PART I

Introduction to the Strategic Board

Imagine the desired result before you swing.
—Arnold Palmer

CHAPTER 1

Seize the Day

When it comes to governance, everyone is an expert.
—John C. Whitehead

1.1 INTRODUCTION

Somewhere there are effective governing boards. With over a million and a half tax-exempt organizations in operation today, the odds have to be favorable. Unfortunately, as many board members of nonprofits and for-profits know, great governance is tough to achieve. It's a bit like newborns that sleep through the night: You've heard about them, but it certainly didn't happen with your kids. Why can't boards do better? The seven realities of nonprofit governance help explain the answer.

1.2 THE SEVEN REALITIES OF NONPROFIT BOARDS

That boards want to be great but cannot make it happen is the endless puzzle of governance, which begins with the first reality: Board members simply do not have enough *time* to give to the task. According to *A Snapshot of America's Nonprofit Boards*, published by the National Center for Nonprofit Boards,[1] the average number of board meetings per year is eight, the majority of boards have meetings lasting two hours or less, and the average board member attendance is 71 percent. Do the math and the average board member gives just a touch over 11 hours per year around the table compared to the average executive director, who often works in excess of 3,000 hours during the same period.

The scarcity of *time* gives rise to the second reality of imperfect *knowledge* to make good decisions. That a board made up of part-time volunteers with limited time should have the final responsibility for the organization creates a paradox of nonprofit governance. For the executive director, the paradox means that the executive must be an obedient follower while also being a visionary leader, often making things happen by sheer force of will. For the board, the paradox means that while the board is ultimately accountable for the organization, it cannot do this without the leadership of the executive. The executive and the board must be followers and leaders at the same time. It is a difficult act to maintain in balance.

Third, in the world of nonprofit governance, *size* matters. With half of all nonprofit boards having at least 17 members, and 19 being the average size,[2] it's no wonder that board members don't necessarily feel that they count. Furthermore, it's common sense that a larger group will have more difficulty deciding than a smaller group. Larger boards have more difficulties working together and accomplishing objectives than smaller ones. As team experts Jon Katzenbach and Douglas Smith say in *The Wisdom of Teams,* "Ten people are far more likely than fifty to successfully work through their individual, functional, and hierarchical difference toward a common plan and hold themselves accountable for the results."[3]

Fourth, making matters worse, the *composition* of the board is haphazard at best and generally has little to do with the task of governance. Sometimes board members are chosen because of access to political influence, and most of the time it's the capacity to "give or get" funding. In the nonprofit world, some board members lack even the most rudimentary skills that would allow them to understand basic financial statements or commonly accepted principles of delegation. Corporate executives accustomed to taking the bull by the horns and getting things done serve alongside grass-roots volunteers who practice the fine art of building consensus. Little wonder that common descriptions of the board include herds of cats and huddles of quarterbacks.

Is it bad that board members are chosen for reasons other than their skill at governing? Of course not. "Board members," says one board chair, "are one-quarter governance, three-quarters influence." A board member with the ability to raise significant funds or influence a particular outcome is worth her weight in gold. Ask most United Ways if they'd trade their 45-member campaign-driven boards for smaller, more effective governing boards and most would say, "No," especially those that have done just that and seen their campaign results sink.

Fifth, one would think that a poorly performing board or board member would suffer the *consequences*, but this is not the case. So what if a meeting is missed? Federal and state laws have arisen that make it extremely unlikely that a board member will ever be held accountable for simply not showing up. Are there any employees that could produce meaningful results if they were absent almost a third of the time, as are board members?

Not only are there few consequences for poorly performing board members, but the same holds true for poorly performing boards. William Aramony will be remembered for decades because of his role in the United Way scandal, but who can recall even one of the board members at the helm at the time? Whose picture ends up on the front page of the morning paper? Certainly not the board chair's. On the flip side, if things go well, the public rarely shares the success with the board at large. No downside for the board in poor performance, no upside in good performance.

Sixth, pulling the board together so that there is *continuity* of voice from meeting to meeting is tough since the organizational memory that provides the glue of historical and social context is short term at best. While helpful in terms of bringing fresh ideas to the board, term limits are the norm in the nonprofit sector and every year puts a sixth of the most seasoned board members into forced retirement. At the same time that these seasoned veterans leave, the same number of novices is welcomed into the fold.

With time and talent in short supply, the board lucky enough to attract a top-quality director will likely share that person with other boards. With most board chairs spending two years or less at the helm and new members arriving just as seasoned ones rotate off, the board is in constant flux, making it difficult at best for the board's voice to be consistent over time.

In fact the ratio of newcomers to seasoned veterans is one-to-one with almost half of all board members in their first, second, or third year of board service.[4] If we asked a championship NFL team to win by using a strategy of changing coaches every season and kicking out nearly 20 percent of the most experienced players, we'd be booed out of the stadium. Yet this is exactly the way that it's done on the nonprofit board.

Imagine for a moment that term limits didn't exist, that the board composition today is the board composition next year. Even if this were the case, the attendance habits of board members almost guarantee a different board at every meeting. Simple majority carries the vote for most nonprofits and quorum is generally set at half the trustees. With average attendance at 71 percent,[5] it takes only 40 percent of the board to change destiny. Is it any wonder that many board members complain of "déjà vu all over again" as precious time at meetings is taken up explaining the decision-making process from the last meeting for those who weren't in attendance?

Seventh, usually the full-time professional executive directors from whom the board so desperately needs support and guidance are themselves usually first-time executives with five or fewer years of tenure.[6] These *inexperienced executive directors* follow predecessors that left the top job because of burnout, a better opportunity, or poor board relations.[7] Having tried the sector, only

14 percent of these "once is enough" leaders go on immediately to take another top job with a nonprofit.[8] It's the blind leading the blind in many nonprofit boards. Helping to explain this "get me out of here" situation is that 80 percent of nonprofits have budgets of less than $1 million,[9] which makes money tight, executive salaries low, and tensions high in an increasingly competitive job market. Small organizations are magnets for novice executives who inherit the problems of the previous novice executives.

In summary, part-time board members have limited *time* and imperfect *knowledge* of the organization. The *size* and *composition* of the board are unlikely to have much to do with the task of governing. Because there are few *consequences* for good or bad performance, the *continuity* of the board is very difficult to maintain from meeting to meeting. The source of information and guidance that might provide some relief usually comes from *inexperienced executive directors.*

1.3 THE CHALLENGE OF INEXPERIENCE

Many first-timers on nonprofit boards have experiences reminiscent of the guy who found himself standing beside a swimming pool filled with alligators while attending a seminar at the opulent home of a success guru. The guru said, "Courage is the key to success. And if there's anyone here who has the courage to jump in this pool and makes it to the other side alive, I'll give that person anything he or she wants within my means." Since no one in the group jumped in, it was off to lunch. On the way inside, they heard a splash and turned to see a woman swimming for her life. After a few minutes of utter terror, she made it to the other side and pulled herself out, tattered clothes, bites, and all. True to his word, the guru said, "Whatever you want, it's yours." The woman replied, "Whatever I want? I'll tell you what I want. I want to know who pushed me in!"

One of the remarkable career advantages of the nonprofit sector is that young executives can get into top leadership positions very early in a career. It might not be a big nonprofit, but it's an organization nonetheless. Three years after graduating with my MBA, I was an executive director. My friends who graduated with me were still buried in the depths of their for-profit companies at the same point in their career development. The bountiful number of opportunities for young leaders is perhaps best explained by the fact that 80 percent of nonprofits have budgets of less than $1 million.[10] These small organizations can afford to pay only so much, which establishes an unappealing cycle of novice executives following novice executives. It's a wonderful opportunity to get a top job and a significant learning challenge early in a career.

The downside to getting top-level jobs early in a career is that you don't get the critical "learning by watching" opportunities that those in the for-profit sector receive. One day you wake up to find yourself in an executive director's job never having been to a board meeting or done a marketing plan or led anyone anywhere. In the for-profit sector, the care and feeding of executive talent is taken quite seriously. A young leader would never be given an assignment without having the skills to get it done. Attitude is important, of course, but so is having the abilities to get the job done.

In the nonprofit sector, attitude is everything; the necessary skills are much less important. This happens primarily because turnover is so high, the compensation is so low, and the working conditions are so difficult. That forces boards to look at younger, less-seasoned leaders for the top jobs. As William Bowen reflects, "Many nonprofits reflect the interests of individuals who are idealistic, committed to a set of nonmonetary goals and generally less experienced in some kinds of practical work than are those who live principally in the business world."[11]

John Whitehead, who gave a $10 million gift to Harvard University to be used for the development of a nonprofit curriculum, put his money where his mouth is on the issue. In announcing his contribution, he said, "Unfortunately, with some exceptions, nonprofit leaders have little training about how to run an organization and often are not good managers."[12] While Mr. Whitehead's words might have touched a nerve in many dedicated nonprofit executives, it does hit the mark. Many are the nonprofit executives who have followed four executive directors in less than three years.[13]

I'll never forget attending my first conference presented by Dance USA, the association for ballet and dance companies around the country. I remarked to the artistic director of another dance company that I didn't see very much gray hair in the executive directors around the room and it worried me. "What's to worry about?" he said to me. "No one is retiring from this field," I gulped, "They're all young." What I didn't realize is that many of these people would burn out before they had a chance to get some gray in their hair. After getting top jobs early in their careers, working in low-pay, understaffed conditions for boards that also lack much-needed training, is it any wonder that most of these early-career leaders leave the sector after just a few years?

It's not as if the nonprofit industry is a small one. One person in 12 works in a nonprofit. Fifty-six percent of Americans, 109 million people, volunteer for these organizations. There are more than 1.5 million nonprofits in America accounting for annual revenues of nearly $700 billion, which is more than the gross domestic product of Brazil, Russia, or Australia.[14] One of the world's biggest industries has many inexperienced and untrained people at the helm, both on the board and in the staff.

1.4 THE BETTER BOARD

It is not always true that a poorly functioning board can severely damage an institution or that an effective board equals an effective organization; there are exceptions to every rule. However, despite the lack of definitive research on the causal relationship between boards and effective organizations, common sense would make it seem apparent that a better board can help the organization reach its full potential. A dysfunctional board can hold it back.

There are other reasons to care about the quality of governance. Some board members point with good reason to the advantage of teams over individuals in decision making. William Bowen, President of the Andrew W. Mellon Foundation, points out that "the exercise of collective responsibility through a board can slow down some kinds of decision making, but it can also dampen the enthusiasm of the aspiring autocrat. It provides checks and balances by adding layers of judgment and protections against abuse of power and some forms of self-dealing, self-promotion, and favoritism."[15]

Finally, even if the full board is uninterested in attending to its responsibilities, the individual board member's self-interest about personal liability should offer ample motivation. In many boards, directorships are bestowed upon the generous patron as a thank-you for unselfish giving. Unfortunately, trusteeship should not be considered a gift, but rather should be conveyed as a serious obligation that carries significant responsibility and accountability, as Leifer and Glomb remind us in *The Legal Obligations of Nonprofit Boards:*

> *One reason for incorporating a nonprofit organization is to protect individual board members and officers against personal liability for organizational obligations. . . . Generally, as long as board members exercise ordinary diligence and care, they will not be held liable for actions or decisions that cause damage or injury, even if their decisions were the result of poor judgment . . . reasonableness is the principal test of ordinary care. . . . Clearly, the best way for board members to avoid personal liability is by fulfilling all of the obligations of the office. . . .*[16]

1.5 THE PUZZLE

The simple truth is that nonprofit boards have always struggled with knowing how best to govern. It is not that nonprofit boards don't want to govern well; they just don't necessarily know how to go about it, because they, like their executive directors, are inexperienced. This leaves many at nonprofits without trust in the ability of their board. Richard P. Chait, Thomas P. Holland, and Barbara E. Taylor stated, "After 10 years of research and dozens of engagements as consultants to nonprofit boards, we have reached a rather stark conclusion: Effective governance by a board of trustees is a relative rare and unnatural act."[17]

The search for the root causes of this gloomy assessment starts with an investigation into the common complaints of boards. Peter Drucker says that there are just two: "Nonprofit CEO's complain that their board 'meddles.' The directors, in turn, complain that management 'usurps' the board's function."[18]

However, it is not just inexperience that leads to problems; part of the difficulty lies with the board's view of its role; the board members themselves question their effectiveness. *Improving the Performance of Governing Boards* lists four complaints:

1. "There's no red meat on the table." The issues before the board and its committees are little more than a mishmash of miscellany—trivial matters disconnected from one another and from corporate strategy.
2. "Board meetings are boring." Events are tightly scripted, outcomes are largely predetermined, and opportunities to substantially influence significant decisions are severely limited.
3. "We have plenty of information, but we have no idea what it all means." Board packets bulge with raw, uninterpreted data, and trustees suffer from a deluge, not a dearth, of information.
4. "The parts on this board sum to less than the whole." The trustees' individual talents are not harnessed to a collective effort. The board functions more like foursomes on the same golf course than like players on the same team. Each committee or clique engages in a self-contained event on a common terrain, largely oblivious to the activities of others.[19]

Should leaders at nonprofits care that meetings are boring or that there is no red meat on the table? Isn't this a bit like worrying about whether the pilot on a flight is bored with the job and wants more meaningful things to do at 30,000 feet than watch the auto pilot? What we're interested in is arriving at our destination in one piece, not in whether the crew is having fun in the cockpit. If job satisfaction will have an impact on safety, by all means deal with it. If not, why is it a consideration?

However, this view of the problem does not accurately reflect the true board-staff relationship. In an airline flight analogy, the board would not have the role of the pilot. The pilot would be the executive; the board would play the role of passenger. After all, it is the passenger, not the pilot, who decides where and when to fly. We all know that a flight can get into trouble when the pilot leaves the flight deck, but boards ask for this all the time. They want the executive to pilot the plane and be a flight attendant at the same time.

Some executives like this behavior because it gets them off the hook. They expect to fly in first class with the board as pilot especially when it comes to fundraising. What young executive director hasn't complained about ineffectiveness on the part of the board in fundraising? It's little wonder that executives overwhelmingly rank the development/fundraising committee as the least-effective committee of the board.[20]

Some of the complaints about boredom in governance are simply unavoidable. Reviewing financial audits, for example, is not the most interesting task for board members, but it is a crucial one. If the organization is performing as it should, perhaps some boredom is tolerable and even a welcome sign of an effective board. No one could reasonably suggest that the executive director of a successful organization manufacture a "crisis du jour" for the board simply to keep the members entertained and stimulated.

Attending to these complaints has merit, however. Being awash in meaningless information is a waste of time and resources. Having a group of 20 board members when just one could get the job done more effectively is foolish. And if every meeting is a sleeper, what is the point of meeting at all? Why have a board at all?

1.6 TOO MUCH REFORM

The seven realities of nonprofit governance would seem at first fixable. Upon examination, however, many of them are simply unaffected by any attempt to change them. For example, time is fixed; no amount of effort can make more of it. It can be used more effectively, but it can't be increased simply through wishing for more. It is possible to make a larger board smaller, but perhaps not without the trade-off of reduced funding because of a loss of influential "door-opening" board members.

The problem with denying these realities, with not responding to them, is that the board will forever be reactive, always be subservient to outside stimuli that can take the form of rushed, stopgap measures or trendy fixes. This can be especially true when it comes to reform movements that are frequently promoted in the name of organizational capacity building.

These efforts at reform can do harm if the board embraces them in a reactive manner, grabbing every movement that comes along without a clear sense of what their organization needs.

Paul Light, author of *Making Nonprofits Work* and my brother, uses tides as a metaphor for describing the reform movements that nonprofits must react to on a regular basis:

> *Like the tides of the ocean, the tides of reform will never cease. Even if the current pressure for reform were to suddenly calm, the tides would rise and fall regardless, bringing their periodic shifts in ideology to the nonprofit sector just as they have to government and private firms for hundreds of years. And like the tides of the ocean, the tides of reform carry a vast collection of treasure and waste, some which gets used by the nonprofits, some of which gets tossed back into the ocean in due course.*[21]

Light says that there are four major tides. The first is *scientific management,* based upon Frederick Taylor's one best way and "rooted in the long-standing belief that certain organizational practices constitute essentials of good management . . . and it tends to arise in the form of checklists, templates, and benchmarks that tell a given organization exactly how to do its work."[22] Standards and codes of conduct most commonly express scientific management, and its central assumption is that "a set of core practices makes all organization effective."[23] Light goes on to say:

> *The strength of such efforts is obvious: the nonprofit sector cannot doubt what is expected by way of improvement. Not only are most of the standards measurable, but progress also is easily assessed. An organization either has a performance appraisal process or it does not; its board either meets three times (Better Business Bureau) or six times (Maryland) a year or not. The weakness is that the recommendations reach well beyond the knowledge base on organization effectiveness.*[24]

The second tide of reform is *war on waste:*

> *Like scientific management . . . [it] is driven by a belief that there is a "right" number of people and organizations for doing a specific nonprofit job. What makes the war on waste different from scientific management is its general belief that the right number of people and organizations is always less. Built upon Taylor's vision of the one best way, the war on waste is motivated by the desire for cost savings, whether through downsizing, mergers, or the outright "obliterations," as Michael Hammer called it, of obsolete organizations.*[25]

War on waste is most commonly expressed by reorganization, downsizing, strategic alliances, and reengineering, and its central assumption is that "staff, processes, and subsectors can be organized to create maximum efficiency."[26] About its pluses and minuses, Light says,"The great strength of war on waste is its focus on cost savings and efficiency. . . . The weakness of war on waste is its focus on cost savings and efficiency as the core measurement of success and the possible reduction in innovation as a result."[27]

The third tide of reform is *watchful eye,* which is "one of the most powerful traditions in management reform of any kind. . . . The notion is that organizations will not behave unethically if they know that citizens and the media might be watching. By throwing open the curtains that have so long protected corruption, advocates of watchful eye expect shame, embarrassment, and citizen pressure to do the work that scientific management and its legion of rules fail to do."[28]

Watchful eye is most commonly expressed by transparency and its central assumption is that "making financial and performance information visible will allow competition to weed out inefficiency."[29] Its strengths are "openness, donor empowerment," while its weaknesses are "inaccuracy, manipulation."[30]

The final tide of reform is *liberation management.* "At first blush, liberation management appears to be the anti-tide, meaning that it represents a general effort to undo and dismantle the rules and structures associated with scientific management, war on waste, and watchful eye."[31] Light goes on to clarify his point:

> *Central to liberation management is the dual notion that (1) employees know best about what works and (2) that accountability resides in careful measurement of results, not endless checklists and oversight. Liberation management involves a clear trade-off between the old compliance accountability of scientific management and the new performance accountability of outcomes measurement. Employees, and the organizations in which they reside, can be free to do their jobs only if their work enhances results. . . .*[32]

Deregulation, outcomes management, and employee empowerment most commonly express liberation management and its central assumption is that "organizations should focus on results, not rules, and be entrepreneurial."[33] Its strengths are "focus on measurable progress toward mission" while its weaknesses are "potential loss of discipline, focus on wrong 'customers'."[34]

This is all very interesting, but what do the four tides of reform add up to? There is a constant washing ashore of one reform after another, year after year. This year, it's strategic restructuring; next year it's outcomes management; last year it was a process to credential organizations. In such an environment, a nonprofit without a sense of itself is going to whip from one side of the reform spectrum to the other, from one good idea to another.

Because of the difficulties that come about from the seven realities of nonprofit boards, many organizations search high and low for solutions. We want to believe that we correct all the problems and make governance effective. It is a search for symptomatic relief, however. We can make it all better if we have a smaller board or a bigger board, maybe more time for meetings or perhaps a shorter time requirement, more thorough advance materials or abbreviated information, meetings after work or breakfast meetings, an annual retreat off-site or no more retreats at all.

Take self-assessment, for example. Like the tides of reform that Paul Light writes about, this one has been washing ashore in recent years. Because the evidence that self-assessment "by boards of trustees are of questionable validity as accurate and objective measures of actual board performance and competence,"[35] we must assume that boards are using these tools to improve their effectiveness by identifying and then solving myriad operating problems. As the authors of *The Effective Board of Trustees* go on to note, "Perhaps some alternative approaches will overcome the limitations to self-evaluation that we and other researchers have encountered. In the meantime, though, self-studies are likely to be more valuable as springboards to discussion and as measures of self-perception than as reliable barometers of a board's effectiveness."

Self-assessment tools can be very effective in identifying and fixing problems that will improve the work of the board. Fortunately, there is abundant advice about how the work of the board can indeed be bettered. One of the best sources for this kind of information is the National Center for Nonprofit Boards, truly the "A-to-Z" provider for everything imaginable, whether it's how to evaluate the executive director or run an effective retreat.

No board should be without this sort of helpful advice, provided, of course, that everyone knows what the organization is supposed to be doing in the first place. That's often where boards and organizations get into a lot of trouble. They forget that the fundamental purpose of governance is to achieve the chosen destiny for the organization; it is not to improve its scores on the "smile sheets," the "how did we do today" questionnaires, that sometimes pass for performance assessments. If the board fails to deliver on the promise of achieving a clearly articulated vision, it doesn't matter if board meetings are stimulating or directors happy. The strategic board first gets the four questions of great governance answered, then finds the problems and fixes them. It's not the other way around.

Boards often overlook the obvious: The board of directors is a team. When it comes to teams, the biggest source of difficulty isn't with how long or short a meeting is or how big or small the size of the collective is. It lies with the fundamental purpose. Carl Larson and Frank LaFasto, authors of *TeamWork: What Must Go Right/What Can Go Wrong*, explain:

> *In the descriptions of ineffectively functioning teams the factor that occurred far more frequently than any other was very simple: The team had raised—or had allowed to become raised—some other issue or focus about the team's performance objective. Something was being attended to that had assumed, at least at that time, a higher priority than the team's goal. . . . Whenever we encounter a team that is functioning poorly we always ask first: What is it that this team is elevating above its performance objective?*[36]

Governance is not an end unto itself; it is a means to an end. The old approach of giving the board something to do, anything at all, to keep members engaged is wrong. The board does have something to do. Something vital, and it's making sure the organization succeeds at reaching its chosen destiny.

The proof of a great board is in the accomplishments of the organization it governs, not in how effective it is with recruitment and orientation of board members or the degree of satisfaction with meetings. These are means to an end, not an end in itself. As Peter Drucker so aptly says: "To build a successful team, you don't start out with people—you start out with the job. You ask: What are we trying to do?"[37] Whether or not the organization achieves what it is trying to do, its chosen destiny is the best single measure of board performance.

1.7 THE PROACTIVE BOARD

Stephen Covey's immensely popular book, *The 7 Habits of Highly Effective People,* lists being proactive as its first habit:

> *While the word proactivity is now fairly common in management literature, it is a word you won't find in most dictionaries. It means more than merely taking initiative. It means that as human beings, we are responsible for our own lives. Our behavior is a function of our decisions, not our conditions. We can subordinate feeling to values. We have the initiative and the responsibility to make things happen.*[38]

Covey goes on to say, "If you wait to be acted upon, you *will* be acted upon."[39] No one can deny the rationality of Covey's argument, but it is not easy to make the transition from being reactive to being proactive. Making proactivity come alive in an individual is difficult to cultivate; if it were not, Covey would have listed it as a footnote, not as the first habit of seven.

And as hard as it is for an individual to be proactive, there is added difficulty for a collective like a nonprofit board operating in a world where the seven realities of nonprofit boards are added into the mix.

The first point in W. Edwards Deming's Management Method, widely credited for turning around Japanese Industry and restoring American quality to world leadership, is to create *constancy of purpose.* This constancy of purpose does not originate in a reactive environment: "It is easy to stay bound up in the tangled knots of the problems of today, become ever more and more efficient in them," Dr. Deming notes. But no company without a plan for the future, he emphasizes, will stay in business.[40]

The tides of reform, the tangled knots of today's problems, and the seven realities of nonprofit boards will always be present. In such circumstances, a nonprofit board cannot possibly react its way to the chosen destiny. To achieve a chosen destiny, the destiny must first be chosen. In order to become a truly great board, one that is strategic, the board must be both reactive and proactive. If a board is not proactive, it will be buffeted by every trendy reform movement that comes along. Not all of these reform methods are bad; however, nonprofits must be proactive in deciding which ones are for them. The board must be capable of reacting to the unseen and the unanticipated, but it must have a sure sense of its direction.

1.7 THE STRATEGIC BOARD

This book will show how to use the Strategic Board™ model of governance and build a high-impact board. To build a high-impact board and organization demands a process that must answer Peter Drucker's question: What are we trying to do? Any process for answering such a vital question must meet extraordinary requirements. First, it must be quick since board members and the staff do not have much time to give to the task. Second, it must be simple because the levels of experience are going to vary from member to member and within the professional staff itself. It must be user-friendly.

Most importantly, the process to build a strategic board must ultimately build a great organization that achieves its chosen destiny. It must be able to answer the four questions that build a strategic board:

- Where to go tomorrow?
- Who does what?
- What gets done today?
- Did it happen?

When a board answers these questions, it delivers on its promise. And in doing so, a great board and organization are the naturally occurring by-product.

While there are systems and processes that generate responses to some of these questions, most take an inordinate amount of time to craft and then implement. Making things worse, the processes are often very complicated and confusing to the very people who must use them on a day-to-day basis. After reviewing many different approaches and failing to find a satisfactory process, it becomes clear that a new approach is needed. That new approach is Strategic Board™ model of governance.

Rather than giving the right answers, the strategic board asks the right questions. It does not insist upon predetermined responses or specific prescriptions. It does build a dynamic, flexible, and durable framework for asking and then answering these questions. A strategic board produces a comprehensive plan containing four elements that answers the questions of great governance:

LEADERSHIP PLAN
Where to go tomorrow?

DELEGATION PLAN
Who does what?

MANAGEMENT PLAN
What gets done today?

VIGILANCE PLAN
Did it happen?

This combination of four elements is called a Governance Plan™. This, however, is not to suggest that the plan is solely about governance. The Governance Plan is a *Where to go tomorrow—What gets done today*™ practical and common sense tool that combines strategic and operational planning, governance, and monitoring into one simple and easy-to-use package that can be passed by the board in a single vote. Form follows function in a Governance Plan where the Leadership Plan is akin to a strategic plan, the Delegation Plan is a comprehensive set of job descriptions and guidelines of conduct, the Management Plan is similar to an operational plan, and the Vigilance Plan is a monitoring schedule.

If the Governance Plan looks simple, it is because it is meant to be simple. As Albert Einstein said, "Everything should be made as simple as possible, but not simpler," and this is the first rule of the Governance Plan. The Governance Plan gets much of its simplicity by using the 80/20 rule, which is formally known as the Pareto Principle. Pareto was an economist who declared that in any group of objects, 20 percent of the objects would account for 80 percent of the group's entire value. For example, 20 percent of the donors contribute 80 percent of the funds in an annual campaign. In the process of building a Governance Plan, it is important to focus on those issues that will have the most significant impact, the 20 percent that will deliver the 80 percent.

The second rule is that everything in the Governance Plan should ultimately make a difference in the work that real people do in the here and now. Nothing should be included in the Governance Plan unless it informs the work that gets done today. If it is confusing or extraneous, it's not in the Governance Plan. Period.

How involved the board is in each of these components depends upon the particular circumstances of that organization. Some boards will be very involved. They will participate in setting the goals for staff departments. Other boards will be concerned only about the work of the board itself. Some boards will delegate the crafting of every element of the Governance Plan to staff; other boards will be involved in every detail.

The degree of involvement on the part of the board in the day-to-day operations of the organization is fluid and depends upon a host of variables including the experience of the executive, the amount and depth of staff, and resources available. A grass-roots organization with a budget of less than $100,000 and no full-time professional staff will answer the four questions differently from a $10 million foundation. A board with 50 members will probably need an executive committee, a board of 12 might not, either of which is certainly agreeable. The point here is that the strategic board focuses itself on the four questions and derives answers that are appropriate at its particular place in time.

From the board member to the front-line staff, the Governance Plan is to be used on a daily basis. Gone are the long-winded mission statements and impossibly complicated documents that few can understand. The focus is on the critical few rather than the trivial many; those issues that will deliver the greatest results are the center of attention. Less is more; simple is better. This is all in keeping with what Tom Peters and Robert Waterman observed in the early 1980s:

> *The project showed, more clearly than could have been hoped for, that the excellent companies were, above all, brilliant on the basics. Tools didn't substitute for thinking. Intellect didn't overpower wisdom. Analysis didn't impede action. Rather, these companies worked hard to keep things simple in a complex world.*[41]

Relying on the rule that "What gets measured, gets done," the Governance Plan has a strong bias for accountability. It contains built-in, clearly stated, and quantifiable success measures in the Leadership Plan, explicit duties and behavior guidelines in the Delegation Plan, a comprehensive monitoring schedule in the Vigilance Plan, and specific goals for the short-term in the Management Plan.

Building a Governance Plan can be done quickly or it can be done at a more moderate pace. Whether it is a quick process is a matter of choice; what matters is that it gets installed. The fastest installations have taken just 13 hours of board time and seven hours of staff time. The slowest have taken about 27 hours total.

Most organizations decide to be quick about things in deference to the seven realities of nonprofit boards. The cost for speed is that the Governance Plan will have less refinement, but that can be balanced by making it an ongoing endeavor of the board to polish it. The Governance Plan puts a roof over the organization's head; polishing it over time makes it a home and becomes the perpetual work of the board. As the saying goes: A good plan today is better than a perfect plan tomorrow.

Recognizing that if the people who will be doing the work have a say in the decisions about that work, acceptance of the Governance Plan and its goal will be higher. If the process for building a Governance Plan is inclusive as opposed to exclusive. The more people involved including key staff, the better.

Not all organizations will involve the whole board or all of the key staff in the process of building a Governance Plan, however. A board of 50 people and 10 key staff can be a handful to manage and it becomes attractive under these circumstances to convene a smaller group. If this is the case, however, making sure that the smaller group contains the key board members and key staff is critical.

Form follows function in a Governance Plan. Instead of the old "we've always done it this way" approach, the strategic board builds its Governance Plan following the order of the four questions of great governance:

- Where to go tomorrow?
- Who does what?
- What gets done today?
- Did it happen?

Quicker installations can be better than drawn-out ones for another reason. Because of the modest investment in time, the Governance Plan is a home that no one will feel sad about renovating or selling or rebuilding from scratch. It isn't a palace that people are scared to live in.

A Governance Plan is not just for organizations that are already strong. In fact, it can be extremely valuable for those in dire circumstances. After all, once there is a plan of action, climbing out of a hole is easier than fighting your way out without any idea of where to go next. For the new executive director, no matter what shape the organization is in, the first thing that should be done is to see if the answers to the four questions exist. If the answers aren't there, get them quickly.

The Governance Plan is big-picture first, details next, and is inherently optimistic about the future. Since the success measures from the Leadership Plan are tied seamlessly to the Management Plan, where real people have bottom-line responsibility and authority for implementation, a feedback loop exists that moderates excess optimism. The Governance Plan can be upbeat about the future while at the same time absolutely down-to-earth realistic about what gets done today.

Boards can bring a wealth of value to the organization, but the fact of the matter is that any discussion about the assets and liabilities of a board is purely academic. Boards are a fact of life and a better board will always have the advantage. The way to build that better board? The Strategic Board model of governance.