

EFFECTIVE BOARD LEADERSHIP



THE FORAKER GROUP

Core Purpose: Strengthen nonprofits

Core Values: Strategic, Collaboration, Urban-Rural-
Native-NonNative, Sustainability

4 lines of business to serve Alaska nonprofits and tribes:

1. Educational Opportunities (*online and in-person*)
2. Organizational Development (*consulting, facilitation*)
3. Shared Services (*back-room services*)
4. State Association (*advocacy, research, statewide initiatives*)

THE BOOK

Take your organization on the road to a thriving future—this book shows you the way.

"As the number of nonprofits continues to grow, it is critical that they successfully practice sustainability. Dennis McMillian's new book, *Focus on Sustainability: A Nonprofit's Journey*, provides a compelling argument for why sustainability is so important, especially during a time of increased demand for services. He argues that organizations can no longer survive if they totally depend on the next 'grant' or the never-ending search for a 'White Knight' to sustain themselves.

This book covers both strategies and practical applications for why and how to build the necessary elements to move toward sustainability. It should be in everyone's professional library."

— Mary Stewart Hall, Ph.D., founder of the Master of Nonprofit Leadership program at Seattle University and noted author and lecturer

"Dennis McMillian, founder of The Foraker Group in Anchorage, Alaska, has been leading and training nonprofits for more than 30 years. He brings a rock-solid base of knowledge into this book. McMillian is a pragmatist as well as a visionary. He understands the day-to-day workings of nonprofits and uses this insight to make *Focus on Sustainability: A Nonprofit's Journey* a book that will be read again and again by leaders in the sector.

Through McMillian's advocacy for the creative management methods so clearly described in this book, nonprofits are successfully embracing and practicing sustainability—it has become their mantra. **This book will help you and your organization to a more productive and effective future."**

— Edward C. Schumacher, faculty member, the Fund Raising School at Indiana University and author of *Building Your Endowment*



McMILLIAN

Strategic decision-making
to move your organization forward

FOCUS ON SUSTAINABILITY

FOCUS ON SUSTAINABILITY

A Nonprofit's Journey

DENNIS G. McMILLIAN
The Foraker Group

OBJECTIVES

- Understand why boards matter and how the board becomes a partner with the executive director
- Know what traits characterize today's successful board leader
- Learn how to distinguish between personal and organizational values
- Understand how the life cycle of the board relates to leadership

THE MORE EFFECTIVE THE BOARD, THE MORE HIGH PERFORMING THE ORGANIZATION WILL BE

“Single biggest reason for why nonprofit Boards are needed is that they impact nonprofit performance”

William P. Ryan, Richard P. Chait and Barbara E. Taylor, “Problem Boards or Board Problems?”
The Nonprofit Quarterly, 10 2 Summer 2003

“The quality of Board performance was the only thing that consistently showed up in the studies on what makes nonprofits effective”

Daniel P. Forbes, “Measuring the Unmeasurable: Empirical Studies of Nonprofit Organization Effectiveness From 1977-1997,” *Nonprofit and Voluntary Sector Quarterly*, 27 2 June 1998 183-202

- The goal: Thrive, not just survive!

BRAINSTORM

- What characteristics makes a good leader?

WHAT CHARACTERISTICS DO WE LOOK FOR IN A PREFERRED NONPROFIT LEADER?

- Visionary and future focused
- Entrepreneurial spirit
- Calculated risk takers
- Good communicators
- Systems thinkers
- Creative problem solver and thinker
- Connector- Collaborator
- Values oriented
- Others?

GROUP DISCUSSION

- Do you see these qualities in your board?

REALITY FOR MOST BOARDS:

- The qualities exist, but our environments are not structured to welcome wisdom, engagement and leadership.

WHAT WE SEE IN ENGAGED BOARD MEMBERS TODAY:

- **Concern about the cause** is their motive for board service.
 - Not branded to particular agency
- **Demand agency quality**
 - Mission work must have proven impact
- **Demands to make a difference**
 - Want to engage in mission in a meaningful way.
 - Maximize their time- focus on decisions, discussion, education)

PERFORMANCE OF NONPROFIT BOARDS

- 56% of Boards are well informed of their legal and governance responsibilities
- 77% of Boards have a structured, in-person orientation
- 60% of Boards have conducted a formal written Board evaluation.
- 71% of Board members make a personal contribution
- 39% of Board are prepared “to a great extent” for meetings

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Board Governance Index 2012



CREATING AN ENVIRONMENT FOR LEADERSHIP...TOOLS YOU CAN USE

1ST TOOL: UNDERSTANDING THAT THE SECTOR IS “VALUE-BASED”

- Dedication driven by passion which is based on values
- Core values of an agency should be tied to those of its leadership - and visa versa
- Organizational values impact publics' confidence which is essential
- Ethical scandals quickest way to lose reputation
- Use Organizational Core Values to make good choices: people, programs, planning

ORGANIZATIONAL CORE VALUE

- Answers the questions:
 - What drives your organization?
 - What motivates you to move ahead?
- It defines your energy
- Timeless guiding principal.
- It's an idea.
- Not what you want to have, but what you do have.
- Meaningful and inspirational.
- Can have 1 but probably not core if you can list more than 5.

IF OUR VALUES DON'T MATCH THE JOB OR THE ORGANIZATION AS A WHOLE...

- We make commitments we don't want to keep
- We feel like we are wasting our time
- Others?

WHAT ARE SOME TOOLS/RESOURCES TO LOOK FOR AND ENSURE A “GOOD FIT”?

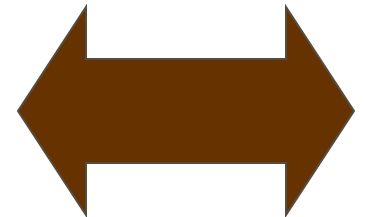
- Job description
- One-on-one interview
- Mentors
- Others?

2ND TOOL: UNDERSTANDING THE LIFE CYCLES OF BOARDS

- Understanding the life cycle of your board is another tool to help you stay:
 - visionary and future focused; take Calculated risks; lead to good communications; be a systems thinker; be creative in our problem solving; stays values focused
- Important because it can help you diagnose your agency's problem
- Can “depersonalize” situation
- Can lead to best practices for similar situations

POTENTIAL PROGRESSION OF OUTWARD QUALITIES

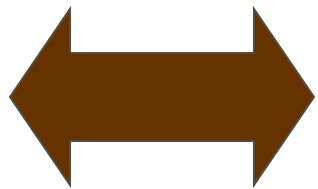
- Sustaining Stage
 - Occurs when staff is added
 - Board begins to structure itself- talk about difference between “governance” and “management.”
 - Recruits more diversity to board
- Crisis Stage
 - Board struggles to define role
 - Board may have difficulty recruiting
 - Reputation of staff and board leadership critical to forward movement



- Governance Stage
 - Board very business-like
 - Uses standing committees
 - Clear separation of governance and management
 - Board a mix of those serving because of the cause and for other reasons
- Ho-Hum Stage
 - Staff makes all important decisions
 - Board meetings ritualized
 - CEO sees board's value just as fundraising
 - Good board members begin to leave
 - Some agencies get stuck

HIGH PERFORMING BOARD

- Board gets re-energized
- Begins to focus on strategic issues without worrying about firewall between policymaking and management
- Board and staff becomes real partnership
- Board feels free to innovate
- Roles become flexible over time



OTHER INSIGHTS INTO STAGES

- True Maturity occurs when a nonprofit has a competent and confident board and staff.
 - A confident and competent board is one that:
 - Knows its role
 - Is engaged
 - Evaluates its results
 - A confident and competent staff is one that is led by a CEO that:
 - Knows that role
 - Knows the boundaries
 - Has a high degree of self-confidence

3RD TOOL: REACHING TOWARD A HIGH PERFORMING BOARD

- Not all organizations will get there
- Is not a linear process
- There are some outward qualities to watch for
- Progression usually looks and feels like a see-saw going from one extreme to another before balance can either be seen or attained.
- Ultimately it is how it works and feels
 - Rather than a statement of fact

SEVEN INDICATORS-HIGH PERFORMING BOARD

- 1. CONCENTRATE ON BOARD ROLES THAT MATTER MOST**
- 2. FOCUS THE BOARD'S ENERGIES ON THOSE ISSUES THAT "MATTER MOST"**
- 3. ALIGN COMMITTEE STRUCTURE TO ANNUAL PRIORITIES**
- 4. *THE RIGHT INFORMATION***
- 5. BOARD MEETINGS FOR DECISIONS, DISCUSSIONS, EDUCATION**
- 6. CLIMATE OF HEALTHY DISSENT**
- 7. FOCUS ON BOARD DEVELOPMENT**

4TH TOOL: UNDERSTANDING THE CEO-BOARD RELATIONSHIP

- Lack of board support or board problems “first or second reason why nonprofit CEOs resigning in record numbers.”

Timothy Wolfred, *Leadership Lost: A Study on Executive Director Tenure*, March 1999

- Several studies showing boards are increasingly unhappy with their CEOs because they won't share power and/or only want boards to fundraise

DIFFERENT PERCEPTIONS ON 4 KEY POINTS: MAIN REASON BOARDS AND CEOS DON'T GET ALONG

1. The mission
2. Core values for the organization
3. How to judge success for the agency and the CEO
4. Who should do what

IT TAKES THE TEAM TO BE SUCCESSFUL

- The Board's effectiveness is directly related to the level of the CEO's engagement with the Board.
 - On average the CEO spent 20% of their time for a board who is high performing
- Despite having exceptional professional leaders serving on the Board, the CEO is critical to ensuring that all Board activities, including committee work, are successful.

BoardSource 2010 Nonprofit Governance Index

IT TAKES THE TEAM...

- 81% of nonprofit boards conduct formal, written evaluations of their CEO. Why?
 - It makes for happier CEOs! An annual performance assessment is central to a chief executive's job satisfaction!

BoardSource Nonprofit Governance Index 2012

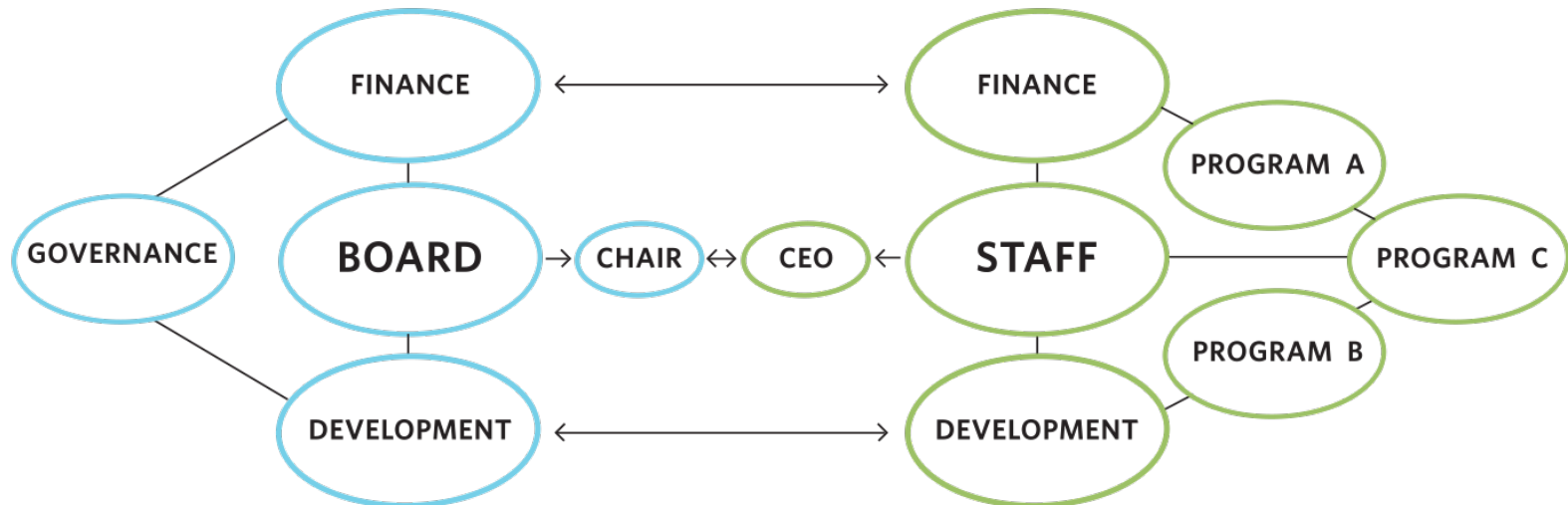
- It's an opportunity for the board and CEO to agree on what's important.
- It's a legal obligation!
 - The IRS asks all nonprofits to describe their process for setting chief executive compensation in Schedule O of the Form 990. Performance evaluation is a part of that process.
- It's lonely at the top!
 - With no peers and no direct supervisor, a chief executive has few opportunities to obtain insight into his or her strengths, limitations, and overall performance. Performance assessment provides that opportunity.

TRUST, TRANSPARENCY, COMMUNICATION, ACCOUNTABILITY ESSENTIAL FOR GOOD RELATIONSHIP

- Shared values
 - Core values of organization/leadership in alignment
 - Values enhance publics' confidence
 - Core Values = good choices: people, programs, planning
- Clear expectations
- Transparent communications and decisions
 - No surprises
 - Not an “ask for forgiveness” culture
- Mutual respect for intent and competence
- Learning environment
 - Risk taking
 - Shared power
 - Building on assets

BOARD STAFF BALANCE =

Trust, Transparency, Communication,
Accountability, Responsibility



5TH TOOL: SUCCESSION PLANNING

- At a minimum: three transitions to plan for:
 - Board
 - Chair
 - CEO

Confident and competent board and staff won't happen by accident

FIRST WHO, THEN WHAT

- Hire (recruit) the right people, don't focus just on the needed skills
- Work to get right people in right seats
- Once it is understood that someone is not the right person, ask them to leave; work to not burn bridges
- Learn from mistakes.

SUCCESSION PLANNING

- Board's biggest job: selection of and relationship with CEO
- Board and CEO work as a team to develop written plans
- A formal transition plan for expected and unexpected transitions
- Tools to Use:
 - Contracts, with an end date for review
 - During every performance evaluation ask out loud “how long are you going to stay in this job?”

6TH TOOL: UNDERSTANDING CHAIR RESPONSIBILITIES, INCLUDING:

- Keep the board focused on what matters most.
- Continue to define the board's boundaries to the board. What is the board expected/not expected to do?
- Monitor board discussion and ensure that board meeting time is used effectively.
 - Create ad hoc committees to propose options to difficult issues.

6TH TOOL: UNDERSTANDING CHAIR RESPONSIBILITIES, INCLUDING:

- Ensure that no one board member is dominating board discussions. Work toward operating as a team.
- Contribute to the work of the board without dominating or over-influencing.
- Keep open channels of communication between board and the organization.
- Make sure that board members are clear about their individual board commitments.

THE ROLE OF THE BOARD CHAIR CONTINUED...

- Board efforts documented and available
- Take the leadership role with ED communication.
- Ensure board development and finance committees are active.
- Ensure board officer and staff succession plans are in place and up-to-date.

7TH TOOL: MANAGING PROBLEM BOARD MEMBERS

- Must start with a clear job description
- Job description should include agreeing to support the CEO
- Initial consultation done by board chair
- Second step is to have a facilitated discussion between the problem member, the chair and the CEO
- Third step is to ask the person to resign
- Should have a way specified in bylaws to remove a board member

PUTTING TOOLS IN YOUR TOOLBOX.... COMMIT TO YOUR NEXT STEP:

- What is one tool you will use this month to better engage the board?
- What is your next step?
- Questions to ponder:
 - What is the barrier to overcome?
 - Where can you find support?

TOOLS FOR YOUR TOOLBOX: SUMMARY

1. Understanding that the Sector is “value-based”
2. Understanding the Life Cycles of Boards
3. Reaching toward a High Performing Board
4. Understanding The CEO-Board Relationship
5. Succession Planning
6. Understanding Board Chair Responsibilities
7. Managing Problem Board Members

QUESTIONS-WRAP-UP EVALUATION VIA E-MAIL

Thank YOU

For more information, contact:
The Foraker Group

info@forakergroup.org

(907) 743-1200 • toll-free (877) 834-5003 •

Fax: (907) 276-5014

www.forakergroup.org