answered most clearly in relation to specific design objectives that can be used as

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## QUICK READ: ASSOCIATION BOARDS

How does your governance structure match up against that of other associations? The following snapshots of current governance practices may give you an idea. (Percentages may add up to more or less than 100 percent due to rounding.)

How many voting members are on your organization's board of directors?

Mean: 27

Median: 16

25th percentile: 12

75th percentile: 24

How long is the term of office of the chief elected officer?

1 year or less: 63%

2 years: 24%

3 years or longer: 8%

Term not set: 4%

How long is a term of office for other members of your board?

1 year or less: 13%

2 years: 31%

3 years or longer: 49%

Term not set: 8%

How many times is the full board required to meet?

Monthly: 5%

Quarterly: 27%

Semiannually: 21%

Annually: 11%

Other: 36%

How many ad hoc or temporary committees are in operation in your organization?

2 or less: 39%

3-5: 31%

6 or more: 27%

None: 3%

How many standing committees are in operation in your organization?

4 or less: 29%

5-10: 41%

10 or more: 28%

None: 3%

Does your board have an executive committee?

Yes: 84%

No: 16%

Source: Policies and Procedures in Association Management: A Benchmarking Guide (ASAE & The Center for Association Leadership, 2006)

## As you move from definitions and objectives to beginning the design process, start by looking at the board.

the basis for selecting the most appropriate structure.

Design objectives describe the desired end result. As an example, the leaders of one nonprofit organization established the following desired outcomes for the governance review and organizational design process:

- Ensure that the organization has a

strong governance capability.

- Make sure that all volunteer roles are high impact and add value.
- Support streamlined decision-making processes and efficiency in all we do.
- Make a clear distinction between various staff and volunteer roles.
- Encourage all directors to be active

participants in board discussions and decisions.

- Establish clear accountabilities for the board and the CEO, and do regular evaluations to assess performance.

Each organization will have its own unique design objectives, and articulating them will enable an impartial process of determining which structure appears to be the best fit.

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### The Board

As you move from definitions and objectives to beginning the design process, start by looking at the board. Consider several issues in assessing the extent to which your organization is experiencing the benefits of an effective board.

One question to ponder is whether board members as a group possess the knowledge and expertise needed to provide valuable advice to the CEO and to make smart, informed decisions. Nomination and selection processes can vary widely, and sometimes they emphasize politics, popularity, and longevity over an unbiased look at the skills, expertise, and experience that are needed for strategic thinking and wise counsel.

Following is an example of criteria for the selection process for a national board. You can add, delete, or modify these statements to reflect the board you are seeking to create:

- Recruit a sufficient number of board members who can provide board leadership in recruitment of new members, fundraising, and other key

tasks that generate resources and sustain the organization.

- Provide effective representation of various stakeholder groups.
- Ensure that the board includes needed skill sets such as membership, financial, legal, marketing, human resources, and board operations.

Size is the second key issue, as many boards are too big to function effectively in the governance role. To encourage volunteer participation and to be inclusive, it is common for associations and nonprofits to appoint large boards. On the surface this can appear to be a good way to engage a larger number of volunteers, and many people enjoy being on the board. However, in my experience, creating a large board is often the first step in creating a less than optimal (or sometimes dysfunctional) governance structure.

When the board becomes too large, it tends to make dialogue during meetings formal and more difficult to manage. In this setting it is common for many directors to say nothing. The consequence is often to push the real work on substantive issues from the full board into smaller groups such as the executive committee. The board then tends to cede much of its authority, becoming a rubber stamp as subgroups offer reports and recommendations that the large board has neither time nor sufficient information to truly debate.

In assessing the board size, consider two alternatives for effective governance: a small board or a larger advisory board with an active executive committee.

**The small board.** To add value, the board must be able to discuss important issues and arrive at decisions in a timely and effective manner. This means a board size of 10 to 20 people, small enough for members to sit around a conference table and talk to one another, is ideal. A board of this size is generally large enough to include individuals with a variety of skill sets and expertise and to include representatives from various constituencies.

And often the most sought-after board members will consider joining only this type of board, as they may view participation in a large board as a waste of time. The small board is the model for most private sector companies. It provides an effective governance mechanism that maximizes the board role and minimizes the need to have the executive committee set policy and make key decisions.

**The large board.** For many associations and nonprofits, though, there is little alternative to the large board. Political considerations and the desire for broader representation of various constituencies may make it a necessary or desirable component of the governance structure. In this case, it is important to establish the board's role as more of an advisory group, with many of the formal governance responsibilities delegated to the executive committee. The large board can be most effective if volunteer and staff leaders carefully select issues to bring to the full board for discussion, debate, and decisions. Remaining issues can best be handled in committees, with the board receiving updates to stay informed.

### The Executive Committee

The executive committee is a vital element of the governance structure in most nonprofit organizations. This is understandable, as the group is typically small enough to have substantive discussions, schedule more frequent meetings and conference calls, and be responsive as issues arise that need quick responses.

As discussed earlier, to attract and properly use a strong group of directors for the board, it is important to limit the role of the executive committee. Ideally, the role of this group is to handle matters requiring decisions and emergency issues that arise between board meetings and cannot wait. To maintain a strong and viable board, it is advisable to avoid having the executive committee set ongoing policy and make decisions that should be the responsibility of the full board.



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If the organization maintains a large board of more than 20 directors, the role of the executive committee is different. Then the executive committee meeting schedule should allow sufficient time to review and make policy decisions, advise the CEO on important strategic issues, and operate as the primary governance oversight mechanism.

### Standing Committees

A common source of confusion in nonprofit governance structures is the standing committee. Typically only a small number of committees are required to assist the board in governance. Examples include audit, finance, and nominating. The majority of standing committees are typically volunteer or task groups, whose primary role is (or should be) to get a particular job done such as planning and delivering a program or event; networking and

sharing best practices; or recruiting members, donors, or sponsors.

Committees are critically important as mechanisms for involving members and volunteers and getting important work done that goes beyond what paid staff can accomplish. However, there are costs to standing committees that need to be carefully considered. The primary factor is the demand for staff support. Almost all committees have staff support or liaisons assigned, and often it is the most senior staff members. Since volunteers spend limited time on nonprofit activities, they naturally expect staff to provide information, do research, and follow through on committee action items. This may or may not coincide with the work needed from staff as a result of direction from the CEO or to implement approved plans and program activities.

The sensitivities for staff in saying

no to a committee request can result in many hours spent trying to accommodate committee member suggestions, whether or not they will add value. So a key requirement of a strong governance model is a committee structure that achieves the following:

- It complements the volunteer governance model and staff organization structure without adding unnecessary bureaucracy.
- It is aligned with the strategic work of the organization so that committees are working on the things that matter.
- It sets appropriate expectations around staff support versus what volunteer committee members should expect to do on their own.

### Parting Thoughts

Governance review initiatives are challenging. They almost always arouse strong feelings, resistance to change, and politically sensitive discussions. For this reason, thorough and objective governance review efforts do not happen often in the life of any organization.

On the plus side, though, they present important opportunities to solidify the foundation of a nonprofit organization. The right governance model will strengthen leadership and help enable a winning culture that leads volunteers and staff to be highly motivated to do their best work.

As you prepare to undertake this important task, my parting advice is this: Go for it. Be smart in how you design and facilitate the process, and then push for the structure and policy changes that you believe will enable the best possible results. As the well-known saying goes: If not you, who? If not now, when? **an**

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