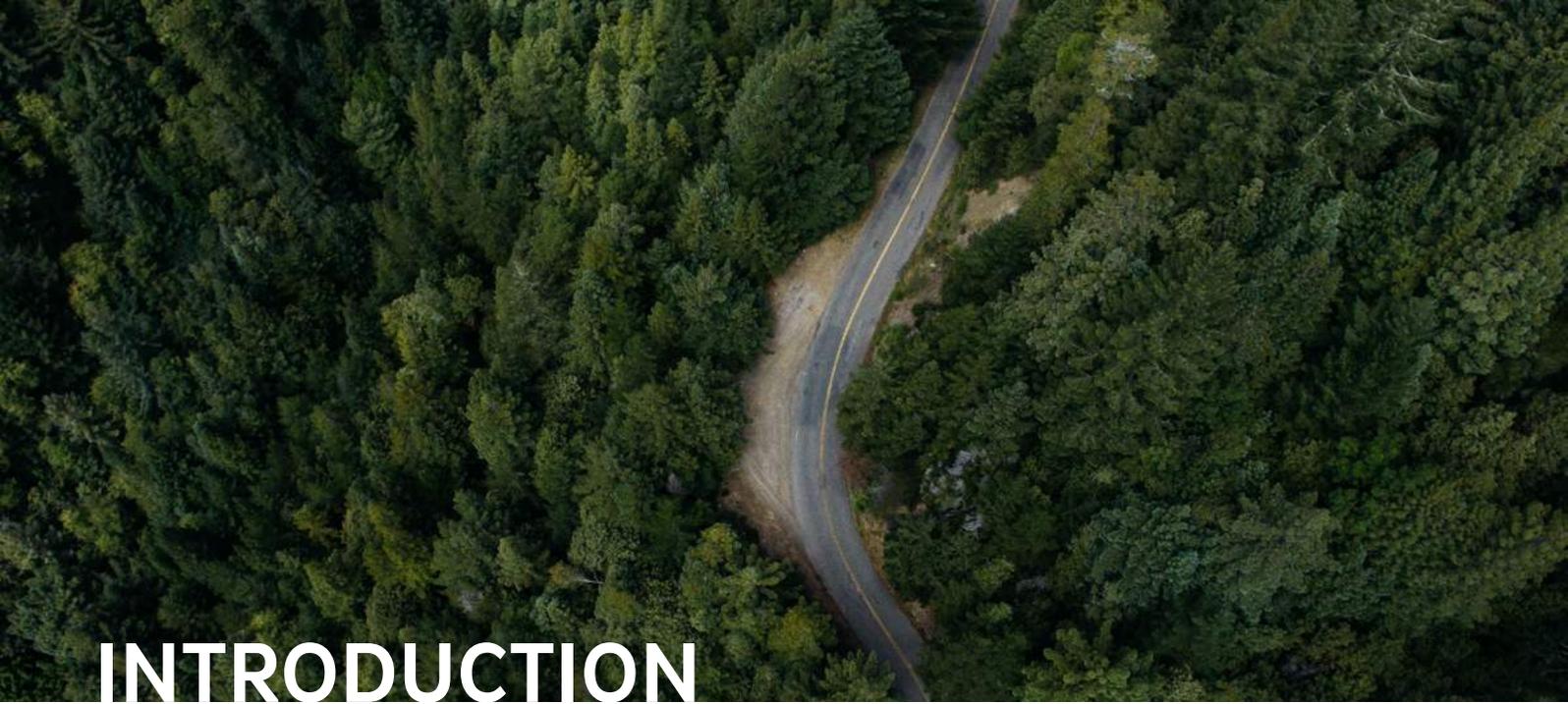


CHOICES, FUTURE *and* COMMUNITIES

An honest reflection on the role of
the Board in modern nonprofits



INTRODUCTION

Over my thirty years working with Boards and senior leadership teams, as Chairman, Director and CEO I have seen the roles of Boards described as many things.

I have seen these roles labeled as fiduciary oversight (yawn), risk management and strategy development ('another coffee, please'), control of staff and resources (shudder), legal compliance and on it goes.

When did our understanding of the roles of Boards lose its vitality and fall prey to these sanitized, clinical descriptions?

In many ways, this interpretation has been perpetuated by academic training programs, journals and professional bodies who have a tendency to confuse our understanding of the roles of Boards and their supporting system of governance, causing us to sometimes lose sight of the gift that Boards can be.

This is a critical failure because the need for great Boards supported by good governance systems cannot be overstated. Governance, the framework of systems and processes that

enable organizations to operate effectively, is paramount. No governance is akin to running a city without traffic lights. But what about the Board of Directors?

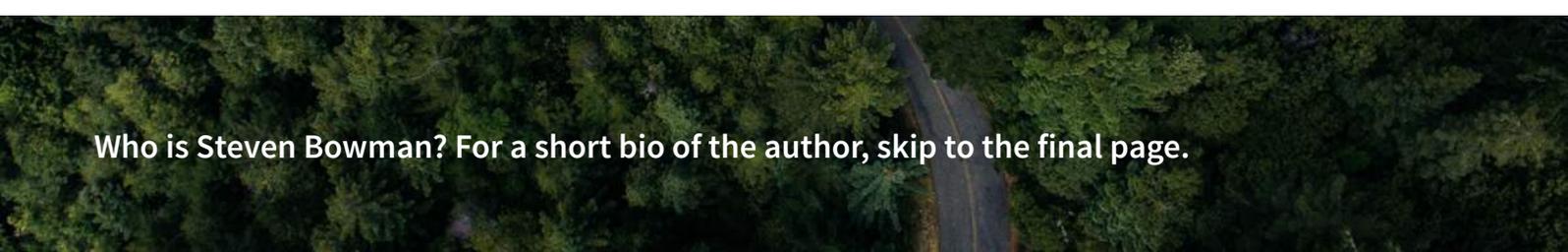
If we go back to the basics of what a Board's role is, it would look something like this:

'The Board's role is to make the choices that create the future for the communities it serves.'

This statement is powerful. No jargon. No chance of misdirection. It should anchor our understanding of why the Board exists.

Governance processes, the policies, strategies, financial reporting and risk management programs are tools to assist the Board in meeting this end.

The implications of this simple definition of governance, away from "fiduciary oversight" and into a tangible representing of a Board's responsibility, are profound. Let's deconstruct the implications of this definition.



Who is Steven Bowman? For a short bio of the author, skip to the final page.

The role of the Board is to...

“MAKE *the* CHOICES...”

When asked what a Board actually does, many would say it exists to make decisions on behalf of its members: decisions on policy, strategy, financial analysis, risk management and so on.

WHAT IS A DECISION?

During my service on many Boards and now my international advisory role with Boards, I have had the opportunity to present this question to many thousands of Directors and senior leaders.

When asked what a decision is, the most common response can be found in the following:

- A decision is seen as something that follows a debate and consensus over a course of action. A decision, therefore, becomes synonymous with the answer.
- A decision is final and does not need to be revisited.
- Once we have found the answer we can finally shift our attention to something else and needn't look for other possibilities.
- The decision has to be right (because once it is made we don't want to change it).

The issues this common interpretation of “decision” creates are obvious but far harder to identify when a Board communicates poorly, or

when a director is under pressure to appear credible in front of peers.

What are the challenges if we slip into this mindset?

- Most obvious, anything that does not agree with the decision which was made is, by definition, categorically wrong, and the individuals who hold the dissenting points of view are malcontents working against the common good of the Board.
- If a Board is looking for the right answer and supposedly finds it, then it will typically stop looking for other alternatives. Directors will hardly even stop to question whether their chosen course of action is actually working.
- Decision making around the Boardroom slows down dramatically. The pressure to ‘get it right’ can cause a Board to drag its feet, fearing the criticism brought on by making the wrong decision.
- Information collected after the decision has been made will typically be reconstructed, manipulated or misread to show how its findings agree with the chosen decision.

“What is the future we want for our community (not for this organization)?”



CHOICE *VS* DECISION

Choice, on the other hand, is all about identifying the options presented to you and recognizing there are an infinite number of ways of doing any one thing.

After interrogating these options, choose one to implement. If your selection needs to change, return to your choices and choose again without fearing your ego or reputation will be affected.

This requires you to take the point of view that when making a choice, following the required analyses (financial, risk, strategic, ethical etc.), your choice does not define you. After making a choice, and if the situation permits, you still reserve the right to pivot to a better choice when the time is right, or when different information presents itself.

This does not mean the Board is whimsical or uncommitted to a choice once it has been identified, as there are times when a choice should not be changed. For example, completing a merger, filing for bankruptcy, firing the CEO etc.



THE NONPROFIT SECTOR IS LARGE & DIVERSE. IT COVERS ACTIVITIES & SERVICES INCLUDING:

**HEALTH
SOCIAL SERVICES
EDUCATION
SPORT & RECREATION
ARTS & CULTURE
ENVIRONMENT
ANIMAL WELFARE
HUMAN RIGHTS
RELIGIOUS PRACTICES
ANY OTHER SECTOR
YOU CAN IMAGINE**

PRACTICAL APPLICATION

1. Ensure that all board members understand that making a choice is about choosing from options. In some instances, it is better to fail quickly, learn from the experience and choose again. This is a far more agile approach in today's frenetic business environment.

This also serves to reject the linear idea that Directors are choosing from a rendered view of how a particular decision should go. If need be, use the word 'decision' but treat it as a 'choice'.

2. Insist on at least two or three strategically viable options for any Board issue that needs a consensus. These options should always be fully analyzed for their viability. The Board's role is then to discuss, question, test and make a choice from a range of options.

3. From these options, provide at least two strategic questions for the Board to consider which can help open up discussions around different choices that could be made in the same situation and the possible implications.

4. Constantly review the environment for anything that might impact on your choice pool and be prepared to make another choice if circumstances change. After all, it is only a choice!

The role of the Board is to “Make the choices...

“...THAT CREATE *the* FUTURE...”

The role of the board is not to meet around the Board table and examine reports detailing how busy the senior executives have been.

Let’s return to our definition: the role of the Board is to make the choices that create the future for the communities it serves.

Therefore, creating the future is all about leveraging your circumstances. One way to avoid becoming the victim of external events is by being aware of what is happening in the strategic environment.

Focus your attention on the trends or events (political, social, environmental, behavioral) that are likely to affect your organization. Futurists, technologists and cultural scientists are all great individuals to involve in scenario planning, for their trend insights beyond the obvious.

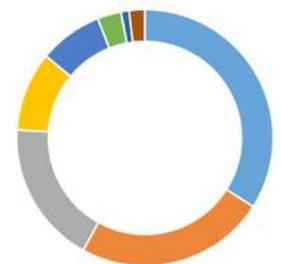
If required, respond to environmental risks by taking actions to manage, soften or mitigate your collision with these external forces.

My definition of what it means to be strategic, a definition I have shared with and has been embraced by many thousands of executives and Board members, is shaped by the following three questions:

1. What’s happening out there now and into the future?
2. What does it mean to us (if anything)?
3. What do we need to do about it (if anything)?

Use these questions relentlessly. Boards must ensure that they are constantly scanning the many potential futures in front of them, discussing the potential implications of each future in relation to their vision and key strategies, and then making proactive choices about what needs to be done now to position themselves in readiness.

Breakdown of charities registered with the ACNC across Australia



- New South Wales
- Victoria
- Queensland
- Western Australia
- South Australia
- Tasmania
- Northern Territory
- Australian Capital Territory.



PRACTICAL APPLICATION

5. Encourage the Board to be more strategic by restructuring the Board agenda to reflect the key strategies of your strategic plan. This has a dual benefit: If you list key strategies in the Board agenda, your discussion during Board meetings remains focused on achieving these strategies.

If you are focused on achieving these strategies, your impact on the community will be ten-fold. By contrast, if the Board agenda is primarily focused on operational detail, then the Board will inevitably function from an operational perspective.

6. Add the vision statement to the Board agenda. This adds context for the Board’s discussion by highlighting what is really important to the organization, and the difference it has agreed it wants to make to the communities it serves.

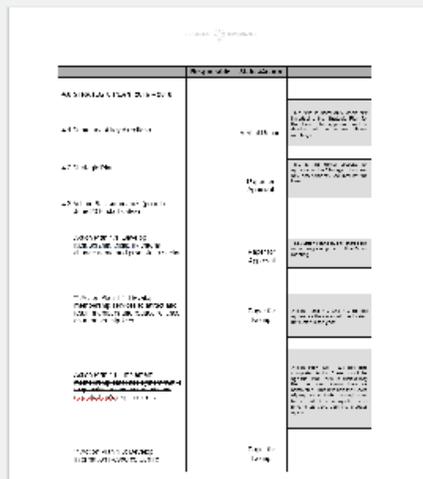
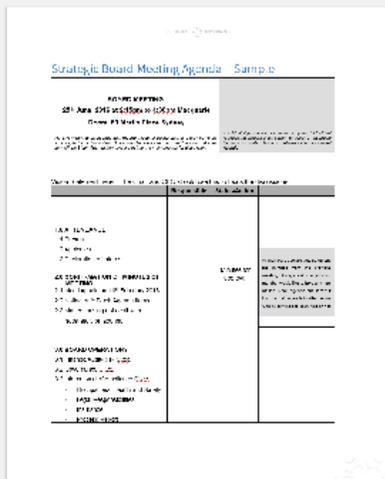
7. Ensure that staff reports or proposals indicate how they are achieving the vision, the strategic objectives and where they fit in the strategic plan.

8. Every second or third Board meeting, arrange for a key stakeholder to provide the Board with a short summary of what that stakeholder sees as the top 2 or 3 key strategic issues that the stakeholder faces, and what the implications for the Board might be over the next 5 to 10 years. The Board can then reflect whether the strategic plan is robust enough to deal with the identified implications.

9. Every second or third Board meeting have a key staff member make a short presentation to the Board regarding the key strategic issues over the next 10 years in that staff member’s area of responsibility. Take the opportunity to then reflect whether the strategic plan is robust enough to deal with these identified strategic issues.

10. Develop a section of the agenda dedicated to raising ‘strategic gossip’, anything that Directors or key staff have heard that may affect the assumptions of the organization, or impinges on the strategic plan in any way. This can include issues found in the newspaper, picked up from similar organizations etc.

[Strategic Board Meeting Agenda - Sample](#)
[CLICK HERE TO DOWNLOAD](#)



The role of the Board is to “Make the choices that create the future...”

“...FOR *the* COMMUNITIES *it* SERVES”

The purpose of your organization is not to perpetuate itself. As a nonprofit, you exist to make a difference in peoples’ lives. As a member of the nonprofit sector, you are contributing to a rich history of positive societal impact. Your unique, desired impact should be articulated in your vision statement.

Understand your service communities will change over time with swings in demographics or community needs. This places an emphasis on creating an ongoing relationship with your stakeholders. You can easily identify your stakeholders with the following question: Whose points of view about our organization truly matter to us?

Your stakeholder engagement strategy should be reflected in the following questions:

Who are our stakeholders this year? Has this changed or is it likely to change?

- How do our stakeholders perceive our impact on the community?
- How do we engage with our stakeholders to facilitate greater change (are they part of our strategic planning, our risk management or our communications)?

PRACTICAL APPLICATION

11. At least once a year have a formal discussion at Board level on who your communities are. Note what has changed or is expected to change. Map this against current strategic plan initiatives to see if anything alterations need to take place.

12. Involve key stakeholders in your strategic planning team. I have found the optimum planning team size is between 15 and 20 people, usually consisting of Board, senior staff and 2 or 3 key stakeholders.

13. Involve key stakeholders in your risk identification process, as they will perceive your organization from a different point of view, which may unlock some potential risks you had not considered.

14. Develop performance measures that identify the desired changes to be found in your communities from the strategies and programs you are undertaking. Some of the simplest yet most profound measures are to do with measuring communities perceptions of the changes created by your existence. This will keep the Board grounded in their reason for existence.

The impact of the nonprofit sector

AUSTRALIA

\$43 bil

was contributed to the Australian GDP by the nonprofit sector (2006-7)

6.1 mil

Australians working as volunteers across the nation

890K

Australians are employed by the sector (2006-7)

UNITED STATES

11.4 mil

American have a job in the nonprofit sector

62.6 mil

Americans volunteer in some capacity

SUMMARY

The Board can be a driving force for societal change and organizational accountability especially when it understands why it exists. Your Board exists to “make the choices that create the future for the communities it serves”. The practical application of this is what creates truly generative organizations that deliver against the promise that they are to their communities and society at large.

ABOUT *the* AUTHOR

Steven Bowman practices and teaches governance as a culmination of the choices that people make and not simply compliance, policy and procedures.

Steven is the director of Conscious Governance, based in Melbourne, Australia. He is an internationally recognized expert adviser on conscious leadership, strategic innovation, and tapping into the power of awareness within organizations.

Steven has held numerous senior executive and CEO positions with some of the USA and Australia’s most prestigious organizations. He has authored and co-authored over fourteen books on nonprofit governance, strategy, risk and executive leadership.

Currently, he consults with over one thousand nonprofit and corporate organizations each year in the USA, Australia, New Zealand, and Asia. He is a Fellow of the Australian Institute of Company Directors, awarded life membership of the Australasian Society of Association Executives, and a Fellow of the Corporate Law and Accountability Research Group, Monash University.

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