



Components of Extraordinary Governance

John Amrhein | November 14, 2014

Background and Development

We've all heard stories of dysfunctional nonprofit and government boards, and we could fill several pages with a list of the various problems they exhibit and subsequent organizational failures that result. So, what makes a board's governance extraordinary, and how can other boards apply those lessons to improve their performance and the performance of their organization? I've worked with boards and committees for over 30 years, 20 with Michigan State University Extension. My colleagues and I have taught a number of techniques to improve governance, so I was intrigued a few years ago when I began to study a particular governance "model", designed to be implemented by a board to help it be more successful.

A governance model, or framework, is a set of characteristics, practices, or principles designed to help a board improve its level of performance. Some are more prescriptive about how you apply them, while others give the board a high level of flexibility to design their own process within the guidance of the framework.

The model I was studying included a number of the techniques and principles we had taught, but was also quite specific in the way it instructed a board to apply those principles. It was complete and thorough, and has been used successfully by many organizations. It assumed the presence of a CEO and staff, and required some ongoing training that would be too expensive for many boards of small organizations and governments. I began to study other models, in search of one that would be truly scalable to smaller organizations.

Several such models, lists of principles and functions, and frameworks exist. The research shows little significant advantage for the use of any particular one of them, but does indicate that the intentional, conscientious use of such a framework does correlate to better board function.

I studied eight such models. All describe principles and functions that a board must pay attention to in order to be successful. Some give detailed directions, while others leave decisions about specific details of operation to the discretion of the board. The latter empowers boards to analyze possible courses of action in light of their specific situation, and choose the methods that fit their situation the best. I've adopted that philosophy in calling my recommendations a framework, rather than a model.

The "components of extraordinary governance", as I've chosen to call them, are made up of a combination of functions the board must carry out, principles that undergird the board's operations, and methods of operation that have been proven successful by many boards over time. The components are a compilation and reorganization of ideas contained in the eight models and lists that I have studied, measured against my experiences working with boards, serving as a member of a board, as a staff person working for a board, and my role as an educator/facilitator/consultant.

The models/lists reviewed all contributed valuable insight, and include the work of John Carver, David Renz, Judy Freiwirth, BoardSource, Robert Andringa, Mel Gill, and Patricia Bradshaw. Conversations with many practitioners, board members, organization directors of various titles, and university researchers and teachers have all contributed to this work. Paul Bonfanti's work with small nonprofits



has also confirmed many of my assumptions about boards of small organizations. Conversations and educational program development with many colleagues at Michigan State University also contributed greatly to this work.

The Ten Components

The ten critical things that boards need to incorporate into their work to be successful are a compilation of principles, functions, and methods that are essential to board and organization success. This paper reviews them briefly, while future MSU Extension articles will cover each in greater depth.

The ten components are:

- Mission focused actions and impacts
- Resources to accomplish the mission
- Constructive partnership between board and staff with clearly defined roles
- Performance benchmarking and monitoring for both impacts and finances
- The board as a body – a thoughtful, intentional plan to govern together
- Informed policy guides actions that achieve goals
- Culture of accountability, transparency, and integrity
- Great meetings
- Culture of forward thinking excellence
- Responsive and accountable partnership with stakeholders

Mission is the heart of any organization. Mission answers the question of why we exist as an organization. Carver calls it the “ends” of the organization and describes it as the benefit produced, who it is for, and the cost of providing it. Mission defines the results the organization hopes to achieve, and when well written, serves as the benchmark to determine whether any future potential activity of the organization is worthy of the efforts of the board and staff. The exceptional board provides direction through a well thought out, well written statement of the mission of the organization.

As important as mission is, it is nothing without the necessary resources to accomplish it. The extraordinary board writes policy and takes necessary action to secure adequate resources. They also make resource allocation decisions that are in clear harmony with the mission, and with goals and plans developed to implement the mission.

The lack of clearly defined board and staff roles has been the source of many of the problems I’ve seen with organizations over the years, and this is especially true of the relationship between the board and its lead staff person (CEO, administrator, controller, manager, etc.). Some governance models provide specific direction about how to manage this relationship, but what is most important is that both the board and staff have clearly defined roles, and that each understands and honors the agreed upon roles. I call this a partnership because staff can provide valuable input into the process of developing the roles, and because a true partnership enables both the board and staff to contribute their best to accomplishment of the mission.

So, how does an organization know how well it is accomplishing its mission, or whether it is using its resources in the most effective manner? Outstanding boards create systems to benchmark and monitor performance. This analysis is necessary for both impacts related to the mission, and for the efficient use of finances and other resources. Funders are increasingly requiring ongoing documentation of both.



Boards are made up of a collection of people with differences. If all were the same, you wouldn't need a board, just one would suffice. It is important that the work of the board, the deliberation and decision-making, include consideration of the diverse possibilities and honest discussion of the pros and cons of any possible outcomes. Once that process is complete, however, it is essential that the board act as one to accomplish the mission. Failure to do so often results in future conflict among board members, confusion among staff about the direction of the organization, and loss of community trust in both the board and the organization.

The list of the ten components calls this the Board as a Body – a thoughtful, intentional plan to govern together. That plan needs to include a number of elements. Those elements include, committee structure and function, continuing education for the board members, structure, role of the chair, principles that will govern the board members' interactions, self-reflection and evaluation of the board's success, board selection processes, reward structures, working as one unit, having an attitude of constructive engagement, planned revitalization and recruiting, and a plan for building the relationships and trust that are vital to getting any group of individuals to work together effectively as a team. As hard as it is to imagine in today's divisive political climate, I've heard stories of past Michigan legislatures who built such relationships so effectively they were able to debate their respective principles and solutions during session, and then set that aside to dine together and enjoy discussion of family and other experiences.

Policy is the board's primary tool for accomplishing the mission, especially when the organization has staff. Clear policy, written with careful consideration of as much fact and potential consequences as possible, gives all the benefit of clear understanding of how the organization works together to achieve the mission. Good policy guides the actions of the staff, and ultimately results in achievement of the organization's mission.

It would likely be a fruitless endeavor to try to rank the ten components in order of importance. Difficult as that would be, any board beginning to work on these areas must start someplace. Perhaps some can be set aside because the board already does a pretty good job with them. The next one is foundational to all the rest, however.

Building trust is a critically important ingredient to success, including trusting relationships both within the organization and with organizations and individuals outside the organization. A culture of accountability, transparency, and integrity is crucial to building that kind of trust. This is more than just a set of rules to follow, it requires that everyone in the organization applies these principles to every decision they make and every action they take.

Who hasn't sat through at least a few boring, unproductive meetings? Think for a minute about the value of the time of all of the individuals present in any board meeting. It adds up in a hurry. Great meetings are essential to extraordinary governance. Process and agendas need to be efficient yet thorough. Discussion must be focused on the true work of the board, to provide the organization with values, vision, foresight, and direction. While some small boards are also tasked with much of the work of the organization, even they must be sure to allocate sufficient time in their meetings to direction and oversight and not get caught up in the day-to-day minutiae.

Exceptional boards must be looking ahead, analyzing future trends and potential problems, and always looking for new opportunities and better ways of accomplishing their mission. The higher the level of excellence anticipated by the board, the higher the level of excellence the organization is likely to achieve. The culture of the board sets the tone for the rest of the organization.

Last, but certainly not least, boards need to build a responsive and accountable partnership with stakeholders. Stakeholder is a rather overused word these days, but it probably best describes the great diversity of groups of people that boards and their organizations interact with. Each organization will have different types of stakeholders; voters, funders, community groups, other organizations with similar goals, etc. These relationships need to be nurtured and grown for the most effective achievement of the mission.

As you begin to apply these critical components of extraordinary governance to your board, watch for future Michigan State University Extension articles at msue.msu.edu which will cover each in greater depth.

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For more detail on the Components of Extraordinary Governance, this November 2017 article contains links to over 20 short articles that take a closer look at each of the 10 components:

https://www.canr.msu.edu/news/components_of_extraordinary_governance_building_a_board_to_achieve_organization

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