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BOARD CULTURE MATTERS

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BOARD CULTURE MATTERS

Introduction

The decisions made by a Board of Directors are of the utmost importance. It is at this level that the organization receives its direction, resources, strategy, and raison d'être. It is where the performance of the ED/CEO and the management team, as a whole, is guided, monitored and reviewed.

Governing Boards are dynamic groups of individuals where, sometimes, the whole does not equal the sum of its parts. Board Chairs want and need their Boards to be active, productive and engaged assets for the organization that they govern. Yet too many Boards underperform.

We argue that it is not what Boards do (or don't do) but how they do their work that really matters.

It is generally understood that governance is 'the process of decision-making and the process by which decisions are [or are not]

implemented'. In other words, the organization's effectiveness is a result of good governance. A culture of open debate, transparency, grappling with the real issues, and recognizing a responsibility to help develop strategy is absolutely essential to good governance; hence *culture is about strong leadership, positive relationships, and shared goals.*

Ideally, any group with the power to govern in the not-for-profit sector must also exhibit the attributes of good governance which would result in the organization's effectiveness. However, ideals are not reality and not all power and decision-making are exercised with good governance fundamentals in mind. If the work done by the Board is not done well, the entire organization and those who depend on it will suffer.

In this Briefing Paper we explore the concept of Board culture, including a definition of what it is. Then we

examine how assumptions regarding a Board member's motivations to join the Board, reasons to remain on the Board, and the response to conflict from within the Board, can contribute to, or detract from good governance and the organization's effectiveness.

Boardroom Culture

Board cultures with members who are motivated to join in order to contribute to their community, who are committed based on an emotional attachment, and who respond to conflict in a constructive manner will contribute to good governance. In a Board with members who are motivated to join in order to receive recognition, who are committed only because they receive benefits [inclusion on one's CV] and who respond to conflict contemptuously will detract from good governance and shift the Board's culture.

In order to assess how Board culture can contribute to or detract from good governance, it is important to look at what Board culture is. Some of the definitions used in this paper refer to organizational culture as opposed to Board culture. Regardless of this

difference in wording, these definitions are still valid and relevant to Board culture, as a Board is, simply, one type of organization.

There is an abundance of definitions for culture: 'the way we do things around here' is the most common example. However this definition is too simplistic, as it does not give any insight into the 'way', what 'things' are being done, as well as defining the 'who' and 'where' as 'we' and 'here.'

Culture itself is a pattern of basic assumptions and behaviours by a given group, as it learns to cope with its problems of external adaptation and internal integration. If this pattern works well and is seen as valid, it therefore *should be taught to new Board members as the correct way to perceive, think, and behave in relation to strategic problems.*

Additionally, *Board culture reflects the human side of not-for-profit governance; the written and unwritten rules that influence how the Board operates; and the chemistry between Board members and professional staff.*

In summary, we can say that *Board culture is the concept of basic assumptions and behaviours that are held by the members of the group.*

It is clear that a Board member and the group will influence each other in significant ways; as well as the culture of the Board as a whole. The basic tenet is that individuals who serve on a Board can manifest themselves as a result of each Board member's personal and professional life experiences.

There are three basic assumptions held by Board members, which influence the culture of the Board:

- [1] motivations for joining the Board,
- [2] commitment to continuing to serve, and
- [3] acceptance of dissent within the Board.

Generally, we can say that *cultural assumptions reflect the total group experience, not just the leader's assumptions.* (But this should not discount the strong effects that a powerful leader can have on a Board's culture.)

[1] Motivation

The motivation for joining a not-for-profit Board will vary based on an

individual member's pre-existing ideas/assumptions, experiences, Values and desires. The needs of the Board member and the degree to which membership is fulfilling to the participant are highly relevant when considering the possibilities of improving management and leadership of the organization. Strong leadership and management are essential practices to the successful implementation of good governance; the effect that a Board member's needs (or motivations) can have on leadership and management is important in relation to a group's governance.

Before drawing a hasty conclusion about Board members' needs to improve leadership and management on behalf of attaining good governance, their needs must be looked at more closely.

Some of the needs that motivate Board members to join include:

- [•] contributing to their community,
- [•] building social relations, and the
- [•] recognition that their contribution is important. Then, there are always the less desirable responses such as a

[•] craving for power. Being motivated by a wish to contribute builds good governance, while being motivated by [•] a desire for recognition detracts from it. When everyone on a Board is motivated by reasons that are not self-serving they contribute to a culture that is unselfish in achieving its ends.

Good governance is encouraged when a Board's culture is shared, that is, an unselfish contribution to one's community as the driving (but not necessarily the sole) motivation for the members who join a Board,

instead of an egocentric motivation for the enjoyment of recognition.

Commitment is the 'motivation' to join is followed by the reasons why that individual continues to remain with the Board over time or, in other words, his/ her *commitment* to the Board.

From an organizational perspective there are three components of commitment, for example issues pertaining to: [1] an individual's emotional attachment to a group; [2] an individual's feeling of moral duty to a group; and [3] an individual's need

to remain within a group in order to avoid costs associated with leaving. Research has found that affective or *emotional commitment is a driving force regarding a Board's performance*; however, self-interested commitment will detract from good governance in that it does not contribute to the assumption that all members are working toward the same goal. The basic assumption of an individual's commitment to an organization is essential in that, 'shared goals' are a defining aspect to good governance.

Just as a Board member's motivations to join a Board may be constituted by multiple types of individual needs, so the commitment *to remain* on a Board may also include all the different components of commitment. That is, a member's commitment may be constructed from emotional attachment, moral duty, and self-interested benefits. As with what motivates individuals to join a Board, the predominant factor of an individual's commitment is most important, with regards to good governance. When Board's members are committed primarily because of an

emotional attachment, good governance is encouraged. If Board's members are not primarily committed by an emotional attachment but are instead committed for reasons of obligation or personal self-interest, then good governance will be hard to come by.

Conflict Response is an important aspect looks at how dissent and conflict are dealt within the Board. This is the 'internal integration', or the 'chemistry between Board members'. In other words, *it is the manner in which the individual Board members manage arguments and discussions within the group, in the decision-making processes.* The culture of a Board will suffer when members respond negatively to criticism and conflict 'from within'. A healthy culture is *not* present when the ED/CEO and managers do not make it safe for their staff members and their Board members to question inconsistencies, perceived improprieties, or dubious practices.

Likewise, a healthy culture is not present when Board members do not question peers who put their own

interests above the interests of the entire organization. It is not present when Board members who express intelligent doubt in a responsible manner are ignored, labeled as disruptive, or even urged to end their Board service.

These types of unhealthy behaviours will most definitely detract from the open debate that is necessary for good governance. Effective Boards will value cohesion and inclusion within a group, which will promote better decision-making than individuals alone; *but* there is also a risk of falling into '*group-think*' decision-making patterns. Therefore, caution should be exercised when there appears to be no conflict or dissent at all among a Board's members.

Instead of immediately declaring that success is achieved in a Board's *unanimous* approval of a decision, the possibility needs to be considered that Board members have fallen into this counter-productive pattern. *Good governance is not present merely when there is no conflict or dissent within the Board; rather, it is present when the conflict and dissent within*

the Board are dealt with in an objective, welcoming, and orderly manner.

In summary, any organization that wishes to achieve its goals should recruit individuals to the Board who will adhere to the 'mentality' of good governance principles. A Board culture that promotes good governance practices will benefit the organization as a whole, while a Board culture that detracts from good governance will dampen the ability of any organization to achieve its goals.

Good governance as a certainty suggests a Board's culture *either* contributes to *or* detracts from good governance; it might be more useful to think of *good governance as a spectrum* on which the organization can fall somewhere in between the two poles of contributing and detracting.

The Board's position on the spectrum is never fixed; it is always moving with changing Board members and its organizational culture. Board cultures are influenced by the individuals who constitute the Board, as well as the

group dynamics which result from the interaction of each individual's personal and professional life experiences and basic assumptions.

In other words, the Board strives towards *good governance that is consensus-orientated, participatory, effective and efficient, accountable, transparent, equitable and inclusive, and responsive*. Regardless of the type of organization, the culture that permeates at the top, where the *decision-making power is located, will have a most important effect on the rest of the organization.*

To that end, a not-for-profit Board should exhibit a culture made on the following basic assumptions:

- [•] members are motivated to join in order to contribute to their community;
- [•] they continue to serve on the Board out of an emotional attachment to the organization, and
- [•] conflicting opinions are encouraged to be openly discussed.

A Board may *detract from good governance* when it exhibits the following basic assumptions:

[•] members are motivated to join primarily to receive recognition;
[•] they continue to serve because the personal costs of leaving are too high;
and
[•] conflicting opinions are discouraged by punishment of those who dissent.

Boardroom Culture in Action

Board culture has been called 'the invisible director' for the influence it creates, both positive and negative. *The real goal of understanding Board culture and its influence on how Boards work can put governance on the pathway toward increased effectiveness.* It is making sure that the invisible director is moving the Board in the right and positive direction.

Consider these examples of poor Board behaviour:

[•] The perennially under-engaged Board asks few questions of management and fewer of themselves;
[•] The overly powerful Executive Committee controls 85 percent of the agenda and excludes other members;
and,

[•] The impulsive Board quickly moves to decisions without divergent or devil's-advocate thinking.

Educating Boards on what they should do -- their roles and responsibilities -- while important, is insufficient. In actuality, under-performing Boards may know their roles but have cultures that limit their effectiveness.

Board culture, those patterns of behaviour and ways of understanding that are deeply ingrained, reinforced and taught to new members, is what demands attention.

Rather than tinker with Board structure, such as the size of the Board [the large Boards wishing they were smaller and the smaller Boards thinking they should be larger], or the number and size of committees, Board leaders should work to ensure a *healthy Board culture.*

It has been said that *culture eats structure and strategy for lunch.* But culture is much more elusive and difficult to explain succinctly, making it challenging to expose and act upon. Boards are complex social systems that have norms, expectations and

preferred ways of working. Some of the norms are explicit (attendance), and others are implicit (comportment). Such norms are the building blocks of Board culture.

Culture is difficult to see objectively for those immersed in it. *By making the norms -- behaviours and interaction -- explicit, we can make culture actionable and create a road map for aligning culture with needs.*

There are several important dimensions of Board culture, such as the extent to which:

- [•] influence is consolidated in the hands of a few members or widely dispersed across the Board;
- [•] the Board sees itself more as a cheerleader or as a critic;
- [•] the Board has an academic [or other] mind-set versus a corporate one; and,
- [•] the Board seeks diverging and diverse views rather than preferring to move quickly to consensus.

Cultural factors such as these and others in this framework have both positive and negative aspects. Think about the classic Myers-Briggs*

introvert-extrovert scale as a parallel. Being introverted or extroverted, on its face, is neither good nor bad; rather, it depends on the context and the ways in which the strengths and blind spots play themselves out for an individual. Still, it is helpful for individuals to understand their natural tendencies and preferences. We believe that the same is true for Boards as they rate themselves on dimensions of culture.

For example, think about a large Board, in a highly dynamic situation, where it needs to make decisions quickly. This Board and its Chair may be well served by a Board culture that has consolidated influence; a few highly respected and good Board leaders are able to respond quickly.

But on the flip side, a Board that has consolidated influence, and needs widespread input to understand novel and complex situations confronting the organization, may exclude key members who have much to add. If a small group of members dominates all Board work, takes up the most airtime during Board meetings, shapes all agendas and even talks over other

members, why would others participate? Consolidated influence may drive member disengagement for some Boards.

At the same time, however, Boards with distributed influence may micromanage. A larger Board with a lot of members may not have enough substance in their Board work, so 'unfulfilled' members are looking for more engagement and can easily cross the murky line into operations.

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\* *The purpose of the Myers-Briggs Type Indicator® (MBTI®) personality inventory is to make the theory of psychological types described by C. G. Jung understandable and useful in people's lives. The essence of the theory is that much seemingly random variation in the behaviour is actually quite orderly and consistent, being due to basic differences in the ways individuals prefer to use their perception and judgment. Perception involves all the ways of becoming aware of things, people, happenings, or ideas. Judgment involves all the ways of coming to conclusions about what has been perceived. If people differ systematically in what they perceive and in how they reach conclusions, then it is only reasonable for them to differ correspondingly in their interests, reactions, values, motivations, and skills.*

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The notion of cultural continuums [again, think Myers-Briggs] relates to how Board members treat each other, or, what we call comportment or personal conduct. For instance, *having more trust among Board members is better than less, having more respect for one another and one another's contributions is healthier than animosity, and being more openly deliberative in meetings is more desirable than having off-line conversations or 'parking lot meetings' that occur after the Board meeting as members head to their cars.*

Understanding the cultural explanations of common Board problems can be helpful for Board leaders. Some of those problems include:

[•] overly inclusive processes in which Boards cannot make decisions [*death by discussion*]. For example, a Board that could not move on approval of the budget increase recommended by the ED/CEO because they continued to debate the issue at a series of meetings, putting the budget-dependent organization at a disadvantage when a major expense cycle begins.

[•] a Board that is overly 'clubby' and deferential to the Board Chair [*the in-the-pocket Board*]. For example, a Board found itself in difficulty when the Chair didn't share the organization's entire financial situation; instead some members eventually found out about it from management staff while shopping for groceries.

[•] a Board that jumps to decisions too quickly [*the knee-jerk Board*]. For example, a Board found itself with a parcel of real estate [a bequest] that became burdensome because it quickly accepted another gift from a major donor even though there was neither a plan nor purpose for it.

In these examples, *the culture of the Board contributed to problems, allowing these issues to snowball.*

A cultural lens on the workings of Boards can explain many things. But the real benefit is having the language to make elements of culture visible or explicit and thus actionable. Once Boards have the means to understand their own culture, the subsequent work should focus on the extent to which the Board's culture is aligned

with the demands of the organization and the nature of the challenges it faces.

Here are some *key questions that start to capture Board culture:*

[•] To what extent does the Board have a corporate mind-set or a non-business one? Is it driven by the marketplace or the Mission?

[•] Is influence consolidated or distributed?

[•] What is the level of trust within the Board and between management and the Board?

[•] Does the Board have a disposition toward efficiency or deliberation?

When the Culture Needs to Change

The cultural profiles of Boards suggest that they may be well suited for some work and some situations but ill prepared for other situations. Helping the Board understand the Board's strengths and potential vulnerabilities is essential to making culture actionable. They can then have meaningful conversations about the present Board culture and whether or not it is working well in the current [and future] context; think about what

changes to culture might be helpful, and develop strategies to act on them.

Changing the culture of a Board may not be as problematic as changing the culture of an organization. The relative [small] size of a Board, the ability of the Board Chair to set new expectations and norms, and the infrequency with which some Boards meet mean that with attention and intention they can adopt new cultural norms and expectations.

In addition, Board turnover can be used to advantage, because organizations can cultivate and orient new members who fit the desired culture.

A Board's cultural profile provides a road map to align Board dynamics with the work the Board needs to accomplish, the Chair's leadership style, and the organization's context.

For example, a pilot effort will likely include the following dimensions along the five continuums. The Board:

[•] Has distributed influence across the members of the Board;

[•] Seeks to maximize efficiency in how it conducts its work;

[•] Has divergent thinking, prizing multiple perspectives and critical thinking;

[•] Has a corporate mind-set in that it understands the 'business' of not-for-profits'; and,

[•] Views its role as partnering with management.

A potential vulnerability for Boards is that for the sake of efficiency, time is not well organized to ensure both sufficient involvement and a breadth of issues. The concern may not be one of time management but the way in which time is allocated to issues. Does the Board address sufficient substance? Could it be covering more issues if it altered its culture and meeting structure? These questions are frequently on the minds of Board and senior management leaders as they seek to add substantive discussions to Board meetings.

A recent U.S. not-for-profit study by Stanford University reported, "Over a quarter of directors do not believe their fellow Board members have a strong understanding of the Mission

and strategy of the organization.”
These findings refer to organizations lacking the infrastructure and resources needed to train, set goals, and evaluate what their Boards need in order to be effective. There are core ingredients necessary for building strong and effective not-for-profit Boards.

The following reflects *six competences of governance for effective Boards*.

These factors influence both the work of the Board collectively and the capacity of individual Board members to contribute to the dialogue. They are:

[•] Contextual dimensions:

The way in which the Board understands and takes into account the *culture and norms* of the organization it governs. *They take into account the Board’s characteristics, culture, Vision, Mission and traditions and reinforce the organization’s Values in their work.*

[•] Educational dimensions

The necessary action[s] to be knowledgeable about the organization, their own roles and responsibilities as Board members and others they may work with.

[•] Interpersonal dimensions:

The building, development and nurturing of a functional working Board [team] capable of shared goal setting, self-assessment, leadership development and collective achievement.

[•] Analytical dimensions:

The ability to view the whole or broad perspective on issues, while assessing each component. The willingness to question, explore and consider differences of opinion.

[•] Political dimensions:

Developing and maintaining healthy relationships with major stakeholders and communicating with key constituents.

[•] Strategic dimensions:

Envisions a direction and develops strategies to act proactively in support of the organization’s goals. Reflection and dialogue are critical processes in exploring what governance means to an organization and how the Board chooses to govern.

We also suggest that to be effective and add value to the organization, the Board needs to be built to:

- Learn, analyze, decide and act; and

- Manage internal dynamics of the Board and respond to the organization's political climate.

These describe the need for Board growth and learning related to organizational culture, roles and responsibilities, inclusiveness of diversity among Board members, experimentation, and tolerance to ambiguity. At the same time the ability to respect, communicate, and consult with others who share interests and Values, is important. Creating vision and direction and shaping strategy is the final primary focus.

Consider incorporating the following:

- [•] Build an atmosphere based on trust Relationship dynamics are at the heart of Board culture, and sometimes there are tensions between the ED/CEO and the Board or the Chair's power is imbalanced. These types of dynamics can create a culture where Board members are disengaged, misdirected, and distracted from advancing the Mission of the organization. It's important that EDs/CEOs and Board Chairs set the tone and create an atmosphere where

Board members can create relations based on trust, mutual respect and transparency. EDs/CEOs can

demonstrate that they value their Boards by sharing more information and fostering an open atmosphere.

- [•] Invite diverse viewpoints - Diverse groups attract a mix of different personalities and communication styles. Embrace and leverage the diversity of thought within your Board. At times, it will require patience and an open mind. Use different perspectives from your Board as opportunities for the organization to grow and learn. And for EDs/CEOs, the more you can understand the logic behind opinions that dissent from yours, the better decisions you will make and the better prepared you will be to defend your own position, if needed. Create a culture where Board members feel comfortable enough to respectfully disagree, as long as they're able to offer a well-thought out rationale for their opinion.

- [•] Ensure individual accountability - Board members have stated that they are not asked to use their skills in a meaningful way that can assist the organization. Board Chairs, EDs/CEOs,

can empower Board members by increasing their responsibility for certain tasks. This will demonstrate confidence in Board members and allows them to *enjoy a sense of ownership of their work.*

[•] Assess Board effectiveness
Evaluate the effectiveness of your Board – as a group and as individual members. Without this the Board Chair will fail to deliver critical feedback about strengths, areas to improve, and the potential for new opportunities. Useful Board evaluations can include metrics like *examining how well the Board works together or identifying the collective knowledge of the Board and how effectively that information is used.* When evaluating individual Board members, the chair should consider more than resumes and qualifications but also *measuring activity during Board meetings, the quality of suggestions, and propensity to involve other Board members during meetings.*

Board Chairs and EDs/CEOs who also evaluate their own effectiveness and share that perspective helps display transparency and fairness –

ingredients that earn the respect of the Board.

Frequently closest to a crisis situation, a deficit or weakened Board culture may, in fact, be responsible for such occurrence. Often staff, at not-for-profits, is only a level or two away from the Board whose obligation it is to see that the Mission, Vision and Values of the organization permeate all organizational levels.

Leadership Defines the Culture

Not-for-profits are all about group decision-making and the resulting actions or outcomes. The people that sit around the Board table making those decisions do so within a framework shaped by protocol and nuance. How the Directors act, work together, prioritize and reach consensus consistently *defines their unique culture and the way it impacts operational matters.* Newly recruited Board members must be orientated and prepared to work within this unique culture.

The ED/CEO and management implement Values. The ED/CEO must convey the current cultural norms to

all staff members and job candidates. Consider how the Board and staff fit - culturally. Not-for-profit staff generally pays closer attention to the Board's actions and changes than do their for-profit counterparts because their organization structures tend to be 'flat'. Consequently, staff is acutely aware that frequent Board rotations, typically every three or four years, can bring about change in the direction of the organization and subsequently their own positions.

As a result, Boards have to demonstrate they are establishing cultural norms by connecting with staff at celebrations of successes and significant holidays, in Board-staff committees and by proactively being involved in other opportunities that present themselves. From a Director's perspective, these venues can help to assess how well the Board-directed culture is taking hold.

A not-for-profit should communicate its Values and culture both internally and externally — with precision and persistence. Be sure to reward staff that advances the culture — be honest with those who don't. But be sure to

spot early signs that cultural norms are being violated, and come to the rescue of your organization [and potentially the lives of people!]. *Not surprisingly, culture influences how much employees identify with their organization. Communicate, communicate!!*

Summary

Organizational culture is defined as the underlying beliefs, assumptions, Values and ways of interacting that contribute to a unique social and psychological environment of a group or an organization. A Board of Directors is seen as a group with its own culture.

Organizational culture includes a Board's expectations, experiences, history, philosophy, as well as the Values that guide or instruct a Director's behaviour, and is expressed in the groups [and its member's] self-image, internal and external interactions/workings and future expectations.

Also, culture is a set of *shared assumptions* that guide what happens at Board meetings; it affects the way

Directors interact with each other, with employees, clients, and other stakeholders.

Board leaders [formal and informal] inevitably create and communicate the culture of the Board. However, the relationship between leadership and culture is not one-sided. While leaders are the principal architects of culture, an established strong culture can influence what kind of leadership is possible.

Leaders should appreciate that their primary role is maintaining or evolving a group's culture. A deeply embedded [strong] and established culture expresses how members should behave; and this in turn, helps members achieve individual and group objectives. Consequently, this behavioural leadership, in turn, ensures higher individual members' personal and professional satisfaction. From this perspective, organizational culture, leadership, and individual satisfaction are all inextricably linked.

Organizational culture is not stagnant. Members develop a shared belief around 'what right looks like' as they

interact over time and learn what yields success and what doesn't.

When those beliefs and assumptions lead to less than successful results, the culture must evolve for the organization to stay relevant in a changing environment. It is the duty of leaders [both formal and informal] to convince members of the benefits of change and show through experience with new behaviours that the new culture is the best way to operate to yield success.

Improving Board culture doesn't happen overnight. Culture changes by examining the Board's collective and individual strengths and weaknesses, while taking consistent action to implement changes. Remember that 'change' is constant and ever present. Consider the following 'health check' for culture change:

1. Are all Board members engaged in discussions?
2. Is the discourse at the appropriate level of oversight?
3. Is it a lively conversation, one that allows for discussion and dissent once a recommendation or motion is on the table?

4. Are members able to reach a conclusive decision, with naysayers and those who object agreeing to uphold and support the decision in public?
5. Is the relationship between the ED/CEO and the Board Chair open, transparent, problem-solving, and strategic?
6. Does the Board effectively handle a vociferous minority so that it does not paralyze Board decision making?
7. Does the Board receive the right information for thoughtful analysis and decision-making?
8. Are communication channels open?
9. Is it clear who needs to be involved in decisions? Are the right people in the room, on the phone, or online?
10. How frequently and for what purposes is the Executive Committee used? Does it make a full disclosure of the actions it has taken to the rest of the Board and avoid the sense of an 'inner circle'? Does it allow for the potential of an override by the full Board?
11. Does the Board interact frequently and appropriately with employees? Does it seek employee input and feedback to the Board as warranted?

Is it "safe" for employees to provide recommendations?

12. Does the Board have realistic expectations of its ability to impact the organization or systemic issues over a period of time?
13. Is everyone focused on a shared strategy and implementation that moves the organization in a determined direction?

Finally, consider drafting a document or guideline that can become a tool for Board culture. Each Board has a culture of its own; new members should to be made aware of the customs and operations of the Board.

Appendix I: A Board Perspective on Organizational Development - Dr. E. Schein @ MIT.

Appendix II: Increasing Board Performance.

Appendix III: New Member Orientation.

Appendix I

A Board Perspective on Organizational Development

Research and empirical evidence has shown that changes to Board structure and operational issues can produce some efficiency in Board management. However, problems like disengagement, dysfunction, and misconduct may still persist; alterations to the Board's architecture and mechanics cannot be resolved without addressing the topic of 'culture'.

Boards that ignore a dysfunctional culture, hold to the status quo, and focus on Board rules and practices rather than underlying 'assumptions' will pay a steep price: mediocre governance at best and abysmal performance at worst.

The significance of Board culture - the norms that define acceptable Directors' behavioural outcomes - and how to improve it has recently become topical, but the concepts surrounding organizational culture is not new. Roughly thirty years ago, Dr. Clay

Alderfer [Rutgers University] published an article in the Harvard Business Review that identified group dynamics as "*the invisible director on corporate Boards*." Changes in structure and operations have produced greater efficiency, but problems like disengagement, dysfunction, and misconduct persist—challenges that alterations to Board architecture and mechanics cannot resolve. What, then, are Boards to do?

Unfortunately, the following attempts have not provided the solution: small Boards grow larger and large Boards grow smaller; some Boards added committees while others consolidated; some decided to meet more frequently, others less often; term limits have been lifted by one Board and imposed by another; and countless Boards have reviewed and revised bylaws. These Boards pledge to improve group dynamics but focus instead on mechanical solutions and

do not act on self-evaluation with conviction.

On the other side, some Boards have become more attentive to Board culture. The hallmarks of a healthy (or unhealthy) culture are neither mysterious nor disputed. Semantic quibbles aside, the markers are listed below:

Healthy Boards

1. Distributed influence
2. Collective wisdom
3. Open-minded listeners
4. Constructive dissent
5. Transparency
6. Diligence
7. Respect/trust
8. Clear expectations
9. Mutual accountability

Unhealthy Boards

1. Dominant inner circle
2. Individual convictions
3. Close-minded speakers
4. Back-channel agitation
5. Opacity
6. Disengagement
7. Disregard/distrust
8. Ambiguous expectations
9. Collective impunity

While seeking a healthy culture, Boards will have candid and sometimes difficult dialogues about disparities between current and ideal conditions and the best methods to close the identified cultural gaps. These discussions, on the whole will lead helpful changes, for instance: *explicit rules of engagement; intensified efforts to elicit broad participation and diverse views; and more frequent, more immediate feedback loops on Board dynamics and Board performance.* These are all positive steps. Unfortunately, some Boards are derailed by the complexities associated with changes in culture and comporment.

Our Deep assumptions

In order to understand the cultural roadblocks and complexities, we turn to a model of *organization culture* developed by Dr. Edgar Schein in the 1970s while a professor at MIT. He referred to 'artifacts', or visible manifestations of culture. These are observable behaviours—for example, diligence, respect, constructive dissent, or tangibles such as a social compact or even the physical properties and arrangements of the

Boardroom. Most conversations about Board culture focus on artifacts—the noticeable aspects of a Board’s way of doing things. Discussions tend to centre around, “How do we change what we do?”

Let’s go a little deeper and quote some of Schein’s actual words: “Organizational culture encompasses values and behaviors that ‘contribute to the unique social and psychological environment’ of an enterprise. The organizational culture influences the way people interact, the context within which knowledge is created, the resistance they will have towards certain changes, and ultimately the way they share (or the way they do not share) knowledge. Organizational culture represents the collective values, beliefs and principles of organizational members and is a product of factors such as history, product, services, market, technology, strategy, type of employees, management style, and national culture; culture includes the organization’s vision, values, norms, systems, symbols, language, assumptions, environment, location, beliefs and habits”.

“If organizational culture is seen as something that characterizes an organization, it can be manipulated and altered depending on leadership and members. Culture as root metaphor sees the organization as its culture, created through communication and symbols, or competing metaphors. Culture is basic, with personal experience producing a variety of perspectives”.

But a deep question lurks beneath the surface: “Why do we do what we do?” To pursue this line of inquiry requires that Directors probe the bedrock of their Board’s culture, the territory Dr. Schein labeled as “basic assumptions”, and those things that all or nearly all members of a group [eg: a Board] take for granted. For instance, we presume a capitalistic economy - we expect to pay for goods and services, usually at a profit to the producers and vendors. We hardly ever think twice about assumptions such as these. As Dr. Louis Agassiz [Harvard professor mid 1850s] famously noted, “Fish never discover water”.

Invisible and internalized, assumptions are sometimes difficult to see and

sometimes to acknowledge. Instead, we see only the artifacts, for example, goods for sale at a markup in a free market system. And so it is with Board culture. Frequently two fundamental assumptions that shape [or disrupt] Board culture remain largely unexamined.

Assumption #1 concerns the Board's dominant presumption about the Director's role: are they group members or free agents? Are the scope of responsibilities, degree of latitude, and rules of engagement collectively decided by the Board or self-determined by individual Directors? The answers depend on the operative mental model. Is the Board more akin to a symphony or a jazz ensemble? Members of a symphony submerge their individualism and adopt prescribed roles. The musicians are literally and figuratively on the same page. On Boards of orchestral genre, Directors play by team rules and collaboratively formulate group norms. Standard procedures and behavioural expectations are the predictors of effective governance. Membership means that the collective wisdom, social compact, and the

single voice of the Board supersede personal prerogatives as regards Director's behaviour and Board priorities.

Members of a jazz ensemble operate on a different assumption. Smooth jazz means individuality, spontaneity, and flexibility. Like an orchestra, the group plays together, but with far more self-direction and improvisation. Good jazz and good governance requires that the group grant members wide leeway and trust one another's instincts. Free agents on Boards assume that each member has the discretion, indeed the responsibility, to enact a self-defined notion of effective membership. Cultural conventions are more often detriments than benefits.

Assumption #2 concerns the dominant presumption about the Board's role: community/public watchdog or organizational guardian. Some Directors take for granted that the Board, above all else, protects the community interest and serves as the 'truest' voice of the organization. The Board vigilantly acts as a counterbalance to the organization's

innate bias towards self-interest and meager regard for the greater good. Consistent with that assumption, the Board champions the interests of clients, consumers, employees, and society-at-large.

Elsewhere, Directors assume that the Board has an inherent fiduciary duty to serve the organization's best interests. On that assumption, Board members strive to realize the organization's ambitions and safeguard its autonomy. Transcendent loyalty to the organization drives the Board's decisions and actions.

In practice, of course, contrasts about the Board's role are not nearly as clearly divided. Community and organizational interests intertwine, and Boards seek to strike a reasonable balance.

Four Archetypes of Board Culture:

When combined, assumptions about the Directors' role and the Board's role generate four archetypes. Like most matrices, the categories are oversimplified. Nonetheless, the distinctions have diagnostic value because the assumptions embedded in these categories underpin and

profoundly affect the artifacts of Board culture. While all four categories appear across the landscape of not-for-profit organizations, we have identified a 'natural habitat' for each segment of the model.

Type I: Symphony Members:

Type I Boards collectively engage to fulfill a shared goal: enhance the organization's short and long-term welfare. No soloists or subset of musicians can play a symphony; no Board member or subgroup can (or should) govern the not-for-profit. Orchestras organize by section and need leadership from the podium. Boards organize by committee and need leadership from the Chair and the ED/CEO. Type I Boards take as a given that collaborative efforts produce superior results that bolster the organization.

These assumptions promote a culture of collegiality and cohesiveness among Board members and a constructive partnership with the ED/CEO. Since a Board governs with corporate and not individual authority, members seek consensus and discourage outside/public dissension. The Board

expects and embraces strong group norms. *Team play without team rules makes no sense. There may be disagreements on substantive issues but not on the Board's roles or loyalties.* Given the unquestioned purpose of membership—to work together in service to the organization's best interests—how could a Board behave otherwise? *Type I Boards court the risk of 'group think', excessive deference to peers and professionals, and misinterpretation of dissent as disloyalty.*

Type II: Free Agents:

Type II Boards, like Type I, operate on the assumption that the Board ultimately serves the organization's best interests. However, Type II Boards are more apt to assume that "*too many chefs spoil the broth*" than to accept the proposition that "two heads [or 12 Directors] are better than one." Group process does not necessarily improve the decision-making process. Board members add value as experts individually or as subsets, less so as a cohesive group.

These assumptions foster an individual's mindset and a culture of centrifugal collegiality. Alone or as members of small cadres of specialists, almost always with honourable motives, offer technical assistance - sometimes on request, sometimes self-initiated - to the administration and the Board. Collegiality reins not so much because the group has congealed as a social system but rather because *Directors singly or as subsets enjoy relative sovereignty over designated domains [for example, finance, facilities, Human Resources, etc.]. In short, fences make good neighbours and create a workable culture. Type II Boards risk micromanagement and operate as separate individuals where all Directors grasp parts of the organization while few, if any, comprehend the whole.*

Type III: Regulatory Agency:

'Someone needs to mind the store' captures the philosophy of Type III Boards, because the Directors share an assumption that, *absent diligent oversight, compliance will suffer and stakeholders' interests will be subordinated to the preferences of*

others, but frequently management.

In the minds of Type III Boards, the need to offset insularity and self-interest reflects reality, not cynicism.

The safety measures are rules, regulations, policies, procedures, precedents, and performance metrics, all closely monitored by the Board.

The operative assumption fosters a rather formal, bureaucratic boardroom culture. Board members confront a voluminous agenda, review countless reports, and pass numerous resolutions on sundry, mostly operational, issues. A culture of breathless busyness curtails opportunities for discussion, especially about long-term imperatives. The Board may adhere to Robert's Rules with little awareness [or concern] that parliamentary procedures tend to squelch collegiality, give-and-take, and insight. There may be differences of opinion—even split decisions—from time to time, but consensus prevails on the Board's principal role as an ever watchful, prudently distrustful regulatory agency. The risks are inattention to strategy and conditions inhospitable for innovation and sensible exceptions.

On a Board of Lone Rangers, everyone wears a badge. Although the Board discharges most duties together [eg: committees]. Directors reserve the right to act independently as necessary. On these Boards, the operative assumption posits that the best governance occurs when Board members are deeply involved, responsive to constituents, and unafraid to tackle tradition. Therefore, each member has the presumptive power to investigate matters of interest, demand relevant information and explanations, activate channels of communication, and intercede as necessary. Lone Rangers do not hesitate to offer advice or recommendations to management personnel, confident that the organization will be better as a result.

Type IV: Lone Rangers:

The dominant assumption of 'Lone Ranger' Boards leads to a logical conclusion: no Board culture is the best Board culture. Hence, the Lone Ranger resists the very notion of Board culture as a wrong-headed attempt to compel conformity. To serve the community or even society's interest, Directors cannot be

constrained by typical procedural etiquette, group process, and bureaucratic procedures, nor should they ever be muzzled to create the illusion of unanimity. In the absence of a strong culture, Board members have license to act as each deems appropriate. *There is a culture of respect—respect for every Lone Ranger’s right within legal and ethical boundaries to do what one needs to do to be a responsible trustee. In short, the fewer the house rules, the better the quality of governance. The risks are organizational mayhem, and Directors and management at cross-purposes.*

CONCLUSION:

These four descriptions are admittedly caricatures, not unlike the profiles sidewalk artists produce in 15 minutes where tourists congregate. There’s an unmistakable likeness, but no one would present the sketches as definitive portraits. Nonetheless, the profiles provide a spring Board for Directors to ask a series of questions:

- Do we have a dominant culture?
- If not, what assumptions do we need to reconcile?
- If yes, do we fit squarely within one quadrant or at the border of two?
- Are we where we want to be and, if not, what assumptions do we need to confront?

There are costs to addressing these questions, namely, uncomfortable conversations with personal overtones and the stress associated with attempts to resolve deep-seated differences that hinder a cohesive Board culture. *But Boards that ignore a dysfunctional culture, abide the status quo, and focus on artifacts rather than assumptions will pay a far steeper price: mediocre governance at best and abysmal performance at worst.*

Reference: Dr. E. Shein - Organizational Psychology Then and Now: Some Observations. Annual Review of Organizational Psychology and Organizational Behavior, Vol.2 (2015)

Appendix II

Increasing Board Performance

[Let us not disconnect these for-profit examples; there is a direct applicability to the not-for-profit world.]

Events in the corporate world during the last many decades have made it clear that Boards can spectacularly fail. Failure has come in various disguises:

- failure to manage risks, to proactively contribute to organization strategy,
- to identify the 'right' team, and in some cases,
- to deal with integrity issues and possibly outright fraud.

It is clear - as it always has been - that we need better governance [especially performance] at all levels and in all organizations.

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It is clear - as it always has been - that we need better governance [especially performance] at all levels and in all types of organizations.

1. The quality, focus and dedication of Board members.

Boards could be composed by high-quality individuals, who are outstanding in their respective fields; for example, entrepreneurs, CEOs, professionals, academics, government officials, etc. And yet, they could lack the necessary knowledge to perform their tasks as members of a specific Board. The case of JP Morgan's 2012 use of a complex trading system is an illustration. Morgan incurred a major loss of several billions of dollars as it overlooked the warnings about the risks involved in its proprietary trading system. It later emerged that *none of the three Directors on the Board's 'risk-policy committee' had worked as a banker or had any financial experience.* It is also interesting to note that in the same year, in the midst of the unsuccessful attempt to

purchase assets from a UK bank, it came to light that the UK bank Board lacked adequate banking expertise -- the Board included a plasterer and a nurse. This case clearly underlines the significance of the quality of Board members to have *the necessary and relevant knowledge*. Otherwise, limited knowledge affects their ability to perform their functions effectively. To overcome this problem, effective Boards establish performance and knowledge standards for individual Directors, they educate their Board members, and they conduct performance evaluations. *The quality of the Board is enhanced by diversity in terms of industry and professional background, as well as diversity of gender, personality and opinion*. Diversity brings specific expertise as well as more potential for innovation. Poorly managed diversity, however, can be disruptive as communication may become more difficult and trust may be lesser amongst more diverse Directors.

A strong Board will thus develop processes to manage diversity. We recommend that Boards have a

systematic Board composition oversight:

- with regular assessment of capabilities required [from expertise to familiarity] and,
- a current composition matrix, even for well-established Boards. Focus could be diminished by Directors misunderstanding of their roles and functions within the Board. *To reinforce their focus, Boards need to establish their own statement of purpose and define their role in a manner that adds value to the organization's activities*. Boards need to regularly reflect on their involvement and strive for it to be first, *distinctive*, in a sense that does not replicate efforts from other quarters in the organization; and second, *additive*, for example, that improves decisions made by the organization. Dealing with ambiguities in decision-making is inevitable and is a sign that the Board addresses real issues. *Well-focused Boards perform an oversight role and offer support to management*. Such Boards are quick to determine when a proactive risk oversight is needed but they are also efficient in identifying, and in acting on, the need to communicate the

organization's strategic objectives in order to manage its reputation during a crisis.

Additionally, the focus of the Board is strengthened by a successful agenda; long-term issues while managing short-term matters. Dedication to the organization is vital. Dedication goes beyond the allotted meeting time. It implicates, for example, the reasons why an individual decides to become a Director. Incentives differ; there is potential for access to networks, access to specific or professional information and an elevated status to determine an individual's decision to join a Board. Such incentives would negatively impact his/her dedication. On the other hand, there are cases in which individuals become Board members because they are highly motivated to make the organization successful.

A checklist for self-assessment of the Board's performance includes:

1. How close to the heart of every Board member is the organization?
2. Where do I [the Board member] truly add value to this Board?

3. How confident am I in my Board colleagues to steer our organization in the right direction?
4. How is our diversity in terms of abilities, personalities, and competencies?
5. How clear are we about the role of our Board? The role of each committee?
6. Is the agenda turned enough towards the future?
7. How does my knowledge compare to the 'ideal' Board member?

2. The Board and its information architecture.

Information is best when it is designed in a way that informs the Board about all the essential activities undertaken by the organization and the issues facing it. When thinking of information design, Boards typically think of information coming from management [how brief, well focused and strategic it is, prioritized, with executive summaries, key issues to tackle and options to consider]. But information architecture should include also external information [what can we source from outside the organization, such as from social media]. It should also include formal information and

informal information sources [such as informal networks: the ability of the Chair to maintain good relationships with union representatives is an important source of information. For the formal internal information, include jointly designed Board briefings that include financials with forecasts, an ED/CEO report, risks and opportunity maps, analysis of the gene-pool and summary of financial analysts' views regarding risk management.

Additionally, regular communication between management and the Board, for example management letters in between meetings adds to efficient information. Committee reports are also fundamental in executing an effective architecture of information. Adequate reports, nevertheless, encompass analysis of specific issues rather than just recommendations. A key checkmark is whether the Board is actively involved in designing the information and whether that information design changes with the organization, its environment and its strategy. Informal channels of information are key as well and should be well elaborated themselves; for

example meetings with employees and informal meetings of Board members, all need both structuring, to give them potential, and some freedom, to give them creativity without infringing on management's rights. In short, sophisticated [but not necessarily complex] information architecture is key to successful Boards.

A checklist to reflect on the Board's information architecture:

1. Do I know and track other high profile not-for-profits and their key value drivers?
2. Is the Board well informed of competitive trends, P.E.S.T. changes, and stakeholder evolution?
3. Does the Board have enough information, independent from management, available to make decisions?
4. What informal processes of information do Board members have?
5. How involved was I in designing the information architecture? How involved were my fellow Board members?

3. The Board and its structures and process.

In terms of structures, the composition of the Board contributes to effectiveness. Structures are evolving as governance become more sophisticated. Well-managed Board diversity of opinion, experience, personality and genre greatly impact performance. The independence of Board members is crucial. But so is their structured access to the right individuals. For example, the effective function and the necessary number of Board committees are to be taken into account as is the size of the Board. *It is, in short, fundamental for the Board to regularly benchmark its current composition and structures against the 'ideal' situation and to act on any divergence.*

In terms of processes, there are many processes beyond the straight running of the Board: evaluation processes, the strategy process, the risk process, the Board education process, the ED/CEO and key managers succession processes, the regulatory process, etc. For example, the Board strategic process plays a significant role in increasing performance. Good processes such as regular meetings will complement retreats. External

presentations will complete internal ones. And focused, decision-oriented meetings will complement long term understanding of the industry and organization from a strategic perspective. And such process elaborates various aspects. It strengthens organizational strategy by contributing to define it, aligning it with objectives and ensuring commitment. The process also enhances the strategic reflection of the Board and reinforces the interactions between management and Board. The process creates a stronger basis for communicating the organization's strategy, internally and externally.

A well designed strategy process ultimately enables Boards to efficiently assess their organization's strategic risks as well as its strategic opportunities. Another decisive process is that of Board evaluation. A poor evaluation process contributes to governance failure; therefore, thriving Boards engage in self-assessment or external assessment, in terms of their roles, dynamics and their members' performance. A good practice is to utilize available technology, for

example the use of tablets/lap-tops, for Board evaluation during meetings which provides results in 'real-time' and thus offers an opportunity for careful and dynamic scrutiny beyond the one-year evaluations.

ED/CEO succession is also a critical process. A successful succession plan, whether based on 'horse race' or search, internal or external, aims at the transparency of selection, the quality of the on-boarding [orientation] process and the smoothness of the transition. A case in point is that of Hewlett-Packard. In a period of six years, HP fired three CEOs, a trend that became a corporate turmoil which negatively affected the company's brand reputation. Relevant to our discussion, is the fact that in one of the cases the HP Board did not meet the new CEO before nomination, and also the implied failure of the Board at identifying a candidate that would fulfil the strategic vision of the organization.

it is necessary to consider Board pathologies. Group-think tendencies, for example, hinder performance as

A checklist concerning the Board's structures and processes:

1. A potential list of processes that truly matter?
 - a) strategy,
 - b) evaluation,
 - c) ED/CEO succession,
 - d) risk,
 - e) Board education,
 - f) audit [finance and Human Resources,
 - g) regulatory compliance
 - h) on-boarding[orientation] and out-boarding
 - i) others?

2. How do I feel about each of these processes? Do I have a clear view of each? Is each complete and detailed enough?

3. Do we have the right committees? The right people on them?

4. Are the reporting lines fool proof?

4. The Board and its group dynamics.

Dynamics are fundamentally linked to the culture of the Board. Hence, do disruptive or dominating members of the Board. A low energy level on the Board, the 'sleepy Board', is also

typical. In some cases, when *dysfunctional dynamics* are openly employed to set a Board up for governance failure. Late distribution of information and not making relevant information available are examples of intentional practices that hinder governance. This is often a symptom of a deeper issue: lack of trust, role overlap, etc. Governance is enriched by the Directors' differences in opinions and constructive dissent: *having a critical view of assumptions makes for an effective strategy*. And yet, despite the importance of these elements, some Boards appoint Directors who are closely associated with the founder or it's ED/CEO. The appointed individuals [Directors] may be prominent in their respective organizations/industries but their practices within the Board are circumscribed by their relationship with a dominant figure.

A case in point is that of a leading designer of consumer electronics, computer software and personal computers [Apple]. The Board was constituted by outstanding professional figures but with close relationships with the founder of the

company. As such, the Board was destined for ineffectiveness as it ran the risk of sharing common views which could threaten true dynamics, such as constructive dissent, that could safeguard its governance culture. *The 'love Board', in which the ED/CEO can do no bad, is certainly a failing Board*. The experiences of Yahoo! highlight the disruptiveness, if not destructiveness, of strategic disagreements between the ED/CEO and the company Board. Former Yahoo CEO Carol Bartz's complaints about the lack of strategic coherence between management and the Board, illustrate the point. In the end, Ms. Bartz was dismissed by phone, which is not a sign of good Chairman-to-CEO dynamics! It is noteworthy to point out that Yahoo had six CEOs during the 2007-2014 period.

Effectiveness is enhanced when such rivalries and disputes are minimized while discussions remain rich and challenging. This can only be achieved by a Board that makes its *rules of engagement clear* to all its members, that promotes the equal participation of its members and their mutual respect. Functional Board dynamics

can also contribute to hindering conflict of interests. A Board culture can diminish the possibilities of Directors' over-confidence: functional Board dynamics ensure that Board members are connected to reality. The Chairman's role is key in developing a successful Board culture. And an effective culture can be partly formalized in writing so as to be easily shared and understood. Awareness of discussion styles [fast thinking, influencing, false yes, etc.] and decision styles [autocratic, consensual, indecisive, etc.] are keys to evolve group dynamics. Boards cannot neglect the quality, focus and dedication of its Directors. Information architecture needs to be carefully designed in order to optimize its value toward effectiveness. Similarly, the quality of Board structures and processes is essential for its effectiveness. Successful Boards continuously improve their work processes as they become more sophisticated than in the past. Finally, Board dynamics based on a culture that promotes quality discussion, greatly contributes to the strategic

coherence of the organization and in doing so reflect the effectiveness of the Board.

A checklist for self- assessment of group dynamics:

1. How energetic is my Board?
 2. How do I feel about the contribution of the different Board members? Why?
 3. Does the culture of my Board provide for well-managed meetings and 'equal participation' in discussions?
 4. Do I really listen to the opinions of others? Do I challenge others, respectfully but without conceding, while keeping the relationship personal?
 5. Are my contributions short and to the point? Do I make them when I have knowledge or judgement?
 6. Should I talk to the Chairman about something that we do not address well, possibly even his own role?
- Boards must keep fine-tuning themselves to achieve continuously
Boards must keep fine-tuning themselves to achieve continuously
improving performance.

Appendix III **New Board Member Orientation**

Introduction:

In recent years, Boards of Directors and their roles have changed in a variety of ways, but one thing has not: members, with their ever present fiduciary responsibilities, vote and help direct the future of their organization[s] from the time of their very first Board meeting. This makes it essential for new Board members to be oriented to their role as quickly and as well as possible. They should be able to hit the ground running and contribute quickly.

While bringing new members on board effectively is critical to the smooth functioning of the Board; unfortunately, not all organizations do this well. I've been on Boards that have good orientation processes - they have good intentions - and too many others that do nothing. On the whole, most Boards do something but do not generally do it particularly well.

Board membership today is a major commitment — far bigger than it used to be — and that's why people sit on fewer Boards now. Boards have decreased in size, as positions such as second vice president have been eliminated and succession models are less clear. A recent U.S. based study, 'National Index of Nonprofit Board Practices' found the average Board size has dropped by more than 20 percent in the last two decades.

Consequently - *as Boards become smaller, the impact of each Board member grows.*

Smaller Boards often work more efficiently but it becomes harder to reflect all stakeholders and the diversity of an organization's community[s]. This is something Boards hold with some tension — the old approach of recruiting a Lawyer, an Accountant and a Human Resource professional to Boards has been succeeded by *an ethos that seeks a blend of professional expertise, personal connection with the cause of the organization and a reflection of the cultural diversity of the community being served.*

Perhaps the biggest gap in orientation occurs when a Board leaves new member orientation solely to the ED/CEO. Good staff support strengthens Boards, and investing time for orientation is very useful. However, orientation of new members is the responsibility of the Board of Directors, and ideally is led by a Governance/Recruitment/ Orientation Committee, rather than simply by the Board Chair. Inviting informed Board members to lead relevant portions of the orientation offers another way for 'newbies' to get to know their colleagues on the Board as well as the roles they play individually. Further, inviting all veteran Board members to

attend each orientation gives those Board members who missed their own orientation – or would like a refresher – to get caught up, and it also reinforces a culture of continuous learning.

A new Board member requires three different layers of orientation:

- [•] the generic legal requirements of all Board members;
- [•] training and education about the specific organization (its governance model, Values and culture of the Board and expectations for its members); and,
- [•] the current situation[s] the Board and the organization are dealing with (issues, trends, employees/staff, economy, budget, etc.).

All three of these layers are necessary to help a Board member understand what it means to be a good member, as well as what their roles and responsibilities will be at this particular time.

One of the risks of orientation is that the existing Board simply tells new members 'how we do things'. Diversity is not a matter of bringing in someone different and telling them to be like the majority – *everyone has to change*. There is a dual benefit in looking at orientation as a two-way process: you help the new member learn about the organization and people, but you also encourage the new member to teach you from their experiences and viewpoint. *Bringing in new people is a chance for a Board to*

be transformed. Without direct or strategic change a Board will regress.

Another risk is that new Board members stop seeing the 'forest for the trees'. Too often the orientation focuses on 'here's what we do, our programs, our services' — but *to what end?* Board members need to make decisions based on positive outcomes for the community they are there to serve. Hence, introducing new members to external stakeholders and partners is more than just a simple value-added step.

Most organizations develop a Board manual [physical or electronic] that describes the purpose and operations of the organization. Ideally, the manual is:

- User-friendly,
- Updated regularly,
- Given to each Board member while serving on the Board.

Finally, new members are willing to engage enthusiastically in the orientation process – *especially if the program is intellectually stimulating and provides them with a clear sense of their importance to the organization.*

Prior to the Orientation:

The Board manual should contain critical governance information, such as: bylaws, Board meeting agendas and minutes from the past year, financial statements, strategic-planning documents, and the executive summary from the most

recent Accreditation reports, recent memos – anything that helps create an understanding of the organization’s current status and culture.

A mentoring program for new Board members pays big dividends. A veteran Board member, who serves as a mentor [‘buddy’] for six months, attends the orientation; can help jumpstart the new member’s introduction and acclimatization to Board service. The mentor is available to answer questions and provide information on the functioning and decision-making processes of the Board.

The role the Board Chair contributes to the orientation program likely will include:

- Prepare and send a letter of invitation to prospective members.
- Contact new Board members [letter, phone, e-mail] with a personal welcome.
- Lead the orientation on all Board related governance and procedural matters.
- Support the ED/CEO in the orientation in all operational matters, eg: summarizing programs, policies, finances, budgeting, facilities, etc.

Years of professional experience working with adults in management development programs has left an indelible mark. Board orientation, like other adult learning opportunities, should enable integration of new information with a member’s own expertise and life experiences. Such

learning should involve time for reflection and discussion. Good adult education practice always stresses the value of articulating *learning objectives* as the first step in planning any program, eg: orientation.

Through the process of Board orientation, new members will be able to:

- Describe their roles, responsibilities and time commitments to governance and Committee work.
- Outline the current goals, and opportunities/challenges facing the Board and organization.
- Appreciate the core values and how they manifest themselves.
- Identify the key stakeholders including other Board members, staff, clients, partners, funding agencies.
- Describe the organization structure in terms of its programs and staff responsibilities.
- Describe how their background, knowledge, experiences will contribute to the Board and the organization.
- Understand and appreciate the experiences and skills of the other Directors.
- Describe how Board meetings are run and decisions made.
- Outline the policies that audit financial and Human Resource matters.
- Appreciate how the current Board both functions and differs from previous Boards the member has experienced.

Orientation binder:

This binder [physical or electronic] is specifically for new members and it is

for them to take home to read, review, take notes, and write questions in the margins. The binder should be sent out to the new board member ahead of time. At the bare minimum, the contents of this binder should include the following:

Checklist

1. Background and historical data:

- Outline the history of the organization. Include the organization's Mission, Vision and Values; distinguishing features of the organization, a list of Board norms/culture items, its reputational advantages, and the community it serves. [This can be *motivational* if the language is inspirational and reminds the new Board member why he/she wants to be an ambassador for the organization].
- Reference any critical event - positive or negative - along with related explanation or summary report.
- Discuss the Values - both Board and organization - and the social networking among Board members.
- Board meeting minutes - suggest at least 3 meetings back.

2. Board structure and operational issues:

- Overview of key stakeholders - management, employees, other Board members, funding agencies, government relations, service

providers and competitors and relationships to them.

- ED/CEO, management and staff roles and Human Resource practices.
- Staff organizational chart.
- Introduction and involvement of the selected 'mentor'.
- Facility tour[s] and introduction to key personnel and volunteers at each location.
- List of upcoming meetings - their purpose, location, and dates.
- Agenda for new member's first Board meeting.

3. Legal, bylaws and related documents:

- By-laws, legal issues and constraints, other key policies and procedures in place; non-financial audit of policies and practices.
- Legal, fundraising, ethical and advocacy responsibilities of the Board, and responsibilities associated with the organization's charitable status.
- Operations policies [summary].
- Advocacy policies [summary]
- Confidentiality and Conflict of interest policies.
- Key agreements and contracts.

➤ Relevant insurance - Board members.

4. Governing policies and procedures:

➤ Type of Board governance policy[s], the Board's role, Board decision-making procedures, Board culture.

➤ Strategic Planning documents - strategic priorities and/or plans, goals. Current challenges - industry trends, environmental scan, public policy environment, and pending legislation.

➤ Program highlights for the year - brief document[s] that gets new Board members excited about accomplishments and new initiatives underway. Include printed brochures and promotional literature.

➤ Accreditation reports, quality standards.

➤ Whistle-blower policy.

5. Financial and audit statements:

➤ Recent monthly financials - understand the organization's actual revenue and expense vs. budget.

➤ Last audited financial statement, Auditor's report.

➤ Approved budget for the current year.

6. Board responsibilities and committees:

➤ List of current members - include the background [resume data] and current and former roles of present

Board members. A picture of each member would be helpful.

➤ Board roles and responsibilities - job descriptions and performance standards [*If you don't have these that should be a red flag. There are dozens of good resources online with templates. Have a Board discussion to customize whatever you take off the Internet. Include the document in the binder*]. Include all Board approved documents in the binder.

➤ All Board members and senior management job descriptions and performance standards.

➤ List of Board committees, their purpose/mandate, members and current projects.

➤ Fundraising summary; the intent is two-fold - to make it clear that members have an annual financial obligation and to inform new members of the status of overall fundraising activities and goals.

➤ The last stage is to assess the effectiveness of the orientation process itself. Approximately 2-3 months after a new member has completed the orientation program, the Board Chair should follow up with the new member and his/her mentor to get feedback on what worked well and to gather suggestions for improvement.

BOARD CULTURE MATTERS

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BOARD CULTURE MATTERS

Introduction

The decisions made by a Board of Directors are of the utmost importance. It is at this level that the organization receives its direction, resources, strategy, and raison d'être. It is where the performance of the ED/CEO and the management team, as a whole, is guided, monitored and reviewed.

Governing Boards are dynamic groups of individuals where, sometimes, the whole does not equal the sum of its parts. Board Chairs want and need their Boards to be active, productive and engaged assets for the organization that they govern. Yet too many Boards underperform.

We argue that it is not what Boards do (or don't do) but how they do their work that really matters.

It is generally understood that governance is 'the process of decision-making and the process by which decisions are [or are not]

implemented'. In other words, the organization's effectiveness is a result of good governance. A culture of open debate, transparency, grappling with the real issues, and recognizing a responsibility to help develop strategy is absolutely essential to good governance; hence *culture is about strong leadership, positive relationships, and shared goals.*

Ideally, any group with the power to govern in the not-for-profit sector must also exhibit the attributes of good governance which would result in the organization's effectiveness. However, ideals are not reality and not all power and decision-making are exercised with good governance fundamentals in mind. If the work done by the Board is not done well, the entire organization and those who depend on it will suffer.

In this Briefing Paper we explore the concept of Board culture, including a definition of what it is. Then we

examine how assumptions regarding a Board member's motivations to join the Board, reasons to remain on the Board, and the response to conflict from within the Board, can contribute to, or detract from good governance and the organization's effectiveness.

Boardroom Culture

Board cultures with members who are motivated to join in order to contribute to their community, who are committed based on an emotional attachment, and who respond to conflict in a constructive manner will contribute to good governance. In a Board with members who are motivated to join in order to receive recognition, who are committed only because they receive benefits [inclusion on one's CV] and who respond to conflict contemptuously will detract from good governance and shift the Board's culture.

In order to assess how Board culture can contribute to or detract from good governance, it is important to look at what Board culture is. Some of the definitions used in this paper refer to organizational culture as opposed to Board culture. Regardless of this

difference in wording, these definitions are still valid and relevant to Board culture, as a Board is, simply, one type of organization.

There is an abundance of definitions for culture: 'the way we do things around here' is the most common example. However this definition is too simplistic, as it does not give any insight into the 'way', what 'things' are being done, as well as defining the 'who' and 'where' as 'we' and 'here.'

Culture itself is a pattern of basic assumptions and behaviours by a given group, as it learns to cope with its problems of external adaptation and internal integration. If this pattern works well and is seen as valid, it therefore *should be taught to new Board members as the correct way to perceive, think, and behave in relation to strategic problems.*

Additionally, *Board culture reflects the human side of not-for-profit governance; the written and unwritten rules that influence how the Board operates; and the chemistry between Board members and professional staff.*

In summary, we can say that *Board culture is the concept of basic assumptions and behaviours that are held by the members of the group.*

It is clear that a Board member and the group will influence each other in significant ways; as well as the culture of the Board as a whole. The basic tenet is that individuals who serve on a Board can manifest themselves as a result of each Board member's personal and professional life experiences.

There are three basic assumptions held by Board members, which influence the culture of the Board: [1] motivations for joining the Board, [2] commitment to continuing to serve, and [3] acceptance of dissent within the Board. Generally, we can say that *cultural assumptions reflect the total group experience, not just the leader's assumptions.* (But this should not discount the strong effects that a powerful leader can have on a Board's culture.)

[1] Motivation

The motivation for joining a not-for-profit Board will vary based on an

individual member's pre-existing ideas/assumptions, experiences, Values and desires. The needs of the Board member and the degree to which membership is fulfilling to the participant are highly relevant when considering the possibilities of improving management and leadership of the organization. Strong leadership and management are essential practices to the successful implementation of good governance; the effect that a Board member's needs (or motivations) can have on leadership and management is important in relation to a group's governance.

Before drawing a hasty conclusion about Board members' needs to improve leadership and management on behalf of attaining good governance, their needs must be looked at more closely.

Some of the needs that motivate Board members to join include: [•] contributing to their community, [•] building social relations, and the [•] recognition that their contribution is important. Then, there are always the less desirable responses such as a

[•] craving for power. Being motivated by a wish to contribute builds good governance, while being motivated by [•] a desire for recognition detracts from it. When everyone on a Board is motivated by reasons that are not self-serving they contribute to a culture that is unselfish in achieving its ends.

Good governance is encouraged when a Board's culture is shared, that is, an unselfish contribution to one's community as the driving (but not necessarily the sole) motivation for the members who join a Board,

instead of an egocentric motivation for the enjoyment of recognition.

Commitment is the 'motivation' to join is followed by the reasons why that individual continues to remain with the Board over time or, in other words, his/ her *commitment* to the Board.

From an organizational perspective there are three components of commitment, for example issues pertaining to: [1] an individual's emotional attachment to a group; [2] an individual's feeling of moral duty to a group; and [3] an individual's need

to remain within a group in order to avoid costs associated with leaving. Research has found that affective or *emotional commitment is a driving force regarding a Board's performance*; however, self-interested commitment will detract from good governance in that it does not contribute to the assumption that all members are working toward the same goal. The basic assumption of an individual's commitment to an organization is essential in that, 'shared goals' are a defining aspect to good governance.

Just as a Board member's motivations to join a Board may be constituted by multiple types of individual needs, so the commitment *to remain* on a Board may also include all the different components of commitment. That is, a member's commitment may be constructed from emotional attachment, moral duty, and self-interested benefits. As with what motivates individuals to join a Board, the predominant factor of an individual's commitment is most important, with regards to good governance. When Board's members are committed primarily because of an

emotional attachment, good governance is encouraged. If Board's members are not primarily committed by an emotional attachment but are instead committed for reasons of obligation or personal self-interest, then good governance will be hard to come by.

Conflict Response is an important aspect looks at how dissent and conflict are dealt within the Board. This is the 'internal integration', or the 'chemistry between Board members'. In other words, *it is the manner in which the individual Board members manage arguments and discussions within the group, in the decision-making processes.* The culture of a Board will suffer when members respond negatively to criticism and conflict 'from within'. A healthy culture is *not* present when the ED/CEO and managers do not make it safe for their staff members and their Board members to question inconsistencies, perceived improprieties, or dubious practices.

Likewise, a healthy culture is not present when Board members do not question peers who put their own

interests above the interests of the entire organization. It is not present when Board members who express intelligent doubt in a responsible manner are ignored, labeled as disruptive, or even urged to end their Board service.

These types of unhealthy behaviours will most definitely detract from the open debate that is necessary for good governance. Effective Boards will value cohesion and inclusion within a group, which will promote better decision-making than individuals alone; *but* there is also a risk of falling into '*group-think*' decision-making patterns. Therefore, caution should be exercised when there appears to be no conflict or dissent at all among a Board's members.

Instead of immediately declaring that success is achieved in a Board's *unanimous* approval of a decision, the possibility needs to be considered that Board members have fallen into this counter-productive pattern. *Good governance is not present merely when there is no conflict or dissent within the Board; rather, it is present when the conflict and dissent within*

the Board are dealt with in an objective, welcoming, and orderly manner.

In summary, any organization that wishes to achieve its goals should recruit individuals to the Board who will adhere to the 'mentality' of good governance principles. A Board culture that promotes good governance practices will benefit the organization as a whole, while a Board culture that detracts from good governance will dampen the ability of any organization to achieve its goals.

Good governance as a certainty suggests a Board's culture *either* contributes to *or* detracts from good governance; it might be more useful to think of *good governance as a spectrum* on which the organization can fall somewhere in between the two poles of contributing and detracting.

The Board's position on the spectrum is never fixed; it is always moving with changing Board members and its organizational culture. Board cultures are influenced by the individuals who constitute the Board, as well as the

group dynamics which result from the interaction of each individual's personal and professional life experiences and basic assumptions.

In other words, the Board strives towards *good governance that is consensus-orientated, participatory, effective and efficient, accountable, transparent, equitable and inclusive, and responsive*. Regardless of the type of organization, the culture that permeates at the top, where the *decision-making power is located, will have a most important effect on the rest of the organization.*

To that end, a not-for-profit Board should exhibit a culture made on the following basic assumptions:

- [•] members are motivated to join in order to contribute to their community;
- [•] they continue to serve on the Board out of an emotional attachment to the organization, and
- [•] conflicting opinions are encouraged to be openly discussed.

A Board may *detract from good governance* when it exhibits the following basic assumptions:

[•] members are motivated to join primarily to receive recognition;
[•] they continue to serve because the personal costs of leaving are too high;
and
[•] conflicting opinions are discouraged by punishment of those who dissent.

Boardroom Culture in Action

Board culture has been called 'the invisible director' for the influence it creates, both positive and negative. *The real goal of understanding Board culture and its influence on how Boards work can put governance on the pathway toward increased effectiveness.* It is making sure that the invisible director is moving the Board in the right and positive direction.

Consider these examples of poor Board behaviour:

[•] The perennially under-engaged Board asks few questions of management and fewer of themselves;
[•] The overly powerful Executive Committee controls 85 percent of the agenda and excludes other members;
and,

[•] The impulsive Board quickly moves to decisions without divergent or devil's-advocate thinking.

Educating Boards on what they should do -- their roles and responsibilities -- while important, is insufficient. In actuality, under-performing Boards may know their roles but have cultures that limit their effectiveness.

Board culture, those patterns of behaviour and ways of understanding that are deeply ingrained, reinforced and taught to new members, is what demands attention.

Rather than tinker with Board structure, such as the size of the Board [the large Boards wishing they were smaller and the smaller Boards thinking they should be larger], or the number and size of committees, Board leaders should work to ensure a *healthy Board culture.*

It has been said that *culture eats structure and strategy for lunch.* But culture is much more elusive and difficult to explain succinctly, making it challenging to expose and act upon. Boards are complex social systems that have norms, expectations and

preferred ways of working. Some of the norms are explicit (attendance), and others are implicit (comportment). Such norms are the building blocks of Board culture.

Culture is difficult to see objectively for those immersed in it. *By making the norms -- behaviours and interaction -- explicit, we can make culture actionable and create a road map for aligning culture with needs.*

There are several important dimensions of Board culture, such as the extent to which:

- [•] influence is consolidated in the hands of a few members or widely dispersed across the Board;
- [•] the Board sees itself more as a cheerleader or as a critic;
- [•] the Board has an academic [or other] mind-set versus a corporate one; and,
- [•] the Board seeks diverging and diverse views rather than preferring to move quickly to consensus.

Cultural factors such as these and others in this framework have both positive and negative aspects. Think about the classic Myers-Briggs*

introvert-extrovert scale as a parallel. Being introverted or extroverted, on its face, is neither good nor bad; rather, it depends on the context and the ways in which the strengths and blind spots play themselves out for an individual. Still, it is helpful for individuals to understand their natural tendencies and preferences. We believe that the same is true for Boards as they rate themselves on dimensions of culture.

For example, think about a large Board, in a highly dynamic situation, where it needs to make decisions quickly. This Board and its Chair may be well served by a Board culture that has consolidated influence; a few highly respected and good Board leaders are able to respond quickly.

But on the flip side, a Board that has consolidated influence, and needs widespread input to understand novel and complex situations confronting the organization, may exclude key members who have much to add. If a small group of members dominates all Board work, takes up the most airtime during Board meetings, shapes all agendas and even talks over other

members, why would others participate? Consolidated influence may drive member disengagement for some Boards.

At the same time, however, Boards with distributed influence may micromanage. A larger Board with a lot of members may not have enough substance in their Board work, so 'unfulfilled' members are looking for more engagement and can easily cross the murky line into operations.

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*\* The purpose of the Myers-Briggs Type Indicator® (MBTI®) personality inventory is to make the theory of psychological types described by C. G. Jung understandable and useful in people's lives. The essence of the theory is that much seemingly random variation in the behaviour is actually quite orderly and consistent, being due to basic differences in the ways individuals prefer to use their perception and judgment. Perception involves all the ways of becoming aware of things, people, happenings, or ideas. Judgment involves all the ways of coming to conclusions about what has been perceived. If people differ systematically in what they perceive and in how they reach conclusions, then it is only reasonable for them to differ correspondingly in their interests, reactions, values, motivations, and skills."*

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The notion of cultural continuums [again, think Myers-Briggs] relates to how Board members treat each other, or, what we call comportment or personal conduct. For instance, *having more trust among Board members is better than less, having more respect for one another and one another's contributions is healthier than animosity, and being more openly deliberative in meetings is more desirable than having off-line conversations or 'parking lot meetings' that occur after the Board meeting as members head to their cars.*

Understanding the cultural explanations of common Board problems can be helpful for Board leaders. Some of those problems include:

[•] overly inclusive processes in which Boards cannot make decisions [*death by discussion*]. For example, a Board that could not move on approval of the budget increase recommended by the ED/CEO because they continued to debate the issue at a series of meetings, putting the budget-dependent organization at a disadvantage when a major expense cycle begins.

[•] a Board that is overly 'clubby' and deferential to the Board Chair [*the in-the-pocket Board*]. For example, a Board found itself in difficulty when the Chair didn't share the organization's entire financial situation; instead some members eventually found out about it from management staff while shopping for groceries.

[•] a Board that jumps to decisions too quickly [*the knee-jerk Board*]. For example, a Board found itself with a parcel of real estate [a bequest] that became burdensome because it quickly accepted another gift from a major donor even though there was neither a plan nor purpose for it.

In these examples, *the culture of the Board contributed to problems, allowing these issues to snowball.*

A cultural lens on the workings of Boards can explain many things. But the real benefit is having the language to make elements of culture visible or explicit and thus actionable. Once Boards have the means to understand their own culture, the subsequent work should focus on the extent to which the Board's culture is aligned

with the demands of the organization and the nature of the challenges it faces.

Here are some *key questions that start to capture Board culture:*

[•] To what extent does the Board have a corporate mind-set or a non-business one? Is it driven by the marketplace or the Mission?

[•] Is influence consolidated or distributed?

[•] What is the level of trust within the Board and between management and the Board?

[•] Does the Board have a disposition toward efficiency or deliberation?

When the Culture Needs to Change

The cultural profiles of Boards suggest that they may be well suited for some work and some situations but ill prepared for other situations. Helping the Board understand the Board's strengths and potential vulnerabilities is essential to making culture actionable. They can then have meaningful conversations about the present Board culture and whether or not it is working well in the current [and future] context; think about what

changes to culture might be helpful, and develop strategies to act on them.

Changing the culture of a Board may not be as problematic as changing the culture of an organization. The relative [small] size of a Board, the ability of the Board Chair to set new expectations and norms, and the infrequency with which some Boards meet mean that with attention and intention they can adopt new cultural norms and expectations.

In addition, Board turnover can be used to advantage, because organizations can cultivate and orient new members who fit the desired culture.

A Board's cultural profile provides a road map to align Board dynamics with the work the Board needs to accomplish, the Chair's leadership style, and the organization's context.

For example, a pilot effort will likely include the following dimensions along the five continuums. The Board:

[•] Has distributed influence across the members of the Board;

[•] Seeks to maximize efficiency in how it conducts its work;

[•] Has divergent thinking, prizing multiple perspectives and critical thinking;

[•] Has a corporate mind-set in that it understands the 'business' of not-for-profits'; and,

[•] Views its role as partnering with management.

A potential vulnerability for Boards is that for the sake of efficiency, time is not well organized to ensure both sufficient involvement and a breadth of issues. The concern may not be one of time management but the way in which time is allocated to issues. Does the Board address sufficient substance? Could it be covering more issues if it altered its culture and meeting structure? These questions are frequently on the minds of Board and senior management leaders as they seek to add substantive discussions to Board meetings.

A recent U.S. not-for-profit study by Stanford University reported, "Over a quarter of directors do not believe their fellow Board members have a strong understanding of the Mission

and strategy of the organization.”
These findings refer to organizations lacking the infrastructure and resources needed to train, set goals, and evaluate what their Boards need in order to be effective. There are core ingredients necessary for building strong and effective not-for-profit Boards.

The following reflects *six competences of governance for effective Boards*.

These factors influence both the work of the Board collectively and the capacity of individual Board members to contribute to the dialogue. They are:

[•] Contextual dimensions:

The way in which the Board understands and takes into account the *culture and norms* of the organization it governs. *They take into account the Board’s characteristics, culture, Vision, Mission and traditions and reinforce the organization’s Values in their work.*

[•] Educational dimensions

The necessary action[s] to be knowledgeable about the organization, their own roles and responsibilities as Board members and others they may work with.

[•] Interpersonal dimensions:

The building, development and nurturing of a functional working Board [team] capable of shared goal setting, self-assessment, leadership development and collective achievement.

[•] Analytical dimensions:

The ability to view the whole or broad perspective on issues, while assessing each component. The willingness to question, explore and consider differences of opinion.

[•] Political dimensions:

Developing and maintaining healthy relationships with major stakeholders and communicating with key constituents.

[•] Strategic dimensions:

Envisions a direction and develops strategies to act proactively in support of the organization’s goals. Reflection and dialogue are critical processes in exploring what governance means to an organization and how the Board chooses to govern.

We also suggest that to be effective and add value to the organization, the Board needs to be built to:

- Learn, analyze, decide and act; and

- Manage internal dynamics of the Board and respond to the organization's political climate.

These describe the need for Board growth and learning related to organizational culture, roles and responsibilities, inclusiveness of diversity among Board members, experimentation, and tolerance to ambiguity. At the same time the ability to respect, communicate, and consult with others who share interests and Values, is important. Creating vision and direction and shaping strategy is the final primary focus.

Consider incorporating the following:

- [•] Build an atmosphere based on trust Relationship dynamics are at the heart of Board culture, and sometimes there are tensions between the ED/CEO and the Board or the Chair's power is imbalanced. These types of dynamics can create a culture where Board members are disengaged, misdirected, and distracted from advancing the Mission of the organization. It's important that EDs/CEOs and Board Chairs set the tone and create an atmosphere where

Board members can create relations based on trust, mutual respect and transparency. EDs/CEOs can

demonstrate that they value their Boards by sharing more information and fostering an open atmosphere.

- [•] Invite diverse viewpoints - Diverse groups attract a mix of different personalities and communication styles. Embrace and leverage the diversity of thought within your Board. At times, it will require patience and an open mind. Use different perspectives from your Board as opportunities for the organization to grow and learn. And for EDs/CEOs, the more you can understand the logic behind opinions that dissent from yours, the better decisions you will make and the better prepared you will be to defend your own position, if needed. Create a culture where Board members feel comfortable enough to respectfully disagree, as long as they're able to offer a well-thought out rationale for their opinion.

- [•] Ensure individual accountability - Board members have stated that they are not asked to use their skills in a meaningful way that can assist the organization. Board Chairs, EDs/CEOs,

can empower Board members by increasing their responsibility for certain tasks. This will demonstrate confidence in Board members and allows them to *enjoy a sense of ownership of their work.*

[•] Assess Board effectiveness
Evaluate the effectiveness of your Board – as a group and as individual members. Without this the Board Chair will fail to deliver critical feedback about strengths, areas to improve, and the potential for new opportunities. Useful Board evaluations can include metrics like *examining how well the Board works together or identifying the collective knowledge of the Board and how effectively that information is used.* When evaluating individual Board members, the chair should consider more than resumes and qualifications but also *measuring activity during Board meetings, the quality of suggestions, and propensity to involve other Board members during meetings.*

Board Chairs and EDs/CEOs who also evaluate their own effectiveness and share that perspective helps display transparency and fairness –

ingredients that earn the respect of the Board.

Frequently closest to a crisis situation, a deficit or weakened Board culture may, in fact, be responsible for such occurrence. Often staff, at not-for-profits, is only a level or two away from the Board whose obligation it is to see that the Mission, Vision and Values of the organization permeate all organizational levels.

Leadership Defines the Culture

Not-for-profits are all about group decision-making and the resulting actions or outcomes. The people that sit around the Board table making those decisions do so within a framework shaped by protocol and nuance. How the Directors act, work together, prioritize and reach consensus consistently *defines their unique culture and the way it impacts operational matters.* Newly recruited Board members must be orientated and prepared to work within this unique culture.

The ED/CEO and management implement Values. The ED/CEO must convey the current cultural norms to

all staff members and job candidates. Consider how the Board and staff fit - culturally. Not-for-profit staff generally pays closer attention to the Board's actions and changes than do their for-profit counterparts because their organization structures tend to be 'flat'. Consequently, staff is acutely aware that frequent Board rotations, typically every three or four years, can bring about change in the direction of the organization and subsequently their own positions.

As a result, Boards have to demonstrate they are establishing cultural norms by connecting with staff at celebrations of successes and significant holidays, in Board-staff committees and by proactively being involved in other opportunities that present themselves. From a Director's perspective, these venues can help to assess how well the Board-directed culture is taking hold.

A not-for-profit should communicate its Values and culture both internally and externally — with precision and persistence. Be sure to reward staff that advances the culture — be honest with those who don't. But be sure to

spot early signs that cultural norms are being violated, and come to the rescue of your organization [and potentially the lives of people!]. *Not surprisingly, culture influences how much employees identify with their organization. Communicate, communicate!!*

Summary

Organizational culture is defined as the underlying beliefs, assumptions, Values and ways of interacting that contribute to a unique social and psychological environment of a group or an organization. A Board of Directors is seen as a group with its own culture.

Organizational culture includes a Board's expectations, experiences, history, philosophy, as well as the Values that guide or instruct a Director's behaviour, and is expressed in the groups [and its member's] self-image, internal and external interactions/workings and future expectations.

Also, culture is a set of *shared assumptions* that guide what happens at Board meetings; it affects the way

Directors interact with each other, with employees, clients, and other stakeholders.

Board leaders [formal and informal] inevitably create and communicate the culture of the Board. However, the relationship between leadership and culture is not one-sided. While leaders are the principal architects of culture, an established strong culture can influence what kind of leadership is possible.

Leaders should appreciate that their primary role is maintaining or evolving a group's culture. A deeply embedded [strong] and established culture expresses how members should behave; and this in turn, helps members achieve individual and group objectives. Consequently, this behavioural leadership, in turn, ensures higher individual members' personal and professional satisfaction. From this perspective, organizational culture, leadership, and individual satisfaction are all inextricably linked.

Organizational culture is not stagnant. Members develop a shared belief around 'what right looks like' as they

interact over time and learn what yields success and what doesn't.

When those beliefs and assumptions lead to less than successful results, the culture must evolve for the organization to stay relevant in a changing environment. It is the duty of leaders [both formal and informal] to convince members of the benefits of change and show through experience with new behaviours that the new culture is the best way to operate to yield success.

Improving Board culture doesn't happen overnight. Culture changes by examining the Board's collective and individual strengths and weaknesses, while taking consistent action to implement changes. Remember that 'change' is constant and ever present. Consider the following 'health check' for culture change:

1. Are all Board members engaged in discussions?
2. Is the discourse at the appropriate level of oversight?
3. Is it a lively conversation, one that allows for discussion and dissent once a recommendation or motion is on the table?

4. Are members able to reach a conclusive decision, with naysayers and those who object agreeing to uphold and support the decision in public?
5. Is the relationship between the ED/CEO and the Board Chair open, transparent, problem-solving, and strategic?
6. Does the Board effectively handle a vociferous minority so that it does not paralyze Board decision making?
7. Does the Board receive the right information for thoughtful analysis and decision-making?
8. Are communication channels open?
9. Is it clear who needs to be involved in decisions? Are the right people in the room, on the phone, or online?
10. How frequently and for what purposes is the Executive Committee used? Does it make a full disclosure of the actions it has taken to the rest of the Board and avoid the sense of an 'inner circle'? Does it allow for the potential of an override by the full Board?
11. Does the Board interact frequently and appropriately with employees? Does it seek employee input and feedback to the Board as warranted?

Is it "safe" for employees to provide recommendations?

12. Does the Board have realistic expectations of its ability to impact the organization or systemic issues over a period of time?
13. Is everyone focused on a shared strategy and implementation that moves the organization in a determined direction?

Finally, consider drafting a document or guideline that can become a tool for Board culture. Each Board has a culture of its own; new members should to be made aware of the customs and operations of the Board.

Appendix I: A Board Perspective on Organizational Development - Dr. E. Schein @ MIT.

Appendix II: Increasing Board Performance.

Appendix III: New Member Orientation.

Appendix I

A Board Perspective on Organizational Development

Research and empirical evidence has shown that changes to Board structure and operational issues can produce some efficiency in Board management. However, problems like disengagement, dysfunction, and misconduct may still persist; alterations to the Board's architecture and mechanics cannot be resolved without addressing the topic of 'culture'.

Boards that ignore a dysfunctional culture, hold to the status quo, and focus on Board rules and practices rather than underlying 'assumptions' will pay a steep price: mediocre governance at best and abysmal performance at worst.

The significance of Board culture - the norms that define acceptable Directors' behavioural outcomes - and how to improve it has recently become topical, but the concepts surrounding organizational culture is not new. Roughly thirty years ago, Dr. Clay

Alderfer [Rutgers University] published an article in the Harvard Business Review that identified group dynamics as "*the invisible director on corporate Boards.*" Changes in structure and operations have produced greater efficiency, but problems like disengagement, dysfunction, and misconduct persist—challenges that alterations to Board architecture and mechanics cannot resolve. What, then, are Boards to do?

Unfortunately, the following attempts have not provided the solution: small Boards grow larger and large Boards grow smaller; some Boards added committees while others consolidated; some decided to meet more frequently, others less often; term limits have been lifted by one Board and imposed by another; and countless Boards have reviewed and revised bylaws. These Boards pledge to improve group dynamics but focus instead on mechanical solutions and

do not act on self-evaluation with conviction.

On the other side, some Boards have become more attentive to Board culture. The hallmarks of a healthy (or unhealthy) culture are neither mysterious nor disputed. Semantic quibbles aside, the markers are listed below:

Healthy Boards

1. Distributed influence
2. Collective wisdom
3. Open-minded listeners
4. Constructive dissent
5. Transparency
6. Diligence
7. Respect/trust
8. Clear expectations
9. Mutual accountability

Unhealthy Boards

1. Dominant inner circle
2. Individual convictions
3. Close-minded speakers
4. Back-channel agitation
5. Opacity
6. Disengagement
7. Disregard/distrust
8. Ambiguous expectations
9. Collective impunity

While seeking a healthy culture, Boards will have candid and sometimes difficult dialogues about disparities between current and ideal conditions and the best methods to close the identified cultural gaps. These discussions, on the whole will lead helpful changes, for instance: *explicit rules of engagement; intensified efforts to elicit broad participation and diverse views; and more frequent, more immediate feedback loops on Board dynamics and Board performance.* These are all positive steps. Unfortunately, some Boards are derailed by the complexities associated with changes in culture and comporment.

Our Deep assumptions

In order to understand the cultural roadblocks and complexities, we turn to a model of *organization culture* developed by Dr. Edgar Schein in the 1970s while a professor at MIT. He referred to 'artifacts', or visible manifestations of culture. These are observable behaviours—for example, diligence, respect, constructive dissent, or tangibles such as a social compact or even the physical properties and arrangements of the

Boardroom. Most conversations about Board culture focus on artifacts—the noticeable aspects of a Board’s way of doing things. Discussions tend to centre around, “How do we change what we do?”

Let’s go a little deeper and quote some of Schein’s actual words: “Organizational culture encompasses values and behaviors that ‘contribute to the unique social and psychological environment’ of an enterprise. The organizational culture influences the way people interact, the context within which knowledge is created, the resistance they will have towards certain changes, and ultimately the way they share (or the way they do not share) knowledge. Organizational culture represents the collective values, beliefs and principles of organizational members and is a product of factors such as history, product, services, market, technology, strategy, type of employees, management style, and national culture; culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, environment, location, beliefs and habits”.

“If organizational culture is seen as something that characterizes an organization, it can be manipulated and altered depending on leadership and members. Culture as root metaphor sees the organization as its culture, created through communication and symbols, or competing metaphors. Culture is basic, with personal experience producing a variety of perspectives”.

But a deep question lurks beneath the surface: “Why do we do what we do?” To pursue this line of inquiry requires that Directors probe the bedrock of their Board’s culture, the territory Dr. Schein labeled as “basic assumptions”, and those things that all or nearly all members of a group [eg: a Board] take for granted. For instance, we presume a capitalistic economy - we expect to pay for goods and services, usually at a profit to the producers and vendors. We hardly ever think twice about assumptions such as these. As Dr. Louis Agassiz [Harvard professor mid 1850s] famously noted, “Fish never discover water”.

Invisible and internalized, assumptions are sometimes difficult to see and

sometimes to acknowledge. Instead, we see only the artifacts, for example, goods for sale at a markup in a free market system. And so it is with Board culture. Frequently two fundamental assumptions that shape [or disrupt] Board culture remain largely unexamined.

Assumption #1 concerns the Board's dominant presumption about the Director's role: are they group members or free agents? Are the scope of responsibilities, degree of latitude, and rules of engagement collectively decided by the Board or self-determined by individual Directors? The answers depend on the operative mental model. Is the Board more akin to a symphony or a jazz ensemble? Members of a symphony submerge their individualism and adopt prescribed roles. The musicians are literally and figuratively on the same page. On Boards of orchestral genre, Directors play by team rules and collaboratively formulate group norms. Standard procedures and behavioural expectations are the predictors of effective governance. Membership means that the collective wisdom, social compact, and the

single voice of the Board supersede personal prerogatives as regards Director's behaviour and Board priorities.

Members of a jazz ensemble operate on a different assumption. Smooth jazz means individuality, spontaneity, and flexibility. Like an orchestra, the group plays together, but with far more self-direction and improvisation. Good jazz and good governance requires that the group grant members wide leeway and trust one another's instincts. Free agents on Boards assume that each member has the discretion, indeed the responsibility, to enact a self-defined notion of effective membership. Cultural conventions are more often detriments than benefits.

Assumption #2 concerns the dominant presumption about the Board's role: community/public watchdog or organizational guardian. Some Directors take for granted that the Board, above all else, protects the community interest and serves as the 'truest' voice of the organization. The Board vigilantly acts as a counterbalance to the organization's

innate bias towards self-interest and meager regard for the greater good. Consistent with that assumption, the Board champions the interests of clients, consumers, employees, and society-at-large.

Elsewhere, Directors assume that the Board has an inherent fiduciary duty to serve the organization's best interests. On that assumption, Board members strive to realize the organization's ambitions and safeguard its autonomy. Transcendent loyalty to the organization drives the Board's decisions and actions.

In practice, of course, contrasts about the Board's role are not nearly as clearly divided. Community and organizational interests intertwine, and Boards seek to strike a reasonable balance.

Four Archetypes of Board Culture:

When combined, assumptions about the Directors' role and the Board's role generate four archetypes. Like most matrices, the categories are oversimplified. Nonetheless, the distinctions have diagnostic value because the assumptions embedded in these categories underpin and

profoundly affect the artifacts of Board culture. While all four categories appear across the landscape of not-for-profit organizations, we have identified a 'natural habitat' for each segment of the model.

Type I: Symphony Members:

Type I Boards collectively engage to fulfill a shared goal: enhance the organization's short and long-term welfare. No soloists or subset of musicians can play a symphony; no Board member or subgroup can (or should) govern the not-for-profit. Orchestras organize by section and need leadership from the podium. Boards organize by committee and need leadership from the Chair and the ED/CEO. Type I Boards take as a given that collaborative efforts produce superior results that bolster the organization.

These assumptions promote a culture of collegiality and cohesiveness among Board members and a constructive partnership with the ED/CEO. Since a Board governs with corporate and not individual authority, members seek consensus and discourage outside/public dissension. The Board

expects and embraces strong group norms. *Team play without team rules makes no sense. There may be disagreements on substantive issues but not on the Board's roles or loyalties.* Given the unquestioned purpose of membership—to work together in service to the organization's best interests—how could a Board behave otherwise? *Type I Boards court the risk of 'group think', excessive deference to peers and professionals, and misinterpretation of dissent as disloyalty.*

Type II: Free Agents:

Type II Boards, like Type I, operate on the assumption that the Board ultimately serves the organization's best interests. However, Type II Boards are more apt to assume that "*too many chefs spoil the broth*" than to accept the proposition that "two heads [or 12 Directors] are better than one." Group process does not necessarily improve the decision-making process. Board members add value as experts individually or as subsets, less so as a cohesive group.

These assumptions foster an individual's mindset and a culture of centrifugal collegiality. Alone or as members of small cadres of specialists, almost always with honourable motives, offer technical assistance - sometimes on request, sometimes self-initiated - to the administration and the Board. Collegiality reins not so much because the group has congealed as a social system but rather because *Directors singly or as subsets enjoy relative sovereignty over designated domains [for example, finance, facilities, Human Resources, etc.]. In short, fences make good neighbours and create a workable culture. Type II Boards risk micromanagement and operate as separate individuals where all Directors grasp parts of the organization while few, if any, comprehend the whole.*

Type III: Regulatory Agency:

'Someone needs to mind the store' captures the philosophy of Type III Boards, because the Directors share an assumption that, *absent diligent oversight, compliance will suffer and stakeholders' interests will be subordinated to the preferences of*

others, but frequently management.

In the minds of Type III Boards, the need to offset insularity and self-interest reflects reality, not cynicism.

The safety measures are rules, regulations, policies, procedures, precedents, and performance metrics, all closely monitored by the Board.

The operative assumption fosters a rather formal, bureaucratic boardroom culture. Board members confront a voluminous agenda, review countless reports, and pass numerous resolutions on sundry, mostly operational, issues. A culture of breathless busyness curtails opportunities for discussion, especially about long-term imperatives. The Board may adhere to Robert's Rules with little awareness [or concern] that parliamentary procedures tend to squelch collegiality, give-and-take, and insight. There may be differences of opinion—even split decisions—from time to time, but consensus prevails on the Board's principal role as an ever watchful, prudently distrustful regulatory agency. The risks are inattention to strategy and conditions inhospitable for innovation and sensible exceptions.

On a Board of Lone Rangers, everyone wears a badge. Although the Board discharges most duties together [eg: committees]. Directors reserve the right to act independently as necessary. On these Boards, the operative assumption posits that the best governance occurs when Board members are deeply involved, responsive to constituents, and unafraid to tackle tradition. Therefore, each member has the presumptive power to investigate matters of interest, demand relevant information and explanations, activate channels of communication, and intercede as necessary. Lone Rangers do not hesitate to offer advice or recommendations to management personnel, confident that the organization will be better as a result.

Type IV: Lone Rangers:

The dominant assumption of 'Lone Ranger' Boards leads to a logical conclusion: no Board culture is the best Board culture. Hence, the Lone Ranger resists the very notion of Board culture as a wrong-headed attempt to compel conformity. To serve the community or even society's interest, Directors cannot be

constrained by typical procedural etiquette, group process, and bureaucratic procedures, nor should they ever be muzzled to create the illusion of unanimity. In the absence of a strong culture, Board members have license to act as each deems appropriate. *There is a culture of respect—respect for every Lone Ranger’s right within legal and ethical boundaries to do what one needs to do to be a responsible trustee. In short, the fewer the house rules, the better the quality of governance. The risks are organizational mayhem, and Directors and management at cross-purposes.*

CONCLUSION:

These four descriptions are admittedly caricatures, not unlike the profiles sidewalk artists produce in 15 minutes where tourists congregate. There’s an unmistakable likeness, but no one would present the sketches as definitive portraits. Nonetheless, the profiles provide a spring Board for Directors to ask a series of questions:

- Do we have a dominant culture?
- If not, what assumptions do we need to reconcile?
- If yes, do we fit squarely within one quadrant or at the border of two?
- Are we where we want to be and, if not, what assumptions do we need to confront?

There are costs to addressing these questions, namely, uncomfortable conversations with personal overtones and the stress associated with attempts to resolve deep-seated differences that hinder a cohesive Board culture. *But Boards that ignore a dysfunctional culture, abide the status quo, and focus on artifacts rather than assumptions will pay a far steeper price: mediocre governance at best and abysmal performance at worst.*

Reference: Dr. E. Shein - Organizational Psychology Then and Now: Some Observations. Annual Review of Organizational Psychology and Organizational Behavior, Vol.2 (2015)

Appendix II

Increasing Board Performance

[Let us not disconnect these for-profit examples; there is a direct applicability to the not-for-profit world.]

Events in the corporate world during the last many decades have made it clear that Boards can spectacularly fail. Failure has come in various disguises:

- failure to manage risks, to proactively contribute to organization strategy,
- to identify the 'right' team, and in some cases,
- to deal with integrity issues and possibly outright fraud.

It is clear - as it always has been - that we need better governance [especially performance] at all levels and in all organizations.

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It is clear - as it always has been - that we need better governance [especially performance] at all levels and in all types of organizations.

1. The quality, focus and dedication of Board members.

Boards could be composed by high-quality individuals, who are outstanding in their respective fields; for example, entrepreneurs, CEOs, professionals, academics, government officials, etc. And yet, they could lack the necessary knowledge to perform their tasks as members of a specific Board. The case of JP Morgan's 2012 use of a complex trading system is an illustration. Morgan incurred a major loss of several billions of dollars as it overlooked the warnings about the risks involved in its proprietary trading system. It later emerged that *none of the three Directors on the Board's 'risk-policy committee' had worked as a banker or had any financial experience.* It is also interesting to note that in the same year, in the midst of the unsuccessful attempt to

purchase assets from a UK bank, it came to light that the UK bank Board lacked adequate banking expertise -- the Board included a plasterer and a nurse. This case clearly underlines the significance of the quality of Board members to have *the necessary and relevant knowledge*. Otherwise, limited knowledge affects their ability to perform their functions effectively. To overcome this problem, effective Boards establish performance and knowledge standards for individual Directors, they educate their Board members, and they conduct performance evaluations. *The quality of the Board is enhanced by diversity in terms of industry and professional background, as well as diversity of gender, personality and opinion.* Diversity brings specific expertise as well as more potential for innovation. Poorly managed diversity, however, can be disruptive as communication may become more difficult and trust may be lesser amongst more diverse Directors.

A strong Board will thus develop processes to manage diversity. We recommend that Boards have a

systematic Board composition oversight:

- with regular assessment of capabilities required [from expertise to familiarity] and,
- a current composition matrix, even for well-established Boards. Focus could be diminished by Directors misunderstanding of their roles and functions within the Board. *To reinforce their focus, Boards need to establish their own statement of purpose and define their role in a manner that adds value to the organization's activities.* Boards need to regularly reflect on their involvement and strive for it to be first, *distinctive*, in a sense that does not replicate efforts from other quarters in the organization; and second, *additive*, for example, that improves decisions made by the organization. Dealing with ambiguities in decision-making is inevitable and is a sign that the Board addresses real issues. *Well-focused Boards perform an oversight role and offer support to management.* Such Boards are quick to determine when a proactive risk oversight is needed but they are also efficient in identifying, and in acting on, the need to communicate the

organization's strategic objectives in order to manage its reputation during a crisis.

Additionally, the focus of the Board is strengthened by a successful agenda; long-term issues while managing short-term matters. Dedication to the organization is vital. Dedication goes beyond the allotted meeting time. It implicates, for example, the reasons why an individual decides to become a Director. Incentives differ; there is potential for access to networks, access to specific or professional information and an elevated status to determine an individual's decision to join a Board. Such incentives would negatively impact his/her dedication. On the other hand, there are cases in which individuals become Board members because they are highly motivated to make the organization successful.

A checklist for self-assessment of the Board's performance includes:

1. How close to the heart of every Board member is the organization?
2. Where do I [the Board member] truly add value to this Board?

3. How confident am I in my Board colleagues to steer our organization in the right direction?
4. How is our diversity in terms of abilities, personalities, and competencies?
5. How clear are we about the role of our Board? The role of each committee?
6. Is the agenda turned enough towards the future?
7. How does my knowledge compare to the 'ideal' Board member?

2. The Board and its information architecture.

Information is best when it is designed in a way that informs the Board about all the essential activities undertaken by the organization and the issues facing it. When thinking of information design, Boards typically think of information coming from management [how brief, well focused and strategic it is, prioritized, with executive summaries, key issues to tackle and options to consider]. But information architecture should include also external information [what can we source from outside the organization, such as from social media]. It should also include formal information and

informal information sources [such as informal networks: the ability of the Chair to maintain good relationships with union representatives is an important source of information. For the formal internal information, include jointly designed Board briefings that include financials with forecasts, an ED/CEO report, risks and opportunity maps, analysis of the gene-pool and summary of financial analysts' views regarding risk management.

Additionally, regular communication between management and the Board, for example management letters in between meetings adds to efficient information. Committee reports are also fundamental in executing an effective architecture of information. Adequate reports, nevertheless, encompass analysis of specific issues rather than just recommendations. A key checkmark is whether the Board is actively involved in designing the information and whether that information design changes with the organization, its environment and its strategy. Informal channels of information are key as well and should be well elaborated themselves; for

example meetings with employees and informal meetings of Board members, all need both structuring, to give them potential, and some freedom, to give them creativity without infringing on management's rights. In short, sophisticated [but not necessarily complex] information architecture is key to successful Boards.

A checklist to reflect on the Board's information architecture:

1. Do I know and track other high profile not-for-profits and their key value drivers?
2. Is the Board well informed of competitive trends, P.E.S.T. changes, and stakeholder evolution?
3. Does the Board have enough information, independent from management, available to make decisions?
4. What informal processes of information do Board members have?
5. How involved was I in designing the information architecture? How involved were my fellow Board members?

[3. The Board and its structures and process.](#)

In terms of structures, the composition of the Board contributes to effectiveness. Structures are evolving as governance become more sophisticated. Well-managed Board diversity of opinion, experience, personality and genre greatly impact performance. The independence of Board members is crucial. But so is their structured access to the right individuals. For example, the effective function and the necessary number of Board committees are to be taken into account as is the size of the Board. *It is, in short, fundamental for the Board to regularly benchmark its current composition and structures against the 'ideal' situation and to act on any divergence.*

In terms of processes, there are many processes beyond the straight running of the Board: evaluation processes, the strategy process, the risk process, the Board education process, the ED/CEO and key managers succession processes, the regulatory process, etc. For example, the Board strategic process plays a significant role in increasing performance. Good processes such as regular meetings will complement retreats. External

presentations will complete internal ones. And focused, decision-oriented meetings will complement long term understanding of the industry and organization from a strategic perspective. And such process elaborates various aspects. It strengthens organizational strategy by contributing to define it, aligning it with objectives and ensuring commitment. The process also enhances the strategic reflection of the Board and reinforces the interactions between management and Board. The process creates a stronger basis for communicating the organization's strategy, internally and externally.

A well designed strategy process ultimately enables Boards to efficiently assess their organization's strategic risks as well as its strategic opportunities. Another decisive process is that of Board evaluation. A poor evaluation process contributes to governance failure; therefore, thriving Boards engage in self-assessment or external assessment, in terms of their roles, dynamics and their members' performance. A good practice is to utilize available technology, for

example the use of tablets/lap-tops, for Board evaluation during meetings which provides results in 'real-time' and thus offers an opportunity for careful and dynamic scrutiny beyond the one-year evaluations.

ED/CEO succession is also a critical process. A successful succession plan, whether based on 'horse race' or search, internal or external, aims at the transparency of selection, the quality of the on-boarding [orientation] process and the smoothness of the transition. A case in point is that of Hewlett-Packard. In a period of six years, HP fired three CEOs, a trend that became a corporate turmoil which negatively affected the company's brand reputation. Relevant to our discussion, is the fact that in one of the cases the HP Board did not meet the new CEO before nomination, and also the implied failure of the Board at identifying a candidate that would fulfil the strategic vision of the organization.

it is necessary to consider Board pathologies. Group-think tendencies, for example, hinder performance as

A checklist concerning the Board's structures and processes:

1. A potential list of processes that truly matter?
 - a) strategy,
 - b) evaluation,
 - c) ED/CEO succession,
 - d) risk,
 - e) Board education,
 - f) audit [finance and Human Resources,
 - g) regulatory compliance
 - h) on-boarding[orientation] and out-boarding
 - i) others?

2. How do I feel about each of these processes? Do I have a clear view of each? Is each complete and detailed enough?

3. Do we have the right committees? The right people on them?

4. Are the reporting lines fool proof?

4. The Board and its group dynamics.

Dynamics are fundamentally linked to the culture of the Board. Hence, do disruptive or dominating members of the Board. A low energy level on the Board, the 'sleepy Board', is also

typical. In some cases, when *dysfunctional dynamics* are openly employed to set a Board up for governance failure. Late distribution of information and not making relevant information available are examples of intentional practices that hinder governance. This is often a symptom of a deeper issue: lack of trust, role overlap, etc. Governance is enriched by the Directors' differences in opinions and constructive dissent: *having a critical view of assumptions makes for an effective strategy*. And yet, despite the importance of these elements, some Boards appoint Directors who are closely associated with the founder or it's ED/CEO. The appointed individuals [Directors] may be prominent in their respective organizations/industries but their practices within the Board are circumscribed by their relationship with a dominant figure.

A case in point is that of a leading designer of consumer electronics, computer software and personal computers [Apple]. The Board was constituted by outstanding professional figures but with close relationships with the founder of the

company. As such, the Board was destined for ineffectiveness as it ran the risk of sharing common views which could threaten true dynamics, such as constructive dissent, that could safeguard its governance culture. *The 'love Board', in which the ED/CEO can do no bad, is certainly a failing Board*. The experiences of Yahoo! highlight the disruptiveness, if not destructiveness, of strategic disagreements between the ED/CEO and the company Board. Former Yahoo CEO Carol Bartz's complaints about the lack of strategic coherence between management and the Board, illustrate the point. In the end, Ms. Bartz was dismissed by phone, which is not a sign of good Chairman-to-CEO dynamics! It is noteworthy to point out that Yahoo had six CEOs during the 2007-2014 period.

Effectiveness is enhanced when such rivalries and disputes are minimized while discussions remain rich and challenging. This can only be achieved by a Board that makes its *rules of engagement clear* to all its members, that promotes the equal participation of its members and their mutual respect. Functional Board dynamics

can also contribute to hindering conflict of interests. A Board culture can diminish the possibilities of Directors' over-confidence: functional Board dynamics ensure that Board members are connected to reality. The Chairman's role is key in developing a successful Board culture. And an effective culture can be partly formalized in writing so as to be easily shared and understood. Awareness of discussion styles [fast thinking, influencing, false yes, etc.] and decision styles [autocratic, consensual, indecisive, etc.] are keys to evolve group dynamics. Boards cannot neglect the quality, focus and dedication of its Directors. Information architecture needs to be carefully designed in order to optimize its value toward effectiveness. Similarly, the quality of Board structures and processes is essential for its effectiveness. Successful Boards continuously improve their work processes as they become more sophisticated than in the past. Finally, Board dynamics based on a culture that promotes quality discussion, greatly contributes to the strategic

coherence of the organization and in doing so reflect the effectiveness of the Board.

A checklist for self- assessment of group dynamics:

1. How energetic is my Board?
 2. How do I feel about the contribution of the different Board members? Why?
 3. Does the culture of my Board provide for well-managed meetings and 'equal participation' in discussions?
 4. Do I really listen to the opinions of others? Do I challenge others, respectfully but without conceding, while keeping the relationship personal?
 5. Are my contributions short and to the point? Do I make them when I have knowledge or judgement?
 6. Should I talk to the Chairman about something that we do not address well, possibly even his own role?
- Boards must keep fine-tuning themselves to achieve continuously
Boards must keep fine-tuning themselves to achieve continuously
improving performance.

Appendix III **New Board Member Orientation**

Introduction:

In recent years, Boards of Directors and their roles have changed in a variety of ways, but one thing has not: members, with their ever present fiduciary responsibilities, vote and help direct the future of their organization[s] from the time of their very first Board meeting. This makes it essential for new Board members to be oriented to their role as quickly and as well as possible. They should be able to hit the ground running and contribute quickly.

While bringing new members on board effectively is critical to the smooth functioning of the Board; unfortunately, not all organizations do this well. I've been on Boards that have good orientation processes - they have good intentions - and too many others that do nothing. On the whole, most Boards do something but do not generally do it particularly well.

Board membership today is a major commitment — far bigger than it used to be — and that's why people sit on fewer Boards now. Boards have decreased in size, as positions such as second vice president have been eliminated and succession models are less clear. A recent U.S. based study, 'National Index of Nonprofit Board Practices' found the average Board size has dropped by more than 20 percent in the last two decades.

Consequently - *as Boards become smaller, the impact of each Board member grows.*

Smaller Boards often work more efficiently but it becomes harder to reflect all stakeholders and the diversity of an organization's community[s]. This is something Boards hold with some tension — the old approach of recruiting a Lawyer, an Accountant and a Human Resource professional to Boards has been succeeded by *an ethos that seeks a blend of professional expertise, personal connection with the cause of the organization and a reflection of the cultural diversity of the community being served.*

Perhaps the biggest gap in orientation occurs when a Board leaves new member orientation solely to the ED/CEO. Good staff support strengthens Boards, and investing time for orientation is very useful. However, orientation of new members is the responsibility of the Board of Directors, and ideally is led by a Governance/Recruitment/ Orientation Committee, rather than simply by the Board Chair. Inviting informed Board members to lead relevant portions of the orientation offers another way for 'newbies' to get to know their colleagues on the Board as well as the roles they play individually. Further, inviting all veteran Board members to

attend each orientation gives those Board members who missed their own orientation – or would like a refresher – to get caught up, and it also reinforces a culture of continuous learning.

A new Board member requires three different layers of orientation:

- [•] the generic legal requirements of all Board members;
- [•] training and education about the specific organization (its governance model, Values and culture of the Board and expectations for its members); and,
- [•] the current situation[s] the Board and the organization are dealing with (issues, trends, employees/staff, economy, budget, etc.).

All three of these layers are necessary to help a Board member understand what it means to be a good member, as well as what their roles and responsibilities will be at this particular time.

One of the risks of orientation is that the existing Board simply tells new members 'how we do things'. Diversity is not a matter of bringing in someone different and telling them to be like the majority – *everyone has to change*. There is a dual benefit in looking at orientation as a two-way process: you help the new member learn about the organization and people, but you also encourage the new member to teach you from their experiences and viewpoint. *Bringing in new people is a chance for a Board to*

be transformed. Without direct or strategic change a Board will regress.

Another risk is that new Board members stop seeing the 'forest for the trees'. Too often the orientation focuses on 'here's what we do, our programs, our services' — but *to what end?* Board members need to make decisions based on positive outcomes for the community they are there to serve. Hence, introducing new members to external stakeholders and partners is more than just a simple value- added step.

Most organizations develop a Board manual [physical or electronic] that describes the purpose and operations of the organization. Ideally, the manual is:

- User-friendly,
- Updated regularly,
- Given to each Board member while serving on the Board.

Finally, new members are willing to engage enthusiastically in the orientation process – *especially if the program is intellectually stimulating and provides them with a clear sense of their importance to the organization.*

Prior to the Orientation:

The Board manual should contain critical governance information, such as: bylaws, Board meeting agendas and minutes from the past year, financial statements, strategic-planning documents, and the executive summary from the most

recent Accreditation reports, recent memos – anything that helps create an understanding of the organization’s current status and culture.

A mentoring program for new Board members pays big dividends. A veteran Board member, who serves as a mentor [‘buddy’] for six months, attends the orientation; can help jumpstart the new member’s introduction and acclimatization to Board service. The mentor is available to answer questions and provide information on the functioning and decision-making processes of the Board.

The role the Board Chair contributes to the orientation program likely will include:

- Prepare and send a letter of invitation to prospective members.
- Contact new Board members [letter, phone, e-mail] with a personal welcome.
- Lead the orientation on all Board related governance and procedural matters.
- Support the ED/CEO in the orientation in all operational matters, eg: summarizing programs, policies, finances, budgeting, facilities, etc.

Years of professional experience working with adults in management development programs has left an indelible mark. Board orientation, like other adult learning opportunities, should enable integration of new information with a member’s own expertise and life experiences. Such

learning should involve time for reflection and discussion. Good adult education practice always stresses the value of articulating *learning objectives* as the first step in planning any program, eg: orientation.

Through the process of Board orientation, new members will be able to:

- Describe their roles, responsibilities and time commitments to governance and Committee work.
- Outline the current goals, and opportunities/challenges facing the Board and organization.
- Appreciate the core values and how they manifest themselves.
- Identify the key stakeholders including other Board members, staff, clients, partners, funding agencies.
- Describe the organization structure in terms of its programs and staff responsibilities.
- Describe how their background, knowledge, experiences will contribute to the Board and the organization.
- Understand and appreciate the experiences and skills of the other Directors.
- Describe how Board meetings are run and decisions made.
- Outline the policies that audit financial and Human Resource matters.
- Appreciate how the current Board both functions and differs from previous Boards the member has experienced.

Orientation binder:

This binder [physical or electronic] is specifically for new members and it is

for them to take home to read, review, take notes, and write questions in the margins. The binder should be sent out to the new board member ahead of time. At the bare minimum, the contents of this binder should include the following:

Checklist

1. Background and historical data:

➤ Outline the history of the organization. Include the organization's Mission, Vision and Values; distinguishing features of the organization, a list of Board norms/culture items, its reputational advantages, and the community it serves. [This can be *motivational* if the language is inspirational and reminds the new Board member why he/she wants to be an ambassador for the organization].

➤ Reference any critical event - positive or negative - along with related explanation or summary report.

➤ Discuss the Values - both Board and organization - and the social networking among Board members.

➤ Board meeting minutes - suggest at least 3 meetings back.

2. Board structure and operational issues:

➤ Overview of key stakeholders - management, employees, other Board members, funding agencies, government relations, service

providers and competitors and relationships to them.

➤ ED/CEO, management and staff roles and Human Resource practices.

➤ Staff organizational chart.

➤ Introduction and involvement of the selected 'mentor'.

➤ Facility tour[s] and introduction to key personnel and volunteers at each location.

➤ List of upcoming meetings - their purpose, location, and dates.

➤ Agenda for new member's first Board meeting.

3. Legal, bylaws and related documents:

➤ By-laws, legal issues and constraints, other key policies and procedures in place; non-financial audit of policies and practices.

➤ Legal, fundraising, ethical and advocacy responsibilities of the Board, and responsibilities associated with the organization's charitable status.

➤ Operations policies [summary].

➤ Advocacy policies [summary]

➤ Confidentiality and Conflict of interest policies.

➤ Key agreements and contracts.

➤ Relevant insurance - Board members.

4. Governing policies and procedures:

➤ Type of Board governance policy[s], the Board's role, Board decision-making procedures, Board culture.

➤ Strategic Planning documents - strategic priorities and/or plans, goals. Current challenges - industry trends, environmental scan, public policy environment, and pending legislation.

➤ Program highlights for the year - brief document[s] that gets new Board members excited about accomplishments and new initiatives underway. Include printed brochures and promotional literature.

➤ Accreditation reports, quality standards.

➤ Whistle-blower policy.

5. Financial and audit statements:

➤ Recent monthly financials - understand the organization's actual revenue and expense vs. budget.

➤ Last audited financial statement, Auditor's report.

➤ Approved budget for the current year.

6. Board responsibilities and committees:

➤ List of current members - include the background [resume data] and current and former roles of present

Board members. A picture of each member would be helpful.

➤ Board roles and responsibilities - job descriptions and performance standards [*If you don't have these that should be a red flag. There are dozens of good resources online with templates. Have a Board discussion to customize whatever you take off the Internet. Include the document in the binder*]. Include all Board approved documents in the binder.

➤ All Board members and senior management job descriptions and performance standards.

➤ List of Board committees, their purpose/mandate, members and current projects.

➤ Fundraising summary; the intent is two-fold - to make it clear that members have an annual financial obligation and to inform new members of the status of overall fundraising activities and goals.

➤ The last stage is to assess the effectiveness of the orientation process itself. Approximately 2-3 months after a new member has completed the orientation program, the Board Chair should follow up with the new member and his/her mentor to get feedback on what worked well and to gather suggestions for improvement.