

The Great Board Debate



How Should Ministry Boards Govern?

By James C. Galvin



Here are some sound bites from conversations I've had recently with CMA members: "Don't even get me started on the Carver model." "This policy-based stuff is killing some organizations!" "We're telling people to stay away from the Carver model." "The board has to remain firmly in charge of the organization." "I try to not mention the C-word."

These comments reveal a debate that's been brewing for years among ministry leaders, consultants and board members. Conversations with CEOs or board members about governance can quickly become polarized. Within the first few minutes you might be asked, "Well, are you pro- or anti-Carver?" Unfortunately, these conversations usually generate more heat than light.

If you're a ministry leader or board member of a faith-based organization, this is an important topic for you. You need to know what the Carver model is and what it's not. You need to know why some are opposed to it. You need to know whether your board should adopt a policy-based approach to governance.

What Is the Carver Model?

The Policy Governance Model developed by John Carver is a complete theory and comprehensive set of principles for how a board should function. According to Carver, the best way for a board to get its work done is by writing and enforcing policies. Policies should be developed in four broad cate-

gories: Organizational Ends, Executive Limitations, Board-CEO Linkage and Governance Process.

Organizational Ends includes policies related to mission, strategic goals and results the organization is trying to achieve. *Executive Limitations* are policies expressing principles of prudence and ethics. They establish limits to the activities and methods staff may use to achieve the organizational ends. *Board-CEO Linkage* describes how the board and CEO will relate and communicate. *Governance Process* includes policies describing how the board will function.

If you're not familiar with the Carver model, these four categories may seem strange. Why do boards need policies in these four areas? Compare your organization to a sports team. You have board members, a CEO, and staff. In football, each team has owners, a coach, and players. The *Organizational Ends* policies define the goal line for the team. The *Executive Limitations* describe the out-of-bounds lines. So the first two policy areas define the playing field. The team must cross the goal line without going out of bounds.

Meanwhile, the board is up in the skybox. *Board-CEO Linkage* policies set up lines of communication so the coach keeps the owners informed about what's really happening on the field. It also prevents the owners from calling in plays, trying to direct the game from the skybox. *Governance Process* policies are the rules about what happens in the skybox while watching the game.

Quotes on Board Effectiveness

What researchers and scholars say about the overall performance of boards:

“There is one thing all boards have in common . . . they do not function.” (Peter Drucker)

“Trustees are little more than high-powered, well-intentioned people engaged in low-level activities.” (Richard Chait, Thomas Holland, Barbara Taylor)

“Boards have been largely irrelevant throughout most of the twentieth century.” (James Gillies)

“Boards tend to be, in fact, incompetent groups of competent individuals.” (John Carver)

“Ninety-five percent of boards are not fully doing what they are legally, morally and ethically supposed to do.” (Harold Geneen)

After a full set of policies are developed, the board vigilantly monitors the progress of the organization, provides accountability and continually refines the policies as needed. This allows the board to be freed from operational details so they can focus on strategic issues and the organization's future.

This policy-based model is in contrast to traditional board governance, where a board will meet monthly or quarterly, approve the budget, hear detailed reports about various aspects of the work, approve major decisions, and attempt to control staff and spending. A traditional approach allows for policies to be developed, but they're usually not collected in one place or regularly updated. The board sees its main role as making decisions that manage the organization, instead of setting policies.

Whose Side Are You On?

Here's the heart of the debate. Some say traditional governance doesn't work and the Carver model is the only way to oversee ministries. Others say it's a dangerous fad that has seriously damaged or impaired organizations all across the nation, and that traditional governance, done well, is the way all ministry organizations should go.

Can they both be right? Let's take a closer look.

■ **Policy-based Approach:** Those in favor of a *policy-based approach* to governance point out that this is the only complete theory and set of practices for how a board should function. The model simply has no competition. It's widely used among nonprofits and currently gaining ground in business organizations as a result of recent corporate scandals.

There's no general theory representing a traditional approach to board governance. Instead, you will only find a large number of best practices and practical tips.

Leading researchers point out that most boards function poorly, so significant change is needed (see the sidebar: “Quotes on Board Effectiveness”). The model is useful in moving boards toward more strategic discussions and increased effectiveness.

What about organizations that tried it and suffered negative consequences? Carver supporters point to misunderstanding the model or poor execution. For example, a board decides to take a

policy-based approach. They write a few policies and tell the CEO to do whatever he thinks best. They relax and stop monitoring organizational performance. With no real accountability, the CEO starts doing whatever he wants. The organization launches new efforts off mission or encounters financial difficulties. The board steps in and blame is placed on the Carver model. However, the real problem isn't a flawed model but botched implementation.

■ **Traditional Approach:** Those in favor of a *traditional approach* to governance claim that a policy-based approach simply won't work with most nonprofit organizations. The Carver model may be a good theory, but it's too theoretical. Board members need practical help. Many board chairs can't understand or envision how it would work. And even if they do understand it, it's just too difficult to implement. It undermines the ability of the board to provide direction and accountability.

Some organizations have been seriously damaged or impaired by attempting to switch to the Carver model. For example, a CEO approaches his board and demands they move to a policy-based model. The board reluctantly agrees and makes the switch. The CEO begins thinking he can do whatever he wants as long as he's under budget. When they ask questions about the staff or work, the CEO begins stonewalling, “That's my job, not yours.”

The board ends up in the dark and doesn't even know it. When they find

out what's been happening, they have to take drastic measures. Had they retained a traditional approach to governance, everything would have been fine.

Other boards can become policy obsessed, spending inordinate amounts of time redoing and refining their policy statements. They might have multiple levels of policies defining how finances will be handled and pages of executive limitations. Rather than freeing themselves and the staff to achieve organizational ends, these board members attempt to use specific and highly detailed policies to control staff and operations. They end up creating a policy straitjacket.

One side sees policy-based governance as the future and the other as a fad. Could there be more to this debate than meets the eye? Are there deeper underlying reasons why policy-based governance is beneficial for some boards and problematic for others?

Five Ways to Function

As a board, you have a wide range of options for how to operate. You can choose to function as a working board, managing board, governing board, ratifying board or failing board. Although most boards don't choose to fail, previous unwise choices result in failure for some boards. These ways to function are illustrated in the accompanying diagram and chart (see “Five Ways to Function as Boards”). As a consultant to faith-based organizations, I've dealt with boards operating in each of these ways.

■ **Working boards** not only do the work of the board, but also the work of the CEO and volunteers. You'll see this way of functioning most clearly with very small organizations or start-ups. For example, you probably know of a group of people who got together and said, "Somebody ought to do something about this." So they started an organization and formed a working committee or board to coordinate the effort. A working board may or may not have staff or a paid director. In their informal board meetings, they do the work of the organization as well as manage the work.

■ **Managing boards** have staff with an

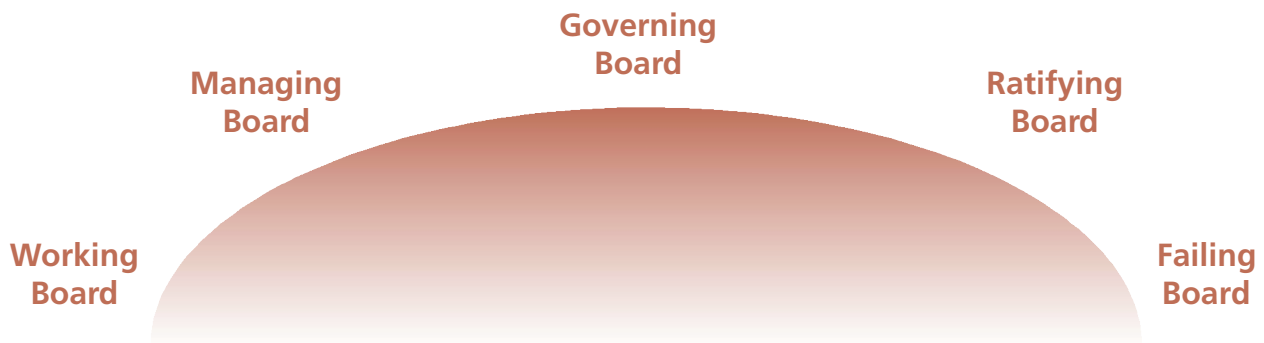
executive director or CEO. They have formal board meetings, hear reports and actively manage the organization. They make all the big decisions, set the budget, take responsibility for fund raising, and step in whenever problems arise. They like to keep their hands on the wheel. You can find managing boards in organizations of all sizes.

■ **Governing boards** hire an executive director or CEO and delegate to them responsibility. They make a sharp distinction between staff work and board work, and spend all their energies on board work. They use policies as a highly-leveraged tool to shape the organiza-

tion and help move it forward. They try to stay away from operational decisions and don't micromanage the CEO. These boards follow the Carver model or are highly influenced by it.

■ **Ratifying boards** essentially follow the lead of the CEO, who will usually establish the agenda, develop policies to be adopted, and even select future board members. The board essentially functions as a rubber stamp. At times they may disagree or have questions, but basically they hear reports and react to agenda items the CEO presents. Ratifying boards sometimes look like governing boards, except they're not

Five Ways to Function as Boards



Working Board	Managing Board	Governing Board	Ratifying Board	Failing Board
No CEO, perhaps no acting director	Weak or immature director, needs help running organization	Competent CEO, experienced staff that knows more than the board about the work	Hire a good CEO and stay out of his way	Members resign, high turnover, organizational fragmentation
New start-up or small organization, may not be incorporated or have 501c3 status	Emergency situations or between CEOs	Clear division of duties	Board approves what the director brings	Financial mess, consumed by cash-flow pressures
Board essentially doing the work of the CEO as a team	Board knows a lot about the work, assigns tasks to CEO	Focus on board work, concerned with values	Organization OK, but board in decline	Relational strife, distrust among staff and board
Board heavily involved in the work	Board is hands-on and proud of it	Up-to-date policies in writing	Focus on stability, status quo	Looking to the past, way behind the staff
Focus on day-to-day operations	Focus on administration and operations	Future-oriented, operates on strategic level	Hands off, getting lazy, out of touch, unaware	Not strategic, crippled by fire-fighting
Immediate time horizon	Intermediate time horizon	Hands on / hands off, delegates to CEO	Stale policies, little accountability, no term limits, reunion of old friends	Confused, aren't sure what to do
Primary role of board is recruiting volunteers and raising funds	Primary role of board is making decisions	Primary role of board is setting policy	Primary role of board is rubber stamping CEO initiatives	Primary role of board is ensuring survival

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truly leading the organization or providing real accountability.

■ **Failing boards** are characterized by arguments, strife, disharmony and lack of effectiveness. This is sometimes accompanied by financial turmoil. The world is changing, and these boards don't know how to transition their organization or adapt their ministry. A ratifying board can slowly ease into a failing mode. A managing board can quickly turn into a failing board if its decisions and actions backfire.

The Cyclical Nature of Boards

To clarify the differences, think of these five ways of functioning as the life-cycle of a board. When an organization is nothing more than an idea passionately held by a small group of people, the group is functioning as a *working board*. With limited resources and time, they struggle to realize their vision and get the new organization off the ground. Eventually they hire staff.

Now that the ministry is larger and more established, more management and oversight is needed. The board stops doing the work and moves to managing the workers. Raising funds becomes a bigger concern than when they only had volunteers. So they slowly begin functioning as a *managing board*.

Then as the organization becomes larger or more established, internal leadership talent begins to emerge. The CEO is managing the organization and so is the board. Frustrations increase on

both sides but neither knows what to do. Then someone suggests transitioning to a policy-based approach. It feels strange because it's new and unfamiliar, but if successful, they immediately start functioning as a *governing board*.

Over time, they get a bit lazy and stop watching over the organization as closely. "After all," they might say, "the CEO is doing a great job and we have nothing to worry about." They abdicate their authority and let the competent CEO lead the board as well as the organization. At that point they drift into functioning as a *ratifying board*.

As time goes on, they get a new CEO, face a terrible financial crisis or find their organization becoming increasingly irrelevant. They aren't sure how to respond. Arguments increase, relationships fracture and board members resign. The organization is in a death spiral and they don't know how to pull out of it. They take a hard look at themselves and realize they're a *failing board*.

These five ways of functioning are not true developmental stages, of course, because boards don't go through all of them, or experience them necessarily in this order. A new ministry can be birthed with a fully functioning managing board. And a board can move from obvious failure to policy-based governance under good leadership.

What usually happens is that boards swing from managing to ratifying and back again. One season they're micro-

managing, the next rubber-stamping. If you look at the diagram, it's like driving on an icy road, hard to keep the car in the center and out of the ditch. Having two opposing forces is another factor making policy-based governance difficult. As a governing board, you're continually living in this tension between getting involved and losing touch.

At times, a governing board will need to step in and function as a managing board for a while. For example, if the CEO suddenly resigns with no successor, the board has to make some key decisions and manage the organization until a new CEO is named. Afterwards, they can move back to a governing board.

Which Way Is Best?

You may have already observed, the five basic ways of functioning interact with policy-based governance.

For example, if your organization has a competent CEO and your board wants to move to a higher level and make a more strategic contribution, the Carver model is exactly what you need. After the initial shock, the CEO and board members will become enthusiastic about it as it changes the quality of deliberation in board meetings.

But let's say you have a small organization with seven ministry staff. You've invited the oldest one to serve as executive director and he reluctantly agrees. He's capable of dealing with the staff, but nervous about raising funds and paying the bills. Without question, this organization needs a managing board, because the board is actually functioning as the CEO. Attempting to implement a pure, policy-based model may prove problematic.

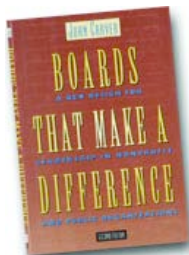
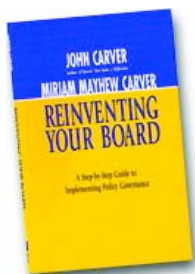
If you're going to delegate all operations to a CEO, you need a mature and competent CEO in place. A managing board in this situation needs to be strategic, developing policies and delegating certain areas while closely supervising others.

With a ratifying board, they'll approve a move to a policy-based approach, just as they approve everything else. But they may not have the skills or interest in actually doing the work of a board. They joined for other reasons, whether prestige, loyalty or friendship. Deliberating on policies may

Resources on Carver's Policy Governance Model

John Carver's book, *Boards That Make a Difference*, gives a thorough overview of the Policy Governance Model. *Reinventing Your*

Board by John Carver and Miriam Mayhew is a detailed guide on how to develop policies in each of the four categories. For an extensive description of the policy governance model, go to www.carvergovernance.com/model.htm.



seem too difficult and boring.

Before deciding whether or not to shift to a policy-based approach, you have to decide where your board is currently. If it wants or needs to be a working board or managing board, policy-based governance will appear too theoretical. If it's a ratifying or failing board, policy-based governance is too much work. No matter where your board is, if it aspires to become a governing board,

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make sure you have the following necessary conditions in place:

1. You cannot transition to policy-based governance without a competent CEO. Boards that go ahead anyway are delegating all operational authority to someone unable to handle it. At some point, lack of results will make the error painfully obvious. That leaves the board with two choices: hire a new CEO or become a managing board.

2. You cannot transition to policy-based governance without board members who want to do board work. Some board members, upon learning about how to write policies, exclaim, "I didn't come on to this board to do this crud!" Of course not, they came on to exert control over the organization by making operational decisions.

Perhaps your organization has made it a practice of rewarding major donors by inviting them on the board. Going to board meetings might be fun for them, but developing policies and doing board work might not be that enjoyable.

3. You cannot transition to policy-based governance without board members who can stay out of staff work. If your board includes senior field workers, as many organizations do, they may see their role as one of advocating for a constituency rather than developing policies for the whole. Also, some board members just can't stay out of detailed operational matters. As one CEO recently told me, "The model is only as good as the people on the board."

4. You cannot transition to policy-based governance without at least one board member with significant expertise. The CEO cannot take the board through a transition to policy-based governance, but the CEO can tutor the board chair and provide books and articles. When the board chair is ready, he can make it happen. If no one on the board is comfortable leading the transition, then you'll have to find an outside resource person to assist you.

Not every board is ready for policy-based governance. In general, the larger the organization, the more it's needed. Just don't proceed without the necessary conditions for success in place. And every organization must make adaptations, applying the principles to their unique context.

Conclusion

So let's end the policy-based debate. Yes, John Carver's Policy Governance model is the best available. No, it's not a dangerous fad. Yes, every board needs written policies. No, not every board is in a position to implement a policy-based approach. It's a matter of fit.

If you want or need to function as a managing board, use a traditional approach to governance, incorporating the best practices associated with it. If you want or need to function as a governing board, use the policy-based approach. Either way, keep working on becoming a better board, so your organization thrives and Kingdom work is accomplished.

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