

## **PARTICIPATION IN GOVERNANCE – CONFERENCE**

### **The Foundation *For* Good Governance**

**Newcastle upon Tyne 24 September 2004**

## **BOARD MEMBERSHIP WITH PURPOSE AND FUN**

### **Introduction**

I'm going to start the conference with some story telling – tales from the Board room. First, though, a quote from one of my favourite books on trusteeship<sup>1</sup>:

“Effective governance by a board of trustees is a relatively rare and unnatural act...”

In this presentation I intend to explore how it might be made a bit less rare and also to talk a bit about:

- How to ensure board members enjoy their role
- How to retain board members
- How to respond to dissent and non-conformity among board members

And I'll comment on ways of addressing the dilemmas posed in the second half of my introductory quote:

“Effective governance by a board of trustees is a relatively rare and unnatural act...because the tides of trusteeship carry boards in the wrong direction: from strategy towards operation, from long-term challenges towards immediate concerns, from collective action towards individual initiatives”

### **Enjoying Board Membership**

First - Enjoying Board Membership. When preparing for this session I asked a dozen or so friends who are trustees of voluntary organisations – do you enjoy being a Board member?

None replied with a firm ‘No’ – but all hesitated before responding and they all gave versions of a ‘Yes...but...’ reply, followed by an often long list of why the role was not working out to be a top quality experience (some of these were a bit of a shock as they were people that I had persuaded to become trustees of a charity that I chair!).

The stories they told included one about a terrific Board and Senior Management Team away-day that had generated lots of brilliant ideas, engendered great enthusiasm for the cause – and solidarity as a group, probably further assisted by them having got mildly inebriated in the process! A year later, when a similar event was proposed, the dust was blown off the action list that had been produced at the end of the first event:

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<sup>1</sup> Richard Chait, Thomas Holland & Barbara Taylor, *Improving the Performance of Governing Boards*, American Council on Education 1996

- they found that, for about 25% of the action points, they couldn't remember what they had meant or why they had come up with it
- 50% - nothing had been done
- 15% had been done but hadn't worked or survived beyond the first time
- 10% had been done but they'd forgotten that the proposals had been decided on at the away-day – the CEO had persuaded them that they were his bright ideas!

Another example: a heated discussion at a Board meeting – general view that the organisation was in a shambles and something fundamental must be done. When they finally appeared, the minutes of the meeting were pretty anodyne and made no direct reference to the discussion; when the Board members gathered together again, three months later, things had moved on and the subject that had prompted all that heat had slipped off the agenda – there was a sort of residual shared anxiety that something was wrong but since the Chair and CEO seemed to be OK, the situation was left alone...to drift...until the next time.

Then there was the trustee who sent in an unusual expenses claim that included a supply of headache pills and some back relief ointment; the latter was for the post office employee who had to deliver the massive envelope containing the board papers; the headache pills were for the trustee who needed treatment after ploughing through the mountain of papers.

And then there's the terribly impressive Board – impressive on paper, that is, in terms of the diversity and depth of skills and experience, the individual reputations for creativity and original thinking. Yet, in action as a Board, hugely conservative and risk averse, deferring decisions, dithering, dodging the tough points and spending inordinate amounts of meeting time on issues of secondary importance – or discussing their holiday plans. Summed up in another quote from the book I quoted from at the beginning:

“high-powered, well intentioned people engaged in low level activities.”

OK, these may all just be examples of badly chaired and rather dysfunctional organisations – but versions of them do seem to crop up enough to suggest there may be more to it.

I'll come back to that later but move on now leaving one general observation: trusteeship (for most of us) is an occasional part of our lives – a small percentage of our time and energy is committed to it; it is hopefully a passionate commitment but it's a small slot in already busy timetables. It's not surprising that full time staff can sometimes forget that there's likely to be a huge difference between their own levels of preoccupation with their work and that of their trustees. It's a critically important challenge to address:

- how to ensure that the trustees have sufficient knowledge of the work for which they are responsible so that they can pick up and put down that

responsibility effectively - picking it up often at short notice and then putting it down again without coming back to it for several weeks?

- how can information be provided and involvement organised so that there can be sufficient continuity of engagement and understanding for people who cannot have the same depth of commitment as full time staff?
- and how to ensure that the response to the arrival of the post is enthusiastic rather than despair at the prospect of the loss of another weekend to reading the Board papers?

I suggest that one positive response to these questions is to introduce some extra training – not for the trustees, useful though that may be. No, it's the training of the executive staff on how to work with non-executive trustee board members that I think is too often left off the training agenda.

### **Trustee Retention**

Second – how to retain good trustees. All those trustees that I approached said that they were trying to recruit new trustees to join their boards – it was clearly a recurring preoccupation and discussion about it was taking up significant chunks of trustee time, within and outside Board meetings. Not just time – some had also spent considerable sums of money on trustee recruitment. It's something of a mantra among charities that replacing trustees is a formidably difficult task – there's lots of advice and guidance available, all manner of offers of consultant time etc. maybe – but a lot less time seems to be spent asking why the vacancy occurred in the first place. That might be a more productive investment.

Some of the trustee recruitment effort that was reported to me was unavoidable – it was to replace trustees whose periods of office had expired or who had moved out of the area. But the majority was not – the trustees had just stopped participating and had eventually resigned, usually pleading insufficient time availability – a plea that was usually accepted without any sort of 'exit interview' to see what had finally prompted them to depart. If there had been, I would not be at all surprised if the reasons were similar to those found in the only studies<sup>2,3</sup> I have become across into why trustees quit:

- that their time, efforts, commitment and potential contributions were not valued
- that involvement had become a chore
- that the incentive to turn out for a meeting on a wet November night was not there
- that there was insufficient personal return – trusteeship was not enjoyable, and it was certainly not fun.

The studies on why trustees quit described situations where:

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<sup>2</sup> Sue Douthwaite, *Why Charity Trustees Exit their Boards*, Kingston Smith 2001

<sup>3</sup> Dorothy Dalton, *The recruitment and retention of trustees: a perspective from the voluntary sector*, Bircham Dyson Bell 2002

- Trivia Ruled – the Board devotes all its time to a ‘mish-mash’ of trivial matters, disconnected from each other and from the business strategy
- Dysfunctional Board – ego’s at war; big differences about mission or ambition; meetings going on and on well beyond the scheduled time
- Impossible to make decisions – slow and inconclusive; or decisions changed at a subsequent meeting because a strong personality missed the meeting when the first decision was made
- Devalued Board – the work gets done outside the meeting between CEO and Chair or by an ‘in-group’ of trustees; the Board is expected to be a rubber stamp and the ‘powers that be’ are irritated if their solutions are questioned
- Lousy Communication (or excessive amounts of material with no distinctions between important and minor); and the unintelligent use of IT (missing out on a fantastic opportunity to change the whole nature and quality of internal communications between staff and trustees and within a Board)
- Personal Frustration – feeling excluded (that insider group again); sometimes never having been adequately inducted so always struggling to get the hang of the organisation, the environment within which it operates, or the trustee role; contributions not valued; no form of appraisal or opportunities for individual feedback – and, therefore, for personal accountability.

Obvious stuff? Maybe, but familiar? And all avoidable – they can be addressed.

What keeps trustees participating actively, coming to meetings, however wet the night and however tough the waters through which their charity is struggling? I think it’s probably no less obvious stuff:

- Constant celebration of the cause, sharing evidence of the value of the work, of the achievements of the organisation and its beneficiaries – attention to keeping an eye on outcomes and impact
- Clarity about what, how and why – the guidance material talks about mission, values and strategies – all correct but it’s all really about simple clarity as to:
  - what the organisation is trying to achieve and/or change
  - the steps it’s taking and the ways it is organised to achieve those outcomes (I recall a new member of a Board asking why a particular committee existed – and noone could tell her – it just always had!) and
  - the intellectual justification for both the what and the how.
- A Board that is kept well briefed and informed – about what’s going on within the organisation and within the world it occupies – is a confident and engaged Board, more likely to be effective and to stay clear of micro-management; and to bring new members up to speed quickly and positively (the use of a ‘buddy’ system in one of the Boards of which I am a member has proved particularly useful addition to the standard induction)

- A politically astute and canny Board – committed (and personally involved as appropriate) to keeping the organisation well placed with key outside players; sharply focused on reputational issues but seeing risk as being about missed opportunities as much as it is about avoiding disasters – being, therefore, risk alert not risk averse; and, perhaps above all:
- Leadership (of both the executive and the Board):
  - that is clear about who does what, constructively respectful of each other and skilled at ensuring all have their say and are valued for it
  - that consistently exploits the analytical and strategic competence and role of the Board – an organisation may not be growing or expanding, but it can still be one that thinks, debates, reviews – that asks ‘what if’ questions
  - that is always looking for further development opportunities and ways of enhancing what it’s doing – maintenance of a successful organisation does not mean that development stops – on the contrary; if an organisation stops looking for opportunities for further development and improvement, it will become stale and/or complacent; if that happens, the creative trustees will probably pack their bags.
  - that enables the product of the collective effort of the Board to be greater than just a summary of the individual members’ interests and skills – a Board within which the whole is greater than the sum of the parts, where  $2+2=5$ .

I emphasise that it is leadership of both the executive and the Board; as one commentator has put it, the chair and the CEO:

“must learn to dance together” and “neither can stray far from each other’s gaze or proceed independently.”<sup>4</sup>

Even so, the individual calibre of the Board’s chair is crucial; another quote:

“The quality of its leadership can make or break a board. Good governance requires sound leadership and is inhibited by weak leadership. Although an excellent board chair does not guarantee superior governance, a poor or inadequate one nearly always thwarts it”<sup>5</sup>.

A test of an organisation, which is functioning well at both staff and board levels, would be if all senior staff and every trustee could, with equal confidence and clarity, describe their respective responsibilities and the processes through which those responsibilities are exercised. If they can’t, then I suggest their individual performances could be improved by ensuring that they can.

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<sup>4</sup> Richard Chait, Thomas Holland & Barbara Taylor, *Improving the Performance of Governing Boards*, American Council on Education 1996

<sup>5</sup> J E Orlikoff, “A board as good as its chair”, *Trusteeship*, 2000 8(4)

## Dissent and Non-Conformity

Third – how to respond to dissent, to non-conformity. At a recent meeting, I was asked if I had any thoughts on how to deal with someone described as ‘the trustee from hell’ – someone who seemed always to be challenging the consensus. When pressed, the problem was acknowledged to be more about dealing with well meant maverick behaviour rather than malice.

Dissent is not the same as disloyalty – and the challenge of the non-conformist and of deliberate resistance to corporate ‘group-think’ may be critical qualities to encourage within a Board. A couple more quotes to reinforce this point (and an unexpected opportunity to bring the management of Enron into a conference about voluntary sector governance!):

“There are important lessons from Enron for any board. The three most important lessons focus on making sure a trustee *truly* understands the financial condition of the institution; is not hesitant to ask tough, probing questions; and is willing to challenge management when something does not make sense. ... Many boards operate in such a collegial, consensus-driven manner that individuals are uncomfortable challenging management or questioning inconsistencies or the quality of information they receive.”<sup>6</sup>

And:

“You need a director on the board who will be a pleasant irritant, someone who will force people to think a little differently. That’s what a good board does.”<sup>7</sup>

Pursuing the notion of the ‘pleasant irritant’, I recall way back in the ‘70’s, when I was organising some training courses for NACRO for whom I then worked, a speaker saying that the really skilled manager knew when it was time to throw a few bits of grit into a smoothly running machine or organization.

## Conclusion

I have a sometimes tedious (for me and for those with whom I work) tendency to think in terms of lists and tables. To finish this aperitif to the conference, here’s a table in which I try to sum up what I think are four keys to ensuring that an individual trustee not only stays on the Board but contributes effectively and fully to its work; first:

<b>Address the Personal – ensure that each trustee is effectively:</b>
Inducted
Involved
Developed
Applauded

<sup>6</sup> Charles M. Elson, “Emerging Trends in Corporate Governance”, *Corporate Board Member*, 2003 *Academic Council Supplement*

<sup>7</sup> Victoria J. Herget, “Effective Boards Are More Than the Sum of Their Parts”, *Trusteeship*, Nov/Dec 2002

And then also make sure that – in parallel – the organisation gets its act together to foster and support the individual and collective effectiveness of its board members to perform well by ensuring that the following are of a high quality:

<b>Personal - to be effectively:</b>	<b>Organisation: a high quality of:</b>
Inducted	Being clear about who does what
Involved	Leadership and engagement
Developed	Development – not just maintenance
Applauded	Celebration and fun

Get that lot right and I reckon you can be confident that board members will work with purpose – and enjoy their efforts.

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