THE SOURCE

Twelve Principles of Governance That Power Exceptional Boards
Shaping of the Board

- Culture
- History
- Habits
- Stages of Development
- Founders/Leaders
- Strengths of Individual Members
Strong Teams

What strong teams have in common

- Not destroyed by conflict because they’re focused on results
- Prioritize what’s best for the team and move forward
- Members are as committed to their personal lives as they are to their work
- Embrace diversity as relates to the mission
- Magnets for talent
Five Dysfunctions of a Team

- Inattention to Results
- Avoidance of Accountability
- Lack of Commitment
- Fear of Conflict
- Absence of Trust
Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent.

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<th>EXCEPTIONAL BOARDS</th>
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<tbody>
<tr>
<td>Delegate operations to chief executive</td>
<td>Trust, candor, and respect</td>
<td>Face and resolve problems early</td>
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<tr>
<td>Evaluate chief executive annually</td>
<td>Sharing good and bad news</td>
<td>Attract more qualified chief executives</td>
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<tr>
<td>Ensure fair and competitive compensation</td>
<td>Communication in and between meetings</td>
<td>Retain talented chief executives longer</td>
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<tr>
<td>Develop a job description with and for the chief executive</td>
<td>Open and honest chief executive</td>
<td>Change executive leadership at the right time</td>
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<td>Insightful tools and information</td>
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Constructive Partnership: Dimension

Partnership
- Forge a partnership through respect for distinct roles of each through trust, candor, frequent communication and support.
- Encourage CEO to pose questions, offer answers and share bad and good news openly and early.

Supervision
- Evaluate performance annually and encourage skills strengthening.
- Set fair and competitive compensation package.
- Evaluate leadership needs as part of succession planning.
# Mission Driven

Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values.

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<tr>
<td>Articulate clear statement of mission</td>
<td>Use of mission, vision, and values in decision making</td>
<td>Sharply address community needs</td>
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<td></td>
<td>Congruence between mission, vision, values and day-to-day work</td>
<td>Inspire staff to reframe strategies and elevate goals</td>
</tr>
<tr>
<td>Uphold organizational values</td>
<td>Willingness to refocus mission</td>
<td>Improve advocacy, fundraising, and marketing</td>
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<td>Maximize the value of grants and contributions</td>
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Mission and Vision

- Put into words the reason why the organization exists and what it hopes to accomplish.
- Develop a compelling vision of where the organization is headed.
- Use a clearly defined mission and vision as a guide and litmus test for all board decisions to ensure they organization is meeting community needs.
- Articulate organizational values and translate them into action.
Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization’s direction.

RESPONSIBLE
BOARDS

Set direction
Establish and review strategic plans
Monitor performance against plans

THE SOURCE
OF POWER

Considerable time spent on consequential issues
Constant strategic thinking
Joint board-staff efforts to frame and explore issues
Alignment of agendas and chief executive’s goals with priorities

EXCEPTIONAL
BOARDS

Become a strategic asset and a source of leadership
Sharpen direction, address difficult issues, identify opportunities
Generate solutions that are understood and supported
Planning

- Exceptional boards assess the strategic plan.
- Leverage assessment tools to monitor against financial and programmatic goals.
- Use strategic priorities to create actions plans, drive meeting agendas and shape board recruitment.

Thinking

- Part of regular ongoing board work.
- Ask far-ranging questions.
- Actively generate important strategic ideas.
Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making.

**RESPONSIBLE BOARDS**

- Have members who work well with each other
- Receive and review materials in advance
- Convene well-organized meetings
- Focus meetings on fiduciary duties

**THE SOURCE OF POWER**

- Mutual respect and trust
- Actively-managed group dynamics
- Openness to questions, challenges, and differences of opinion
- Multiple sources of information

**EXCEPTIONAL BOARDS**

- Engage and energize their members
- Expose full range of opinions
- Make better decisions
- Own and support their decisions
Culture of Inquiry: Dimensions

Information
- Exceptional boards are always informed.
- Prepare for robust and meaningful board discussions.
- Ensure healthy debate.

Culture
- Engage in thoughtful deliberation.
- Listen to, respect and acknowledge varied views.
- Challenge assumptions and conclusions.
- Attentive to group dynamics.
Exceptional boards are independent-minded. When making decisions, board members put the interests of the organization above all else.

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<td>Adopt conflict-of-interest policies</td>
<td>Unqualified loyalty</td>
<td>Make decisions in the best interest of organization</td>
</tr>
<tr>
<td>Disclose and do not vote on matters of personal interest</td>
<td>Independent thinking drawn from multiple sources</td>
<td>Minimize risk of poor decisions and negative publicity</td>
</tr>
<tr>
<td></td>
<td>Decision making free of undue influence</td>
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<tr>
<td></td>
<td>Rigorous conflict-of-interest procedures</td>
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Independent-Mindedness: Dimensions

Debate

- No undue influence by loyalty to seniority, position or reputation.
- Rely on open debate to uncover facts and distill perspectives into autonomous decisions.

Conflict of Interest

- Establish and rigorously adhere to conflict-of-interest policies.
- Sign statements annually.
ETHOS OF TRANSPARENCY

Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results.

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<td>Comply with government filing requirements</td>
<td>Active exchange between board and staff</td>
<td>Alongside staff, feel connected to the organization</td>
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<tr>
<td>Report annually on accomplishments and use of funds</td>
<td>Openness with donors and the public</td>
<td>Cultivate relationships with donors and stakeholders</td>
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<td>Whistle-blower policies to protect staff</td>
<td>Earn public trust and support</td>
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Ethos of Transparency: Dimensions

Outreach

- Fulfill public accountability.
- Post key documents like 990 and annual report on the website.

Openness

- Ensure every board member has equal access to relevant materials when decision making.
- Institute policies to ensure staff are enabled to bring matters to their attention.
COMPLIANCE WITH INTEGRITY

Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight.

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<td>Ensure compliance with the law</td>
<td>Financially attentive and astute board members</td>
<td>Judiciously allocate and oversee resources</td>
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<tr>
<td>Approve budget and review financial reports</td>
<td>Vigorous oversight</td>
<td>Deeply understand their organizations</td>
</tr>
<tr>
<td>Obtain independent review or audit of financial statements</td>
<td>Proactive risk management</td>
<td>Minimize risk</td>
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<tr>
<td>Ensure appropriate insurance</td>
<td>Auditors and compensation consultants report to board</td>
<td>Display highest standards of ethical conduct</td>
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<tr>
<td>Revise bylaws, as necessary</td>
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Compliance with Integrity: Dimensions

Financial Oversight

- Ensure assets are well managed, review financial statements, conduct audit or review and ensure controls in place.
- Deepen understanding to minimize risk, fraud or abuse.
- Provide adequate insurance and contingency plans.

Legal and Ethical Oversight

- Establish policies, stay abreast of laws and review key documents.
- Articulate explicit set of standards and clearly communicate to internal and external stakeholders.
SUSTAINING RESOURCES

Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence.

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<td>Approve balanced budget</td>
<td>Creative and diverse revenue sources</td>
<td>Generate increased revenue</td>
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<tr>
<td>Accept fundraising responsibilities and contribute personally</td>
<td>Enthusiasm for bold visions and ambitious plans</td>
<td>Extend programmatic capacity of organization</td>
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<tr>
<td>Develop and monitor investments</td>
<td>Active involvement in solicitations</td>
<td>Improve organization’s standing in the community</td>
</tr>
<tr>
<td>Promote organization in community</td>
<td>Intellectual, social, political and reputation capital</td>
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Financial Planning

- Equate activities to attainable revenue.
- Ensure infrastructure and internal capacity.
- Examine income streams and expenses, aim for sustainable revenue and look beyond the horizon.

Fundraising

- Shape and participate in fundraising strategies and activities.
- Open doors, attend events, generate contributions and make a personal gift.
Exceptional boards are results-oriented. They measure the organization’s advancement towards mission and evaluate the performance of major programs and services.

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<tr>
<td>Monitor financial performance</td>
<td>Incisive program evaluation</td>
<td>Maximize resource utilization without micromanaging</td>
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<tr>
<td>Receive programmatic updates</td>
<td>Meaningful performance metrics</td>
<td>Focus on outcomes, not inputs</td>
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<td>Early issue identification</td>
<td>Drive programmatic activities to excellence</td>
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<td>Benchmarking against peers</td>
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Results-Oriented: Dimensions

Metrics

- Gauge performance, efficiency, impact through setting expectations and defining metrics.
- Integrate benchmarks and calculate return on investment.

Monitor

- Monitor performance through programmatic and financial reporting.
- Analyze date for comparison against plans, performance and peers.
Exceptional boards intentionally structure themselves to fulfill essential governance duties and to support organizational priorities.

**RESPONSIBLE BOARDS**
- Design board size, structures, and meetings to accomplish work of the board
- Document practices, policies, and decisions

**THE SOURCE OF POWER**
- Intentional and strategic approach to board operations
- Flexibility in response to changing environment
- Member assignments aligned with priorities
- Executive sessions

**EXCEPTIONAL BOARDS**
- Engage in action-oriented, results-driven work
- Use board member time wisely
- Reap full benefit of members’ talents
- Connect to the work of the organization
Intentional Board Practices: Dimensions

Structure
- Take ownership of operations.
- Define board service expectations, determine optimal size, use committees and task forces strategically.
- Take advantage of members’ capabilities.

Meetings
- Make meetings matter.
- Agendas focus on important issues and create generative discussions.
- Members come prepared to make meaningful decisions in a timely manner.
Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performance and assessing the value they add to the organization.

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<td>Orient new board members</td>
<td>Learning activities built into board work</td>
<td>Are well-informed about the external environment</td>
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<tr>
<td>Use board members’ skills</td>
<td>Knowledge drawn from outside the boardroom</td>
<td>Grow on the job, and contribute at increasing levels</td>
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<td>Board evaluation of individual and collective performance</td>
<td>Regularly upgrade their governance practices</td>
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Continuous Learning: Dimensions

Organization

- Deepen members’ knowledge through formal orientation and ongoing education.
- Embed learning opportunities into routine board work and activities outside the boardroom.

Governance

- Regularly upgrade practices.
- Gather feedback on collective productivity and contributions.
- Undertake periodic assessments to strengthen board structures and practices.
Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness.

### RESPONSIBLE BOARDS
- Recruit based on individual competencies and personal connections
- Establish a committee to manage the recruitment process

### THE SOURCE OF POWER
- Clarity around expectations of board members
- Diversity of perspectives
- Continuous recruitment
- Thoughtful use of term renewals
- Officer succession planning

### EXCEPTIONAL BOARDS
- Know their roles and function well as a group
- Include important voices at the board table
- Have a ready supply of new board members
- Experience smooth leadership transitions
Revitalization: Dimensions

Composition
- See correlation between mission, strategy, composition.
- Seek diverse mix of expertise.
- Incorporate year-round board building cycle.

Leadership
- Recognize leadership development and succession planning.
- Groom chairs and officers purposefully for smooth transitions.
- Officers and chairs, through well defined responsibilities, set the tone for collaborative leadership.
Parting Thoughts

1. Be Intentional
2. Reflect
3. Be Consistent
4. Embrace the pain of growth
5. Ask Why