Brazilian Civil Society Boards: 
Their Roles and Challenges in the Succession Process

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Abstract

This article has a twofold objective: studying the role of boards in civil society organizations (CSOs) and the challenge of the succession process at this institutional space. The growing number of social organizations in Brazil since the 1990s has resulted in a strong competition to win resources. The challenge of professionalizing these organizations impacts directly on governance policies and practices, including the role and composition of the board of directors. We conducted a descriptive exploratory study by analyzing questionnaires answered by 74 organizations to understand how these governance and succession issues are being addressed in Brazilian organizations. We emphasized four competences as crucial to board members: strategic vision (23%), problem solving and decision making (13%), relationship building (12%) and planning (12%). Whereas small-sized organizations highlighted that their board members concentrate in operational areas, large-sized ones pointed out a more strategy-oriented approach. This difference can indicate that the scarcity of resources can influence the focus of the board’s strategic performance goals. In 58% of the organizations studied the board of directors does not have a succession plan, as it is not identified as a priority. Although succession plans for board members have been put in place only in recent years, our survey found that, when they are implemented, they are incorporated into by-laws, which gives legitimacy to the issue. Our data also reveal that CSOs’ greatest difficulty in approaching succession plans lies in the preliminary phase of defining board members. A number of CSOs find it important neither to define and develop new board leadership, nor establish a period of transition with former members.

Key words: Director Council, Governance and Succession
INTRODUCTION

The transformations in the political and economic world in the decades of the 80’s and 90’s strengthened the democratic system in Brazil as well as the participation of civil society. This reality within Brazil was accompanied by a worldwide wave of democratization, when numerous, well-funded organizations were formed, characterizing the beginning of the Third Sector. This growing number of social organizations generated the birth of a new area. The fight for space to harness their agendas of social, political, environmental and cultural advancement and search for support and financing for their actions have become a requirement for institutions to be able to survive, mainly considered the 2008 economic crisis scenario. According to a survey conducted by Brazil’s Census Bureau -IBGE (2008) - the challenge of Brazilian social organizations is achieving sustainability.

A survey conducted by IBGE (2008) shows that only 13,1% of the total of today’s current such organizations were created before 1980. In other words, there is a high rate of mortality among them. The survey also points out that the number of private foundations and nonprofit associations decreased by 22,6% from 2002 to 2006, when compared with their growth from 1996 to 2002. It also highlights that most organizations (42,6%) emerged during the first two years (2001 and 2002), and their number decreased in successive years to total 40,2% during 2003/2004 and 17,2% in 2005.

The organizations that find themselves in a consolidation and maturity phase have begun professionalizing their actions, seeking to build capacity in their executive officers and hire collaborators with technical formation, who, simultaneously, identity with their cause. This commitment to professionalization has permitted a more clear analysis of the impact of civil society organizations and their effective contribution to sustainable development.

If, on the one hand, one observes a better technical and managerial qualification among employees working in the Third Sector, on the other, the number of organizations aware of the need to improve governance polices and practices is still incipient, particularly those involving the board of directors. Organizations and board members seem to give little importance to clarifying their role and boards eventually assume functions that are similar to that of executives on the day-to-day, thereby becoming directly involved in the target activities of the organization.

It is fundamental that boards identify with the cause and contribute to the strategic reflection of organizations, by debating the guidelines that should orientate their tactic and operational planning, as well as the execution of their activities. The purpose of this study was to analyze how social organizations in Brazil view their governance policies, especially with reference to the role of board members. An effective performance of the board and a structured process of succession of their members will lead to the accomplishment of the mission and objectives or nonprofit organizations.
1. THEORETICAL FRAMEWORK

1.1 GOVERNANCE

Due to the complexity of the theme of governance and the application of this term in different contexts and organizational forms, placing them within a historic context seems necessary to understand when the issue of governance started to gain importance among organizations’ management processes.

According to LODI (2000), although the term corporate governance reached its maturity in the 1990s, its origin dates back to the 1950s and 1960s, in the United States, a period that revised the forms under which private firms are directed and controlled. In Brazil, this process is much more recent, only starting to become important within the business scenario in the 1990s, when, in 1994, the Brazilian Institute of Corporate Governance - IBGC was created¹.

In 1999, the same institute defined the concept of corporate governance by launching its “Code of Best Corporate Governance Practices”, a document drawn based on reflections on the Law on Company Law in force at the time in Brazil. This code has been updated to incorporate the new challenges of the business sector and, in its last version, defines:

Corporate governance is the system through which companies are directed and monitored, monitored and fostered, involving the relationships between owners, administration board, board of directors and controlling bodies. Good corporate governance practices translate principles into objective recommendations, aligning interests aimed to preserve and optimize the value of the organization, thereby facilitating its access to resources and contributing to its longevity. (IBGC, 2009 p.19)

Both the phenomenon of globalization and the process of privatization in various public institutions strongly impact large corporations and make it imperative to distinguish between ownership and management (Lodi, 2000). In this sense, the board of directors starts to be a fundamental instance to balance agency conflicts that naturally occur between shareholders and stakeholders, as well as between ownership and management. Moreover, the presence of a Board with an effective performance enables more equity, transparence and accountability in organizations, as well as compliance to the country’s laws.

In the case of nonprofit organizations, the thematic of corporate governance has become relevant since the 2000s. One of the reasons accounting for this fact concerns the more exacting requirements made by financiers, which, being approached by a high number of nonprofit organizations, start to differentiate those presenting better controls and management systems

¹ Initially called Brazilian Institute of Administration Councilors– IBGA.
Despite the specificities of the theme of governance in Third Sector organizations and the difficulty to transpose analyses that compare their realities with that of enterprises, thinking about governance mechanisms in civil society organizations is believed to be a form, as pointed out by Guimarães (2000, p. 14), to better understand how the management of these organizations is “currently practiced and how it could be improved”, so as to “effectively ensure that their performance doesn’t stray from the mission and objectives for which they were created”.

1.2 – THE ROLE AND IMPORTANCE OF THE BOARD OF DIRECTORS IN CIVIL SOCIETY ORGANIZATIONS

The board of directors addressed in this study is the highest instance for strategic decision making in civil society organizations, the key role of which is to establish institutional polices and determine the direction of organizations. According to Guimarães (2008, p.74), the board of directors:

[...] is accountable for ratifying and monitoring decisions that have been initiated and implemented by the managers of the organizations. Thus, one tries to decrease risks by maintaining the decision instances in a separate plan, so that stakeholders remain confident that organizational resources are being used in the expected form and with the expected finalities. Subscribers to this theoretical construct argue that members have the responsibility to select and evaluate a suitable administrator, as well as supervise his/her work to ensure that the interests of the professionals hired and the staff are aligned so as not to conflict with the mission of the organization and with society.

According to studies conducted by Ostrower and Stone cited by Guimarães (2008), one cannot state that there is a specific and single performance model for the board. Due to the constant changes in the social, economic and political scenario, boards are known to be deeply influenced by the context in which they operate and, undoubtedly, governance mechanisms will have to take the context into consideration to establish performance policies to engage their internal and external audiences.

What is essential is to ensure that the boards will be demanded to address issues concerning the strategic scenario of organizations, which is crucial to the success and longevity of the institution, and includes its mission, vision, programmatic lines of action, plan of goals, evaluation and monitoring indicators, target public and other categories that may possess direct relevance in measuring the organization’s success and sustainability.

The literature on this theme shows a strong degree of similarity between the boards of private organizations and those of CSOs, due to the conceptualization and functions attributed to these groups. Boards are hoped to be strategic groups with an extremely high level of knowledge about the organization and the scenario where they operates. The board of directors is a body involved in essential strategic decision, playing an important role in the adequate performance of the governance of organizations, but according to studies conducted by Mindlin (2009, p. 67),

[...] various factors contribute to the fact that this body is not, often, as efficacious as expected. In Brazil, for NPOs \(^2\) to be able to maintain income

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\(^2\) Non-profit organizations
tax exemption, board members must not be remunerated. That tends to generate a low commitment from board members with the actions and strategies of organizations as well as infrequent participation in board meetings, although it can be argued that board members’ involvement with the cause of the organization would per se be sufficient to ensure their involvement, particularly if they are large suppliers of resources.

Besides that, board members are often appointed for their social and economic status, as a way to facilitate fund raising or to establish relevant contacts for the entity. Although they are useful and worthy of merit, these functions are distant from those regarded as governance mechanisms. The composition of the board, often, does not take into consideration necessary competences and the representation of the various interested parties.

Miller-Millesen cited by Guimarães (2008, p.94 e 95) posits that the board members strategic contribution should focus, specifically, on questions related to mission development, strategic planning, programs evaluation, recruiting and supervision of executives as well as resource allocation.

1.3 – THE ROLE OF BOARD OF DIRECTORS IN CIVIL SOCIETY ORGANIZATIONS

Within the internal scope of organizations, the board of directors must oriented the definition of institutional policies, succession plans and the description of the code of conduct and ethics. Within their external scope, the board should focus on strengthening institutional relationships aimed to forge liaisons with partners, in order to feed the flow of information inside and outside the organization, in addition to stretching the limits of its performance within its operational context.

According to Carver (2006) the board of directors should not delegate three essential activities:

1. The board’s first direct product is the organization’s linkage to the ownership;
2. The board’s second direct product is explicit governing policies;
3. The board’s third direct product is assurance of executive performance.

Board members are expected to fundamentally contribute to the organization based on competences related to the understanding of the environment that influences the organization, an interest in the purpose of the institution, the ability to manage crises, strategic vision and ethical behavior.

It is worth emphasizing the importance of a diverse composition of board members, including persons from different social groups, ethnies, races, genders, professional fields and social classes that contribute to enrich the spaces of information exchange within the relationship network of each board member and, consequently, of the organization where they operate. A diversified board can strengthen strategic decisions, taking into consideration different points of view and professional and life histories.
Though the board’s role is clearly and objectively allied with the organization’s strategic issues, the board has freedom to also guide and give opinions in relation to actions taken by the executive team.
According to CARVER:

[…]...the board does not exist to help the staff, but to stand in for the owners. The board does not exist to supply auxiliary skills to the staff. Board members can help staff, of course, but it is crucial to remember that such help is not why the board exists; that is, helping staff is not the purpose of governance. (CARVER 2006, p.02)

It is important bear in mind the distinction between the roles of the board members and that of executive officers. The board supervises and controls the actions of executives to whom the decision management is delegated. This separation between control and management is an important principle that aligns the interests of the managers and those of board members.

1.4 - SUCCESSION: OPPORTUNITIES AND CHALLENGES

Business succession planning has been increasingly studied and accompanied as the most sensitive and challenging phase in the continuity of organizations. According to Adams (2006), this process can be emotionally charged, requiring a great deal of work. A failed transition can weaken an organization. However, the author states that, by creating a succession plan and proactively addressing transition issues, it is possible to strengthen the organization’s structure and vision, making it more prepared for the changes to come.

As in every complex process, succession requires good planning. According to Lansberg (1997) cited by Moreira and Bortoli (2007), even strategically well positioned enterprises can disappear in the absence of a succession plan adequate to their need.

According to Silva (2002) a well thought out succession plan requires defining the profile of each job. “After defining a job profile, it is easier to find the candidate that best fits the profile”.

Adams (2006) posits that some transitions and succession can be even more complex when they involve, for instance, charismatic leaders or founders that have been in an organization for a long time. Another important point addressed he addresses is the need to ensure that intended strategies are implemented and that opportunities that arise at the time of the transition are taken. A hasty decision in choosing a successor often results in an inappropriate choice.

Communication is one of the best tools in this process, which must be used in order that all can be involved and, consequently, a more adequate succession plan be accomplished:

The tool of communication should be used to enable the process, and all participants should discuss all policies and strategies that will be used. (MOREIRA & BORTOLI, 2007, p.51)
ADAMS (2006) asserts that the act of starting a succession plan is even more complex when is done by the organization itself, insofar as it required an impartial stance and dealing with delicate emotional and organizational issues. It is important to have somebody with experiencing organizational development, but who is not involved with the organization to contribute to the process.

In the case of civil society organizations, this problem is even greater because most board members have serious difficulties in giving attention to the process of strengthening and developing the organization. According to a study with executives from nonprofit organizations by Santora, Seaton, Caro, Prime-Monaghan and Sarros (2007) cited by Bauer, Santora and Sarros (2008), a number of executive directors interviewed reported that, despite their good intentions, board members don’t have time, experience, commitment or interest to act as such, in addition to not viewing the succession plan as a priority issue.

Seeking to improve this scenario, some international authors have been emphasizing the importance of thinking about the succession process in civil society organizations, pointing out some paths to be followed. Wolfred (2002) posits that the board should consult key stakeholders before and during the transition. According to the author, it is extremely important to listen to stakeholders’ concerns and discuss the transition plan with them.

Gilmore (2003) cited by Adams (2006) points out that if an organization wants to be proactive, rather than passive, it must use its relationship network. Thus board members should join their research activities, conduct meetings and exchange information with friends.

In the words of Teegarden (2004), the transition of executives provides a unique moment for the organization to look at its vision of the future strategically and find executives that will help it achieve that which is intended.

2. METHODOLOGY

The survey evolved from an applied descriptive exploratory study using an on-line questionnaire, available through the on-line Survey Monkey’s survey generation tool, which was sent to representatives of civil society organizations. It aimed to detect how, in practice, their board of directors operate in Brazil, evaluate the role performed by their members and understand whether the organizations addressed are dedicated to building a succession process for their board members.

The invitation to the survey was sent to 413 civil society organizations. Prior to sending the final questionnaire, a pre-test was carried out with six organizations. The questionnaire was available during a month. After this time, 75 questionnaires had been completed by the main representatives of the organizations (chair, founder etc), which corresponds to 18% of the invitations sent. The survey was disseminated through networks of organizations known to the researchers of this work, so as to represent all regions of the Brazilian territory.

3 Survey Monkey survey website http://www.surveymonkey.com
The questionnaires contained 34 questions, divided into seven blocks, which were defined to facilitate the understanding of the themes to be addressed. The divisions were: 1- Respondent’s profile; 2 – Organization’s profile; 3 – Board of directors; 4 – The board of directors’ succession process; 5 – When the organization has a succession plan for the board of directors; 6 – When the organization does not have a succession plan for the board of directors; 7 – Final remarks.

The analysis of the data collected in the survey was instrumental in demonstrating convergences and divergences in the organizations’ main executives opinion about board members and their contributions to the development of the entity.

3. Results Presentation

We observed that 53% of the respondents have an annual budget above 1,000,000.00 BRL (app.450,000 EUR), most are associations (78%) and these are located in Brazil’s southeast region (72%). A total of 77% of the CSOs carry out their activities with less than 50 collaborators, which shows that they have a lean staff of professionals. A great diversity was observed concerning their focus, being the most relevant percentages the following: 19% in social assistance, 14% focused in education and research and 11% in health. Among the organizations that answered the alternative “other”, 11 maintain in more than one area of performance, which may mean lack of focus in some cases.

In relation to the time of leadership in an organization, we observed that in 59% of the cases they have been leaders for more than seven years, whereas only 4% of the respondents have occupied leadership positions so for less than one year, which demonstrates low turnover and commitment with their entities.

In considering the performance competences that an organization’s chair expects from its board members, the answers obtained in the survey point out four competences: strategic vision (23%), problem resolution and decision making (13%), relationship building (12%) and planning (12%).

The four points mentioned as main competences bear a relation with the answers to questions about the board members’ functions. The survey demonstrated a relationship between there two variables, pointing out that the board members’ expected competences are related to a more operational performance in small-size organizations, in large-sized organizations these focus on controlling strategic areas. This differentiation may show that scarcity of resources can influence the focus of the board’s strategic performance.

We also observed that in 73% of the organizations studied all or almost all board members have a clear understanding of the purposes of the organization to which they belong. This is a key factor to ensure that they provide accurate and adequate communications about the organization in function of the relationships that they established with the public of the organization. Attention must be paid by organizations where only a few board members have clarity about mission and vision (27%), insofar as these are the main premises for board’s strategic role.

It is noted that 69% of the organizations studied are engaged in forming committees of both board and staff members focused on deepening the knowledge of technical issues,
That is a good practice in organizations that have managed to reduced the number of collaborators insofar as they use their human capital in a more efficient manner.

Concerning their electoral process, in 42% of the organizations studied board members are elected through an assembly and in 33% by indication of the founder, president or board in force. Some organizations have made advances in planning the board’s composition: 15% select their future board members based on profile requirements, which catalyzes the action of the board.

In relation to the succession plan of the boards, although this process has been increasingly studied and accompanied, it is still a new and challenging subject. However, this it is a necessary process because even strategically well positioned enterprises can just disappear in the absence of a succession plan adequate to their needs.

In 58% of the organizations studied no succession plan exists for the board of directors. Most report not to consider a succession plan as a priority. But although the development of succession plans is at a fledging state in organizations, when it is present, it is incorporated into their by-laws, which gives more legitimacy to the issue. Most organizations that do have a formal succession plan have it covered under their by-laws (19%).

When they are in place, most succession plans were laid out by board members and other members of the organization (42%), which indicates that organizations more committed with their good governance also enjoy a more participative process in developing the succession plan.

In relation to what their organization’s succession plans addressed, respondents mentioned the following issues: election (32%); candidates’ profile (23%); role definition for former board members in the organization (13%); transition period (12%) and training of new board members (12%).

These data show that the biggest concern of organizations, in addressing the succession plan, is concentrated on the preliminary phase of defining who will staff the board of directors. Many organizations so not observe the importance of also defining and accompanying the training of new board members according to the organizational values, the transition period and the future relationship with former board members, because this group represents an important resource of the organization insofar as it knows and belongs to its history, it knows the community and their partners, and has knowledge and are potential disseminators of the organization.
4. CONCLUSIONS

We conclude that, in general, organizations are maturing and internalizing corporate governance policies focused on policies that address the performance of board members and the succession plan. It is worth to emphasize that the succession plan is important factor in the continuity of an organization, particularly of those that are growing with a large body of collaborators and dependent beneficiaries.

This evolution is expected to strengthen the organization’s objective of ensuring its continuity, reduce crises due to lack of strategic planning and decrease the impact of the succession of board and other members of the organization.

However, we believe that rethinking the real role of board members is a prior condition to laying out succession plans. For many organizations this role is not well worked when they are creating their board, nor its it addressed in their by-laws or code of conduct, which hinders the strategic performance of the boards.

Many organizations cannot accompany the constant changes occurring in the Third Sector and requirements of professionalization. Their risk lies in failing to differentiate from the large number of new organizations or even not to effectively and efficaciously fulfill their targets and, consequently, their mission.

Our survey point out that the current challenge of Brazilian CVOs is to adopt practices of medium-and long-term strategic planning, so as to contribute to their institutional development in an structured and strengthened manner, aimed to align actions that enhance both the organization’s performance and its sustainability.

LIMITATIONS TO THIS STUDY

The development and analysis of the data from our survey pointed to some limitations that we find important to report as a support to new researchers that may be interested in this theme.

The first limitation is that most responding organizations were located in the south and southeast regions of Brazil, where the researchers live, a variable that influenced the sample.

The second is that the information about the boards of the organizations represented the viewpoint of only one individual: their main executive. Therefore, the answers may have a personal character that does not reflect the reality of the organization, particularly when answered by their founders, when their personal wishes may have influenced.

Also, because this analysis is about the current time, it is not possible to analyze the evolution of the performance of the board and the development of the succession plan over a period of time.

Finally, although the question of the board of directors and its succession are important success factors in organizations, a broader analysis including other governance factors is necessary to explain the success of an organization.
RESOURCES


CARVER, Jonh – Carver Guide – Your roles and responsibilities as a board of member, 1996.


