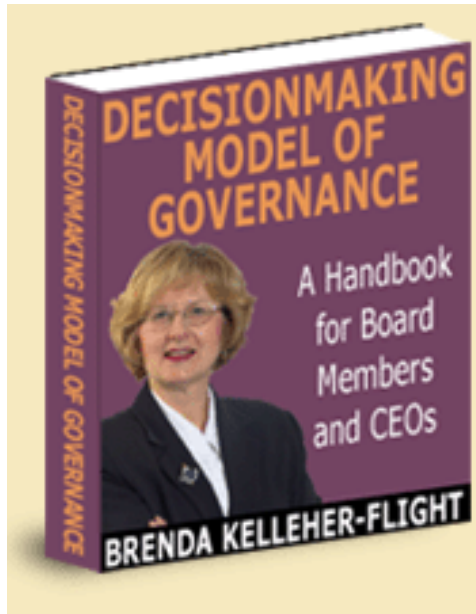


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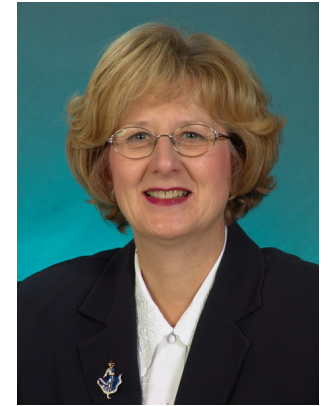
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**SPECIAL
REPORT
ON
GOVERNANCE**



**HOW TO AVOID
THE
9 COMMON MISTAKES
MADE BY BOARDS**

**By
Brenda Kelleher-Flight Ph.D.**

2007

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What Others Are Saying

Brenda has a vast knowledge of the governance issues discussed and has a good ability to present those issues to the group. The examples used were very down to earth and to the point.

P. Gibbons
Board member

Brenda was very knowledgeable on the subject of governance. She kept us focused on the task at hand. She involved us in the discussions on aspects of governance and was quite willing and capable in answering our questions. She makes it quite clear and distinct from management.

H. Langdon
Board member

Brenda was excellent leading the session. She had excellent knowledge of the process and expressed willingness to answer all questions. She kept the group on task and certainly had the ability to teach the group about strategic planning. She ensured we reached our goal for the session. Her knowledge of the subject from past work done caused the facilitator to use examples that were appropriate for the group.

N. Harris
Board Member

Brenda was very knowledgeable and informed about all topics addressed. She was especially good at keeping participants on task. She clearly outlined, with appropriate suggestions and examples, how a board should operate efficiently with its staff. It was a very healthy exercise. The facilitator was excellent.

C. Brown
Board Member

IF

Your organization is looking for a customized solution to an ongoing issue,

Your organization is in the process of improving its effectiveness,

You are spending too much time learning to become an effective board member,

You are spending too much time and effort developing governance policies,

You want to engage in a time-efficient process to develop your board's plan,

Your board is looking for support to improve its effectiveness as governors of the organization,

You are trying to redirect the board meetings to deal with the IMPORTANT issues,

You want effective board member professional development delivered,

Then I have the solutions for you.

GDP Consulting specializes in working **WITH YOU** to make design effective solutions. Results are **GUARANTEED**.

Introduction

Boards are critical to the success of the public system in Canada. Boards protect the public good by listening to the citizens, and by making prudent decisions while focusing on the outcomes desired for their public.

Boards are expected to balance the needs of the majority with the needs of those who could easily be marginalized by our society. Many boards accomplish this feat and at the same time respect and challenge current public policy.

Only rarely do boards find themselves in a position where they are unable to function as effective teams to achieve their mandates. When this does happen, board members need the tools to identify and address the underlying issues.

This special report deals with nine common issues. If your board is grappling with either of these issues, this special report will assist you to remedy the situation and focus on your purpose – to govern.

Mistake #1: Failing to Choose a Model of Governance

There are two fully developed models of governance. These are the PolicyGovernance® model and the DecisionMaking Model of Governance. The PolicyGovernance® model was developed by John Carver (1997) in his book titled *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*. The DecisionMaking model was developed by Brenda Kelleher-Flight. The figure found on the next page outlines the differences between the two models. Either of the two models or a combination of the two models may meet your board's needs. The key is to review both models, determine which is more applicable to your board, and to follow it as closely as possible.

When a board fails to select a model or design its own model, it will operate based on the wishes of current board members. The model used should stand the test of time and enable new board members to learn quickly how the board operates. When a board member states that it takes "up to two years to learn the ropes," that is too long. A board should feel confident that a new board chair or a new CEO would continue to use the agreed upon model chosen for the board.

It is also essential to explain:

- the role of the board chair;
- the role of the board committees;
- the role of the CEO;
- the rules of order used during meetings;
- the standards of behaviour;
- the code of ethics;
- the mandate of the board;
- where the mandate of the board meets the mandate of other boards;
- areas that are not the mandate of the board but of special interest to the board member;
- the role of the executive of the board;
- the constitution, bylaws, and policies;
- the conflict of interest limitations; and
- when the board member can and cannot represent the board.

As outlined it is possible for boards to avoid these mistakes when they take the steps outlined. For more information contact GDP Consulting Inc. at info@gdpconsulting.ca or visit www.gdpconsulting.ca

Mistake #9: Assuming Board Members Understand the Role They are Expected to Fulfill

Too many board members state that they ran for election to a board or accepted an appointment to a board but they are not really clear about the role of a board member. They go to board meetings and participate in discussions but they are not sure if they are doing what they are supposed to do.

It is the responsibility of the board chairperson to clearly articulate the role of the trustee in:

- decision making;
- finances;
- risk management;
- communication;
- planning, monitoring, and reporting;
- collective bargaining;
- policy development and implementation;
- board evaluation;
- board member evaluation;
- CEO evaluation; and
- representing the board.

	Models	
	Policy Governance®	Decision Making
1. Who does work	Board governs. Staff do their own work.	Board, in collaboration with <i>all</i> owners, creates the circumstances necessary to achieve the agreed upon vision and mission. Boards govern and staff operate the organization.
2. Who governs	Board through policies.	All external stakeholders via the board. The board plans, clarifies the mandate and lines of business, negotiates outcomes, oversees finances and risk, develops policy, monitors progress, and evaluates the board's and the organization's success.
3. Level of Staffing	Depends on organization	Has a CEO and many staff.
4. Decision Making	Majority rule: board unanimity crucial	Majority rule after the opinions of all key stakeholder have been sought. Members represent <i>all</i> stakeholders and know who will benefit and who will be marginalized.
5. Policy Areas	Ends; Executive Limitations; Board-Executive Relationship; and Board Process (Carver, 1997, p.34)	Board processes; Roles and responsibilities of the board, its members and the CEO; Well-being outcomes desired for the lines of business; Evaluation processes; Fiscal oversight; Planning; Risk management; Representation; and Accountability.
6. Accountability	Accountability is seen as the "responsibility that accumulates" (Carver, 1997, p.105)	Accountability is seen as including the moral and legal owners in a participative manner; designing program and policy strategies around negotiated settlements; answering for assigned responsibilities; and being transparent in all activities, unless there is a legal reason prohibiting such action.
7. Representation	Moral ownership rather than legal ownership is the basis on which a board determines its accountability (Carver, 1997, p.121).	The board represents the moral (citizens) and the legal owners, and values personal experiences and field-specific expertise equally.
8. Evaluation	Of the CEO via the CEO limitation and ends policies	Of the board as a whole, each board member and the CEO

Mistake #2: Not Choosing a Process to Separate Governance from Management

Governance is different from management. Governance is the obligation to dialogue and make decisions by:

1. clarifying the mandate of the organization;
2. ensuring the lines of business and their parameters are responsive to the citizens' (clients') needs and board's resource realities;
3. developing, implementing, monitoring, and evaluating governance policies;
4. governing within the entity's fiscal envelope;
5. representing *all* primary stakeholders;
6. determining and managing risks;
7. planning strategically at the governance level; and,
8. demonstrating that accountability responsibilities are fulfilled by reporting on the program outcomes, fiscal proprieties and legal obligations.

Before approving the plan the board would ensure that it has:

- specified the evidence the board will use to determine if the goals and objectives were met;
- specified when it expects updates regarding progress;
- the fiscal, physical, and human resources to successfully fulfill the goals and objectives in the plan;
- included the lines of business and their parameters which would limit the work of the senior staff;
- included targets which are measurable;
- the mechanisms in place to collect the data it requires;
- mechanisms in place which would ensure it is notified when the data collected indicates that targets will not be met; and
- polled board members to ensure they are willing and able to fulfill the board's commitments outlined in the plan.

Mistake #8: Failing to have a Governance Plan which is Achievable Within Current Resource Allocations

Why do boards spend valuable time designing plans which they know they will never fulfill? How does this wish-list help these boards? Would not it be better to spend time designing a plan which is achievable given:

- the stated timelines;
- the current fiscal resources of the board;
- the current human resources of the board; and
- the current mandate of the board?

The majority of board members are busy people. They do not have time to produce documents which will be filed and never used. When the board is responsible for achieving outcomes, it is critical for the board to focus on specific priorities, make decisions based on those priorities, and act as a champion for those priorities.

To ensure that the plan the board develops is as useful as possible, it is important for the plan to meet specific criteria.

Management is the obligation to:

- A. dialogue and make policies which influence day-to-day decisions within the organization;
- B. establish procedures to direct routine transactions and normal operations of the organization related to fiscal management, risk management, programs, and human resources while ensuring they are within the governance policies;
- C. confirm that programs, services, and products offered are within the parameters set by the board;
- D. identify and address internal risks;
- E. ensure internal stakeholders' voices are heard; and
- F. report to the board as required.

Mistake #3: Failing to Decision the Board's Role Regarding Each Agenda Item

It is easy for a board to spend considerable amounts of scarce board meeting time to discuss items which are outside of its control, outside its sphere of influence, or inside the role of management.

One of the ways to ensure this does not happen to your board is to identify items as either: **information**, **advice**, or **decision making**. Those items that are placed on the agenda for **information** do not need to be discussed because the board cannot change the situation. The item is placed on the agenda to inform the board, and any time taken to discuss the item will not change the situation. Commenting on these items can take place informally over coffee or lunch.

The items which are placed on the agenda for **advice** are there because the board is seen as one valuable source of input prior to a decision being made by the CEO or by another group. The important point for the board to remember is that it is giving advice. That advice may not be followed by the recipient. In my experience, I have noted that sometimes board members become

- When can a board members offer their opinions in forums other than board meetings?

It is embarrassing for a board member to discover that he erred when he was asked for "his opinion, " and he was expected to state the stance of the board only or acknowledged that a decision had not been made by the board.

To avoid misunderstandings, write policies which describe the following board member limitations:

- When he can speak on behalf of the board;
- When he can meet with stakeholders and freely offer his opinions;
- When he can enter facilities/sites and gather information as a representative of the board; and
- When he can go back to the group he represents and openly divulge what happened at a board meeting or disclose decisions made by the board.

Mistake #7: Failing to Specify When Board Members Can Speak On Behalf of the Board

Rarely, when I look at a board 's policies do I read any policies which explain when board members can speak on behalf of the board. Yet, board members tell me they are asked to give speeches as board events, meet with community representatives, meet with regional councils, meet with town councils, and many other groups on behalf of the board.

If there are no policies, then one can assume that board members can attend these functions with a script that has been prepared and approved by the board, can restate the board 's position on issues, and listen.

The questions for the board are:

- Under what circumstances can board members meet with stakeholders without the permission of the full board?
- Can board members enter facilities or sites without board permission, and if they do whom are they representing?

frustrated or disappointed if the CEO or other person, who sought their advice, did not follow their advice. The key to remember is that the board is only one of the sources of advice the recipient is seeking. As a result, the board 's advice may be not used at all, used in concert with other advice, or used as it was presented. When the board was asked for advice, it was not making a decision. It was offering an opinion.

The third type of item which would appear on a board 's agenda are items which are governance in nature and require a **decision** by the board. It is essential for the board to give these items the highest priority. These items should meet the following criteria:

1. Do not fall within the mandate of management;
2. Are clearly within the role of the board;
3. Do not relate to rules required to run the day-to-day operations of the organization;
4. Relate to outcomes and not means;
5. Affect the outcomes for the moral (clients) or the legal owners (funders) of the organization; and
6. Are within the sphere of control or the sphere of influence of the board.

Mistake #4: Failing to Follow Approved Policies

It is essential for all board members to have a thorough understanding of the board's constitution, bylaws, and policies. Also, it is critical for the board chair to ensure that each option under consideration is in harmony with all board's policies. When an idea contravenes one of the current policies, the board has to make its final decision knowing that it is circumventing one of its own policies. In those cases, the board can remove the old policy and insert the new decision as the new policy. Where the new decision is in contravention to the board's constitution or bylaws, it is incumbent upon the board chairperson to follow the process for revising the constitution or bylaws.

Many times a board member will request a change in a policy when she:

- feels pressured by a special interest group;
- feels obligated to represent the wishes of an organization which asked her to represent it on your board;
- came on the board to ensure a specific policy was changed;
- believes that her best-interests or the best interests of

- to gain credentials for a resume;
- to fulfill political or professional aspirations;
- to meet a personal need;
- to contribute a specific set of skills;
- as a favour for another person or group;
- to gain a specific set of skills; and/or
- to have access to specific perks, such as travel, or professional development.

When board members are free to express their reasons for joining the board, it is easier for them to participate in board discussions. It is also beneficial for the other board members. Each member is aware of the frame of reference others are using when they view an issue and when they present their arguments.

Board members learn the evidence they need to present to their counterparts, how to present their arguments, and the barriers which may prevent their option from being chosen when a motion is put to a vote.

Mistake # 6: Failing to Acknowledge the Agendas of Individual Board Members

Board members agree to serve on a board for a variety of reasons. As a result, it is essential for each individual to feel free to state his agenda. Some of the reasons individuals agree to serve on a board are:

- to make a contribution to the well-being of the citizens in a particular community;
- to make a contribution to the well-being of the citizens in a particular zone or sub-region within the board;
- to make a contribution to the well-being of all of the citizens within the geographical boundaries covered by the board;
- to ensure that the board does not repeat a decision similar to one it made in the past;
- to make sure that the board does not reduce or remove services from a particular community;
- to convince the board to introduce or increase accessibility to a specific program, service or product;
- to protect the interests of another group, such as a town council, association, special interest group, or union;
- to try and stop the board from making a specific decision;

those close to her would be better served by a different policy; or

- thinks that a policy is outdated and no longer serves the best interests of the users or owners.

When the board is considering making a decision which is in contravention of its own policy it is important for the board, as a whole, to evaluate:

- each potential decision against its current constitution, bylaws, and policies;
- the risks associated with changing a current policy;
- the unintended outcomes which could potentially be associated with such a decision;
- the impact on marginalized persons/groups; and
- the long-term consequences of changing the policy.

Mistake #5: Empowering Sub-committees to Make Decisions on Behalf of the Board

Committees do not fulfill a beneficial function when they:

- make routine decisions for the board;
- make decisions which are within the role of senior management personnel; or
- present recommendations to the board.

Why would a committee make routine decisions on behalf of the full board? If there are no time constraints, imminent risks, or long-term consequences associated with leaving the decision to the next board meeting, there does not appear any reason for the committee to make a decision.

When a committee is dependent upon a senior management person to generate its agendas and bring forth information, the committee is most likely making decisions which are within the role of management. It is vital for committees to generate their own agenda, to question all agenda items to ensure they are governance tasks, and to meet without total reliance on personnel.

Committee members do not want to annihilate other members on the board. It does happen, though, when board committees bring forward recommendations without explaining the options they considered and the risks associated with each option. Many board members are reluctant to question their colleagues and friends who sit on committees. They fear that their questions will be interpreted as mistrust. They also know that when issues of interest to them come forward they may need to count on the support of the members of the committee.

Committees play a vital role when:

- boards are unable to meet on a frequent basis because of geography or financial constraints; emergency decisions need to be made between board meetings, and all board members are unable to accommodate emergency meetings ; and
- information gathering is time consuming and a group is needed to do research, develop options, document risks, and outline the pros and cons associated with each option the board could consider.