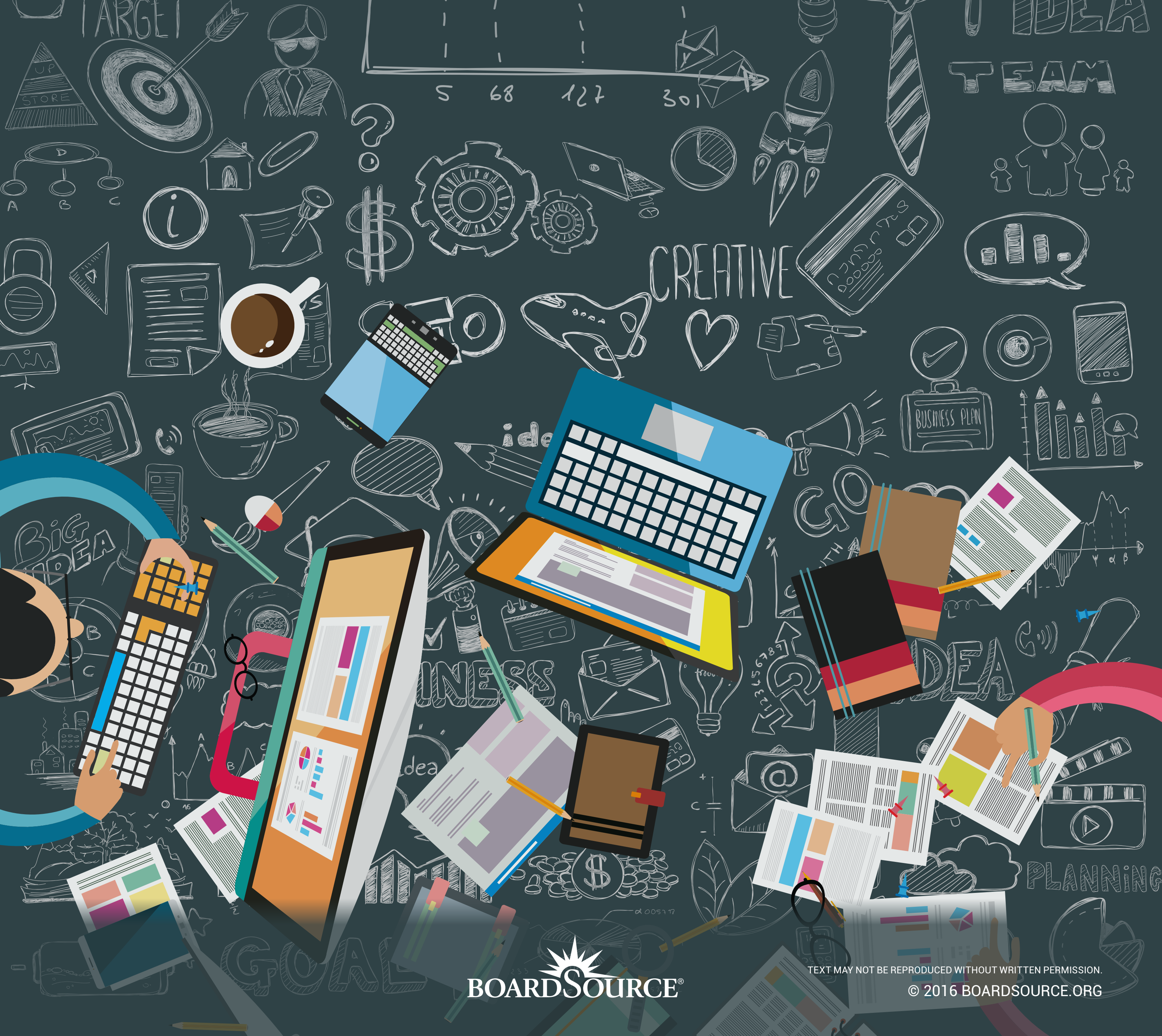
6 Characteristics of EFFECTIVE BOARDS



BOARDSOURCE®

6 Characteristics of EFFECTIVE BOARDS

Researchers Thomas Holland, Barbara Taylor, and Richard Chait worked for several years to determine why some nonprofit boards excel and others do not. They had three questions in mind as they conducted this research:

1. What characteristics define and describe effective boards of trustees of independent colleges?
2. Do the behaviors of effective and ineffective boards differ systematically?
3. What is the relationship, if any, between board effectiveness and institutional performance?

They concluded, among other things, that:

1. There are specific characteristics and behaviors that distinguish strong boards from weak boards, which were classified into six dimensions of effective trusteeship.
2. There is a positive and systematic association between the board's performance, as measured against these competencies.

Those six characteristics of effective boards that emerged as a result of interviewing several hundred boards and chief executives and surveying over 1,000 more, are highlighted here. Developing these characteristics in a board will help it govern more and manage less.

1 CONTEXTUAL

Effective boards understand and take into consideration the culture and norms of the organizations they govern. They adapt to the unique characteristics and culture of the organization and its staff. They rely on the organization's mission, values, and traditions as guides for their decisions. They act so as to exemplify and reinforce its core values and commitments. Try the following:

- Orient board members with an explicit introduction to the organization's values, norms, and traditions.
- Invite former members, administrators, and living legends to convey the organization's history.
- Discuss the concepts of shared governance, collegiality, and consensus with the organization's current leaders.
- Review the organization's hallmark characteristics and basic values that set it apart from competitors.

In advance of a retreat, the board of a liberal arts college responded to an online survey that posed a number of questions, including: "What is our greatest comparative advantage today? What will to be 10 years from now? What is our greatest comparative disadvantage today? What will it be 10 years from now? What values do we hold most dear that we will not sacrifice at any cost?" During the retreat, the board met in small groups to discuss the results and determine steps the board could take to ensure that the institution remains competitively strong.

1 Chait, Richard P., Thomas P. Holland, and Barbara E. Taylor. The Effective Board of Trustees. American Council on Education/Macmillan Publishing Company, 1991.

EDUCATIONAL

Effective boards ensure that their members are knowledgeable about the organization and the board's roles, responsibilities, and performance. They consciously create opportunities for board education and development and regularly seek information and feedback on the board's own performance. They pause periodically for self-reflection, to assess strengths and limitations, and to examine and learn from the board's successes and mistakes. This includes doing the following:

- Set aside some time at each meeting for a seminar or workshop to learn about an important matter of substance or process or to discuss a common reading.
- Conduct extended retreats every year or two for similar purposes and for analyzing the board's operations and its mistakes.
- Meet periodically with board leaders from similar organizations.
- Rotate committee assignments so members can become familiar with many aspects of the organization.
- Establish internal feedback mechanisms from members.
- Conduct annual surveys of members on individual board member and collective board performance.

A hospital board routinely allows board members to provide anonymous input (so no one need feel embarrassed about lack of knowledge) regarding topics for board education. Periodically, management constructs a list of relevant health-care issues (e.g., pay for performance, metrics for quality and safety) and has board members rate their knowledge on the topic using a 1 to 5 scale where 1 = I know very little to 5 = I know a great deal. For items receiving low overall scores, the hospital sets up "Board Member Education Hours."

Another hospital board recognizes that dozens of acronyms are used at board meetings and the number in the industry continues to grow. For every board meeting, as board members enter, they receive a blank index card on which they note every time an acronym is used of which they are unaware. The board book for each meeting then includes an updated, annotated list, which continues to evolve.

Again, no one has to be embarrassed by not knowing and meeting time is not interrupted to explain each acronym.

6 Characteristics of EFFECTIVE BOARDS

INTERPERSONAL

Effective boards nurture the development of their members as a working group, attend to the board's collective welfare, and foster a sense of cohesiveness. They create a sense of inclusiveness among all members, with equal access to information and equal opportunity to participate and influence decisions. They develop goals for the group, and they recognize group achievements. Ways to do this include the following:

- Create inclusiveness.
- Have events that enable board members to become better acquainted with one another.
- Build some slack time into the schedule for informal interaction.
- Share information widely and communicate regularly.
- Communicate group norms and standards by pairing newcomers with veteran board members.
- Ensure the board has strong leadership by systematically grooming its future leaders and encouraging individual skills development.

Many boards regularly include social gatherings in the schedule for board meetings. For example, a college board schedules one of its three regular board meetings near commencement time so that board members are there for that event and can interact not only with each other but also with students, parents, and faculty.

The board of a community service organization begins each board meeting with a quick session where board members share what's new in their lives — some meaningful event. A school board opens with a different question every other meeting such as, "What's the best movie you've seen recently?" or "Best play? Best book? Best symphony? Sporting event?" People get to know each other in a different way.

STRATEGIC

Effective boards help their organizations envision a direction and shape a strategy for the future. They cultivate and concentrate on processes that sharpen organizational priorities. They organize themselves and conduct their business in light of the organization's strategic priorities. They anticipate potential problems and act before issues become crises. Try the following ways to develop a strategic board:

- Establish board priorities and a work plan based on organizational strategies and priorities.
- Provide key questions for discussion in advance of meetings.
- Develop a board information system that is strategic, normative, selective, and graphic.

Many nonprofits have generated dashboards — one-page graphical displays of organizational key performance indicators that are color-coded so board members can see what is trending up over time in green, what is flat in yellow, and what is trending downward in red. Questions are posed around the red items: What are the suppositions about why the indicator is red? Are the reasons within or beyond our control? How else might we think about this? What might we be missing? What might be done?

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ANALYTICAL

Effective boards recognize the complexities and subtleties of issues and accept ambiguity and uncertainty as healthy preconditions for critical discussions. They approach matters from a broad organizational outlook, and they critically dissect and examine all aspects of multifaceted issues. They raise doubts, explore trade-offs, and encourage differences of opinion. To cultivate this, try the following:

- Analyze issues and events, taking into account multiple potential outcomes and points of view.
- Seek concrete and even contradictory information on ambiguous matters.
- Ask a few members to play devil's advocates, exploring the downside of recommendations.
- Develop contingency and emergency plans.
- Ask members to role-play the perspectives of key stakeholders.
- Brainstorm alternative views of issues.
- Consult outsiders and seek different viewpoints.

One board distributes cards to each board member for each meeting; all but two of the cards are blank, the two say, "Devil's Advocate." This method ensures that opposing views are raised and shifts that role to different people so that it's not always the usual person who always plays that part and to ensure that at least someone plays that crucial role. Board members enjoy this process, saying that they listen and participate quite differently when they're the DA, and everyone seems to be more engaged.

The board of a university recently rethought its contingency planning process to always discuss three plans — Plan A is Best Case, Plan B is Most Likely Case, and Plan C is Worst Case. Another university that has two locations — one on each coast — does a board member swap for each meeting; one East Coast board member attends a board meeting on the West Coast and vice versa. This way, board members learn about what's happening at the other location and more important, learn and transport different ideas about governance.

POLITICAL

Effective boards accept as a primary responsibility the need to develop and maintain healthy relationships among major constituencies. They respect the integrity of the governance process and the legitimate roles and responsibilities of other stakeholders. They consult often and communicate directly with key stakeholders and attempt to minimize conflict and win-lose situations. To do this, try the following:

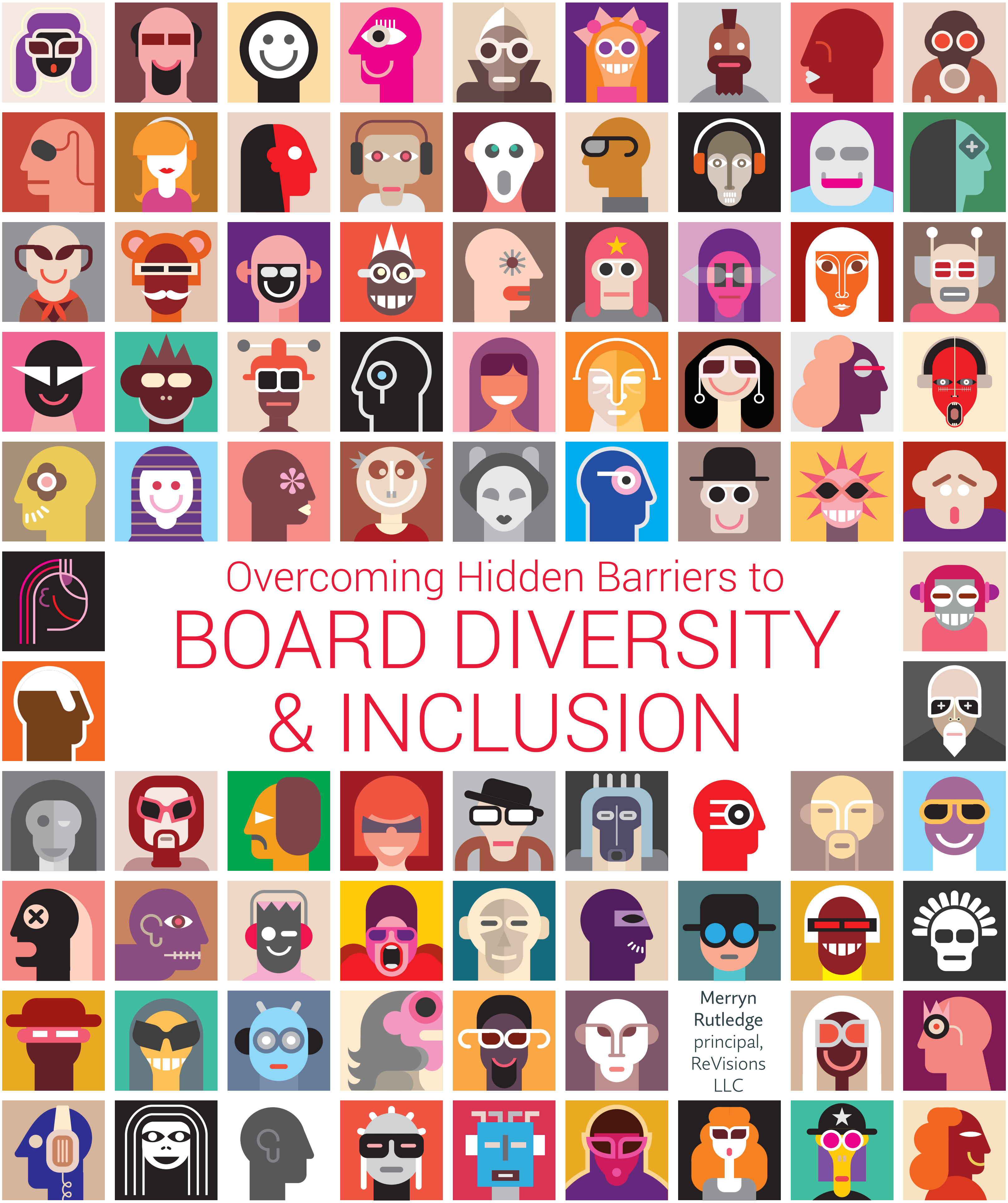
- Broaden channels of communication.
- Distribute profiles of board members and annual board reports.
- Invite staff and consumers to serve on board committees and task forces.
- Invite outside leaders to address the board.
- Visit with staff.
- Work closely with the chief executive to develop and maintain processes that enable board members to communicate directly with stakeholders.
- Monitor the health of relationships and morale in the organization.
- Keep options open and avoid win-lose polarizations.
- Be sensitive to the legitimate roles and responsibilities of all stakeholders.

A college board sets aside time at each of its three meetings per year to interact with a different constituency — students in January, faculty in May, and staff or community members in October. During board meetings, a university board links each board member to two or three students to dine together over lunch in the cafeteria and links pairs of board members with pairs of faculty members for dinner.

POINTS TO REMEMBER

The best boards:

- Keep their history and context familiar.
- Spend time educating board members in key areas.
- Pay attention to the board as a team or cohesive group and incorporate social time for board members to get to know and trust each other.
- Pay attention to succession planning and nurture future board leadership.
- Discuss the views of key stakeholders and create opportunities for board members and stakeholders to interact.
- Ensure that most board meetings most of the time focus on strategic matters.



Overcoming Hidden Barriers to BOARD DIVERSITY & INCLUSION

Merryn Rutledge
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Most nonprofit boards understand the potential benefits of board diversity and inclusion, yet many struggle to fulfill the promise offered. Why is that? We mean well, after all. Are there hidden barriers to achieving this promise? In some cases, the answer to this question is "yes." But there is good news too. Once identified, we can work to overcome these barriers and become the diverse and inclusive boards we want and need to be.

We're faced with a conundrum, however. How can boards see and change what is hidden from their awareness? One way is to learn from others. Allow me to introduce you to Caron, Laura, Anne, and the boards of Food Aid and The Regional Trust — two fictional boards that, in their attempts to diversify and become inclusive, make a series of mistakes that actually lead to exclusion and inequity. Their stories are based on my research and my organizational development consulting practice. By analyzing these cases, I hope to give insight into your own board's approaches to diversity and inclusion, to help you identify possible blind spots, and to present opportunities for change.

FOOD AID

Food Aid is a state commission. Caron is a Food Aid client who joined the board as its one consumer member. Unfortunately, she frequently misses meetings because she does not own a car, often does not receive meeting notices because she lacks access to a phone and the Internet, and her work schedule at a halfway house often conflicts with the board meetings. Most members of the board are unaware that Caron lacks resources and work flexibility. At the same time, several members have indicated that she makes a valuable contribution to their understanding of hunger, saying that she makes "the vivid face of hunger" real.

THE REGIONAL TRUST

The Regional Trust is an affordable housing nonprofit that has set aside two board seats for subsidized housing residents in accordance with its strategic plan, which states that the organization will create and implement ways to hear and act upon client needs. While attending a board meeting, I notice that Laura and Anne — the two board members who occupy the seats set aside for residents — are silent during a technical discussion of the organization's finances. Their colleagues on the board — an attorney, two social service civil servants, two bank officials, and two nonprofit executive directors — are engaged in the discussion.

HOW EXCLUSION OCCURRED

Unwittingly, both Food Aid and The Regional Trust have marginalized Caron, Laura, and Anne. As a result, their efforts to enhance diversity and inclusion have backfired. Let's look at how this happened.

A Narrow View of Diversity

One clue lies in the way these boards recruit members. In an effort to include socio-economic diversity, both Food Aid and The Regional Trust set aside board seats for their clients. To select a member for one characteristic of diversity (receiving food or housing aid) is to take a narrow view of diversity, however, and interferes with a board member's ability to see Caron, Laura, and Anne as multi-dimensional human beings with many identities. For example, in addition to having personal experience with poverty and hunger, Caron is white, middle-aged, a single mother, and works with a vulnerable population. Her views on hunger and the food assistance system are, no doubt, influenced by all of these identities, but by seeing her as the "face of hunger," the board sees only one facet of her diversity and casts her as a symbol of all hungry people. Furthermore, in view of the purpose of Food Aid, which is to review and influence public policy for addressing hunger, the board's reliance upon one person as an informal teacher about hunger severely limits its perspective. How informed will its policy recommendations actually be?

It's important to note too that the Food Aid and Regional Trust boards do not make a similar assumption about the members recruited for their professional expertise. That is, they do not assume that the bank officer on the Regional Trust's board represents all of the city's banks or that the business owner represents all businesses. These members are viewed as multi-dimensional.

A clearer understanding and wider view of diversity would help both boards. Achieving diversity is not a simple task of offering membership to one missing constituency. Boards need to recognize and track every member's diverse identities — individual and group — to understand how these may influence the board's work. Group identities? Yes. We all are members of groups — people of the same race, the same sex, and the same age cohort, for example. These group affinities can be important to our self-understanding and to how others see and interact with us. For example, when I am the only woman in the boardroom, I am more aware of my group identity as a woman than when I am in a boardroom with roughly equal numbers of men and women. My fellow board members also may be more aware of my group identity, as well as their own gender identity, when I am the single female board member.

In summary, both Food Aid and The Regional Trust boards confuse diversity with inclusion. They do not see that shifts in a board's diversity profile merely prepares it for inclusion, which occurs through heightened awareness of and changes in processes and practices.

Board Practices

Food Aid and The Regional Trust also exclude Caron, Laura, and Anne through their board practices. The Food Aid board, for example, communicates by phone and e-mail and holds meetings at times and locations that favor members with cars and predictable daytime work schedules. Caron lacks access to these resources. The Regional Trust failed to equip Laura and Anne for effective board service by not providing them with training in nonprofit financial management, which is why they were quiet when the board was discussing the organization's finances. This board needs to evaluate its recruitment and orientation practices; it needs to identify what knowledge new board members need to serve effectively. The board's diversity and inclusion plan should include a path to full board engagement.

Power Differences

Another hidden process that interferes with inclusion involves power. Without intending to or realizing it, both Food Aid and The Regional Trust have created a power dynamic in which most board members are powerful and one or a minority is disempowered. For Caron to have become "the vivid face of hunger" and for Laura and Anne to occupy board seats set aside for clients means that they have power as symbols, but such power is equivocal, at best. To be seen as representative of a whole group is to be seen as one-dimensional. Furthermore, Caron, Laura, and Anne's separateness stands out in relief against the interconnections, power, and control enjoyed by the other board members, who are members of the systems that assist people like Caron, Laura, and Anne. The other board members are able to attend meetings and have learned from experience in their careers and from board service how to read and analyze financial information and economic data, for example. The majority of these board members seem oblivious to these sources of power, however. They confuse granting Caron, Laura, and Anne a place at the table with having full board membership.

Peggy McIntosh, associate director of the Wellesley Centers for Women, has called such hidden sources of power and privilege "unearned assets" and, speaking from her own experience as an educated, well-off white woman, has claimed they are hard to bring to awareness. She has described such unrecognized sources of power as "an invisible, weightless knapsack of special provisions, assurances, tools, maps, guides, codebooks, passports, visas, clothes, compass, emergency gear, and blank checks" that certain board members can call on without even realizing the knapsack is there.

Power differences often are unintentionally held in place by board policies and practices. The Food Aid board does not talk about adjusting meeting times or shifting its norms for communicating with members. The Regional Trust does not include financial training in its board orientation. Most members of these boards unknowingly wear knapsacks of powerful assets that Caron, Laura, and Anne do not wear.

THE NONPROFIT BOARD AS A CENTER OF POWER

Still deeper assumptions may contribute to a board's out-of-awareness involvement in systems of privilege, such as the paternal and hierarchical notions about power embedded in our perceptions of boards of directors and boardrooms.

The very language we use to describe boards reflects and reinforces a view of the board as a power center. We speak of the "boardroom" as a territorial claim, if you will, even in organizations that may have no such special room. Metaphors about "seats," "having a seat at the table," and "inviting" new members "to the table" suggest a carefully chosen few with appointed places. Just slightly more complicated are connotations of "trustees" who hold responsibility for broader groups.

The boardroom has long been viewed as a place of privilege, making it easy for us to behave in presumptive ways, even as we invite greater diversity on our boards and try to conduct board business with greater inclusion. We may not even think to examine the power structures our boards represent and uphold. The result is that mindsets, structures, and practices conspire to encourage approaches to diversity and inclusion that impede, compromise, or even contradict our organizational missions.

THE POWERFUL PULL OF THE STATUS QUO

My own journey to this article includes mistakes I have made, and so I want to tell one more story. While serving on the board of Able Community, Inc., a nonprofit that provides services for elders and people with disabilities, I realized that an outdated boardroom phone system limited my fellow member Paul's effectiveness. Because of physical disabilities and limited access to subsidized transportation services, Paul needed to join board meetings by conference call. But even after we addressed the physical barrier posed by an inadequate conference phone system, we unknowingly impeded Paul's meeting participation by failing to examine and adjust our meeting norms. For example, we only intermittently encouraged "wait time" between member comments and did not make a habit of inviting Paul's questions and comments. It was only in retrospect, after Paul resigned from the board, that I realized that I had failed to assertively promote effective communication norms as a board member that I encourage as a consultant.

SOLUTIONS: LEARNING AND QUESTIONS THAT PREPARE FOR GREATER INCLUSION

Unfortunately, in an effort to embrace diversity, nonprofit boards often make mistakes that actually lead to exclusion and inequality. As Food Aid and The Regional Trust show,

- we invite new board members to join our boards for the wrong reasons
- we see diversity from a narrow perspective and do not expand our views about how diverse members can contribute
- we do not examine our existing diversities
- we do not see how power and privilege are embedded in our board practices

BOARD DIVERSITY & INCLUSION

How can a board grow more conscious and thoughtful about building a body with a diverse array of people and inclusive practices? How can we learn to see and change what is out of its awareness?

We can begin with the premise that effective board service requires us to be knowledgeable about and skilled in promoting diversity and inclusion. Here is what I believe boards need to learn:

- The definitions of and distinctions between diversity and inclusion.
- Individual identity as a complex interaction of characteristics, some permanent (e.g., skin color) and some temporary (e.g., some disabilities).
- Skills associated with tracking — noticing, acknowledging, and responding to — all kinds of differences.
- The ramifications of group membership and the board's group profile. This information lays the foundation for understanding the dynamics of power that result from group membership and group affinities.
- Invisible privilege and how to see it.
- How systems of privilege are embedded in the history and language of nonprofits.

Of course such learning is only one leg of the journey to greater diversity and inclusion. The new awareness that comes through learning should encourage boards to explore their assumptions, policies, and practices more deeply, and to ask questions like the following:

- What assumptions have we been making about diversity?
- What assumptions underlie our current recruitment practices, orientation practices, and meeting norms?
- What assumptions have we been making about individual and collective responsibility for participation in board meetings?
- Now that we have surfaced these assumptions, what will we do?
- What are our individual members' power and privilege credentials?
- What power derives from group membership?
- What structures embed inequity in our board? What will we do to change them?
- What practices embed inequity, and what will we do to change them?
- What paths to full membership will our board create and support?

What is our plan for greater diversity and inclusion? Exploring the answers to these questions will help your board find diversity and inclusion strategies that suit your organization and further your mission while fulfilling the promise of diversity and inclusion.

Basic Guidelines for Executive Sessions

	Board With Chief Executive	**Board Alone**
Rationale	• To maintain the confidentiality required by law and further the organization's interests • To discuss highly sensitive business issues in private • To foster a more constructive partnership between the board and the chief executive • To build capacity for robust discussion	• To create a forum that is not unduly influenced by the presence of the chief executive • To encourage more open communication among the board • To discuss issues related to the way the board operates • To address issues related to the chief executive • To build capacity for robust discussion
Topics	• Legal issues • Major strategic and business issues • Crisis management • Roles, responsibilities, and expectations of the board and the chief executive	• Audit • Chief executive performance • Chief executive compensation • Succession planning • Legal issues involving the chief executive • Board practices, behavior, and performance
Possible Invitees	• Senior staff • Professional advisers	• Professional advisers
Frequency	• At the start or end of regular meetings • As needed, e.g., litigation	• At the start or end of regular meetings • As needed, e.g., for audit

From BoardSource, "Executive Sessions: How to Use Them Regularly and Wisely."

Here We Go Again:
The Cyclical Nature of Board Behavior

by Julia Classen

"I've been here a long time and I've seen all this behavior before. I'm just so tired of it!"

I WAS TALKING WITH AN EXECUTIVE THE OTHER DAY about the problems she was having with her board, when she declared, "I've been here a long time and I've seen all this behavior before. I'm just so tired of it!" At that moment, I remembered an article by Miriam Wood, titled, "Is Governing Board Behavior Cyclical?"[1]

While digging out the article to reread it, I thought about all the changes that have occurred since the article was first published, in 1992. Since then, the nonprofit sector has seen exponential growth, increased professionalism, and an explosion in academic research, with a concomitant number of undergraduate and graduate degrees awarded in the field. Nonprofit governance research and practice have grown to the point that there is now a biannual conference that brings together scholars and practitioners to explore and advance the body of knowledge in the field. I found myself wondering whether the board behavior framework advanced by Wood was still as applicable today as it was in 1992. To address this question, I have drawn upon information from *NPQ*'s 2011 reader survey, and my own experience serving on nonprofits for more than thirty years as well as working for nonprofit boards as a consultant.

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Responding to Crises, Not Episodic Tensions

In her article, Wood describes a framework for nonprofit board behavior that begins with a nonrecurring founding period followed by a set of three distinct operating phases: *supermanaging*, *corporate*, and *ratifying*. When an organization reaches this last phase, it experiences a transformative change precipitated by an internal or external crisis, and the process begins all over again . . . and again . . . and again. These crises are fundamental to an organization. They are not small episodic tensions but rather events that jar the organization and compel the board to act differently. As an *NPQ* reader describes it, "The agency has experienced significant challenges which have forced the board to engage as they never have before."

Each time a board enters a new cycle it is different from the previous one, because the organization and external environment will have changed. The board's response to each new cycle will often be different, too, because the crises that move them are always evolving.

The Founding Period

The founding period has two sub-phases: collective and sustaining. In the collective phase, the board generally embodies the mission and believes the organization to be worthy of significant involvement. During this phase, board members serve because it fulfills a personal as well as a professional need. In the early days, weeks, or even years, there may not be a paid executive, but a leader does




eventually emerge. At some point, after funding has been secured, an executive is hired.

At this juncture, additional funding begins to flow in, and this often marks the shift to the sustaining phase. In this phase, the original board members begin to leave when they see that the organization has created a model that is relatively stable and has adequate resources, and new members take their place.

Despite its name, the founding period can last for years. It usually takes a substantial crisis to propel the board into the *supermanaging phase*.

Despite its name, the founding period can last for years. It usually takes a substantial crisis to propel the board into the *supermanaging phase*.

The Supermanaging Phase

As former member of the founding board of a community-based organization that provides direct services and advocacy for an underserved population, I watched as we followed the above series of events precisely. The organization had become well regarded—known for its ability to achieve large victories with a small and innovative group of staff members. Many of us on that founding board left when we felt that the organization was stable, with paid staff members, key signature programs, a solid funding stream, and a clear path forward. The next generation of community members who joined the board was as committed as the founding members but relied on the executive to raise funds, further develop the program, provide the analysis of community needs, and set the organizational direction. Then a crisis occurred.

The crisis was financial. The organization had come to rely heavily on a single stream of income for more than 50 percent of its budget; then, in the space of three years, that income stream declined by 75 percent. The board had not questioned the lopsided nature of the budget nor provided direction to the executive about how to manage the income. Board members relied on the executive to raise the funds and monitor the expenses. They simply approved the reports and budgets as necessary, and focused on development of the programs.

Enter the supermanaging phase. A characteristic response to crisis during an organization's founding period is to recruit board members with specific professional expertise or skills. Wood calls them MAPs (middle-aged professionals). Typically, MAPs are bureaucratic and rational in their approach—or, as Wood describes it—"corporate." MAPs are planners who like to know how the organization will achieve its goals. Like board members in the collective phase, they are committed to the organization's mission and they also understand that serving on the board may benefit both their altruism and their professional development. Thus, they are more practical in their approach to board work and what they hope to gain from it.

A supermanaging board recruits members for their skill sets and networks, and is more inclined to ask questions of the executive rather than simply ratify his or her actions. Committees that may or may not have already been in place are engaged and active. The board supplements information from the executive with informal sources that may include stakeholders, funders, committee members, etc.

As reported by Ruth McCambridge in this issue, *NPQ* readers were asked in a survey what changes they were noticing—if any—in their organization's board. One reader described "a great sense of urgency, which in turn engendered a greater sense of urgency, which in turn engendered more participation." Another reader gave the following description:

> [Board members] are increasingly involved due to the significance of the issues. This is both good, because they have a variety of strategic ideas on important issues, and challenging, because it sometimes leads them into non-governance territory . . . More problems in the state's ability to pay, combined with rule changes and drops or losses in funding that are unprecedented in our forty-year history, have sparked the changes.

Tensions may emerge between the board members and the executive as the power dynamics shift. The board may be perceived as no longer under the executive's thumb. Board members who had been acting as volunteers may now be seen as unprofessional, compromising the role of the board because of their dual service to the board and the organization. The board members begin to define their primary roles to be stewardship and oversight, and thus expect greater accountability and transparency from the executive. At this point, the board has begun to move into the *corporate phase*.

The Corporate Phase

During the financial crisis at the organization I described earlier, some board members left and MAPs were recruited to take their place. This new board, along with the executive, made a series of difficult decisions that stabilized the diminished organization. The board committees, which previously had been meeting sporadically, began to meet regularly and worked closely with staff members. The board initiated a strategic planning process, created a formal process to review the executive, and began to have strong attendance at meetings.

Another important change was the shift in allegiance from the executive to the organization, as board members became more focused on the organization's success. They became more willing to question the executive's actions, intervene when necessary, and overrule the executive's decisions. The board was now acting as the organization's manager.

Over time, the board members began to manage less, work more on board development, and create systems of oversight to ensure the financial crisis would not be repeated. The organization is still in this phase. It has gone through transition from a long-serving executive director to an interim executive director to a full-time executive director—and, recently, yet another new executive director—as well as significant board membership turnover due to exhaustion. Now that the organization has become stabilized with its strong third director and core group of MAPs, the board hopes to move forward. Once again, some sort of external or internal shift occurred to bring the board to the cusp of its new phase.

To some, the corporate phase is nonprofit governance nirvana. The committees meet regularly, the board is focused on mission and oversight, and decisions are made based on insightful and clear information provided by the executive director and leadership staff. The board makes policy decisions and staff members implement them, providing the board with complete and accurate reports on their progress in achieving the policy decisions and goals outlined in the strategic plan. The board may also receive additional internal and/or external information pertaining to organizational effectiveness, response to organizational needs, etc., from consultants, researchers, and organization partners.

An *NPQ* reader described her corporate board as having achieved just such an ideal state:

> The board spends very little time managing and more time thinking about the long-term good of the organization. It's been great. We went through layoffs and there's been no second-guessing—only support for management and those who stayed. They understood how hard it was and backed up all of our decisions. The board is also more interested in fundraising, and [board members are] looking at themselves more critically, wondering if [they] have the right people on the board. They are less tolerant of people who don't attend meetings . . . We have had some conflict on the board but it's all been positive—very issue based and not at all personal. I think we've made better decisions . . . as [we] saw our finances deteriorate and then people and programs cut, [we] realized that if [we] don't follow through, the results can be pretty drastic.

To some, the corporate phase is nonprofit governance nirvana.

During the corporate phase, board-recruitment efforts focus on developing a board with more community, financial, and social clout. The operations of the board and organization become more professional and routine, and power flows smoothly from the board to the executive. However, sustaining this nirvana can be challenging. It is always a challenge to keep the board well informed and engaged. It is a balancing act to both engage the passion of the board members for the mission of the organization and tap into their skills and expertise without over-informing them, thus implying that they should manage rather than lead. On the other hand, under-informing a board can make members feel irrelevant or unnecessary. In my consulting practice, I have seen executives handle this balancing act by consciously weighing each communication with their board, and asking themselves the following questions:

1. What does the board need to know?
2. What does the board want to know?
3. What is my purpose in communicating this information to the board?
4. How can I get the board's best thinking to assist the organization?

5. What board decision, action, or outcome do I wish to achieve?

But nothing lasts forever. Over time, a board's oversight and strategic decision-making functions may diminish, and meeting attendance may become sporadic. Recruitment of new board members often focuses more on how much time a prospective member has to contribute to the organization than on the prospective member's capacity to advance the organization's mission. Board discussions may become less robust and organizational leadership may be firmly placed with the executive and leadership staff members as the board moves into the *ratifying phase*.

But nothing lasts forever. Over time, a board's oversight and strategic decision-making functions may diminish.

The Ratifying Phase

During this phase, boards tend to meet less frequently and/or for shorter periods. Expediency is important, as the board comprises increasingly prestigious and busy individuals. Information is circulated almost exclusively by professional staff members, agendas for board and committee meetings are created by the staff, and the board or committee chairs follow those agendas. The executive has great autonomy and manages the board so that it performs its duties in a cursory manner.

Unlike the previous phases, the board in a ratifying phase may not be as cohesive a group, and members may not know each other very well. They are less likely to be spending much time thinking about the organization beyond the thirty minutes preceding each meeting. In sum, the board is functional but largely disengaged from the organization.

Starting Anew

This is where the cycle starts over again. A crisis occurs and a new cycle begins, starting with the supermanaging phase and continuing with other crises that move the board from phase to phase, helping the board to make the larger shifts that are necessary to its continued relevance to the organization.

Additionally, funding environments change, the nonprofit sector changes, and organizations often change, thus requiring the board to change as well. Each of these phases has a time and a place, but for various reasons none of them is permanent—either because members get too disengaged or burned out, or because they do not evolve with the organization.

When a board shifts from the ratifying phase to start the cycle over again, things look a little different. In fact, the changes that precipitate the movement from one phase to another may seem more intentional in response to internal or external contingencies. Regardless, the movement will still be precipitated by a new need that calls for a substantially different response from the board.

Another nonprofit organization I know of serves as a good example of the second cycle of Wood's framework. This small, infrastructure-building organization focuses on developing the nonprofit sector and serving a community need, and has been in existence for decades. The board had recently hired a well-regarded executive with excellent professional credentials. As the executive and board chair began looking at their board, the mission of the organization, and the level of organizational activity, they saw that something was amiss.

For decades, the organization had worked extensively one-on-one with nonprofits. As the sector grew, the number of nonprofits it worked with remained static. The organization was quickly becoming obsolete. Yet the board was in no position to strategically lead the organization to grow or shift as the environment changed. While the board comprised professionals who were well regarded because of their work, service, and knowledge, they met only bimonthly and had sporadic attendance. Interestingly, the board met at locations other than the nonprofit office, emblematic of the distance between the board and the operations of the organization. This board was in the ratifying phase.

The organization began to have annual budget deficits, and fundraising became increasingly difficult. As the board chair and executive saw the organization's relevance and resources diminish, they began to question their program model. Some board members engaged, and some left. The board began a strategic planning process that called for evaluation of the model and the possible creation of a new one. The board began utilizing its committees, asking for additional information from the new executive as well as from outside resources, conducting stakeholder interviews, and talking with staff members about their current model. The board began looking at the way staff members executed their current services and programs, and realized that the future of the organization was in jeopardy if it did not act. It had entered the supermanaging phase.

The board worked with the executive to develop a new programmatic model, convened stakeholder meetings to gather input and respond to questions and concerns, worked closely with staff members in leading the transition, and spoke with funders about their commitment and leadership with regard to the effort. The executive worked side by side with the board. As the new model was implemented, specific board members were asked to review it, and gave significant input to its development.

Finally, as the organization turned the corner, the board took a step back and moved toward the corporate phase. The board still has significant engagement in some of the program decision making, but it no longer participates in its implementation. The board returned to setting direction rather than setting and implementing change efforts.

This organization's executive did the following to move the organization into the next phase:

1. Welcomed the re-engagement of the board;
2. Partnered with the board chair to lead the change effort; and
3. Understood that the supermanaging phase was an indicator as well as an opportunity for strategic organizational change.

One of the major insights to be found in Wood's description of the cyclical nature of boards is that board behavior is not static but dynamic. It is driven by crises, some of which are beyond the control of the organization. Our current recession is a good example. Other crises may be triggered by such external or internal events as the loss of a major funder or a leadership transition. But crises can also stem from the board itself—whether from lack of oversight or undisciplined behavior.

An organization I worked with as a consultant had a board that was described as "out of control" by the interim executive. The organization had a budget in excess of $20 million. The board was externally mandated to have a mix of community members who were service recipients, MAPs, and elected officials.

In the year preceding my consulting with the board, they had fired their executive, stopped having an armed guard at board meetings, and directed officials to appoint representatives to the board rather than serving themselves.

The board members frequently battled openly among themselves. They felt emboldened to review and direct individually and collectively the most minute operations of the organization. The staff, having seen an executive get fired for questioning this behavior, was reluctant to confront them. The board had gone rogue. As the board continued down this path, funders both large and small began to withdraw, or threatened to do so.

Through training, pressure from outside funders, and the comprehension that in order to hire a new, high-caliber executive they would have to change, the board got back on track. The organization continues to provide vital community services now that it has the leadership of a dynamic executive and board.

This is why I believe that understanding Wood's framework describing the cyclical nature of board behavior is important. In the example above, the staff members and funders needed to believe that the board could and would change. They needed to trust that it could move to another phase that would enhance the organization rather than diminish it. They needed to believe that *this too shall pass*.

So the question of whether Miriam Wood's framework is still relevant nineteen years later is settled: Yes, indeed it is. It is essential that organizations understand that the behavior of boards is dynamic. As organizations continue to change and grow, so too will their boards—over and over again. Internal and external crises and contingencies provide opportunities for further board growth and development. Knowledge of the cyclical nature of boards may or may not help the board move more quickly through the various phases, but it can help to mitigate some of the detrimental behaviors of the board, as well as provide ways to build on its assets and strengths.

Crises may be triggered by such external or internal events as the loss of a major funder or a leadership transition. But crises can also stem from the board itself.

ENDNOTE

1. Miriam M. Wood, "Is Governing Board Behavior Cyclical?," *Nonprofit Management and Leadership*, vol. 3, no. 2, 1992.

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Ethos of TRANSPARENCY

Given a nonprofit's obligation to serve the public good, one might ask how the public, the government, and other stakeholders know that the mission is being advanced and the public interest is being served. The answer: Transparency.

There are various ways an organization can ensure transparency. It can make sure information about the organization's work and actions is clear, accurate, timely, and available. It can regularly hold a mirror up to its practices and behavior, taking a long, hard look at itself and allowing others to do so.

When the board and the organization's leaders allow others to stare into the looking glass — not just at the successes and progress, but also at the failures and setbacks — confidence and trust in the organization follow. On the heels of trust comes support.

WHAT DOES TRANSPARENCY LOOK LIKE?

Transparency begins with open communication among board members and between the board and senior staff. Frequent communication between the board chair and executive director or CEO (chief executive) is particularly important as this partnership is critical to the successful leadership of the organization. It includes basics, such as all board members having access to the same information when making decisions in addition to staff members having access to information about the organization's business (e.g., board meeting minutes, annual budgets).

Openness continues with external transparency, with being accountable to the public and outside stakeholders, such as current and potential donors, interested government parties, and also those who may receive services. This includes disclosure of general information and annual reports, as well as proactive communications of good and bad news.

Let's look at some guidelines for practicing transparency.

> *Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results.*
>
> The Source: Twelve Principles of Governance That Power Exceptional Boards

Information is disseminated. Being internally transparent, a chief executive willingly and immediately shares major news, good or bad, with the board. When big changes happen at the organization, key donors and stakeholders are notified quickly. This isn't burdensome when the chief executive and board appropriately define "major" for their organization.

Information is available and up-to-date. To be externally transparent, an organization's website should list board members, staff, program descriptions, and explanations of how to volunteer and/or make donations. Additionally, an organization should post online its most recent Form 990 and audited financial statements.

In an environment where donors, the public, and charity regulators are asking more and more questions about the effectiveness of a nonprofit organization's practices, including the work of the board, many nonprofits are choosing to go one step further. BoardSource partnered with GuideStar to create a vehicle for organizations to do just that, and launched a section of the GuideStar Exchange titled "People & Governance" that enables organizations to share information about board orientation, composition, and performance; oversight; and ethical practices. To update your organization's GuideStar profile, visit www.guidestar.org.

Beyond these "quantifiable" indicators of transparency are two "qualitative" tactics that have less to do with documents and more to do with an organization's views about openness and honesty. Both are examples of internal transparency.

Hard questions are asked, and hard truths are spoken. Trust among those leading an organization is such that no one is intimidated when speaking out. Whistleblower policies serve as one way to protect staff and cultivate a sense of trust. Likewise, board members need to be able to share their concerns and invite other viewpoints.

Board performance is assessed regularly. BoardSource encourages boards to set aside time at the end of every board meeting to discuss whether their members' time and talent was used effectively or send a survey immediately following a meeting to address the same questions. We also recommend boards complete a formal written board self-assessment and then openly discuss the results. Some boards find it helpful to engage an external facilitator to bring in a fresh, neutral perspective and help guide the board's discussion.

ARE THERE LEGITIMATE ARGUMENTS AGAINST TRANSPARENCY?

Some nonprofit leaders do not embrace transparency with the same enthusiasm that others do. Here are a few of the arguments made against the practice.

It takes too much time. True enough. It takes real resources to gather good, thorough information and then to make the information easily digestible. But the risk of not spending time on transparency is that your stakeholders may be less likely to support your organization because they don't feel they know enough about your good work.

Many nonprofits use dashboards with an array of key indicators and metrics to monitor organizational performance. Just as with any logistical or navigational tool, dashboards can help save board members' valuable time by highlighting items that may require more detailed and thoughtful conversation.

MORE ON DASHBOARDS:

The Nonprofit Dashboard: Using Metrics to Drive Mission Success, Second Edition

10 Common Benefits of Dashboard Reporting

"Too much information" can make situations and meetings uncomfortable. While it's easy to share successes, most of us don't want to broadcast our troubles or failures. Why would any chief executive with a sense of self-preservation want to tell the board about an underperforming program, especially one that the organization is considering sunsetting based on continued lost revenue? Because the board is there to help and offer guidance on difficult issues. It's far better for the chief executive to practice the "doctrine of no surprises" because the level of trust usually goes up when leaders are open about problems. And, together, they can determine how to solve them.

Shouldn't some of what we do be confidential? Yes. There is certainly information that few, if any, outside the board need to know or even have the right to know. No one outside the board, for example, needs to know the results of a chief executive's performance review and assessments of individual board members. It's perfectly reasonable not to share operating plans and budgets with the public. Prudent judgment and input from the staff and board can help determine what data may be revealed to whom.

> Is there a cost to being too transparent? The costs of not being transparent are greater than being too open. Without public trust, a nonprofit has little chance of thriving, let alone surviving. Simply put, trust brings needed support.

THE PLUSES OF TRANSPARENCY

While it is easy to enumerate barriers that inhibit boards and their organizations from embracing an ethos of transparency, there are many more reasons to embrace it. In addition to the core value of maintaining public trust, other benefits include the following:

Donors, board members, other stakeholders may become active partners in solving problems, thereby strengthening the organization. For example, within hours of being told about a potential and major cash-flow problem, the staff of a national organization had more than a dozen ideas for saving funds, ranging from more careful use of office supplies and reviewing travel and expenditure policies to each person taking one day off without pay every other week.

The surprise of receiving bad information is greatly diminished. When boards, staff, and donors expect to hear both good and bad news, they are better prepared to celebrate the good and respond to the bad. For example, when the chief executive takes the time to provide monthly updates to all board members on fundraising efforts — highlighting successes and also requests that are still outstanding — board members invariably volunteer to help support the organization's leaders.

Planning and developing strategy is far easier and more effective when you know what to expect, and better decisions can be made if all the facts, including pros and cons, are on the table. For example, when two nonprofits planning to share space owned by one of them met, the owner disclosed that the building had not been well maintained and substantial dollars would soon be needed to repair it — dollars that the nonprofit owner did not have. Rather than running the other way, the "tenant" worked to determine how the two organizations together could raise the necessary dollars.

As this example illustrates, transparency is key to the success of any collaboration between nonprofits. To learn more about the role strategic partnerships and restructuring can play in accelerating and amplifying an organization's mission, visit The Power of Possibility: Exploring Greater Impact through Strategic Partnerships website.

BECOMING TRANSPARENT

Transparency is not easy to achieve and certainly can't be mastered overnight. Younger, smaller, or more nimble organizations may find it easier to move toward transparency. Older, larger, more institutionalized nonprofits may believe that they have more at stake and may find change harder. Nevertheless, embracing transparency is well worth the effort. A more informed stakeholder base strengthens fundraising, partnerships, and staff and board commitment.

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CONTINUED >

What information is public knowledge?

Nonprofits are legally obligated to share the following documents with the public or their members.

- Form 990. With some exceptions, every tax-exempt nonprofit must share this form from the past three years with anyone requesting it. One easy way to meet this IRS requirement is to post the form on your nonprofit's own website or with GuideStar at www.guidestar.org.
- Form 990T. This form indicates the types of unrelated business activities your organization might be involved in.
- Forms 1023 and 1024. These forms are the tax-exemption application forms.
- Membership organizations: Specific financial documents must be made available to your members as your state laws specify. Know your state requirements if you are a membership organization.
- Organizations covered by state sunshine laws: Board meetings, meeting notices, and meeting minutes must be open or available to the public as stipulated by your state laws. Further information is available at www.rcfp.org/open-government-guide.

What information is private?

There is no obligation for nonprofits to share their planning documents that allow them to remain competitive. Confidential material that would jeopardize the reputation or integrity of an individual should remain undisclosed as well.

- Budget
- Executive session minutes
- Donors who have asked to remain anonymous — If a donor makes this request, his or her name should not be disclosed to anyone outside the senior staff and board. The list that is attached to Form 990 is not part of public disclosure.
- Private addresses of board members can remain private. It is no longer necessary to provide an address for individual board members on the Form 990. If, however, board members (or key employees) cannot be reached via the organizational address, another address must disclosed on Schedule O.
- Personnel files. Even board members should have no need to see them.
- Client and patient information. In the healthcare field, the Health and Insurance Portability and Accountability Act (HIPAA) protects medical records.

What is a Strategic Issue?

Something the organization can do something about and has more than one answer. It is a complex issue needing complex solutions.	If not addressed, will threaten the future of the organization either in the immediate or long-term.
Has a long-range focus, thus distinguishing it from more tactical issues.	Is addresses the fundamental questions of meeting the needs of the community, therefore is more mission and vision focused.

Adapted from:

Allison, Michael and Kaye, Jude (2005), *Strategic Planning for Nonprofit Organizations: A Practical Guide and Workbook, Second Edition*, John Wiley and Sons

Bryson, John M. (2004), *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement, Third Addition*, Jossey Bass