



By Marty
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3 KEY CHALLENGES FOR BOARD MEMBERS

You're asked to join a board of directors in your community. After the congratulations subside, what areas of your organization should you consider in order to be an effective board member? Whether you have been asked to serve on a for profit board ("FPO") or nonprofit board ("NPO"), three key areas governing your decisions as a board member are your organization's culture, control, and corporate characteristics. Understanding these areas is your challenge to learn, understand, and use while serving as a good steward.

CULTURE

Culture affects behavior and decision-making throughout organizations. Unless you are involved in a start up, you will join an organization that has an established culture. Culture manifests itself at three different levels. First, are the processes and procedures that are transparent, though not always understood when first encountered. This is the public manifestation of how your organization goes about its work.

At a second level is the organization's values as expressed through strategies, goals, and philosophies. Fundamental to your organization are its mission and values. They provide the rationale for both its founding and continuing existence. Values are reflected in the ideas and decisions that have prevailed in your organization. They may be either explicit or implicit. Implicit values are often the most difficult to discern. Both explicit and implicit values may be analogized as the "rules of the game".

Finally, your organization's expressed values are built upon underlying assumptions about your organization's reality that have proven to be of value in the past. These assumptions tend to be those that are neither confronted nor debated and hence are extremely difficult to change. One might best describe them as an organization's practices and concepts that have worked so well in the past that they are now taken for granted. They comprise your organization's view of its reality.

Your most essential, powerful, and lasting responsibility as a board member is to understand, define, and apply your organization's culture to the challenges arising during your tenure. This is a learning, adaptive, and dynamic process throughout your board tenure.

CONTROL

Performance is your ultimate test. The board, and not management, is ultimately responsible for your organization's performance. As a board member you are not typically involved in day-to-day operations. Through its oversight, however, your board will develop strategies, systems, and procedures to assure the resources necessary for your organization's survival. This requires an increasingly sophisticated knowledge and understanding of your organization.

Historically, control and oversight were exercised primarily, if not solely, through financial systems and reports. For an FPO board the primary measure generally remains "the bottom line".

An NPO's mission is often less clearly defined. However, financial measures alone are no longer sufficient. An organization must be accountable to its multiple stakeholders. This requires developing strategies appropriate to these needs and a common language that guides your decision-making processes.

Your organization should develop strategies relevant to its goals and measure them with a "balanced scorecard" across four different perspectives: stakeholders, internal operations, learning and growth, and finances.

A successful strategy integrates all four to create a focused, effective, and strategic organization. While typically applied to management, measures should also be created to evaluate board performance. While measuring management is consistent with current practice, board performance measures should represent "next generation" thought for board development.

CORPORATE

Corporate or legal requirements generally are the first that come to mind when board governance is considered. However, these requirements often suggest only a level of minimal compliance for a board.

Your board operates within a societal, organizational, legal, and competitive framework, which defines both internal and external boundaries. As a board member you are responsible for assuring the proper interaction and balance among these frameworks and between these boundaries. One need only read the current business section of any newspaper to appreciate the extent to which board members are held accountable. To find an appropriate mix of these frameworks and boundaries requires a board to meet. This is why a board only "acts" when, in fact, it is meeting.

Your organization's articles of incorporation and bylaws minimally define corporate governance and board roles. Created by operation of state law, they express the means by which your board will exercise self-governance. Complementing your board's self-governance, it is your legal responsibility to assure compliance with applicable state and federal law. While public policy and law increasingly seek higher levels of accountability and broader responsibility, your fundamental responsibility whether as an FPO or an NPO board member is established in North Carolina General Statute 55-8-30 and 55A-8-30. Both require that a board director:....shall discharge his duties as a director, including his duties as a member of a committee:

1. In good faith;
2. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. In a manner he reasonably believes to be in the best interests of the corporation.

You are entitled to rely upon information provided by competent and reliable corporate employees, professionals advising the corporation, and board committees unless you have "actual knowledge concerning the matter in question

that makes reliance otherwise permitted ...unwarranted".

What is prudent, and in your organization's best interests, is the crux of your work as a board. What is unambiguous is that as a board member you must act "in good faith" and act as a good steward in accounting for that which has been entrusted to you.

STEWARDSHIP

Stewardship. It's an old fashioned word seldom used in discussing a board member's duty. Yet "stewardship" is a more appropriate concept for board service rather than the more commonly used and amorphous "leadership". Arising from the biblical parable of the three servants and their master, one may argue that mankind's role as a steward began when man was first given "dominion" over all that is upon the earth (Luke 19, Genesis 1).

A steward may be defined as one who serves others with integrity, is accountable to those affected, and is responsible for the improvement of the assets placed in their care. A steward takes responsibility for assets in the present and uses them "in trust" until some future time. A steward's efforts affect both present and future considerations. Their decisions and choices are measured in the future by those to whom they are accountable. The assets entrusted to their care to be in a better condition at the conclusion of their stewardship than they were when first placed with them.

Stewardship's core values are integrity, trust, and accountability. Board members must use these three core values in defining and seeking desired organizational outcomes. Stewardship compels a board member first to think and then to act with integrity and accountability on behalf of others. The concept of being a good steward should guide board members in addressing the myriad of needs inherent to their organization's cultural, control and corporate challenges.

SIX GUIDELINES

To be faithful and effective to your change, requires continuous learning both individually and collectively. Six guidelines to help you include:

1. If you are not willing to work at board service, don't accept a directorship. Boards are not the place for passive or absent members.
2. Know and understand your organization and its culture.
3. Know and understand the societal, organizational, legal, and competitive environments in which your organization operates.
4. Create, review, enforce, and change, when appropriate, the strategies and performance measures for both your organization and your board.
5. Finally, know your role as a board member and how you best contribute to the overall performance of your organization. Contribute fully, and then move on. ◊◊◊

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