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

Presented by Dr. David Renz Midwest Center for Nonprofit Leadership Henry W. Bloch School of Management University of Missouri –Kansas City

- 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
  - Drawn from "The New Work of the Nonprofit Board" Harvard Business Review, by Chait, Holland, and Taylor. 1996.

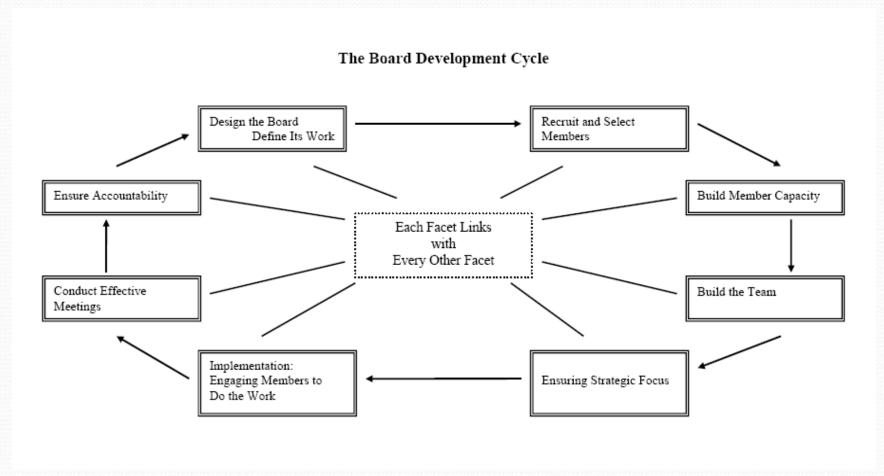
# These Boards Take Care to Focus On

- 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



### 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)

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

### **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!

# Will Brown Study on Board Member Competence

- 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.
  - Katzenbach & Smith: Wisdom of Teams p. 14-15.

# 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 <u>Competence</u> (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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- Board Accountability:
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- Member Accountability:
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- CEO Engagement and Performance:
  - Leading and Managing Executive Performance

# Board Self Assessment Makes a Difference

#### 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

Harrison & Murray (SUNY):

Free online board self-assessment tool (with report issued to agency)

#### 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

### 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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# The Midwest Center for Nonprofit Leadership Building Healthier Communities Through Nonprofit Leadership

Dr. David O. Renz, Director

Henry W. Bloch School of Management University of Missouri – Kansas City 1-800-474-1170 www.mcnl.org

renzd@umkc.edu