2015 Grantor-Grantee Dialogue: Developing Boards for a New Era

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More and more boards are taking care to become more effective

Board effectiveness is highly correlated with organizational effectiveness
  - It makes a difference!

For the organization

More importantly, for those we exist to serve!
Boards That Focus on Adding Value...

- Assess and align with the changing world
- Organize around critical issues and strategic priorities that advance mission impact
- Focus on how board will add strategic value
- Build the board to work as a strong team
- Strengthen the board-executive partnership
- Refine board structures and processes
These Boards Take Care to Focus On

- Issues central to organizational success
- Results, linked to clear timelines
- Clear measures of success
- Greater engagement with key stakeholders
- “The constellation – not the stars”
Strong Boards Are Redeveloping By

- Redesigning their structures:
  - Board size
  - Committees and task forces
- Strengthening membership:
  - Improving recruitment and selection
  - Focus on member performance
- Changing how they meet
- Holding themselves accountable
The Board Development Cycle

- Design the Board
  Define Its Work

- Recruit and Select Members

- Ensure Accountability

- Conduct Effective Meetings

- Build Member Capacity

- Build the Team

- Implementation:
  Engaging Members to
  Do the Work

- Ensuring Strategic Focus

Each Facet Links with Every Other Facet

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Assessment & Accountability

- Board Self Assessment
  - Assessing Our Performance
  - Adding Value
- Board Accountability:
  - Working as a Team
- Member Accountability:
  - Assessing Individual Performance
Areas of Greatest Strength

From BoardSource 2014 Chairs & CEOs

- Financial oversight (82/85% rate as strong)
- Legal & Ethical Oversight (73/80% rate as strong)
- CEO evaluation (69/62% rate as strong)
- Support & Guide the CEO (80/72% rate as strong)
- Setting policy (54% very active)
Where is Improvement Needed?

BoardSource 2014 and Ostrower 2007 found:

- Chairs and CEOs rate board performance as fair or poor:
  - 78/65% on fundraising
  - 67/65% on legislation and advocacy (including educating public about agency)
  - 42% regarding community relations

- Micromanagement not a huge issue:
  - 53% of CEOs report board is “excellent” on boundaries
  - Another 30% rate their board as “good”
Define the Work

Design the Board

• At Core: Define Our Purpose
• How We Add Value: Primary Functions and Responsibilities
  • For the Board
  • For the Member
• Board Type
• Structures and Processes
• Leadership
## Four Forms of Board Capital

*(From Governance as Leadership: Chait, Ryan, & Taylor 2005)*

<table>
<thead>
<tr>
<th>Form of Capital</th>
<th>Resource Optimized</th>
<th>Traditional Use</th>
<th>Enhanced Value</th>
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</thead>
<tbody>
<tr>
<td>Intellectual</td>
<td>Organizational Learning</td>
<td>Individual trustees do technical work</td>
<td>Board as a whole does generative work</td>
</tr>
<tr>
<td>Reputational</td>
<td>Organizational Legitimacy</td>
<td>Organization trades on trustees’ status</td>
<td>Board shapes organization’s status</td>
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<tr>
<td>Political</td>
<td>Organizational Power</td>
<td>External heavyweight: Trustees exercise power on the outside</td>
<td>Internal fulcrum: Board balances power on the inside</td>
</tr>
<tr>
<td>Social Capital</td>
<td>Efficacy of the Board</td>
<td>Trustees strengthen relationships to gain personal advantage</td>
<td>Trustees strengthen relationships to bolster board’s diligence</td>
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Board Composition

- Recruitment Difficulty:
  - 69% of boards say is “difficult” to find board members
  - 20% of boards say is “very difficult” to find board members

Slightly more representative than the larger agencies;
- 36% of boards are entirely white non-Hispanic
  - 80% of all board members are white (non-Hispanic)

- Only about 20% have a plan for improving diversity
  - 48% report that racial/ethnic diversity is not important in member selection
Board Composition

- 2% of boards compensate members
  - (10% of those over $10 million in budget compensate)
  - No evidence that compensating board members helps attract stronger or more effective board members.
- Recruitment Difficulty:
  - About 60% of boards say is “difficult” to find board members
  - 51% of boards are entirely white non-Hispanic
    - 86% of all board members are white non-Hispanic
  - Average board is 46% female
    - Among those over $40 M, only 29% have women
Board Performance and Recruitment

- Recruiting from friends/acquaintances is negatively associated with effectiveness in all board activities except fund raising!
- 33% have CEO on board (12% are voting)
- Having CEO as voting board member is negatively correlated with board activity in the areas of:
  - Financial oversight
  - Policy setting
  - Community relations
  - Influencing public policy
  - Is not positively related to ANY board activities!
Bradshaw & Fredette: Diversity and (versus?) Inclusion

- Diversity is an input
- Inclusion is an outcome

Identify Two Types of Inclusion:

- Functional Inclusion
  - Goal-driven purposeful strategies for inclusion of people from diverse groups, communities, etc.

- Social Inclusion
  - Participation of all in the interpersonal & cultural fabric
  - “Relational acceptance” and authentic engagement
Preparing Members to Serve

- **New Members:**
  - Orientation:
    - 2-Way: Member to Board *and* Board to Member
  - Training
  - Coaching and Support

- **Current Members**
  - Ongoing Development
  - Renewal
Wright and Millesen 2008

- Surveyed board members and CEOs
- To what degree do board members understand their roles and expectations for performance?
- Focus on role ambiguity: role ambiguity adversely affects board engagement
- [Related to studies on employee and volunteer performance and turnover: role ambiguity results in more turnover and poorer performance]
Wright and Milleson Findings

- Most: board members learn their roles on the job
- Most agree that there is little useful board orientation, training, feedback
- CEOs and board members disagree regarding how well members understand their roles
  - 2/3 members confident they understand expectations
  - 2/5 of CEOs are confident members understand their roles
- HOWEVER: CEOs not providing orientation, training, feedback, nor ongoing performance communication
- Even though we know these make difference!
Recruitment is related to member competence
Orientation is related to member competence
Recruitment and orientation are related to evaluation, and to each other
Evaluation not significantly related to member competence
Member competence is highly related to board performance
Orientation is related to board performance, as well (the others are not significantly related)
Brown:
Board Development & Performance

- Key Findings:
  - Board development practices lead to more capable board members; and
  - Presence of these capable board members tends to explain (some) of improved board performance.
  - However: these 3 elements of board development explain only about one-third of board member competence. What else needs to be considered?
Boards as Teams

The Ten Ingredients of a Successful Team (Scholtes)

- Clearly Defined Purpose
- Clearly Defined Goals
- Clearly Defined Roles
- Clear and Effective Communication
- Supportive Member Behaviors
  - Balance of creativity and conformity
More on Ingredients of a Successful Team

- Well-Defined Decision Procedures
- Balanced Participation
- Established Ground Rules and Norms
- Understanding of Effective Group Process
- Effective Problem Solving Methods
Growing a Team from a Group

Groups become teams through *disciplined action*. They:

- **Shape** a common purpose,
- **Agree** on performance goals,
- **Define** a common working approach,
- **Develop** high levels of complementary skills, and
- **Hold** themselves mutually accountable.

A Critical Issue: How Enhance Trust?

- Rules and norms are clear, articulated well, & unambiguous
- Guiding principles of organization are transparent, openly reported, and the board is perceived to be accountable
- Structure is stable & predictable
- People in power behave appropriately and predictably, and their behavior is open to scrutiny & regulation
More on Trust

- The board and organization are perceived to be capable & committed to efficient consistent enforcement of rules and norms and will sanction those who infringe.
- People perceive they are treated as people, not objects; and their dignity, autonomy, and integrity are respected & safeguarded by the organization and the board.
Implementation: Getting Things Done

• Focus on Significant or Critical Issues
• Inclusion and Cultural Competence
• Using Committees and Task Forces
• Engaging and Motivating Members
• Using Meetings Effectively
Understanding Board Members As Volunteers

- Volunteers are motivated by their ability to perform their work well in compatible surroundings.
- Significant “Situational Factors”:
  - suitable workload
  - clearly defined responsibilities
  - competence of supervisor
  - reasonable work schedule
Inclusion Strategies

- Functional Inclusion
  - Board Structure
  - Board Policies to Structure Inclusion
  - Recruitment Practices to Attract Diversity
  - Practices that Enhance Inclusion

- Social Inclusion
  - Focus: Achieve a Positive and Inclusive Board Culture
  - Enhance Awareness and Sensitivity
  - Enable Meaningful “Relational” Connections
The Challenge of Effective Meetings

- From the New Work: Strategic Focus
- Agendas
  - Consent Agendas
- The Organization and Flow of Meetings
- The Role of the Chair
Understanding the Impact of Board Chairs

Yvonne Harrison and Vic Murray

Focus on Board Chair Effectiveness, and

- Chair impact on board effectiveness, and
- Factors that affect chair effectiveness

Surprise!! Board Chairs can be highly influential; they have a major impact on board performance!
Impacts of Effective Chairs

- Enhanced CEO morale and confidence (good as mentors, coaches, supporters)
- Mentoring helped CEOs make better decisions
- Meetings of board were focused, efficient
- Board commitment to mission increased
- Board turnover decreased; new members were more willing to come on board
- Board stronger on due diligence
- Organization better financial position & stability
- Staff and volunteer morale higher
What Makes for a Competent and Effective Board Chair?

Overall Areas of Board Chair Competence (related to performance of effective chairs) include:

- Relationship Competence
- Commitment and Action Competence
- Analytic Skill Competence
- “Willingness to Create” Competence
- Influence Competence

Ineffectiveness? Domineering Behavior
Problems of Ineffective Chairs

- Very detailed focused
- Used position for personal agenda
- Chaired meetings but did not lead board
- Confusion among members of board
- Too protective of CEO and staff
- Failed to be proactive, look ahead

Found differences between/differentiated between “conductor chairs” and “caretaker chairs”
Clarity of Roles is Critical

Is Our Chair to be:
- Leader?
- Facilitator?
- Boss?
- Spokesperson?
- Other roles?
To Return to Assessment & Accountability

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- CEO Engagement and Performance:
  - Leading and Managing Executive Performance
2014 BoardSource: Boards that have completed a self assessment process in the past 3 years rate 10% to 15% higher on ratings of board performance, particularly for:

- Member involvement & commitment
- Financial oversight
- Strategic planning
- Fundraising involvement
- Operational effectiveness
A Few of the Board Self-Assessment Tools

- BoardSource
  - [www.boardsource.org](http://www.boardsource.org)
- Harrison & Murray (SUNY):
  - Free online board self-assessment tool (with report issued to agency)
    - [www.boardcheckup.com](http://www.boardcheckup.com)
- Gill et al.: Governance Self-Assessment Checklist (GSAC)
  - Self-assessment tool AND an education and governance improvement tool
  - Correlated with organizational effectiveness

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Gill et al: On Board Development

- Found no relationship between the governance development model employed and either organizational or board effectiveness.

- It’s about paying attention and approaching board development in a systematic manner, not about the specific governance or development model.
An Interesting Point: Impact of Paid CEO

- CEO professionalization = paid CEO
- NPOs with no paid CEO: more boards involved in monitoring programs and services (but still only 43%, versus 25%!!)
- Boards with paid CEOs:
  - Tend to focus on monitoring finances and CEO performance
  - Tend not to monitor programs or board own performance
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Building Healthier Communities Through Nonprofit Leadership

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