CHAPTER 8

Building a Strong Board – Executive Director Relationship

Fern E. Koch

There are strong boards and there are weak boards. Strong boards promote a power-sharing relationship between themselves and their executive directors. They go through orientations and training and learn the differences between policy and operations. They support their chief executives, do their work in committees and insist on being properly informed before making decisions. Weak boards, on the other hand, neglect policy, interfere with operations and micromanage their executive directors. They are made up of friends and cronies of the executive director or the board chair. Often these are people who don’t even bother to come to meetings. In organizations with weak boards, board members and chief executives alike become frustrated, angry or bored. Before you accept a board position, try to find out if you are about to serve on a strong board or a weak one. If you already serve on a board, follow the seven principles below to help build a stronger, more effective board of directors – one on which you will be proud to serve.

Promote a Power-sharing Relationship Between the Executive Director and the Board

The ideal board-staff structure can be described as power-sharing. Boards take care of governance, and paid staff take care of day-to-day operations. Peter Drucker, one of the world’s most stimulating management thinkers of our time, believes the board and the executive director need to work together as a “team of equals.”
Robert D. Herman and Richard E. Heimovics, authors of *Executive Leadership in Nonprofit Organizations* and long recognized for their work in nonprofit research, call the ideal structure "shared leadership." They stress that the executive director needs certain "board-centered leadership" skills to produce the ideal working relationship.

The National Center for Nonprofit Boards, which was established "to improve the effectiveness of the nation's nonprofit organizations by strengthening the capacities of their leadership," has several publications that promote the theory that governing boards need to develop "a new style of leadership, one that is shared between staffs and boards" or "a new and more balanced relationship and a sharing of power and authority." Cyril Houle, author of *Governing Boards*, refers to this shared responsibility as a "board-executive system of dual authority."

A successful nonprofit organization embraces a power-sharing structure and strives to have both an effective board and an effective chief executive. Even though there is no doubt that the executive is the employee and the board the employee, the board and executive director need to work together as a team — each responsible for separate and distinct parts of running the organization. The board establishes and monitors policy. The administration, headed by the executive director, implements policy. The separation of duties and responsibilities is important to the structure and must be maintained.

In the nonprofit arena, the head of the operational arm is usually referred to as the executive director although other titles may be used including chief executive officer, or CEO, and chief professional officer, or CPO. They all refer to the top paid administrator of the organization.

The division of responsibility in any nonprofit organization generally follows functional lines. The question should be asked: Is a specific task a board function or staff function? This does not mean that every issue is either a policy function or an operational function. The line between policy and operations does not run straight, down the center. Often it zigs and zags from one side to the other. There are many fuzzy areas which need to be worked out among the executive director, the board and the chair.

The board’s job of governance should be reflected on its structure chart. This is the first step in creating a working relationship between the board and the chief executive. Because the board is responsible for the failure or success of the organization, board members cannot and should not relinquish their power and authority to anyone, not even their chief executive officer. They cannot legally transfer their responsibility.

The executive director is employed by the board of directors and has operational, or the day-to-day, responsibilities while the board has policy-making responsibilities. Together they share the leadership of the nonprofit organization.

**Board Members and Executive Directors**

**Need Orientation and Training**

Neither the quality of the board nor the quality of the chief executive officer can be left to chance. Orientation and training must be provided for both.

Board development is often neglected in the nonprofit arena. For some reason, we think that the minute the election is over, everyone instinctively knows exactly what to do to be an effective board member. Obviously, this does not happen. There is no magic wand.

The goal is not to have a strong board and a weak executive director or vice versa. The goal is to have both an effective chief executive and an effective board working together as a team of equal participants toward a common goal — to fulfill the mission of the organization. Together they provide the basis for a successful organization.

Through orientation, board members become familiar with the organization they are about to serve. With ongoing training, board members learn about their duties and responsibilities, legal liabilities and how to make policy decisions.
One of the best tools board members can have during their term of office is a good board manual. A three-ring binder is ideal because as the organization grows and changes, so can the board manual. A board member’s manual includes such items as the agency’s mission and vision statements; the bylaws and articles of incorporation; financial information including copies of the latest audit, annual report, current budget and information about the funding sources plus a list of investments or contracts; policies including the personnel policies; program descriptions and copies of brochures; board member and executive director job descriptions; the strategic plan and plan of work for the year which would list meeting dates and locations as well as important events or fundraisers; minutes from the past four to six board meetings, board and staff rosters; copies of recent newsletters and other publications; a summary of the directors and officer’s liability insurance and a solicitation letter, along with a response envelope.

In many agencies, orientation manuals are distributed to new board members at a meeting where they meet the staff and fellow board members. At such a meeting, they might hear about the history of the organization, tour the facilities and learn about the fundraising activities and the services provided by the agency.

Board development is not a luxury, it is a necessity. Having basic information about an organization in a single orientation manual, board members are more prepared to participate in critical decision making. In many organizations, orientation is not even a consideration. New board members are left on their own to find the answers to their questions. They are expected to help make decisions in a vacuum, with very limited background and knowledge. In some organizations, orientation consists of a packet of information, lunch with the executive and a tour of the facility. If board members are untrained, how can they be expected to do an effective job? If we don’t look at how individual members perform while on a board, how can we know if they have developed into a quality board. Board performance directly relates to organizational effectiveness.

Clearly, when board members have not been trained, they do not know what they are supposed to do or not do. They do not know the difference between policy work and administrative or operational work – between governance issues and management issues. When board members have not received orientation and training, they tend to become frustrated and confused about their roles. They are likely to get bored, disgruntled, cause dissention or even drop off the board.

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It is critical that board development be given serious attention. Too often, organizations pick "any warm body" – anyone willing to join the board, without regard to the quality of service. Often organizations spend time selecting and recruiting the very best people to serve only to have them fend for themselves – to figure out what it is we want them to do. The truth is, board development begins with "the ask." Board member responsibilities and expectations should be discussed with the person upfront – before he or she accepts the nomination. After the election, a thorough and more formal orientation and training should take place.

It is a good idea for new board members to experience the programs of the organization firsthand. In a local Meals on Wheels unit, for example, orientation requires a two-day commitment from new board members. On the first day, besides listening to presentations and overviews, they actually deliver meals to the homebound seniors. On the second day, they are taken on a tour of the commissary and eat lunch there – the same kind of meal that is being delivered to the elders that day.

Every new board member (and every new executive director) can benefit from a thorough orientation – even those who have served other organizations in similar capacities. Some organizations consider orientation and training so important they include a provision in their bylaws making it a requirement, and some go so far as to outline when it should take place. Unfortunately, too many organizations do it in a haphazard manner or fail to conduct orientation and training at all. Orientation and training are absolute necessities for building strong boards and strong executive directors.

The Board’s Job is Governance

Many executive directors report that board members interfere with operations while unknowingly neglecting their policy responsibilities. Many board members misunderstand the meaning and importance of policy. The textbook Business Policy Text and Cases contains a definition of policy that perfectly fits the nonprofit model and addresses many questions regarding the work of governing boards.

It says, "policy is the study of the functions and responsibilities of senior management, the crucial problems that affect success in the total enterprise, and the decisions that determine the direction of the organization, shape its future, and when well implemented, secure its achievement."

Policy says what needs to be done, and administration or operations carries it out. The chief executive can be instrumental in helping the board set policy as well as in helping distinguish between policy and operational tasks. The executive can and should play a major role in making board experiences as challenging and rewarding as possible.

In the nonprofit setting, policy focuses on the functions and responsibilities of both the executive director and the board. It also reflects a division of responsibility that has to be worked out for each organization’s board-executive relationship. It includes not only the development of such things as the strategic plan, organizational goals and objectives, policies, job descriptions, and bylaws but also policy implementation, evaluation and ongoing monitoring of performance. Policy also includes the work of the nominating committee in keeping the board supplied with new and skilled people who will help them fulfill the mission of the organization.

Policy addresses the crucial problems that affect the success or failure of the organization. Besides the obvious financial matters, it also includes issues related to programs or services; membership, if it applies; public relations or image; facilities or property management; and both paid and volunteer personnel. Finances involve not only the expenditure of funds but banking and investment policies and the preparation, approval and monitoring of budgets. It includes fund-development aspects, such as determining how much money is needed, how it will be raised – and by when. What will an organization do or not do to raise money? Will your organization run an event that involves questionable moral values, such as nudity, gambling, smoking or sexual promiscuity? Should an organization that serves children accept a gift of stock in a liquor or a tobacco company? A Girl Scout Council, for example, once struggled with the decision of whether or not to accept cigarette company stock.
Will any and all donations be accepted – even those with strings attached. One organization was faced with the decision of whether or not to accept a building that was willed to it. Not only was the building in need of extensive renovation, but it also had historic preservation status. A year later, the group was still struggling with the complicated issues of securing the many certificates and permits needed to move ahead.

Decisions that determine the direction of the organization or the shape of its future are policy decisions. To illustrate: Many years ago, part of the mission of the American Lung Association focused on eradicating tuberculosis. Portable x-ray units were brought into neighborhoods. Citizens had their chests x-rayed free of charge, in an effort to detect and treat tuberculosis. When it was determined to be no longer a public health threat, the board of the Lung Association changed its mission to include antismoking and clean-air issues.

Policy also involves the ongoing monitoring of plans as they are being implemented to ensure that the goals are achieved. Plans can easily stray off track and inadvertently change direction.

The concept that governing boards make policy and executive directors carry out the policies is simple but the implementation of this division is harder than it sounds. There are many gray areas.

Many executive directors, for example, feel that board members dump work on them. Often, board members, in taking on a committee task, fail to follow through on assignments and instead have staff members perform their duties. This can be a real problem if there is a small staff or if the executive director is the only person on staff and is expected to serve as a resource to ten or fifteen committees. Committees need support services, but it should be made clear from the beginning, what kinds of support are needed and who will provide it. Careful planning and coordination must take place to ensure that everyone works as a team. The division of responsibility has to be worked out among all parties involved and written down so that misunderstandings can be avoided.

Informed Boards Make Informed Decisions

Board members must insist on having full knowledge and open discussion on every issue brought before them. Board members not only expect to be informed but they have the right to be informed. The executive director must provide the board with enough information to allow it to make responsible decisions on behalf of the organization. The executive also helps board members understand their roles and responsibilities and where the line falls between policy-making and administration. In a well-functioning nonprofit organization, the executive takes responsibility for assuring the division of authority functions properly.

Boards Do Their Work in Committees

A common problem recognized by board members and executive directors alike is that many boards do committee work at board meetings. Consequently, board meetings go on for hours. One chief executive complained that, for an hour and a half, her board discussed the color of the carpet in the staff lounge.

In a governing board structure, committees are set up so that work can continue between board meetings. When an issue comes up, the board after initial discussion, may give it to a committee for further study and recommendation. The committee meets, researches the problem, looks at the options and brings forward a recommendation for board action. Committees do not have decision-making powers unless previously granted by the board. The only exception to the rule is the executive committee if such authority has been given in the bylaws. Most states allow for provisions in the bylaws allowing the executive committee to make decision in certain periods on behalf of the board.

In a very real sense, committees are “policy influencers.” Through their research and study, they influence how policy will be made. But because the board has overall responsibility for the well-being of the organization and is ultimately liable for everything the organization does, its decision-making power should not be relinquished to anyone – not even a respected committee.
No Surprises

Another important doctrine is one of "no surprises." It requires the chief executive to be candid in sharing the progress, plans, problems and successes of the organization. Likewise, it requires board members to ask questions.

Executive directors who hide problems from their boards or who sugarcoat problems cause more trouble than they bargained for. This kind of attitude can encourage people who should be dealing with administrators to take their grievances directly to the board. The executive who releases the details of a merger with another organization to the papers before her board knows about it is showing a lack of respect for the board's role and authority. One actual board, according to a story on the Internet, found out about a jail sentence for its chief executive when it was published in the newspapers. I suspect the board was more than a bit surprised, but worse, the work of the board was interrupted.

The "no surprises" rule applies to the chief executive and board alike. One chief executive reported that, even though he plans the agenda with the board chair, in the board meetings the chair invariably asks for a detailed report to be presented on the spot with no prior notice. Board members have been known to withhold important information from the CEO, only to have the chief executive surprised and embarrassed when he or she hears it for the first time at a board meeting or in the media. One board member cornered the chair of a local foundation at a Rotary Club meeting and learned that the large grant his organization was counting on went to a competing program. Instead of notifying the chief executive beforehand, the board member announced the bad news at the board meeting, then asked the executive to instantly explain Plan B.

Resist Micromanaging Your Executive Director

If it is difficult to please one boss or one supervisor, it is impossible to please twelve or fifteen or twenty-five. That's the dilemma of the executive director of a nonprofit organization. It is also the dilemma of the board. So how does a board oversee the work of the chief executive? Supervision by 20 or 30 people is difficult to conceptualize, but it can be done. The board supervises the chief executive in five ways.

First, measurable goals and objectives have to be in place, with expectations for the executive director's individual performance clearly defined.

Second, make sure the executive director's job description is accurate and up-to-date.

Third, ensure that the relationship between the chair of the board and the chief executive is healthy and productive. This relationship is critical to the health of the organization and, until recently, has been under-emphasized. Building a good working relationship sets the example for the rest of the organization. Relationship building and communicating are two of the most important ingredients in maintaining a good board-executive partnership. Communication must flow both ways — and take place often — at least once a week but preferably several times a week. It has to be timely, specific and comprehensive.

Fourth, a board should receive regular written reports from the executive director. The reports should include the "3 Ps": Progress made toward reaching the goals of the organization; Problems facing the organization; Plans for the future as they relate to the goals, progress or upcoming events.

Board members' dissatisfaction with an administrator often comes when they have the sense that the chief executive is withholding information, trying to get away with something or being autocratic. Regular, detailed and written reports not only keep the board informed, but they also serve as a record for the organization and as a reflection of the chief executive's accomplishments. Besides monthly reports, it is also a good idea for the board to receive quarterly or biannual reports, where the 3-Ps are described for that period.

The fifth and final way a board supervises the executive director is to regularly conduct performance reviews. Even though this responsibility is often defined in the bylaws, it is frequently neglected. From the chief executive's standpoint, a performance review is a
way of identifying his or her strengths and weaknesses. It lets the chief executive know what he or she is doing right and what needs correcting. If an organization has a policy that requires performance reviews for staff, it becomes a legal requirement to conduct performance reviews for the chief executive as well.

**Five Ways Boards Supervise the Executive Director**

- Measurable Goals and Objectives
- Current and Accurate Job Description
- Positive and Productive Relationship
- Written Reports from the Executive
- Annual Performance Review

Good executive directors effectively administer the work of the board. Some underestimate the amount of time and energy it takes. Others fear that the board will micromanage or interfere with operation if it is given too much information. But the truth of the matter is that board administration is an important function of the chief executive officer. The board has a large job to do but it cannot do it without the help and support of the executive director.

We cannot assume that all chief executives know how to work with nonprofit boards — many do not. Herman and Heimovics found, through empirical research, that more than half of all CEOs had no prior experience working with nonprofit boards. With the exception of those whose organizations are part of a national group, many executive directors do not receive executive directors' training; however, this is rapidly changing. Colleges and universities, from Harvard University to local community colleges, are offering nonprofit management courses to help emerging professionals. Still, new executive directors are being left on their own — to figure out what the organization does, how the work is done or even what kind of performance is expected of them. For this reason, orientation and training are just as important for the chief executive as they are for board members.

Executive directors who are founders of the organization for which they now work have added challenges. We can safely assume that they know a great deal about the organization and have the passion and drive to meet the mission, but they often lack the management skills necessary to run a nonprofit organization. In these instances, it is a good idea to evaluate the strengths and weaknesses of the individual and create a professional development plan designed to enhance his or her skills. Management training in such areas as human resource administration, budgeting and finance, grant writing, or project management might be required.

**Seven Steps to Building Stronger Boards**

- Promote a Power-sharing Relationship between the Executive Director and the Board
- Board Members and Executive Directors Need Orientation and Training
- The Board's Job is Governance
- Informed Boards Make Informed Decisions
- Boards Do Their Work In Committees
- No Surprises
- Resist Micromanaging Your Executive Director
Conclusion

The future of your organization depends on the quality of the board. The board is responsible for making sure that it is strong and credible because, in the end, the success or failure of the organization rests in its hands. The only way to improve the quality of the board is to improve the quality of the individuals serving on it. And remember that the goal is not to have a strong board and a weak CEO or vice versa. Instead, you want to have both an effective executive director and an effective board working together as a team of equals toward a common goal — to fulfill the mission of the organization. Together they provide a solid foundation for a successful organization.

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When you first meet Fern Koch, you immediately feel at ease with this warm, approachable woman. As you get to know her, her strong organizational skills and talents as a negotiator, trainer and grant writer become apparent.

Fern is a founder of the Nonprofit Management Center (formerly Volunteer Consultants 1979-1993) in Buffalo, New York. She is the Senior Vice President of Marketing and Public Relations. Nonprofit professionals and volunteers flocked to attend their yearly conference on nonprofit management at Chautauqua Institution, New York.

Prior to her work at the Nonprofit Management Center, Fern was president of the Girl Scout Council of Buffalo and Erie County; executive director of the Camp Fire Council of Buffalo and Erie County; and Director of Development for Meals on Wheels of Buffalo and Erie County.

Fern is an instructor at Empire State College where she teaches board governance and fund raising for nonprofit boards of directors, administrators and managers of volunteer programs.

Her consulting practice includes board training, strategic planning and fund raising training for non-profit organizations throughout New York and Pennsylvania.

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