

Avoid Pigeonholing Your Board into Traditional Models

Final Installment of the Lifecycles of Board Series

by Michael Burns



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During the adolescence stage a board must come to terms with the fact that operational involvement is not the best place for its skills, knowledge, and expertise . . . or maybe it is.

You followed the directions exactly. Then why doesn't your board work just like the "best" board model the literature describes?

This article is the last in a series in which I examine the lifecycles of board management. I propose that boards grow in stages. And as a board progresses from one stage of development to another, its needs change, as does its role within the organization. Strategies that work for one board may not work for another, precisely because they are at different development stages. Yet we tend to try to make boards fit the strategy, rather than the strategy fit the board. Some boards do succeed under these conditions - but others fail.

In this installment, I propose that achieving good governance requires more than simply adopting the traditional models offered by consultants or outlined in popular literature. I have worked with boards for 20 years and have yet to find an off-the-shelf model that fits every organization's relationships or meets its challenges. In fact, in their earliest stages of development, boards could not possibly resemble the best board models. New boards often must spend much of their time doing the actual work of the organization - performing many of the administrative functions, such as bookkeeping, just to keep the organization afloat. This is hardly an expert's notion of an ideal board!

In my work I prefer to help leaders develop their own solutions by showing them how to identify their own board's stage of development and their organization's specific needs. Using their contextual information, we work together to develop the board's role, composition, and structure.

The Final Two Stages: Adolescence & Maturity

As described in the first two installments of this series, boards in their "infant" and "juvenile" stages of development are often obligated to roll up their sleeves and get involved in the day-to-day operations in order to fulfill their fiduciary responsibility. In fact, without this effort, it is unlikely many fledgling organizations would survive. As an organization grows from an all-volunteer to a paid staff, the board is generally relieved of those mundane responsibilities and must redefine its role. This is the beginning of the "adolescent" stage.

During this stage, a board must come to terms with the fact that operational involvement is not the best place for its skills, knowledge, and expertise . . . or maybe it is.



Adolescence



Maturity

This is a phase of change, sometimes even tension, and there may be a tug-of-war between board members and management staff as the hard task of defining job descriptions and goals is carried out. Yet this is the very process that gives renewed meaning to the board's role. Despite growing pains, adolescence is a time of learning for both board and staff.

Frequently, as a means of clarifying the board's new role, its leaders begin the work of developing formal policies and procedures. During this phase it is not unusual for board composition to change or organization staff to depart, and sometimes in direct response to those new policies and procedures. These changes, however, can be constructive and give the organization, through the acquisition of new staff, an opportunity to "try on" different governing systems.

Ultimately, this self-discovery process leads to the final developmental stage - "maturity". Board members have finally resolved what

role they (individually and collectively) will play to fulfill their fiduciary responsibilities and are prepared to formalize this new role with written policies and procedures. Such documentation is helpful because it clearly defines the types of activities staff and board should engage in, thereby reducing the sort of conflicts that arise when people aren't clear about expectations.

In the mature stage, a board may choose to have one or two operationally focused committees, but governance committees - such as finance, nominating, and strategic planning committees - are more characteristic. These committees do the fiduciary work of the board: policy-making and strategic planning. Not surprisingly, boards of this composition tend to attract much different types of people than do less mature boards. Members of less mature boards tend to be entrepreneurial and risk-takers. Members of mature boards tend to be more reserved in their actions.

Identify Your Board's Development Stage

| | Infancy | Juvenile | Adolescence | Maturity |
|------------------------------|---------|----------|-------------|----------|
| Responsibilities | | | | |
| Performs Operational Duties | ● | ● | | |
| Oversees Operations | ● | ● | ● | |
| Develops Policy and Plans | | | ● | ● |
| Structure | | | | |
| Committee of Whole | ● | ● | | |
| Executive Committee Only | | | ● | ● |
| Nominating Committee | | | ● | ● |
| Fund Raising Committee | | ● | ● | ● |
| Strategic Planning Committee | | | ● | ● |
| Composition | | | | |
| Founder | ● | ● | ● | |
| Founder's Friends | ● | ● | ● | |
| Executive's Friends | | | ● | ● |
| Community Members | ● | ● | ● | |
| Business People | | | ● | ● |
| Linking to Funding Sources | | | | ● |

This checklist describes what typically happens within a particular stage. It should be used for reference purposes only.

Although I have defined maturity as the final stage of a board's development, this does not mean the board is static. Change is inevitable: chairs and executives retire, major funding sources can change, competition can alter an organization's customer base. Internal and external forces often place new demands on the board or its systems - demands that could conceivably move the board back to an earlier stage of development. The cycle of growth could begin again.

Why Popular Models Don't Work

The variety of board roles and organizational needs in these two final stages illustrate my proposition that one governance model cannot fit all organizational needs. Yet the experts recommend only two models as the best options for achieving good governance: the policy/corporate model or the traditional philanthropic model. And most current management literature advises nonprofit boards to adopt one of the models, as well. I disagree with this advice. A review of both models will illustrate their merits and their limitations.

The Policy/Corporate Model

Two individuals are responsible for popularizing the corporate model: Eugene Fram, who wrote *Policy vs. Paper Clips*, and John Carver, who wrote *Boards That Make a Difference*. It is Carver, in fact, who coined the term Policy Model. Both Fram and Carver observe that the best tool a board has for executing its fiduciary responsibility is to make strong and clear policies that articulate an organization's mission and sustain its vision, such as human resources, financial, or planning policies. Then, the executive director should simply implement these policies,

which renders unnecessary the supervision of day-to-day activities. The board holds the executive singularly responsible for all operational decisions, thus leaving a clear line of accountability, authority, and responsibility. Success is measured by how well the organization adheres to these board-approved policies.

Generally, the policy model's greatest disadvantage is that it encourages board members to become quite distanced from the very programs for which they have created policies. In most nonprofits, a board member's thrill and feeling of ownership is derived from direct contact with the organization's customers, and some board members continue to volunteer on projects to be closer to the customers. This may be exhausting, but it does build ownership and responsiveness. When these ties are

severed, board members lose touch with the programs - they no longer feel real. I've actually seen cases where board members have been charged to raise funds for a project, yet they don't even understand the need. Under this method, bridging the gap between the policymakers and the programs requires a Herculean effort on the executive's part. On the other hand, some executives find the hands-on work of their board members to be an interference. In these cases, the policy model is likely to be successful.

The Traditional/Philanthropic Model

The traditional or philanthropic model of governance is best described by Richard T. Ingram. In his book, *Ten Basic Responsibilities of Nonprofit Boards*, he states that a board should:

- Determine the organization's mission and purpose
- Select the executive director
- Support the executive and review his or her performance
- Ensure effective organizational planning
- Ensure adequate resources

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- See that resources are managed effectively
- Enhance the organization's public image
- Determine and monitor the organization's programs and services
- Serve as a court of appeals

Governance design must match organizational needs. And as organizational needs change, so should governance design.

The Traditional model is distinguished from the corporate model based on four of these responsibilities: the board is expected to have some degree of familiarity with the inner-workings of the organization; in getting or giving resources; in determining and monitoring the organization's programs; and in serving as the organization's court of appeals. For many boards, these activities are appealing because they give members something tangible to focus their efforts on. By comparison, the corporate model is more hands-off.

Yet in my experience, these activities frequently lead the board to cross the line into day-to-day operations - the executive's terrain. Such ventures across the line of authority can be a source of conflict, especially in cases where the lines have not been clearly drawn. These types of conflicts generally occur during an organization's adolescent period.

The boards of many nonprofits operate using this model, which is often seen as the only choice for these types of organizations. I believe, however, that leaders should be free to find the methods that work best for their own organizations. They should select practices from both models and create their own unique governing systems to best meet their organization's needs.

If Not These Models, Then What?

In this series, I have illustrated that the solutions to many challenges boards face lie primarily in resolving the age-old management question: Does form fit function or function fit form?

In the area of board development, I propose that form must fit function. Governance design must match organizational needs. And as organizational needs change, so should governance design.

To create an effective governance function, particularly in the earliest stages of development, boards can use a process that recognizes and embraces organizational needs and identifies stages of development. It can be incorporated into a strategic planning process and revisited every three to five years. Because it is a demanding process, one that would not be undertaken too frequently, this is an appropriate, even desirable, time frame for reassessing the organization's governance structure. This process has four steps, as described below.

1. Assess the Circumstances

The first step in creating effective governance is for the board to formally identify its stage of development and to assess its circumstances. To identify its stage of development, the board can simply check-off its activities against the descriptions of the stages. (See the checklist, Pg. 2, and identify your board's development stage.) Generally, activities undertaken by an organization are need-based; for example, if all board members serve as volunteers, it is generally because without this effort, few services would be offered.

The board should also take a quick snapshot of the external elements that influence the organization's growth and responsibilities to help keep the board on track. Possible external elements to identify are the economy, the political environment, competition, and demand or need for the organization's services. A glance at the economy can help the board assess its long-term fundraising goals. If a resource challenge is identified, the board may want to focus most of its efforts on fundraising. Changing political envi-

ronments often place new demands on non-profit organizations. Competition may affect an organization's ability to raise money or to serve its constituency. Such threats could require a different type of board or a board that spends more time thinking about programming issues.

2. Identify the Needs

The second step in this process calls for the board to identify the organization's needs. Margaret Harris, in "Exploring the Role of Boards Using Total Activities Analysis," proposes a process to accomplish this step. Harris realized that although board members often had formal assigned tasks, many of them tended to focus on informally assigned tasks - tasks that often prove more important to the day-to-day survival of the organization. Treasurers often find themselves doing double duty as the organization's bookkeeper, chairs find themselves in the role of quasi-executive director. Members simply pick up the board and run or everything stops.

Using Harris' Total Activities Analysis, a board can analyze its organizational needs and what role it should play in meeting those needs. Board members are asked to take stock of all of their activities, both formal and informal. These activities are then ranked according to importance. With this ranking in hand, the board can identify areas where needs are not being met - activities that are ranked as valuable, yet are not being addressed. Now the board has a full picture of the organization.

3. Filling the Gaps

The third step refers to identifying options that will ensure that the organization's needs are met. Board members begin by reviewing their official fiduciary responsibilities, usually located in the bylaws. They must also ensure that the organization's activities are consistent with its mission as stated in its IRS-approved documents: that all of the organization's resources are used to singularly achieve the organization's mission.

All Boards have strengths and weaknesses - sometimes the best lesson learned is to avoid another organization's strategy.

How a board fulfills its fiduciary responsibilities, and what role it plays, is the fodder for much literature, most of which tends to be prescription - it does not recommend how boards should address changing organizational needs, but does offer advice on possible options for shaping a board that may be helpful in setting governance goals. It is important to keep abreast of the current thinking in your field, but keep in mind that it is unlikely you will ever find one book that can solve all your organization's problems.

Members from other boards, and other organizational leaders, also have valuable knowledge to share. They can offer insight and clarity about what is expected of board members, how a board can meet these expectations, and what structure or composition a board should have. However, caution is advised. All boards have strengths and weaknesses - sometimes the best lesson learned is to avoid another organization's strategy.

4. Take Action

Finally, the board can design a structure and role that matches and accommodates the organization's needs, characteristics, and stage of development. Whether or not an assessment is undertaken as a part of a strategic planning process, a planning facilitator may be helpful to members in designing its structure. This exercise can usually be completed in a half-day session. Assuming that members have completed the previous three steps, the session should begin with a review of findings, then move to a discussion on the merits of each option, and conclude with a decision and agreement to develop an implementation plan. This process and its results will enhance your board's commitment to what brought you to the table in the first place: mission.

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