Good Governance and Board/Staff Relations

Woody Allen once said that 80% of life is just showing up. The other 20% is where it gets complicated. Success demands learning, knowledge, creativity, hard work and pragmatism; more than “just showing up.” So it is with the demands of serving on a board.

Good Governance

Addressing board/staff relationships in the context of the board’s role in nonprofit governance first begs a definition of governance, which, as I define it, is: The exercise of legitimate authority, direction, oversight and control of an organization in order to ensure that its purpose is achieved and that there is a proper accounting for the ethical conduct of its affairs and the results of its activities.

Five broadly accepted keys to “good” governance are: legitimacy, accountability, transparency, engagement of stakeholders, and predictability. I’m only going to elaborate on “predictability” for purposes of this discussion:

Predictability: Results primarily from laws, regulations and role definitions that are clear; known in advance; fair; and uniformly and effectively enforced. This means clarity of structure, purpose, objectives, and roles of all key players. Clarity in these areas allows stakeholders to develop confidence in the consequences for fulfilling, or failing to satisfy, expectations.

Voluntary Sector

Since this discussion is about governance in the nonprofit or voluntary sector, it may be helpful to bear in mind a few facts about the sector that are important to understanding what an appropriate relationship between board members and staff might look like.

Seventy percent of nonprofits in Canada have annual revenues of less than $250,000 and 80% have four or fewer staff members. Seventy-three percent of U.S. nonprofits have budgets of $500,000 or less with proportionately larger staff complements.

Board/Staff Relationships

So what is the appropriate relationship between board members and staff? Well, governance guru John Carver says that a board has only one staff, the CEO, who is delegated management
responsibilities and is gatekeeper of the board’s communications with staff. Bill Clinton might say: “Well, it depends on what your definition of ‘relationship’ or ‘is’ is.”

I say, it does indeed depend -- but not on hair-splitting semantics and verbal acrobatics, for which the former U.S. President surely holds the Guinness record. Rather, it depends on a number of factors: the legal structure of the nonprofit; its organizational form (e.g. whether it is membership or funder driven, chartered, cooperative, collective); its mandate; whether its jurisdiction is local, provincial or national; and, particularly, the size, complexity and degree of professionalization of its services.

Operational, management and collective boards will have a high degree of direct involvement in operations and with staff. So will fundraising boards, particularly those that have few staff to rely upon. However, organizations with an executive director must delegate, to that person, the authority for day-to-day administration, and management of staff. That does not abdicate the board from responsibility for ensuring sound management and human resources practices.

This means ensuring establishment of:

- Clear job descriptions for staff and volunteers (including board members);
- Human resources policies that demand compliance with relevant legislation and common law requirements (e.g. requirements for due process and fair employment standards and practices, human rights, workplace harassment, privacy, etc.); and
- Systems for monitoring such compliance.

The board should also monitor compliance with hiring criteria, and trends related to such matters as attendance, sick leave, workers compensation claims, grievances and critical incidents (e.g. injuries or complaints involving clients, staff and volunteers).

While members of smaller boards might be directly engaged with staff or clients, boards of larger organizations will not normally have direct dealings with them, except through committee work or formal complaints to the board. The board is responsible, through its budgetary processes, for establishing terms of reference within which it expects management to negotiate employment agreements with other staff.

Board Work that Matters

So what more guidance can be provided to the board’s relationship with staff? A 1996 Harvard
Business Review article suggested that traditional boards are typically comprised of “high-powered people engaged in low-level activities.” It identified four basic characteristics of a board engaged in high-level activities or “board work that matters.” First, the board concerns itself with do-or-die issues central to the institution’s success. Second, it is driven by results that are linked to defined timetables. Third, it has clear measures of success. Finally, it requires the engagement of the organization’s internal and external constituencies.” Taylor, Barbara E., Chait, Richard P. and Holland, Thomas P.. HBR Vol 74:36-47.

This brings me back to the 80/20 rule, more properly known as “Pareto’s Principle” or “Jurgan’s Assumption.” The principle originated in findings by an Italian scientist/gardener that 20% of pea pods were responsible for 80% of his crop production. Jurgan’s assumption, based on further scientific work, is that 80% of the results in any situation are determined by a small number (20%) of potential causes or contributing factors. So directors should focus on the “vital few rather than the trivial many.”

While there is a long list of the “trivial many,” most problems have their roots in the vital few (20%). It never ceased to amaze me when I worked for Treasury Board that members would consume half an hour on insignificant items yet pass multi-million-dollar budgets in a heartbeat. This must create some glimmer of recognition in your own experience with boards.

Clarity of Roles, Goals and Expectations

My research has led me to conclude that the primary cause of dysfunction in boards (and the board/staff relationship) is a lack of clarity in roles, goals and expectations:

- The roles of the board, its members, the CEO, staff, volunteers and agents;
- The expectations that each of these players brings to their respective responsibilities and authority;
- The goals and objectives established for each, and for the organization as a whole which create a focus on results;
- The lines of communication and accountability for performance;
- Evaluation against established standards of conduct (particularly with respect to major organizational changes, management of resources, expenditure authorities, and expense claims);

All these should be supported by written documentation and policies, and reliable information
in manageable chunks that permits objective decision-making; that is, based on fact rather than conjecture or assumptions.

One of my first case studies was a $12 million association for community living. After a brief board training session on policy governance, the chair and executive director proceeded as if this approach had been approved. Yet there were no minutes documenting the decision and many other directors did not support the policy governance approach. In fact, the only minutes available were for the most recent year. Group home supervisors were in a dual reporting relationship to a manager and a board member. A board chair twice stepped in as interim CEO then returned immediately to the board. The result...a chaotic, dysfunctional organization, poor labour relations, a funder commissioned external audit, and seven CEOs in 10 years.

Clarity of roles and rules is essential to building trust. This should begin during the CEO selection process. The board, once it has selected the CEO, is responsible for providing support, guidance, advice and regular feedback about performance, based on objective criteria. The CEO may seek advice from board committees, individual directors and the Chair. However, only the full board has the legal authority to provide formal direction.

Paradoxes in the Board/CEO Relationship

The board-staff relationship is a paradoxical one. It is both employer/employee and an essential partnership. The relation between the board and chief executive officer should be challenging, yet supportive and positive; friendly, without befriending; arm’s length, but not adversarial; dependent, but not captive.

It relies heavily on the CEO as a full partner in the development of direction and policies since the CEO is much more knowledgeable about, and more heavily invested in, the organization. However, it should maintain sufficient independence from management to ensure that it can objectively evaluate CEO performance.

Board members of smaller organizations with a less rigid hierarchy often interact with staff, particularly management staff, rather informally. They are a resource pool, often called upon by management to provide advice or guidance in their area of expertise. However, they must exercise care and tact in proffering unsolicited advice that may strain the boundaries between board stewardship and management discretion and authority. Their support to staff or other managers is best provided through, or with the sanction of, the senior manager, regardless of
the size of the organization. And the senior manager should always be kept in the
communication loop to maintain proper lines of authority and accountability.

The bottom line on this: It is critical to establish the boundaries of responsibility between
board, CEO and staff. However, it is equally important that the responsibilities of one do not
undermine the authority of the others, and that there is a constructive process for resolution of
problems in those areas where responsibilities might overlap.

Quick Tips

I’ll conclude by offering some tips that may help deal with problems in perennially troubling
areas:

- Construct a matrix or chart that defines respective responsibilities and authority in
  relation to specific tasks in each of the major organizational functions...governance,
  management and work!
- Develop strategic and operational plans with SMART objectives and clear
  expectations for results!
- Monitor progress and evaluate performance!
- Engage in constructive processes for resolution of disagreements, complaints and
  grievances!
- Be clear that you expect “no surprises” from management!
- Avoid perennial trouble spots such as interference in management/staff disputes! But
do protect your employees from Dilbert’s “boss from hell”!
- Set reasonable standards for expense claims! (Neither reimbursement for chewing
  gum, nor for $6,000 gold shower curtains!)
- Demonstrate respect for respective roles, for policies and formal lines of
  communication!
- Monitor compliance! Lead by example!
- Demonstrate appreciation for the contributions of staff and volunteers!
- Focus on the big things and the trivia will take care of itself.
- Use “clarity of roles, goals and expectations” as a mantra. Chant it as you get out of
  bed in the morning! Sing it in the shower! Include it as an invocation at the
  beginning of each board meeting!
- Maintain a sense of humour! Have some fun! (It’s known to increase longevity and
  improve board performance.) And, by all means, “show up”!