



G A M E
良 管 善 治
Governance and Management
Excellence for Public Benefit

Induction Workshops for NGO Directors

Board – management Relationship

Board governance

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Why good board-management relationship is important?

Key Roles of Governance ...



1. Shape Mission & Steer Direction
2. Ensure Executive Leadership & Resources
3. Oversight, Ensure Performance & Sustainability

McKinsey & Co. "The Dynamic Nonprofit Board Framework"

Board-Management Relationship

Can be like this



... or like this

Board-Management Relationship

- Delicate paradoxical relationship between Board & Executive:

Board	Executive
<ul style="list-style-type: none"> • Hires, fires and supervises the Executive • Holds final decision ➤ Strong Board not to dominate the Executive 	<ul style="list-style-type: none"> • Knows more, serve as educator of the Board • Holds functional authority ➤ Strong CEO not to capture Board



Not to stifle initiative & dampen performance for both sides

Common Issues

They think they know better than the Board, but management ability is actually not up to standard!

This is “their agency”, board members are “foreigners” intruding their territories!

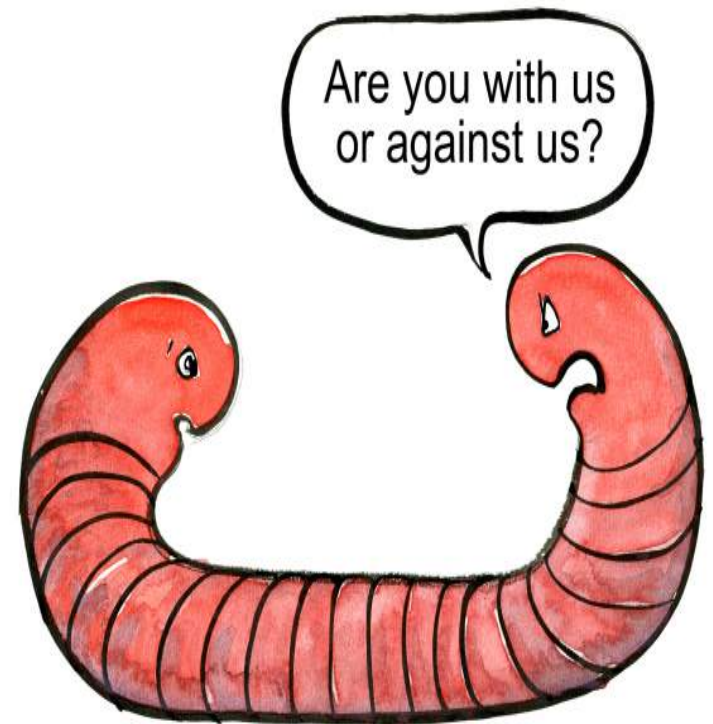
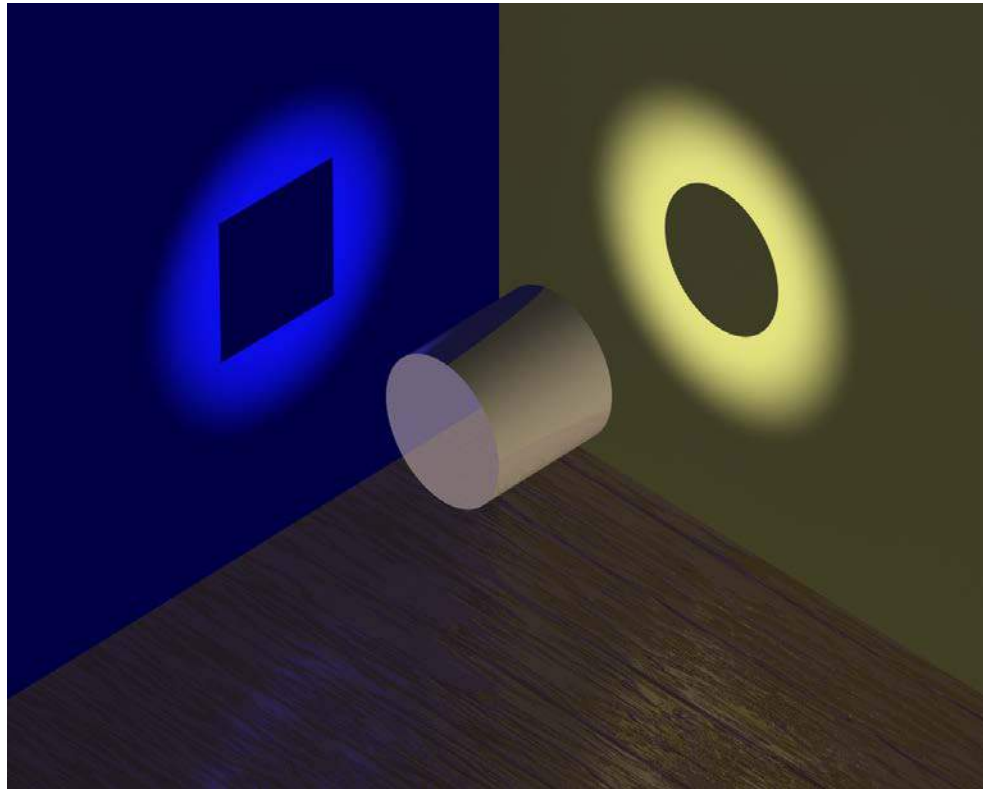


They do not respect us as bosses, and intentionally hide their problems...

5 Biggest Challenges in Working with Board – from 25 Senior Executives / CEOs (2017)

1. Understanding of the social service business and board members competency
2. Expectation difference
3. Clarity of role and responsibility, tendency towards micro-management
4. Trust and relationship building
5. Board composition and dynamics

Seeing the matter on both sides



By HikingArtist.com

- A matter of **role recognition**
 - Separate vs collaborate
 - Stakeholder vs Principle/Agent
- **Complementary** relationship
 - Organization's mandate originates from Board
 - Board needs management's professional knowledge to materialize the organization mission
- 3 critical success factors:
 - **Mutual respect** (*of each other's role*)
 - **Trust**
 - **Communication** (*concise, timing, and alternatives*)

1. Differentiation of Roles

Function	Board	Management
Define Organizational Mission		
Strategic planning		
Approve annual plans /budget		
Draft management/financial policies		
Audit & approve financial statements		
Conduct performance review & propose improvement measures		
Monitor results & service outcomes		
Solicit fundings & donations		
Spokesperson the organization		
Networking & building linkage		

1. Role Clarity + Recognition

Strategic Oversight vs Management

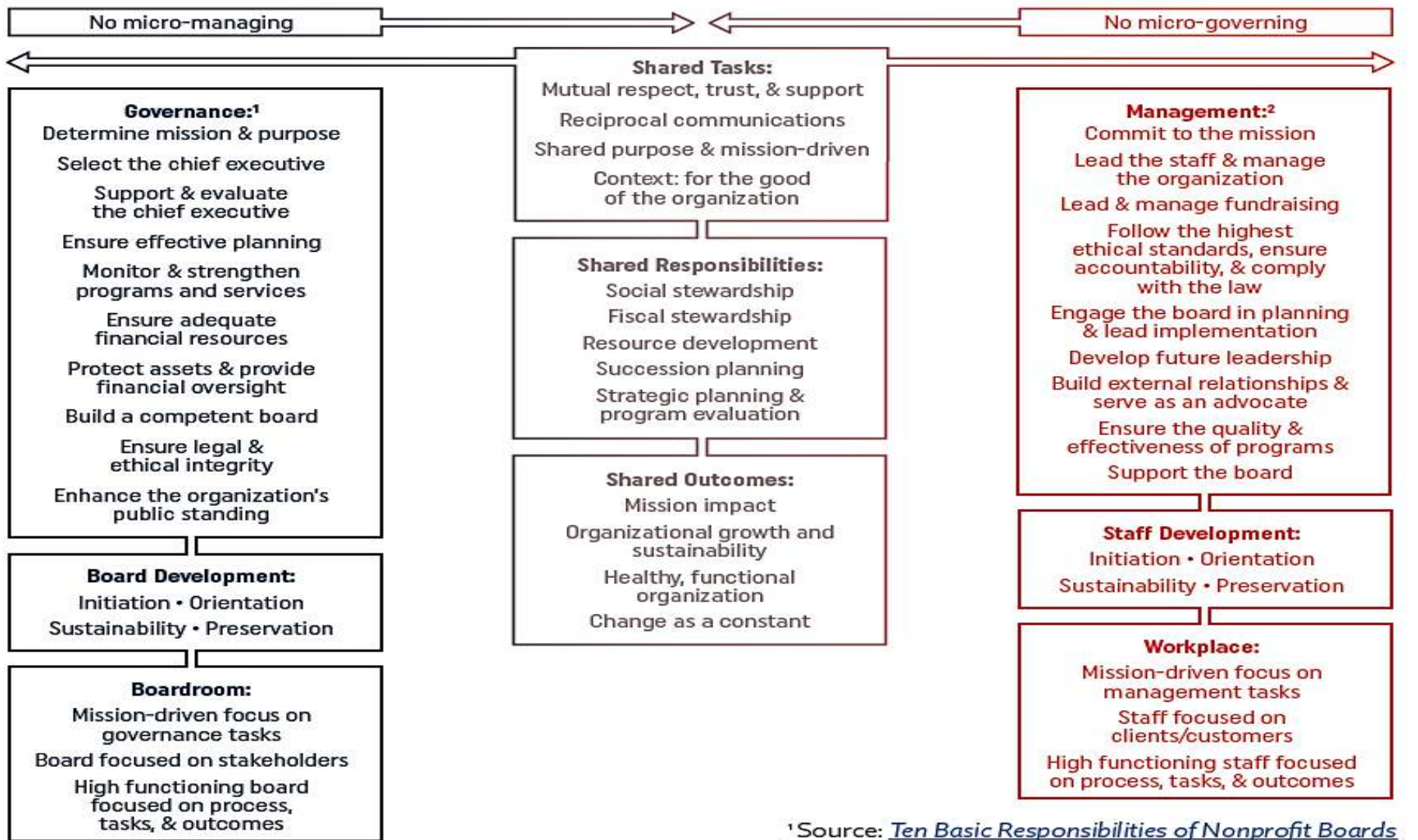
OVERSIGHT – the organization operates under the *direction of the Board*

- Board
 - **Do**: Set parameters, expected results, and reporting requirements
 - **Don't**: Micro-manage
- Management (via the CEO)
 - **Do**: Carry out the strategic plans and policies established by the Board
 - **Don't**: Act the above without the Board's knowledge and endorsement

Golden Rule of Governance :

“ NOSE IN, HANDS OUT ”

THE BOARD CHAIR & CHIEF EXECUTIVE PARTNERSHIP



¹ Source: *Ten Basic Responsibilities of Nonprofit Boards*

² Source: *The Nonprofit Chief Executive's Ten Basic Responsibilities*



No micro-managing



Governance:¹

Determine mission & purpose

Select the chief executive

Support & evaluate
the chief executive

Ensure effective planning

Monitor & strengthen
programs and services

Ensure adequate
financial resources

Protect assets & provide
financial oversight

Build a competent board

Ensure legal &
ethical integrity

Enhance the organization's
public standing

Board Development:

Initiation • Orientation

Sustainability • Preservation

Boardroom:

Mission-driven focus on
governance tasks

Board focused on stakeholders

High functioning board
focused on process,
tasks, & outcomes



No micro-governing

Management:²

- Commit to the mission
- Lead the staff & manage the organization
- Lead & manage fundraising
- Follow the highest ethical standards, ensure accountability, & comply with the law
- Engage the board in planning & lead implementation
- Develop future leadership
- Build external relationships & serve as an advocate
- Ensure the quality & effectiveness of programs
- Support the board

Staff Development:

- Initiation - Orientation
- Sustainability - Preservation

Workplace:

- Mission-driven focus on management tasks
- Staff focused on clients/customers
- High functioning staff focused on process, tasks, & outcomes

TOGETHER



Shared Tasks:
Mutual respect, trust, & support
Reciprocal communications
Shared purpose & mission-driven
Context: for the good
of the organization

Shared Responsibilities:
Social stewardship
Fiscal stewardship
Resource development
Succession planning
Strategic planning &
program evaluation

Shared Outcomes:
Mission impact
Organizational growth and
sustainability
Healthy, functional
organization
Change as a constant

Four Factors that impinge on Role-taking of the CEO and Board

1. The Organization's life cycle and stage of needs



2. The Organization and Board's capacity



3. The CEO's tenure



4. Personalities



Some practical tips for constructive partnership

* Role of Board Chair & CEO



BoardSource 2015 survey: Board- CEO Constructive Partnership Practices

Figure 31. Constructive Partnership (Q9.1, 9.2 CEO; Q5.1, 5.2 Chair)

	CEO	Chair
Communication between the CEO and board is open and honest.	3.56	3.61
There is effective collaboration between the CEO and board on major decisions.	3.49	3.62
The CEO actively involves the board in leading the organization.	3.37	3.60
The board openly discusses and challenges recommendations made by the CEO.	3.33	3.48
I can share and discuss my mistakes with the board without fear they will hold them against me.	3.28	3.46
Board members help develop each other's strengths.	2.76	3.09

1 = Strongly disagree, 2 = Disagree, 3 = Agree, 4 = Strongly agree

BoardSource Survey: Role of the Board Chair

Figure 30: Board Chair Report Card from CEOs (Q9.3 CEO)

How would you grade the leadership of the current board chair in the following areas?	Grade			
	A	B	C	D/F
Cultivates a productive, constructive partnership with the CEO	55%	24%	14%	7%
Fosters an environment that builds trust	42%	33%	19%	6%
Is able to resolve conflict, build consensus, and reach compromise	33%	33%	25%	9%
Encourages board to frame and discuss strategic questions	34%	29%	25%	12%
Establishes clear expectations of board service	23%	34%	27%	15%

Expectations of the Board Chair

BEST PRACTICE

1. Agree on Key things to achieve together
2. Confirm mutual Expectations
3. Confirm how to interact protocols of board-staff communications
4. What support & advise does the CEO wants
5. How CEO will report & how CEO 's performance will be reviewed
6. How board meetings will be organized /serviced
7. Role of CEO in making board effective
8. Clarify what information is needed & not needed
9. Confirm who will be the principal external spokesperson



Expectations of the CEO

BEST PRACTICE

Main Responsibilities of a CEO

Shared role in 6 Governance Processes

- Provide strategic vision and high-level business judgement and wisdom to facilitate the board's decisions;
Direction
- Oversee the day-to-day running of the business and executing the board's decisions/instructions;
Authority
- Provide leadership to achieve the organisation's purposes and objectives;
Leadership
- Develop rules and procedures within which the executive carries out its operations;
Control
- Meet performance targets;
Accountability
- Build necessary internal infrastructure to ensure the cost effectiveness of operations; and
Stewardship
- Maintain good relationships with the organisation's stakeholders.
Accountability

Accountability



Thorny Issues of Board's Supervisory Role over the CEO

- 1. Select & Recruit the CEO** *find the right person*
 - HKCSS – NGO CEO Competency Model : (1) personal competency; (2) operation savvy; (3) development consciousness; (4) multi-stakeholder acumen
- 2. Creative Division of Labour** *set parameters & expectations*
 - need dialogue & patience to define roles & boundaries, go beyond simple cliché of “board makes policies & CEO executes”
- 3. Negotiate Performance Targets** *agree what to achieve*
 - Level 1 - Overall organizational performance & targets
 - Level 2 - CEO specific targets as in board development, external relations, strategic development roles, organization capacity building, etc

The Board's Supervisory Role over the CEO

4. Regular Performance Appraisal *Tips to smoothen process*

- Design a formal process to be endorsed by the Board
- Consider a small group rather than just the Chair to do appraisal
- Performance to be evaluated against objectives & targets agreed, generic functional competencies checklist being too subjective
- Should have face-to-face review with CEO, who should be given time to respond & explain
- Evaluation should be forward-looking with follow-up & time-frame

4. CEO Growth & Development *assurance & forward looking*

- Recognize, appreciate & reinforce positive performances
- Identify performance shortfalls & explore adjustments to leadership styles, workload, technical skills, offer support through training, coaching, mentoring, etc
- Psychological & emotional growth – deepen self-awareness & mutuality in working with Board (deal with feelings of being challenged & threatened)

Beyond role clarity ... and don't blame it on personality



Beyond role clarity ... and don't blame it on personality

3 CRITICAL ATTITUDE

1. **Trust** - reciprocity & genuine appreciation of the codependent relationship
 - Assume nothing & spring no surprises
2. **Respect** – seeing the value of each other;
 - Never make the partner looks dumb
3. **Communication** – both formal & informal are essential, be honest & frank about frustrations & feelings; be fair, reasonable and non-judgemental;
 - Tell nothing but the whole truth & bring a spirit of openness

3 KEY LEVERS*

1. A shared understanding & passion of the MISSION + VISION
2. Accept the fundamental division of labour plus creatively & flexibly dividing up shared leadership roles
3. Be sensitive to each other's expectations & strength

Wishing all Board-Management relationships be

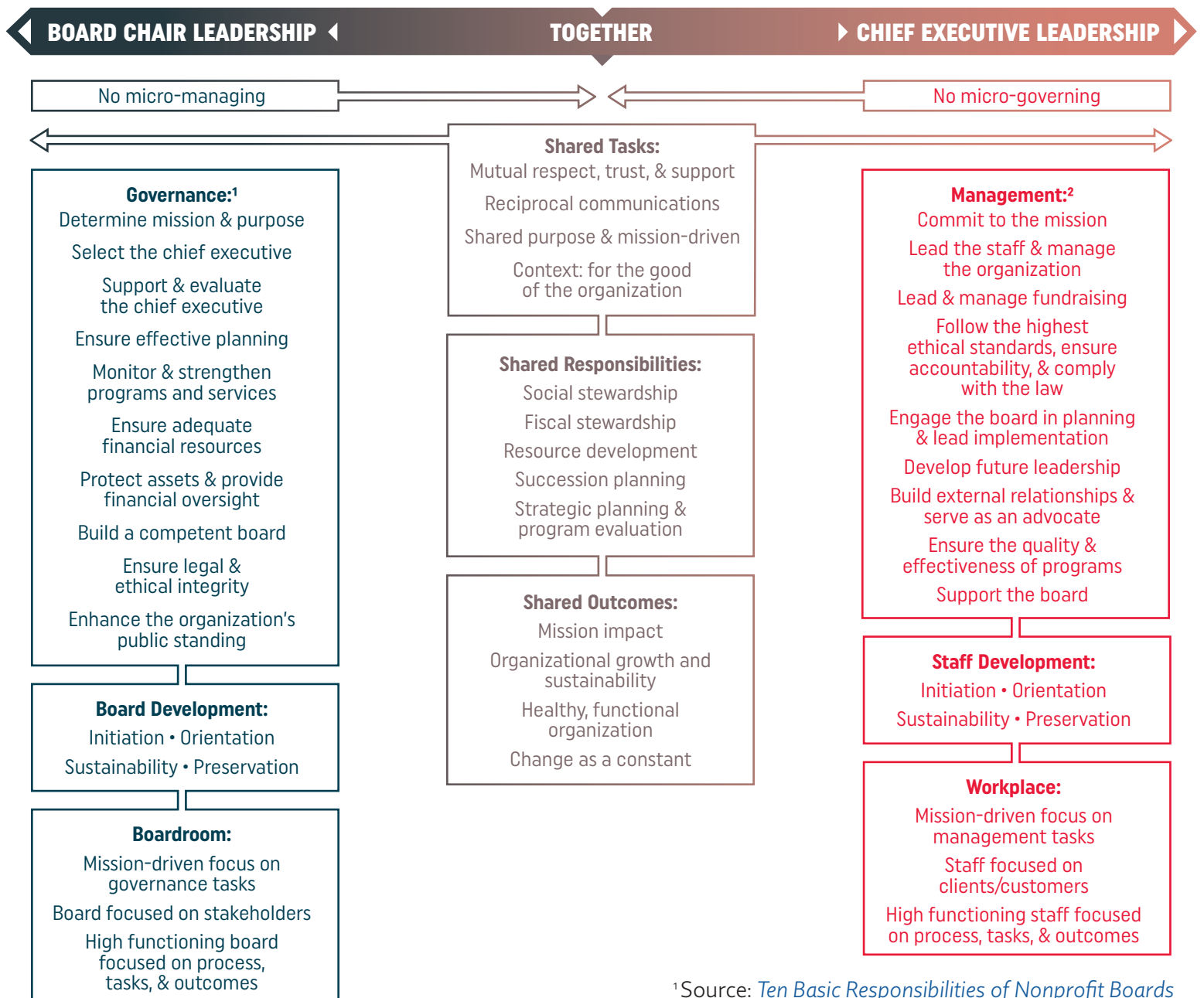


*...a Heart and Head match,
a codependent & nurturing relationship*

THANK YOU

THE BOARD CHAIR & CHIEF EXECUTIVE PARTNERSHIP

The partnership of the board chair and chief executive provides a structure for accomplishing the tasks of the organization. Governance and management complement and support each other — together focused on mission through different perspectives and actions. The partnership itself is critical in providing a communications headquarter for sharing information, addressing issues, and planning next steps appropriate to the individual and collective responsibilities.



¹ Source: *Ten Basic Responsibilities of Nonprofit Boards*

² Source: *The Nonprofit Chief Executive's Ten Basic Responsibilities*