

Reviewing Governance in Your Organization

By Jane Garthson

How do you know if your organization's governance is good enough? If you haven't reviewed it in the last few years, you do not know. More and more organizations are conducting governance reviews about every five years. External pressures and significantly revised strategic plans might spur a review sooner. Organizations generally find such reviews worthwhile even if they decide against major change. The discussions about why you lead as you do will still be worthwhile and you are certain to find some change, however small, that really makes a difference.

In some jurisdictions, governments have passed or introduced new laws governing community benefit organizations, and those new laws require an overhaul of bylaws. No sensible leadership group would significantly rewrite their bylaws before reviewing governance.

Warning Signs

It might be time to review your governance if:

- ◆ Feedback from community and staff indicates a growing dissatisfaction with the board's decisions and/or composition.
- ◆ The bylaws no longer reflect how your organization operates, but there is no consensus on whether to fix the bylaws or bring operations into line with the bylaws.
- ◆ Board members have ongoing conflicts of interest.
- ◆ You see checklists of good nonprofit governance practices but can say yes to fewer than half the items.

- ◆ Timely decisions are so difficult at the board that a smaller group makes most of the decisions for the board.
- ◆ Candidates for an executive director or board vacancy inquire about the governance style and are clearly unhappy with what they hear.
- ◆ Board members resign or refuse second terms, citing issues such as poor use of their time or skills.
- ◆ Board recruitment is difficult or board attendance is poor; meetings are cancelled for lack of quorum.
- ◆ Committees and senior staff either exceed their authority or fill up the board meetings with administrative trivia and operational matters.
- ◆ Executive director evaluation is problematical since committees reporting to the board have responsibilities that overlap the ED's responsibilities.
- ◆ Your auditor, lawyer or major funders expresses concern about the lack of oversight.

This list should give you a good idea of what improvements you might expect to achieve from enhancing your governance. But let's continue with when to do a governance review.

Is There a Wrong Time to do a Governance Review?

The best reason for delaying a governance review is a lack of up-to-date vision, mission and values statements. What criteria then would drive your primary governance choices or any other important choice in your organization, for that matter? The discussions about the kind of community you want to create, your role in creating it, and your priorities might significantly affect governance decisions such as board composition.

I used to think that organizations lacking a strategic plan *and* dissatisfied with their governance could address those issues in either order. Whichever was done first would lead to the other, and that in fact happened many times. However, I now firmly believe that approach was wrong. It is essential to at least have vision (externally focused), mission and values statements in place before conducting a governance review. And anyway, how do you know the review is a top priority if you haven't set strategic priorities?

It is not appropriate to start a governance review during a financial crisis or major project that is already preoccupying the board and staff. A governance review requires considerable time on the part of the board, the governance/board development committee (or task force if there is no regular committee supporting board operations) and executive director. If there are other

senior staff members, they will get involved too, along with whoever provides the primary administrative support to the board and executive director. Often other key volunteers such as task force chairs are involved too, especially in all-volunteer organizations. Over several months, you will need to make board and committee time available for research, discussions and decisions.

Also, if you have new board members starting soon, or have just hired a new executive director, you might wait until they have a least a couple of months experience with you to receive their orientation, settle in and see what “normal” is at your organization. Governance choices that seem quite weird to an outsider might have a sound basis in the special needs of an organization, and should not lightly be tossed aside in favor of some generic wise practice.

Most organizations involve a specialist in nonprofit governance in the review, so resources might also be an issue. If your budget is really tight, you might not be able to start until you arrange for one-time funding for the review from one of your funders or another grant-maker. Use pro bono help only if the person is a specialist in the governance of community benefit organizations, and keeps current with governance thinking.

Why Do Governance Review?

That’s easy. The governance review will help ensure your leaders are working together effectively to govern the organization so it can create a better community and a better world. It might identify barriers you can remove and small changes that can make a big difference. It should help you attract the kind of leaders you want and need for the future, and retain them through using their time, passion, knowledge and skills well. It should help you assure funders, stakeholders and partners that you have the right governance structure.

Best of all, it might be able to do all of that without major change, depending on how well your current structure fits your needs. If you decide to retain the existing governance structure, the governance review discussions will help you explain why your existing governance structure works well for you. Being able to articulate the reasons can be invaluable when seeking supporters and recruiting leaders.

How Does Governance Get Reviewed?

The usual first step would be to set up a governance task force or assign oversight to the existing governance committee. That group then selects and manages the relationship with a consultant who is very knowledgeable about governance in community, public and mutual benefit organizations. That person should review your governance documents, including confidential ones, and interview key people to gain an understanding how your governance works now. The reviewer will interview selected stakeholders about their perception of your governance. In the past, the external interviewees were primarily organizational stakeholders such as funders,

in the way things have always been done. And remember that passion for the cause is more important in your recruitment for your board than this or any other skill set.

How Do We Develop Options?

Let's start with what doesn't work. You *cannot* just choose a few models and find out which one works for you. That's because there aren't a few models out there in any sort of common use or general acceptance. There is only one, published in 1990, by John Carver. His ground-breaking ideas tremendously improved governance in the nonprofit sector and thankfully many of those ideas are in common use today. But the model itself had flaws that have caused almost all governance consultants, academics and writers to move away from it. It still has passionate advocates, but most of us learned from hard experience that one size did *not* fit all.

Countless publications attempt to tell you that you can choose to be a 'working' board, a 'policy' board or some kind of hybrid, but such choices will be of little help to you in figuring out specifics such as how many directors you need. 'Working' boards have become associated with micromanaging, but a great many nonprofits have no staff, so that is not meaningful. And the term 'policy board' has become a pejorative in its own way, as some boards spend years writing complex policies and very little else—akin to fiddling while your community burns.

So What Do We Use to Help Us Decide?

First, since there is no overall model I can recommend, look at each aspect of governance separately. List each with options. For example, what choices do you have for an executive committee? The main choices are none (now a very common choice), one with very restricted authority, or a broad-scope one that can act for the board (becoming rare).

Then analyze the options in terms of the criteria you use for any important organizational decision. The first one could be: Does it help achieve our vision and mission? You can split this out into sub-questions such as: Will it help us make timely decisions for our community? Will it help us make high quality decisions for our community? Will it support sustainability (at least until we achieve our vision and are no longer needed)? Is there another option that would help create better or more lasting improvements in our community?

The second question should be some variation of: Is it consistent with our principles and ethical values? For example, if you highly value democracy and civil society, how will a closed membership, closed meetings and a self-perpetuating board fit?

You would also ask questions about risk management. For example the risk of frequent meetings if you have a large geographic scope is harming your ability to deliver programs due to overspending on board travel and per diems. The board has to add more value than it costs. But meeting too seldom might add a risk of missing compliance deadlines or failing to respond to opportunities in time. Remember that your biggest risk area is usually reputation.

