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Governance Models: What's Right for Your Board

by Nathan Garber

Introduction

Nonprofit boards tend to follow one of five different approaches to governance. Each approach emphasises different dimensions of the roles and responsibilities of the board and each arises out of a different relationship between board members and staff members. These in turn reflect differences in the size, purpose, and history of the organization. I call these approaches the Advisory Board Model, the Patron Model, the Co-operative model, the Management Team Model, and the Policy Board Model. I conclude with some questions to ask when you are considering changing your board structure.

Advisory Board Model

This model emphasizes the helping and supportive role of the Board and frequently occurs where the CEO is the founder of the organization. The Board's role is primarily that of helper/advisor to the CEO. Board members are recruited for three main reasons: they are trusted as advisors by the CEO; they have a professional skill that the organization needs but does not want to pay for; they are likely to be helpful in establishing the credibility of the organization for fundraising and public relations purposes.

Individual board members may be quite active in performing these functions and consequently feel that they are making a valuable contribution to the organization. Board meetings tend to be informal and task-focussed, with the agenda developed by the CEO.

The Advisory Board model can work well for a short time in many organizations but it exposes the board members to significant liability in that it fails to provide the accountability mechanisms that are required of boards of directors. By law, the board has the obligation to manage the affairs of the organization and can be held accountable for certain actions of employees and committees. It must therefore maintain a superior position to the CEO. Although the board is permitted to delegate many of its responsibilities to staff or committees, it cannot make itself subordinate to them.

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Patron Model

Similar to the Advisory Board model, the board of directors in the Patron Model has even less influence over the organization than an advisory board. Composed of wealthy and influential individuals with a commitment to the mission of the organization, the Patron Board serves primarily as a figurehead for fund raising purposes. Such boards meet infrequently as their real work is done outside board meetings. Writing cheques and getting their friends to write cheques is their contribution to the organization.

Many organizations maintain a Patron Board in addition to their governing boards. For capital campaigns and to establish credibility of a newly formed organizations, Patron Boards can be especially helpful. They cannot be relied upon, however, for governance tasks such as vision development, organizational planning, or program monitoring.

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Co-operative Model

For a number of different reasons, some organizations try to avoid hierarchical structures. The decision-making structure in such organizations is typically labelled "peer management" or "collective management". In this model, all responsibility is shared and there is no Chief Executive Officer. Decision-making is normally by consensus and no individual has power over another. If the law did not require it, they would not have a board of directors at all. In order to be incorporated, however, there must be a board of directors and officers. The organization therefore strives to fit the board of directors into its organizational philosophy by creating a single managing/governing body composed of official board members, staff members, volunteers, and sometimes clients.

Seen by its advocates as the most democratic style of management, it is also, perhaps, the most difficult of all models to maintain, requiring among other things, a shared sense of purpose, an exceptional level of commitment by all group members, a willingness to accept personal responsibility for the work of others, and an ability to compromise. When working well, the organization benefits from the direct involvement of front-line workers in decision-making and the synergy and camaraderie created by the interaction of board and staff.

I have noted two areas of concern with this model. The first is that although the ability to compromise is an essential element in the successful functioning of this model, cooperatives often arise out of a strong ideological or philosophical commitment that can be inimical to compromise. The second concern is the difficulty of implementing effective accountability structures. At the time of implementing this model, there may be a high motivation level in the organization which obviates the need for accountability mechanisms. But, as personnel changes take place, the sense of personal commitment to the group as a whole may be lost. In the collective model, there is no effective way to ensure that accountability for individual actions is maintained.

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Management Team Model

For many years, most nonprofit organizations have been run by boards which operate according to the model of a Management Team, organizing their committees and activities along functional lines. In larger organizations, the structure of the board and its committees usually mirrors the structure of the organization's administration. Just as there are staff responsible for human resources, fund-raising, finance, planning, and programs, the board creates committees with responsibility for these areas.

Where there is no paid staff, the board's committee structure becomes the organization's administrative structure and the board members are also the managers and delivers of programs and services. Individually or in committees, board members take on all governance, management and operational tasks including strategic planning, bookkeeping, fund-raising, newsletter, and program planning and implementation.

The widespread adoption of the Management Team model, arises out its correspondence with modern ideas about team management and democratic structures in the workplace. It also fits well with the widely held view of nonprofits as volunteer-driven or at least nonprofessional organizations. This model fits well with the experience of many people as volunteers in community groups like service clubs, Home and School groups, scouts and guides, and hobby groups. It also mirrors the processes involved in the creation of a new organization or service. It is no wonder then, that most prescriptive books and articles written between 1970 and 1990 (and many written more recently) define this model as the ideal.

Boards which operate under the Management Team model are characterized by a high degree of involvement in the operational and administrative activities of the organization. In organizations with professional management this normally takes the form of highly directive supervision of the CEO and staff at all levels of the organization. Structurally, there may be many committees and subcommittees. Decision-making extends to fine details about programs, services, and administrative practices. When working well, two criteria tend to be used in the selection of members: their knowledge and experience in a specific field, such as business or accounting; or because they are members of a special interest group or sector that the board considers to be stakeholders.

While this model works well for all-volunteer organizations, it has proven to be less suited to organizations that already have professional management and full-time employees. Indeed, the deficiencies of this model have led to the current thinking in the field which differentiates "governance" (the practices of boards of directors) from "management" (the practices of employees) and the deluge of research, articles, and manuals on this topic.

The most important shortcoming is that all too frequently, it degenerates into what I call the Micro-management Team Model in which board members refuse to delegate authority, believing that their role requires them to make all operational decisions, leaving only the implementation to paid staff. The result is invariably a lack of consistency in decisions, dissatisfied board members, resentful staff and a dangerous lack of attention to planning and accountability matters.

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Policy Board Model

As noted above, the need to differentiate the board's role from the manager's role arose from the failure of many organizations to maintain proper accountability at the highest levels and the dissatisfaction of many board members over the their inability to comply with the expectations of their role. They began to ask why, when they were such competent and accomplished individuals, they felt so ineffective and frustrated as board members. This led to an examination of the role of the board, the relationship between the board and the CEO, and the relationship between the board and the community.

The originator and most influential proponent of the Policy Board Model is John Carver, whose book, Boards that Make a Difference, has had a great effect on thousands of nonprofit organizations. All Policy Board Models share the view that the job of the board is: to establish the guiding principles and policies for the organization; to delegate responsibility and authority to those who are responsible for enacting the principles and policies; to monitor compliance with those guiding principles and policies; to ensure that staff, and board alike are held accountable for their performance.

Where the models diverge is the way these jobs are done and the extent to which strategic planning and fundraising as are seen as board jobs.

Boards operating under the Policy Board Model are characterized by a high level of trust and confidence in the CEO. There are relatively few standing committees, resulting in more meetings of the full board. Board development is given a high priority in order to ensure that new members are able to function effectively, and recruitment is an ongoing process. Members are recruited for their demonstrated commitment to the values and mission of the organization.

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Which Model is the Right One?

There are a number of reasons for considering a change in your governance model:

- board members are dissatisfied with their roles or the way the board operates;
- your organization is experiencing problems that can be traced back to inadequacies in board structure or process;
- your organization is entering a new phase in its life-cycle;
- the CEO has left or is leaving;
- there has been a major turnover of board members;
- there is a crisis of confidence in the board or the CEO.

The descriptions above, of the various governance models, will give you an idea of the strengths and weaknesses of each model, but the difficulty in making the transition cannot be overstated. Changing models is like changing lifestyles. You must abandon well-established ideas and patterns of behaviour, replacing them with new ideas, roles, and activities that will seem confusing and unfamiliar. This type of change takes a considerable amount of time, energy, and other resources to accomplish. The answers to the following questions will help you to determine how badly you need to change your governance model and whether your board and organization have the necessary commitment and resources to accomplish it successfully. Take your time with each question, ensuring that each board member answers each question.

- Do we have a clear understanding and agreement on the purpose of our organization? Is it written down?
- What are the basic values which guide our organization and our board? Are they written down?
- How do we know whether the good our organization does is worth what it costs to operate it?
- What financial resources do we have and can we reasonably count on for the next few years?
- To what extent are board members expected to contribute money and labour to fundraising efforts?
- Do we believe that the organization should be run as a cooperative or collective - with staff participating along with board members in the governing of the organization?
- How much time is each board member willing to give to

the organization in the next year (or until the end of their term)
- How much trust does the board have in the ability of the CEO to ensure that the organization operates in an effective and ethical manner?
- What are our expectations about attendance at board and committee meetings?
- What is the attendance record of each board member?
- How do we hold board members accountable?
- What is the record of each board member and committee with respect to meetings and results?
- How useful has each committee proven to be?
- To what extent do committees duplicate staff jobs? How satisfied are our members with the current board performance?
- Who thinks we should change our governance model?
- How much time and money are we willing to devote to increasing our own knowledge and skills to improve our performance as board members?
- How does our board deal with differences of opinion?
- How do members deal with decisions when we disagree?
- To what extent is it necessary for us (board members) to be involved in the delivery of programs and services, marketing, public speaking, etc.
- Who attends our Annual General Meeting? Why do they come?
- As board members, to whom do we wish to be accountable?
- How effective is our current recruitment method in getting excellent board members?

Take some time to consider these questions. The answers will tell you the degree of difficulty you will have in changing to a new governance model and where the problems lie. For additional information and for training and consulting services related to governance models, contact: Nathan Garber & Associates email: nathan@GarberConsulting.com

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