



CENTRE FOR
VOLUNTARY
SECTOR
STUDIES



TED
ROGERS
SCHOOL OF MANAGEMENT
RYERSON
UNIVERSITY

CENTRE FOR VOLUNTARY SECTOR STUDIES

Board Renewal and Rejuvenation

Knud Jensen

**Working Paper Series
Volume 1996 (2)**

350 Victoria Street
Toronto, Ontario, M5B 2K3
Tel: (416) 979-5000, x 6739 / Fax: (416) 979-5124
cvss@ryerson.ca
http://www.ryerson.ca/cvss/working_papers/

Introduction: The Need for Change

Organizations change, sometimes incrementally and sometimes in a discontinuous manner that makes the past an irrelevant predictor of the future. Large, wrenching changes make past behaviour and governance less relevant and call for a new perspective and a new board leadership. Often these changes are brought about by the external environment, which may no longer value the services provided, or economic pressure may reduce the priority of funding. For example, public funding of broadcasting is being reduced across North America and the debate about public funding for broadcasting is beginning. The not-for-profit organization is caught up in the social and economic changes taking place around the world. This phenomenon is not exclusive to any particular country or province, but is part of a much wider change.

Management in all organizations are scrambling to change and so must the governance of the organizations, whether they are trustees or boards of directors, whether they are for-profit or not-for-profit organizations. The external environment is becoming a little more difficult for the Canadian not-for-profit organization. The environment is characterized by:

- Government cutbacks.
- Lack of consumer confidence in the future and in established organizations.
- Market based thinking.
- Social change.
- Economic change.
- Crisis in identity and function.
- Public support dwindling in many areas.
- Corporate support stable and under pressure to increase.

Briefly, the governance of the not-for-profit organization consists of:

1. Decisions and actions linked to defining an organization's mission.
2. Establishing policies.
3. Setting up control mechanisms.
4. Establishing a decision making process.
5. Setting up procedures for performing specific tasks.¹

The governance of the nonprofit organization must change and be realigned with the change in the external environment. Rejuvenation begins with learning and discovery; analysis and strategy come later. A good starting point for rejuvenation is to ask some simple questions and to learn from the answers. The questions posed, for the board and to a larger extent the organization as a whole, may be:

¹ Miriam M. Wood (Ed). "Nonprofit Boards and Leadership" Jossey-Bass, 1995.

1. Who are we?
2. What do we care about?
3. What is our mandate?
4. What is our unique contribution to society?

Figure 1 demonstrates the big picture or the learning fields of a nonprofit organization. The model suggests that there are four key areas to focus on, each with numerous dimensions. The board issues are mainly in Achievement and Assessment, and in Shape.

Figure 1²

ORGANIZATIONAL LEARNING FIELDS

OUTSIDE

Responsiveness:

- resources for innovation
- increased porosity
- partnerships and alliances
- relations with donors, partners, beneficiaries

Achievement & Assessment:

- clear goals, targets
- assessment for learning
- concern for results
- climate of accomplishment

FLEXIBILITY

CONTROL

People:

- skilled, diverse
- committed
- collaborative
- shared purpose

Shape:

- mission statement
- strategic management
- organizational structure
- policy & procedures
- clear board -- staff distinction

INSIDE

² Source: Kelleher/McLaren, "Grabbing the Tiger by the Tail", Canadian Council for International Co-operation. (Reproduced with permission)

Board Responsibility

John Carver, in "Boards That Make a Difference",³ suggests that "Boards are owners in trust." Kelleher and McLaren discuss the board in terms of tasks, and set out the responsibility of the board "to commit the organization to a strategic direction."⁴ A board represents a set of constituencies and has as its main focus to ensure that the organization it governs fulfils its mission, objectives, or mandate. There are two main types of boards: a governing board, usually for larger organizations, where the focus is on policy; and the working board, usually for smaller organizations or start-ups, where the focus is on doing things. In the latter case, there may be no staff or a very small staff to support the organization.

The typical duties of the board include the following (4):

1. Goals, policy, and strategy determination
2. Budgeting
3. Human resources
4. Delegating
5. Controlling
6. Auditors
7. Ethics
8. By-laws, annual meeting, and annual growth

There are many common problems with boards. The more typical ones, according to John Carver and Knud Jensen, are listed below⁵:

- Spend all their time on the trivial
- Short-term bias
- Reactive stance
- Reviewing, rehashing, redoing
- Confusing ends (goals) with means (process)
- Diffuse authority
- No leadership
- No vision, no objectives, no strategy
- No information
- No clear understanding of role
- Lack of interest
- Role conflict
- Rubber stamp decisions
- Interfere with management of the organization
- Act in a weak manner
- Act in an overpowering manner

³ John Carver. "Boards That Make A Difference". Jossey-Bass, 1995.

⁴ David Kelleher and Kate McLaren. "Grabbing the Tiger by the Tail". Canadian Council for International Co-operation, 1996.

⁵ K. B. Jensen. "The Role of the Board of Directors in Setting Strategy". 1991.

Board versus Management

The board, and the CEO and management, often confuse their roles and overlap. Although some writers call for a clear demarcation, this is too simple. There will always be grey areas of responsibility. However, it is very important to clarify roles and responsibilities, and it should be very clear where the board's domain ends and the CEO's begins.

Board Effectiveness

There are a number of barriers to board effectiveness. The board must have an understanding of the "industry" and the forces that buffet the organization, such as the competition, the funding climate, etc. Without this knowledge, the board will be leading the organization into largely unknown territory, which could be disastrous. The board must also understand the dynamics of the organization. In larger organizations, such as hospitals and colleges, this task is often poorly mastered by the board. The role of the board, and of each member of the board, must be clearly understood. There must be general agreement on the purpose and the scope of the organization. It should be clear from this that a high level of learning and understanding is necessary for board members to be effective in their roles.

Many boards spend a disproportionate amount of time going over the past, and very little making plans for the future. A good board will spend most of its time on future-oriented topics.

Bill Dimma, Chairman, Monsanto Canada, talks about the 3 P's of boards - platitudes, posturing, and pontification.⁶ John Por, President of Cortex Applied Research, suggests that one of the barriers to the effective process of the board is the "human condition" that directors are subject to. He summarizes this as follows:⁷

- Fear of embarrassment
- Tendency of avoiding conflict
- Filtering out bad news
- Treating questions as threats
- Tendency to favour the status quo
- Striving to belong

As the external environment moves closer to a market orientation, there will be heavier pressure and more demands on the nonprofit board to perform effectively.

The Board and Restructuring

The board is often the body that provides the impetus for restructuring. Unfortunately, more often than not, restructuring means downsizing to a smaller and perhaps more efficient organization. Typically, the causes leading to this are external economic, or internal financial. Other leading causes include a change in mandate, mission or strategy, or a new CEO.

Restructuring applies to both the board itself and to the organization. The drivers of structural changes are:

⁶ Bill Dimma. Chairman, Monsanto Canada. Speech to the Planning Forum. October 11, 1995.

⁷ John Por. Speech to the Planning Forum. October 11, 1995.

1. Efficiency
2. Cost
3. Size
4. Control
5. Accountability
6. New initiatives
7. Lost initiatives
8. Leadership
9. Flexibility
10. External/internal fits

Board Structure

Generally, the board should be kept small, while at the same time ensuring adequate representation of the various constituencies. While you need critical mass on a board, more than 10-12 board members seems excessive. The board operates with a committee system, which looks at issues in depth and reports back to the board. The committees do not make decisions, the board does, but the committees are invaluable when you need a focused effort. Traditional committees include finance, strategic planning, human resources, and programs. Often, a committee is set up on a temporary basis to deal with a particular issue, and the committee is dissolved when the issue or problem has been dealt with. Committees with nothing to do are a waste of resources.

Boards must make sure that there is a chance for new members to join so that fresh ideas can be brought in. This is usually done by limiting the term of a board member. An orientation is essential for a new member. As stated earlier, the board members must be knowledgeable about the external and internal environment. The operations of the board itself should be laid out in a policy manual.

Board members should be selected with three basic pre-requisites. The new board member must be committed to the organization, must have time, and must have energy to spend on board issues. Some boards may have specific skills that are required due to the nature of the organization, but generally speaking the selection of a board member should be based on the representation of constituents and the skills and qualities of the individual. It is very important that the board seek a balance among its members. Some boards seek wealth and prestige; however, such board members may not possess the talent that the board needs. Also, extremely busy people may not be able to provide the time that is necessary for the board to become effective.

Board Renewal and Development

Renewal and rejuvenation come from board development. Board development is essential for the organization. It makes the assumption that a commitment and an investment is necessary on a continual basis in order for the organization to achieve its goals and objectives. Board development traditionally includes retreats, workshops, audits, and conferences. It is a constant journey to reshape the organization in tune with the external and the internal environment. It is as much education and soul searching as it is analysis and strategy. It relies heavily on a constant flow of information to and from the board.

Unfortunately, there are many barriers to board development. The sheer demand on busy people's time makes it difficult for many board members to spend the time necessary; for example, a one or two-day retreat. Boards may not know how to proceed and may need a consultant or a facilitator to

help set up a developmental program, and there may not be money available in the organization to have a proper board development program. There are many basic questions that need to be addressed by a board before a direction is generated. Peter Szanton, in "Board Assessment of the Organization: How Are We Doing?", suggests the following four:⁸

1. If we were starting today, would we do it this way?
2. Do our actions match our mission statement?
3. How are we like and unlike the best in our field?
4. What do our extended beneficiaries think of our performance?
5. How are the next five years likely to be different?

Peter Drucker, on the other hand, in "How to Assess Your Non-Profit Organization, User's Guide", takes a much more business-like approach to the initial soul-searching of the board and centres his five options for consideration around the customer. Defining the organization's customer is a task in itself for many organizations and many not-for-profit organizations do not see themselves as customer driven in the same way as for-profit organizations. Drucker's five questions for discussion are:⁹

1. What is our business (mission)?
2. Who is our customer?
3. What does the customer consider value?
4. What have been our results?
5. What is our plan?

The board must develop a clear understanding of what the organization is all about before proceeding to develop a more formal mission or vision for the organization.

L.H. Siesinger, in "Self-Assessment for Non-Profit Boards", has developed a formal layout for a board development plan and suggests that the following steps be taken to develop a plan:¹⁰

- Identify important areas of board operation that need improvement.
- Measure progress toward existing plans, goals, and objectives of the board.
- Shape the future operation of the board.
- Define the criteria for an effective and successful board of directors.
- Build trust, respect, and communication among board members.
- Enable individual board members to work more effectively as part of a team.

There are three key areas that make for great boards and they are, simply put: leadership, leadership, leadership. Many boards suffer from a paucity of strategic leadership, with outmoded ideas dominating their thinking.

⁸ Peter Szanton. "Board Assessment of the Organization: How are we doing?". National Center for Nonprofit Boards, 1992.

⁹ Peter Drucker. "How To Assess Your Non Profit Organization, Users Guide". 1992.

¹⁰ L. H. Siesinger. "Self Assessment for Nonprofit Governing Boards". National Center for Nonprofit Boards, 1991.

The Road to Successful Boards

One of the most successful tools for renewal and rejuvenation is the development of a strategic plan. The very process of developing a strategic plan poses many of the awkward questions discussed earlier and forces the board to face issues that might not otherwise be dealt with. There are many benefits of strategic planning. They lie both in the outcome and the process of working through the plan as a team. J.M. Bryson has listed the following as significant benefits of the planning process:¹¹

1. Promotion of strategic thought and action.
2. Systemic information gathering.
3. Improved decision making.
4. Enhanced organizational responsiveness and improved performance.
5. Better fulfillment of roles.
6. Better teamwork.

The strategic plan is a living document that must be revisited from time to time in a formal fashion in order to ensure that the organization is in tune with the external and internal environment. The development of strategy is an exercise in outside-in strategic thinking.¹² Strategies must be in constant touch with the external environment. One of the traps of the process is that it assumes a very mechanistic stance and there is little room for adaptation to changes. Strategies must react and be adaptive to changes in an organization's circumstances. This means that a certain flexibility must be built in. The final strategic document becomes a game plan that has been adapted to changing conditions. J. M. Bryson has outlined ten steps in the strategic planning process:¹³

1. Initiate and agree upon a strategic planning process
2. Identify organizational mandates.
3. Clarify organizational mission and values.
4. Assess the organization's external and internal environments to identify strengths, weaknesses, opportunities and threats.
5. Identify the strategic issues facing the organization.
6. Formulate strategies to manage these issues.
7. Review and adopt the strategic plan or plans.
8. Establish an effective organizational vision.
9. Develop and effective implementation process.
10. Reassess strategies and the strategic planning process.

In summary, then, the road to board renewal and rejuvenation starts with learning and discovery and ends with the strategic plan.

¹¹ J. M. Bryson. "Strategic Planning for Public and Nonprofit Organizations". Jossey-Bass, 1995.

¹² A. Thompson, A. J. Strickland. "Strategic Management". Irwin, 1995.

¹³ J. M. Bryson. Ibid.