

Board Governance Building a Better Board

October 20, 2018

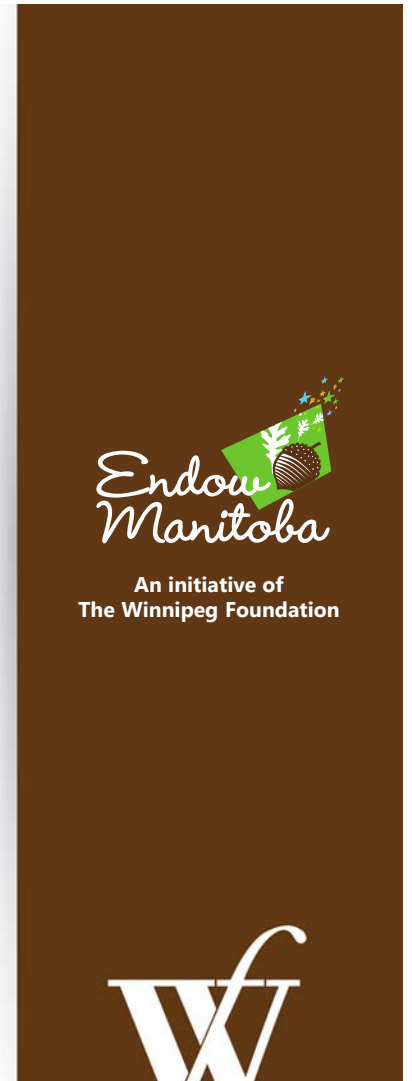


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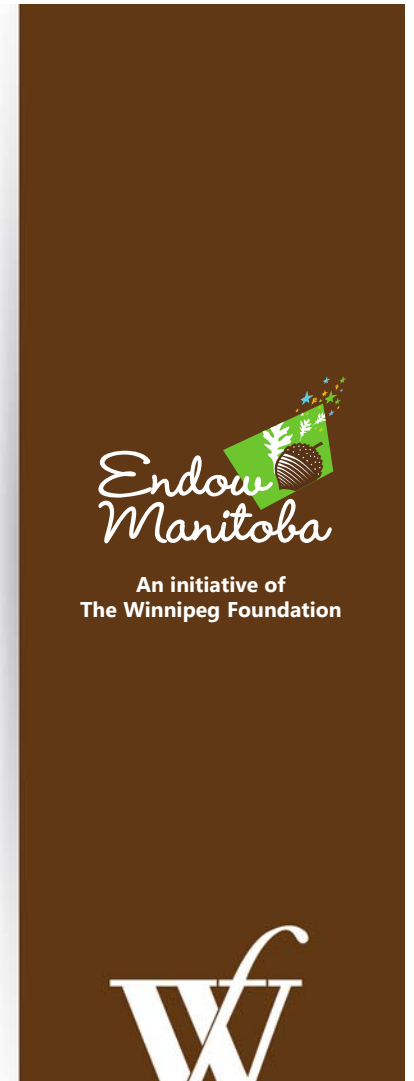
Big Questions to Answer:

- How do we identify and understand our organization's "owners" and its "influencers?"
- How do we define our role as a Board in meeting the organization's governance needs?
- How do we ensure that our values are reflected in the role we undertake as a Board?
- How do we align our personal behaviours with the Board's values?



Defining Success

- Through today's workshop and subsequent efforts, we will develop the beginnings of a CF Director's "job description":
 - Catalogue of "owners" and "influencers"
 - Development of board mandate statement
 - Identification of shared group values
 - Definition of desired director behaviours

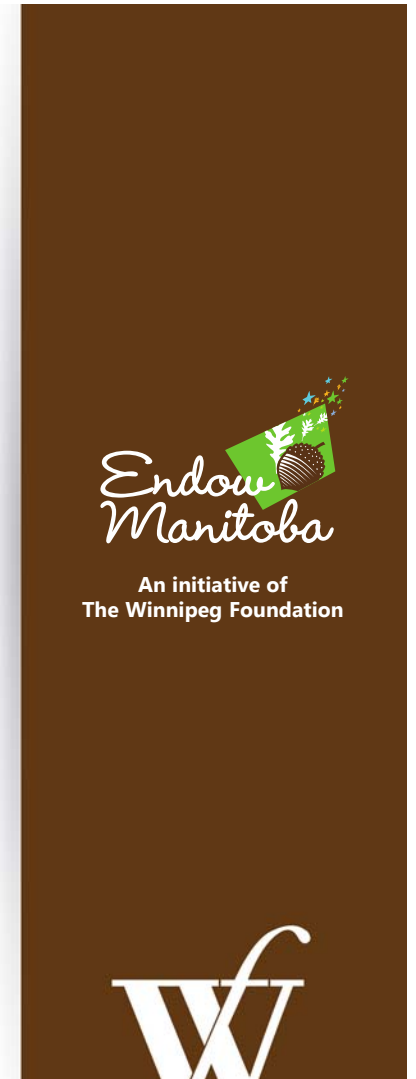


New Thinking:
Board Purpose
(or “Why your Board
provides real value to the
organization”)



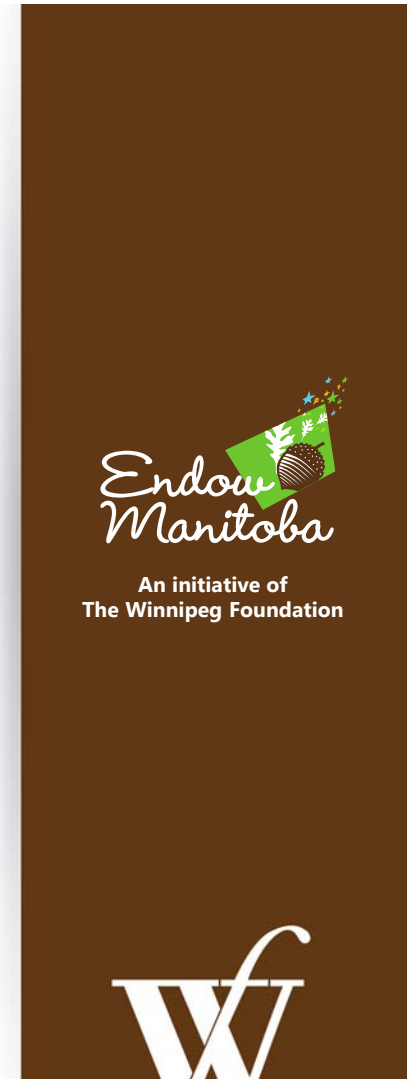
Board Purpose: Why Boards Provide Value

- Boards were created to ensure:
 - Sustainability of the organization
 - Protection of the rights of the owners
- Despite the relative straightforward intention of board purpose, one of the greatest challenges to governance is directors' understanding of their role
 - **UNDERVALUED:** Rubber stamping, etc.
 - **OVERSTATED:** Micromanaging, etc.
 - **UNCLEAR:** Disengagement, etc.
- A key to better defining purpose is to understand the board's relationship to the owner and management within the organization's activities



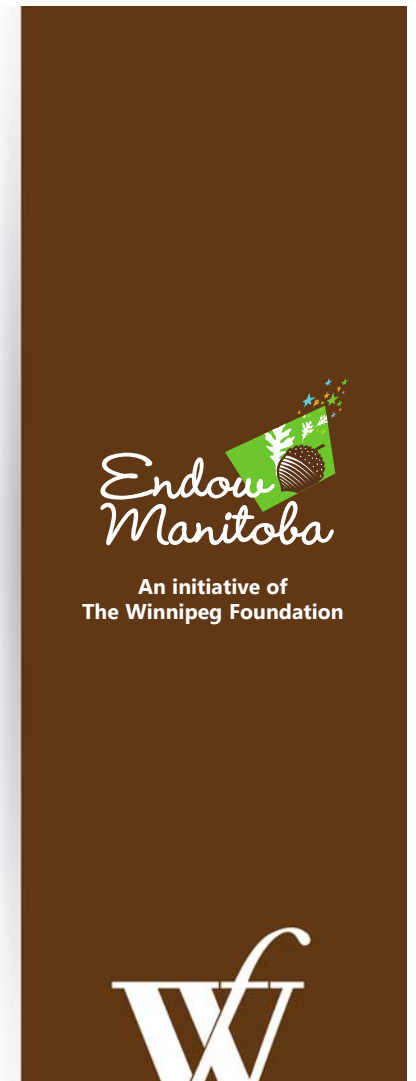
Board Purpose: Ownership

- Ownership has been traditionally defined as the individuals who have an investment in the organization (members, shareholders, etc.)
- In recent times, there has been considerable emphasis on extending the definition of ownership beyond “material” investment to include those groups impacted by the organization’s activities (stakeholders)
- This approach can become problematic as it confuses the accountability relationship between the organization and its true owner(s)
 - Impacting the board role and wide range of activities (such as oversight, risk, strategy)



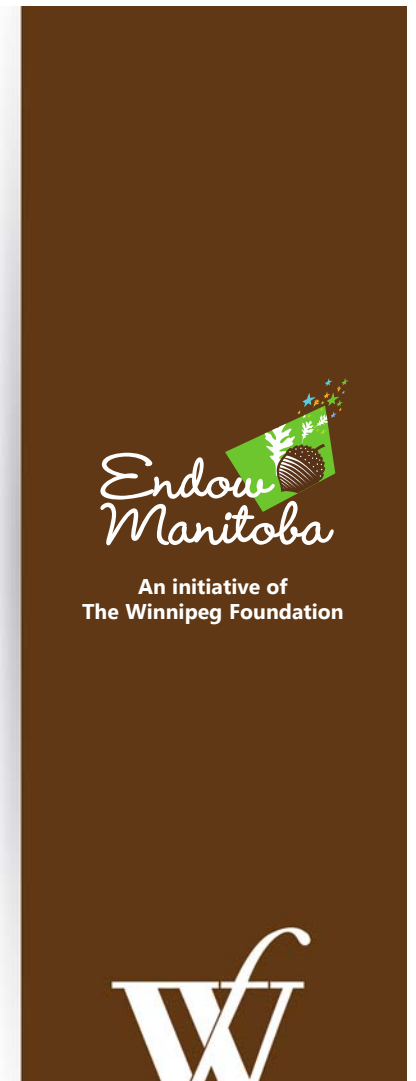
Board Purpose: Ownership

- Defaulting to groups that are not the “owners” is a failure of the governance model
 - Provides disproportionate influence to individuals that do not share similar investment/risk
- Boards must recognize the differences (subtle or otherwise) between organizational:
 - Owners (shareholders)
 - Influencers (stakeholders)
- The litmus test for determining the owner(s) of an organization requires simply identifying who has the ability to “make or unmake” the organization (e.g. legislation, financing)
 - All others fall under the category of stakeholders

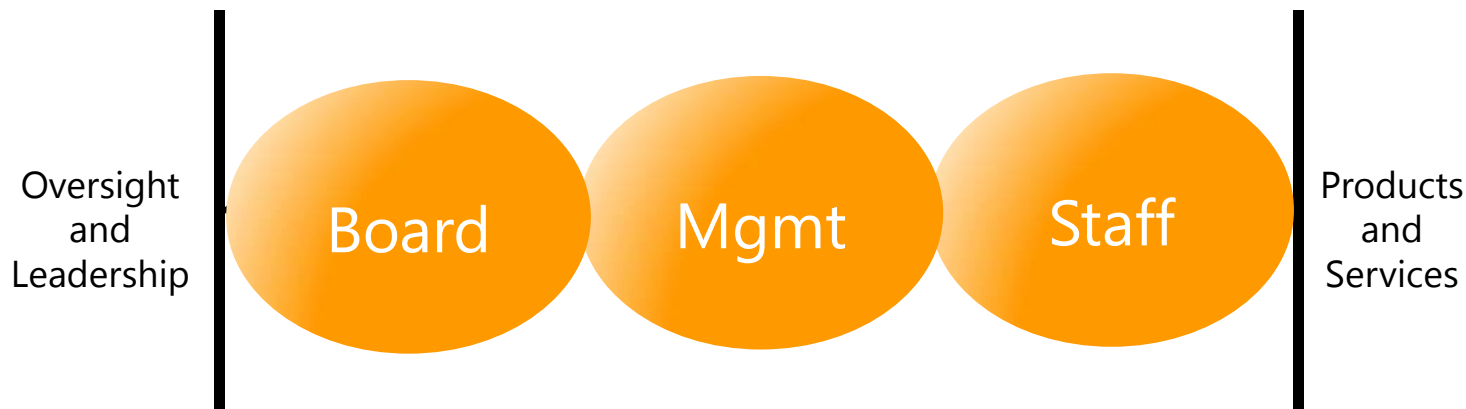


Board Purpose: Identifying your “Owners”

- 15 min – Small group exercise
 - Who are the organization’s owners and what do they want?
- 10 min – Full Group discussion
 - To whom are we responsible?



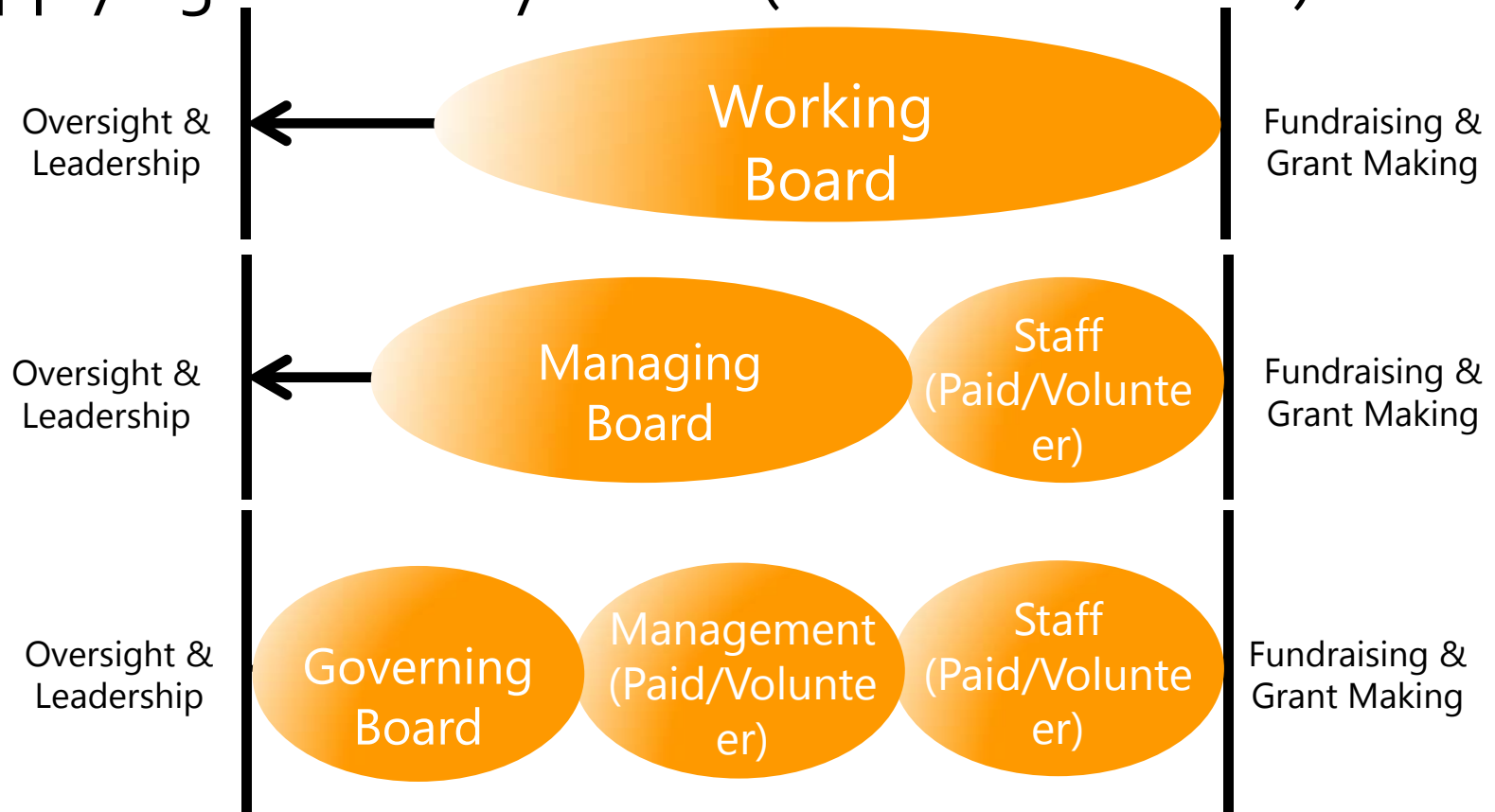
Board Purpose: Organization Activity Continuum (Ideal)



- Similar to staff and management, the board's role within the continuum is twofold:
 - Ensure financial/non-financial performance (oversight)
 - Ensure the sustainability of the organization through consideration of risk and strategy (leadership)
- Where the two spheres of responsibility overlap are the natural points of collaboration and communication

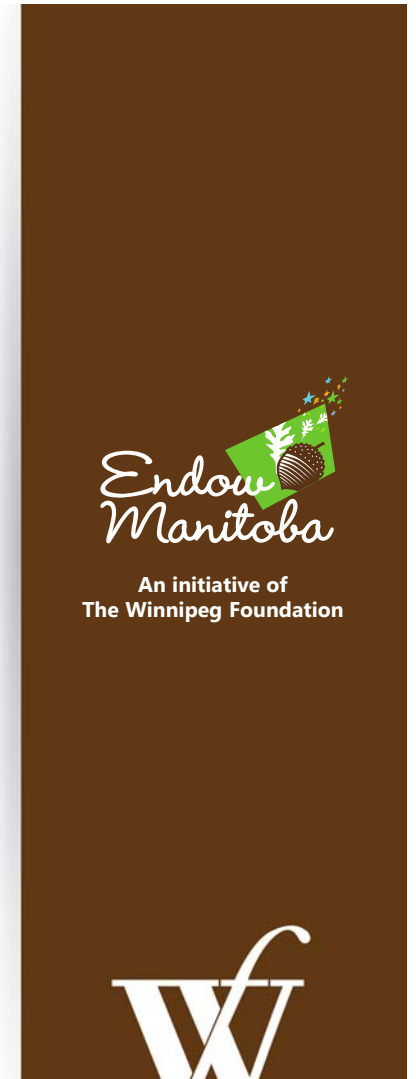
Board Purpose:

Applying the theory to CFs (Different Models)



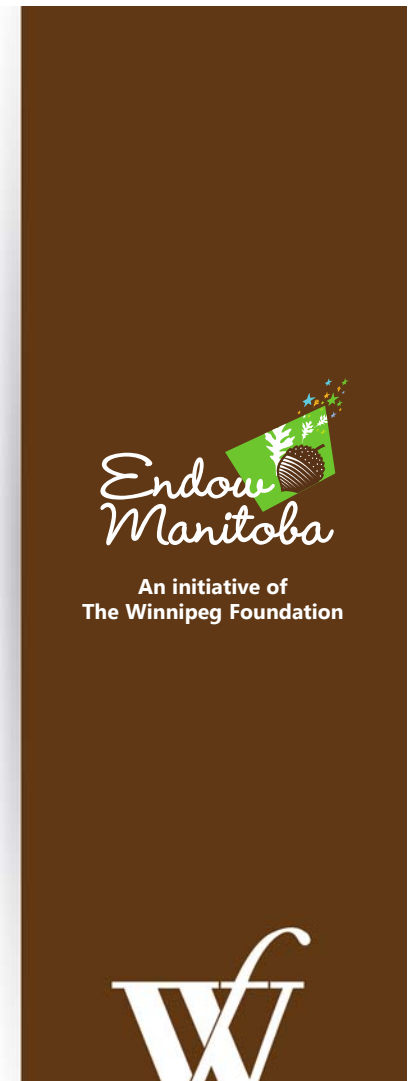
Board Purpose: Vital Link to Big Picture

- Boards play the role of that vital link along the continuum where management ends and the larger, “big picture” concerns of the organization begin
- In many ways, boards play the role of internal “organizational therapists:”
 - Identifying challenges
 - Testing business realities/assumptions, and
 - Actively supporting the organization’s long-term development



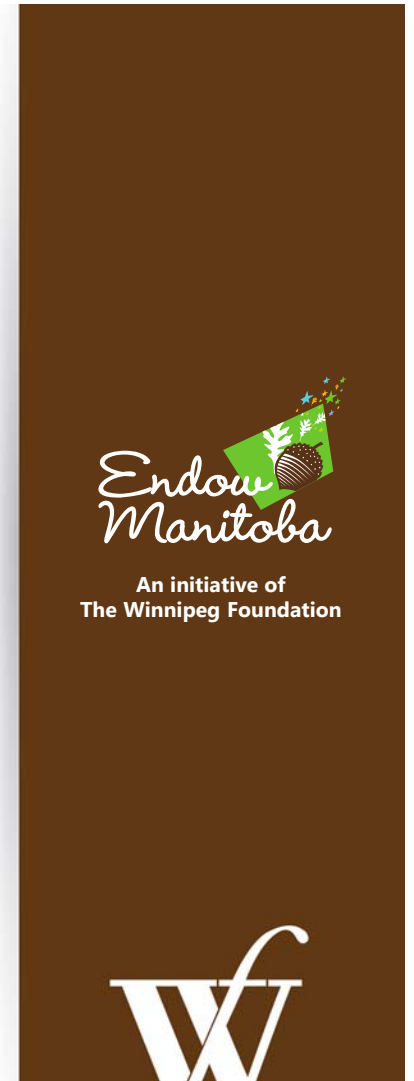
Board Purpose: Vital Link to Big Picture

- If one acknowledges that the board:
 - is legally accountable to the owner (legislation); and
 - holds the highest level of responsibility along the organizational continuum (oversight and leadership),
- Then the logical role of the board is one of dual-trusteeship, or 'leading from the middle':
 - ensuring that the owners' mandate/priorities are undertaken (by providing oversight to the organization); and
 - creating a more enlightened ownership (by providing leadership back to the owners).



Board Purpose: Developing your Mandate

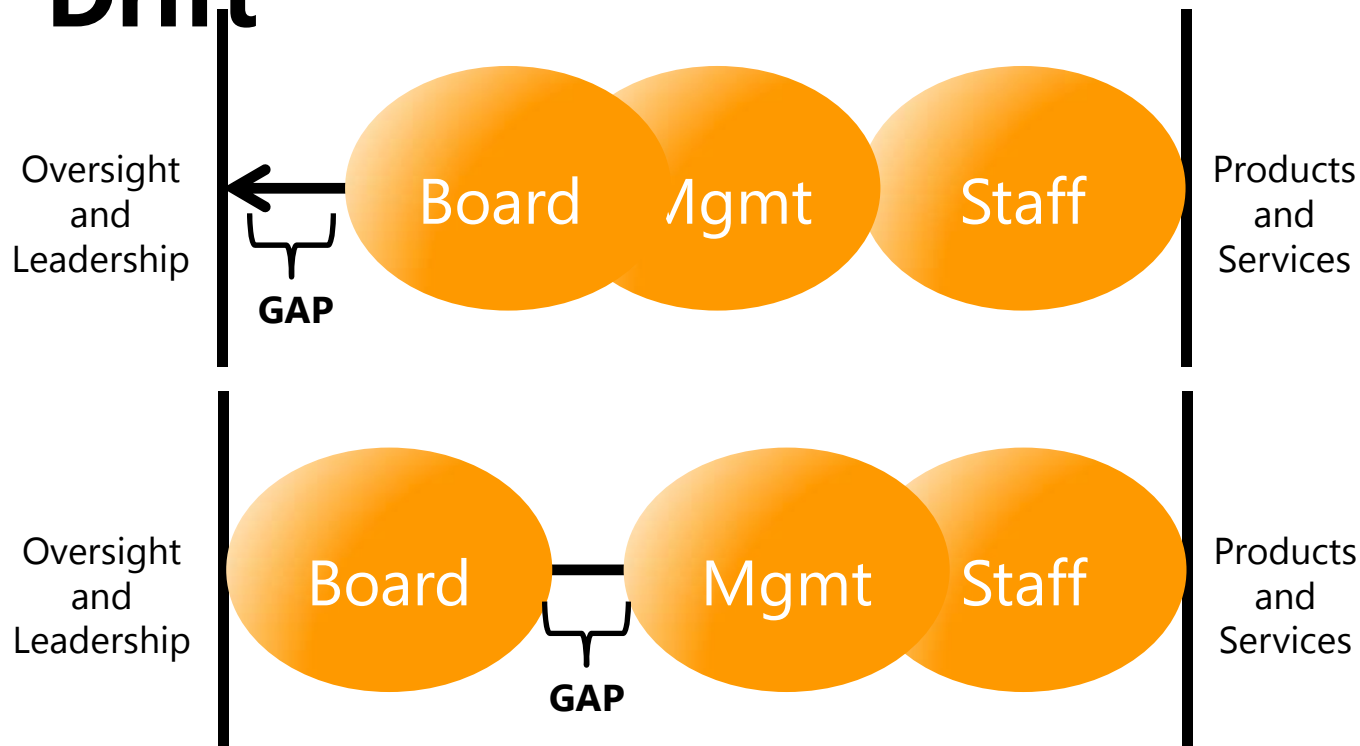
- 15 min – Small group exercise
 - How could we describe the purpose of our board?
- 10 min – Full Group discussion
 - How do we articulate the benefit our Board provides to our CF



New Thinking: Board Authenticity (or “Why your values impact your board’s effectiveness”)



Board Authenticity: Challenges – “Drift”



Why “Drift” occurs

- Despite an understanding of board purpose, “drift” along the continuum can occur due to the human factor over time, specifically:
 - Inconsistent values (individual, shared)
 - Culture (organizational impacts)
- This situation becomes increasingly problematic when those behaviours and attitudes are incongruent with how the directors would operate as individuals (or at home, etc.)
 - Leading to frustration and disengagement



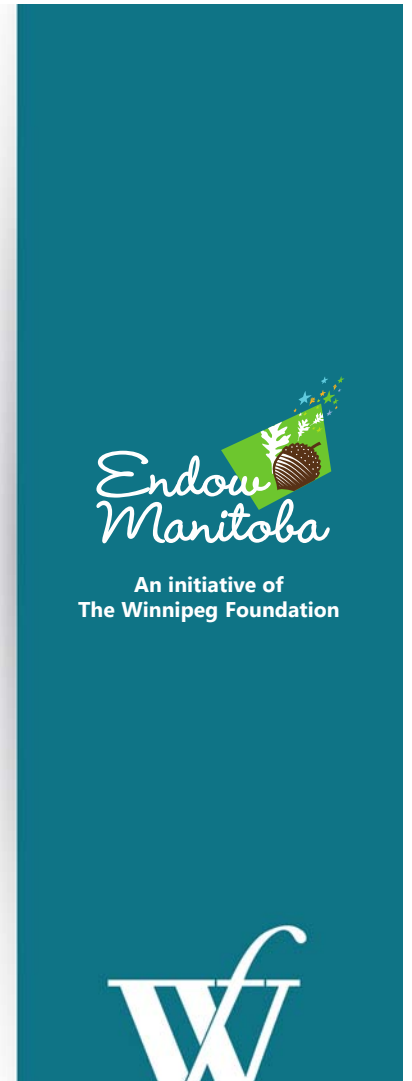
Board Authenticity: Shared Group Values

- Challenges still persist if those ideal values are not accepted by the board as a whole
 - Issues such as representation are a prime example of a disconnect between individual director values and those of the board
- Until these diverse values are shared and a commonality is attained, the board is significantly less effective
 - Numerous board activities ranging from strategy to risk to oversight will devolve into debates on ideology vs. discussions on execution



Board Authenticity: Discovering Shared Group Values

- 15 min – Small group exercise
 - What values are critical in supporting the undertaking of our board purpose?
- 10 min – Full Group discussion
 - How do we define those values as a group?



Board Authenticity: Challenges - Old Code

- Total loyalty to executive management
- Total support of management (at all times)
- Be compatible
- Be legally correct
- Participate correctly
- Don't take the job too seriously
- Be discreet
- Go through the right channels
- Take your perks and keep quiet
- Don't rock the boat

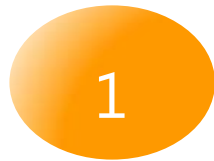
(Leighton and Thain – *Making Boards Work*)

Board Authenticity: New Code

- Manage the business and affairs of the organization
- Function as a trustee and consultant
- Take the job seriously and do it well
- Do what is right
- Support those who are worthy
- Get the information you need
- Use the boards routine and infrastructure
- Build good relationships in the board and its organizational network
- Work on getting the culture right
- If necessary, rock the boat

(Leighton and Thain – *Making Boards Work*)

Board Authenticity: Directors - Qualities that Matter



GOOD
THINKER



GOOD
QUESTIONER



COURAGEOUS



GOOD
JUDGEMENT



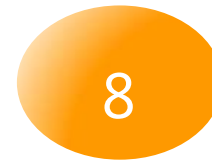
COLLEGIAL



ETHICAL



TIME AND
ENERGY



INDEPENDENCE

(Dr. John McCallum – *Directors: The Qualities that Matter*)

Board Authenticity: Linking Director Behaviours to Values

- 15 min – Small group exercise
 - What director behaviours would help to promote the identified shared group values?
- 10 min – Full Group discussion
 - To what extent will these behaviours support our shared group values?



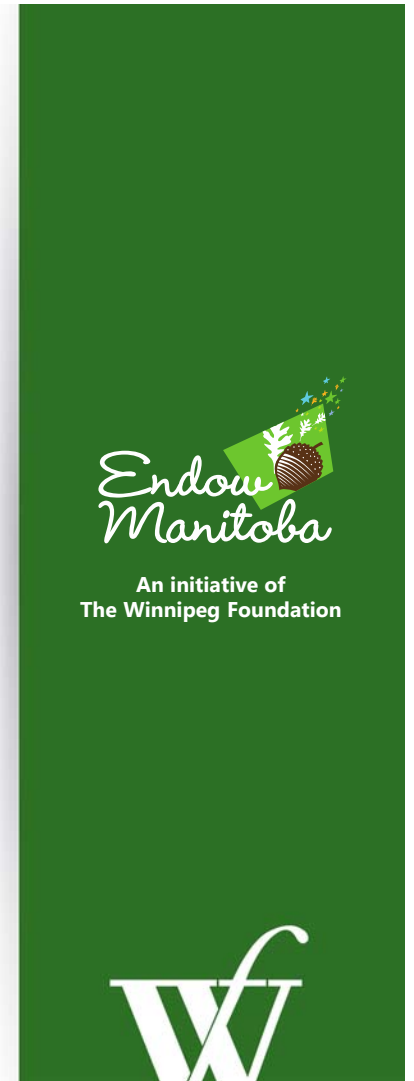
Next Steps

(or: “Building off of Today’s Great Work”)



Next Steps

- Review all of the discussions today to inform the outline of a Manitoba Community Foundation board profile
 - Mandate (purpose) statement, Board Values, Director Behaviours
- Leverage the board profile to create “Job Descriptions” for future CF Board members
 - Assist in recruitment, selection, and succession matters



Questions?

Thank you!!!

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