12 Characteristics of an Effective Board

Introduction

This compilation of Characteristics of Effective Boards is based on the 12 key characteristics of effective Boards as identified by Dr Robert Andringa from his many years of experience of working with Not For Profit Boards in the US and around the world.

Each Characteristic has been expanded on by Resolve Consulting Group staff based on their experience and work in Australia. The characteristics have also appeared as a series in the firm's quarterly newsletter, Resolve News.

To discuss further the needs of your Board or to undertake governance training please contact one of the Partners at Resolve as per the details on the last page of this booklet.

1. The Board’s Role is clear and distinct from staff

It sounds obvious but one of the largest sources of conflict in not for profits occurs when the Board or staff try to perform each others role.

Similarly we have seen Boards often confused about their role, regularly asking themselves questions like—“what is our role and what are we here for?”

It is vital for Boards to work through key issues such as their role, what power and authority they will delegate to staff and how they will hold staff accountable for their responsibilities.

The challenges facing your Not For Profit have changed—our resolve to help hasn’t
Over the years we have seen many Boards cause all sorts of grief in schools and other NFPs by trying to take the place of staff and manage the organisation. Not only does it cause immense problems and frustrations for staff as they are micro-managed, but can also cause long term harm to the organisation.

This long term harm is the result of a number of things including:

- the Board failing to set clear policies and making decisions on the run
- Failure to plan strategically for the future
- Failure to monitor and review operations—instead they are busy doing!

Boards need to remain in a helicopter above the battlefield governing the organisation rather than being in the trenches managing it!

2. The Board has a Governance Focus

Board members have 3 main roles to fulfill—sometimes confusion about these roles can result in conflict and harm to an organization’s smooth operation. Board members need to know which hat they are wearing at which time!

Governor—when the Board member is sitting in a Board Meeting and has all the powers conferred on them under the Constitution of the organisation.

Volunteer— when the Board member is providing volunteer services to the organisation eg helping at a working bee. Board members have no authority above other volunteers and may well be subject to direction from staff or other volunteers.

Implementer—when a Board member receives a specific delegated task from the Board to carry out. The Board member’s power and decision making ability is limited to the terms given to them by the Board.

3. Board Members understand their roles

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4. The Board links with “Moral Owners”

Stakeholders are many and varied but for this article we are looking only at moral owners.

In the busyness of an organisation, Board’s sometimes forget who their “moral owners” are or don’t even know who they are.

It is a useful exercise for a Board to work out who forms this important group in their organisation and look at creating strategies to link with them. Make sure the moral owners know where you are going, good results you have achieved and even use them to benefit the organisation directly.

Linkages can be as simple as regular newsletters or formal and informal meetings as well as special events such as dinners and celebrations.

Resolve has developed the Ministry Governance model which examines in more detail the role of Moral Owners within organizational community.

5. The Board adopts clear “Ends” policies

One of the biggest challenges for organisations is having a clearly articulated purpose and reason for existing. So often these things can get lost in the busyness of running the organisation. Understanding where we are trying to go and whether we have been successful as an organisation need to be the focus of Boards in their governing role.

It is important for Boards to clearly document what their “Ends” policies are, and then review at least once a year how they are going.

3 simple questions for Boards to ask to get started on developing Ends policies are:

- **What Benefit?** What service do we want to provide?
- **For Whom?** Who are we wanting to serve?
- **At what cost?** How much do we want or need to charge for this service?
6. The CEO is the one agent of the Board

Organisations can often get themselves into knots about who they instruct to carry out their work and who has the responsibility to undertake tasks.

Having a single person as the CEO (The Principal of a School, the Executive Officer of a charity or even the Senior Pastor of a Church,) it becomes clearer for the Board as to who they are issuing instructions to or who they are governing.

Confusion can often come into the picture in some of the following circumstances:

- Where there are a number of staff members who are also Board Members—who is the person that the Board instructs?
- Where Board members carry executive roles or volunteer to do management tasks within the organisation without clear boundaries in place.
- The CEO does not understand that their role apart from day to day management and leadership is to also carry out the instructions and requests of the Board.

In being an agent of the Board we believe that it is best that the CEO not be an actual voting Board member lest the roles of management and governance become blurred.

**Responsible for achieving “Ends”**

It is vital that organisations address “Ends” and work out such things as their Vision and Mission— where they want to go. Boards need to make sure that the CEO is in accord with this and not running their own agenda.

Boards should ensure that their CEO understands that as part of their role they will be held responsible by the Board as to whether these Ends have been achieved or not.

Similarly Boards need to be prepared to hold their CEOs accountable where things do not pan out the way they should. Unfortunately we have seen Boards react too often in a number of unsatisfactory ways:

- They do nothing (apart from grumbling outside of meetings) and do not actually discuss the problems with their CEO
- Alternatively they have a “knee jerk” and over-react with their CEO sometimes with dire consequences for the CEO.

Instead, proper evaluation and feedback processes need to be in place at all times (not just when there are perceived problems!). Such processes include:
• Staff and beneficiary surveys
• Board member questionnaires and discussions.
• A formal Annual Appraisal process where the past year can be discussed and evaluated as well as goals for the coming year agreed upon both for the CEO and the organisation as a whole.

**Clear Board Parameters**

The Board needs to set out in writing in a document such as a Board Policy handbook what the parameters are for management to work within.

The four types of policies identified by Carver in the “Policy Governance” model are useful in this:

• Ends Policies
• Executive limitations
• Board-CEO Relationship
• Board processes

At the end of the day the Board is the party that is responsible to put in place the above aspects of being an effective Board, whilst the CEO can assist them in it, the Board is the one that needs to work on improving and making itself more effective.

#### 7. Policies are organised in to a Board Handbook

All Board policies encompassing all Board function are organised in one document and reviewed regularly.

The development and use of a Board Policy Handbook is a huge benefit to any Board.

It assists in smooth governance operations—everyone has access to policies, new Board members can come up to speed quickly and hopefully your Board uses the policies to actually govern rather than being in reactive mode to individual circumstances.

It is vital that the policy handbook is reviewed regularly to make sure it is up to date and wording is appropriate; as a check to ensure policy is being followed; make sure all eventualities are covered and whether new policies are needed for the future.

Most organisations use hard copy handbooks, though some have moved to an online version through a secure website for ease of updating and access by Board members.
8. The Board Chair “manages” the Board

Contrary to popular belief (and practice!) it is the Chairman’s job to manage the Board, not the CEO’s, but the CEO should help them as they can more readily use the organisation’s resources to assist.

This important role is not just about running meetings but involves activities such as:
- Ensuring meetings are well planned and all necessary materials are sent out
- Liaising with the CEO on Board matters
- Following up Board members who miss meetings or who have problems in meetings
- Following up Board Committee reports
- Being available between meetings for Board members to talk to
- Making sure the Board has a good mix of skills, abilities and experience
- Thinking about succession planning for board members, including themselves.

The role of a Board Chair can be very time consuming and holders of the position need to be available to do a wide variety of additional activities over and above normal Board members.

9. Board Committees serve Board needs and speak to the Board not for the Board

We are talking here about Board Committees, which are not to be confused with Management Committees.

The first element is that Board Committees are there to do work for the Board at a governance level, not to do the work of management; that they don’t have time to do or “can’t be trusted with”.

Early on in an organisation’s life, Boards and Committees often do staff work as there are not enough staff to do the work! However, as the organisation matures and the Board moves into a governance mode, it is important that Board and management move into their proper operating spheres.

The second element of the characteristic relates to the interaction of the Committee in relation to the Board. It is important that Committees are established by the Board with a clear brief and “rules” for how they are to report to the Board.

One of the “rules” we would suggest is that Committees do not have decision making ability or at least very strictly defined powers as delegated by the Board. Committees are there to do more detailed work on behalf of the Board, research aspects of governance issues and make recommendations to the Board. It is the Board who makes final decisions.

For the sake of clarity it is important for everyone in the organisation to know that the final buck stops with the Board and that Committees do not take over the governance of operation of the organisation.
10. Board Meetings are well planned

Well planned meetings are critical for an effective Board - not just individual meetings but it is also helpful to have an overall plan for meetings across the whole year. The development of an Annual Board Planner that the whole Board agrees on upfront ensures the Board owns the agenda it is discussing.

Having well designed Board papers that are easy to navigate, including a clear agenda that lays out what is to be discussed at a meeting, even to the point of having proposed resolutions, can help keep meetings focussed and on track.

Board members receiving their board papers in advance to enable them to pre-read them will also save significant time in a meeting. There is nothing more frustrating than sitting and reading papers in a meeting, or having to make big decisions quickly, without sufficient time to consider the issues properly.

The final aspect in this characteristic that assists in Boards being effective is providing the Board with opportunities to spend time together other than being in the midst of Board business. This can often be best achieved through sharing a meal together, say at the start of the Board meeting, or spending time together on a Board Retreat.

11. Board Members are selected and well orientated

Where possible being able to select new Board Members based on a thought-out criteria and with a good mix of different skills, ages and gender can go a long way to helping make a Board more effective.

It is important for Boards to understand who they need among their number, leaving no gaps and ensuring the right skills and knowledge is sitting around the table. Core requirements for most Not For Profit Boards include finance, legal, marketing, building, a specialist in the area that the Not For Profit operates in (eg an Educator for a School) and even a theological person for religious organizations. We are aware that some Boards even hold a reserve list of prospective Board Members so when a vacancy occurs they can fill it straight away!

The needs mix can change over time as the organization goes through various seasons such as growth, retraction or even just doing building works!

Ensuring that prospective Board Members understand the history, vision and direction of the organization and the purpose of the Board before they are elected/appointed can save a lot of confusion later.

As someone joins the Board going through an orientation process with them, explaining where the Board is up to, key issues it faces, an overview of the organisation in general and more detailed explanation of how the Board operates will assist the new Board Member settle into their new role quickly and therefore help make the Board be more effective.

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12. The Board accepts responsibility for improving itself

At the end of the day the Board is responsible for its own performance and effectiveness—it cannot look to company or association members to help it and it definitely should not be relying only on its CEO to educate it in best practice governance.

Many Boards run multi-million dollar operations which include sizable professional development budgets yet spend no money (not even buying a book!) to help the Board improve and become more effective. A blockage is often the fact that the Board Members themselves are volunteers and are absolutely committed to the cause of the Not For Profit they assist and they don't want to waste money; sometimes it is just that no one thinks about learning how to govern better.

In reading this series of short articles on Characteristics of an Effective Board, some Board Members will have taken their first step in working on developing their governance. It is critical that in this ever increasingly complex and vital role of governance, that Boards and Board Members ensure that they are seeking out opportunities for improvement.

Some ideas include—subscribing to Not For Profit or governance related journals, attending conferences that include sessions on governance, finance or management, purchasing recommended books (and reading them!), going on a Board Retreat or undertaking governance training as a Board or individually. Most important of all is continually as a Board discussing, evaluating and seeking out ways to improve the Board's effectiveness.

Resolve Consulting Group

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