



GOVERNANCE is GOVERNANCE

KENNETH N. DAYTON



INDEPENDENT SECTOR

About the Author

Kenneth N. Dayton is the former chairman and chief executive officer of the Dayton Hudson Corporation and is currently president of the Oakleaf Foundation in Minneapolis. He has served on the boards of a number of nonprofit organizations including major institutions such as the Rockefeller Foundation, the Mayo Foundation, Carnegie Hall, and the J. Paul Getty Trust, and as chairman of American Public Radio. He was also a founding trustee, and later vice chairperson of INDEPENDENT SECTOR. As chairperson of INDEPENDENT SECTOR'S Task Force on Measurable Growth in Giving and Volunteering, he presided over the deliberations that resulted in a campaign to boost giving and volunteering nationwide.

INDEPENDENT SECTOR

INDEPENDENT SECTOR is a nonprofit, nonpartisan coalition of more than 700 national nonprofit organizations, foundations, and corporate philanthropy programs, collectively representing tens of thousands of charitable groups in every state across the nation. Our mission is to promote, strengthen, and advance the nonprofit and philanthropic community to foster private initiative for the public good.

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There are throughout the independent sector examples of superb, professional management. There are more than 1 million nonprofit institutions in this country. It has long been my conviction that too many of those institutions have underemphasized the importance of good management and good governance.

As a corporate executive, I spent a disproportionate amount of my time trying to develop and perfect an ideal system of governance for a publicly held corporation—a system of governance which embraces the optimum relationship between board and management.

In my role as CEO and later chair of the board, and in my role as a corporate director and public trustee with almost 40 years of experience in business, religious, civic, health, educational, cultural and philanthropic organizations, I have developed some very strong concepts of governance of institutions—public and private, for-profit and not-for-profit. I want to share those concepts with you.

I began writing this as a director of INDEPENDENT SECTOR at the request of its CEO. That is a very important statement and I want to come back to it later. Just let me say now that, to me, trusteeship involves helping the CEO in whatever way is requested of you and

that you possibly can do. Here I am talking about the volunteer side of my directorship, and it has nothing to do with the governance responsibility I hold as a director. Throughout my remarks, I hope you will keep those two roles of a trustee—governing and volunteering—very separate in your minds. When I was asked to undertake this volunteer assignment, my concepts of trusteeship forced me to accept it whether I wanted to or not. So here I am.

It's a conviction first of all that governance is not management.

Governance is governance. That's more than a title—it's a deeply held conviction. It's a conviction first of all that governance is not management and, second, that governance in the not-for-profit sector is absolutely identical to governance in the for-profit sector—with that one added dimension that I will come back to. I want now to discuss what governance or trusteeship (I use the two terms completely interchangeably) is and what it is not. First, what it is not. Governance is not management. In my opinion, one of the worst sins of charitable or-

ganizations is that too often they do not distinguish between the two. Rather, they confuse the two responsibilities and in the process hamper the mission of the institution.

In all cases I am referring to institutions that have at least one full-time professional staff executive.

To my mind, this executive is the CEO of the institution. It matters not what the actual title is—president, executive vice president, general manager, executive director, or whatever. In my view, these professionals are the CEOs and they should consider themselves

A weak CEO can often protect his or her hide by delegating management's responsibilities to the board.

that, and should be so viewed by the entire board. A position description should clearly state that fact—and everyone on the board should accept that fact, particularly the chair. But how many boards can each of us think of where the paid executive is only the administrative officer carrying out the routine caretaking functions which the board or its chair delegates?

I regret to tell you that I have known volunteer chairs of the board who clearly think they are the CEO. And, I regret even more to tell you, I have known paid executives who ought to be the CEO but who are not and who are perfectly willing to let the board or its chair call all the shots. A weak CEO can often protect his or her hide by delegating management's responsibilities to the board. And lots of boards and individual board members (particularly those who have a special vested interest in a particular aspect of the enterprise) are just delighted to take over some or all of management's responsibilities.

Why is it that so many corporate directors grow horns when they become trustees? Why do they assume that they can do things as trustees that they would never think of doing as directors, such as interfering with management's role and making decisions or requests that no corporate director would think of making?

Then too, I have been utterly amazed over the years to observe how boards always tend to fill management voids. If management is weak in an aspect of its operation, a strong board or board member will move in and take over. The trick for management is to leave no voids, and the trick for the board is to see to it that management has a plan to fill any voids that occur, rather than to leap in and fill them itself.

Any institution—for-profit or not-for-profit—that has an all-powerful chair or a weak CEO is an institution in trouble, or surely is one headed for trouble. How can we prevent that from happening? Harder still, how can we change course, install professional management practices and board practices, and then develop the optimum relationship between the board of trustees and the CEO? Between the governors and the managers?

The Right Foundation

The foundation is laid by developing clearly defined and mutually agreed-to position descriptions for the CEO, the board and the chair. I wonder how many nonprofit organizations have such position descriptions, and, if they do, how many update them annually, or ever bother to check whether they are living by them. How many boards or board chairs annually review their position descriptions and assure themselves that they have fulfilled all their responsibilities of trusteeship? My guess is very, very few.

President and CEO

Function

- Serve as chief executive officer of the institution, reporting to the board of trustees, accepting responsibility for the success or failure of the enterprise.
- With the chair of the board, enable the board of trustees to fulfill its governance function, and facilitate the optimum interaction between management and the board of trustees.
- Give direction to the formulation and leadership to the achievement of the institution's philosophy, mission, strategy, and annual objectives and goals.

Responsibilities

- With the chair of the board, develop agendas for meetings, so that the board can fulfill all its responsibilities effectively. Develop an annual calendar to cover all crucial issues in a timely fashion.
- See that the board and the chair are kept fully informed of the condition of the institution on all important factors influencing it.
- Get the best thinking and involvement of each board member. Stimulate all members to give their best.
- Work with the chair to make the committee structure of the board function effectively.
- With the chair, recommend the composition of the board and its committees.
- Be responsible to and report to the board of trustees.
- Be responsible for the institution's consistent achievement of its mission and financial objectives.
- Make certain that the institution's philosophy and mission statements are pertinent and practiced throughout the organization.
- Make certain that the flow of funds permits the institution to make steady progress towards the achievement of its mission and that those funds are allocated properly to reflect present needs and future potential.
- See that there is an effective management team with provision for succession.
- Ensure the development and implementation of personnel training and development plans and programs that will provide the human resources necessary for the achievement of the institution's mission.
- Maintain a climate that attracts, keeps and motivates top quality people—professional and volunteer.
- Formulate and administer all major policies.
- Serve as the chief spokesperson for the institution and, thereby, see that the institution is properly presented to its various publics.
- Assure that the institution has a long-range strategy that achieves its mission, and toward which it makes consistent and timely progress.

Every institution is different and each, of course, must develop a set of position descriptions that covers fully the unique character of that institution. Acknowledging that, I would like to take a crack at outlining a minimum common denominator position description for the three positions in order to make clear my convictions about the proper division of labor between the CEO, the board, and its chair.

Let's take the CEO first. Here is the kind of position description I would like to have if I were the executive director of any nonprofit organization (*see page 5*).

Now I'd like to let you in on a secret. That position description is almost verbatim the same as the one I wrote as the CEO of a multi-billion-dollar corporation. I changed "Dayton Hudson Corporation" to "American Charitable Institution" throughout—and very little else—to make it apply to the CEO of a typical not-for-profit organization.

Now, if I were the CEO of the American Charitable Institution (or for that matter of your organization) with that kind of a position description, I would want to be very sure that my board had an equally well-articulated position description describing its functions and responsibilities. And if I was brand new in that job, I would want to present my concepts of the board's role and its relation to management at my very first board meeting. (Pretty gutsy, eh? But I'm a firm believer in getting my principles and convictions out on the table right from the very start.) So here is the position description I would write for consideration and adoption by the board.

Hopefully when I present that position description, the board will debate it thoroughly, change it somewhat, and then adopt it as its own. In the process, they just might come together as a board in a more effective way than ever before. This exercise will clarify and optimize the relationship between the trustees and me,

between the board and management, between the governors and managers. I would then want to see to it that the board every year reviews its position description, modifies it if necessary, and satisfies itself that I as the CEO have enabled it to fulfill all of its responsibilities.

Let me quickly add that the position description I have shown you may not be the perfect one for your institution's board of trustees. After all, it was written for Dayton Hudson Corporation's board of directors and I have changed very little other than substituting "public" for "shareholders" and "institution" for "corporation." The point I am trying to make is that governance is governance, management is management, and every organization must clearly distinguish between them if it wants the two to work in harmony to achieve the institution's mission.

Don't Leave Composition to Chance

There is one other document which every board of trustees and, for that matter, every corporate board of directors ought to have: a policy on composition and tenure of the board. A board has to think intensely about its size, its balance, its diversity, its committee structure, its average age, its rotation plan, any potential conflicts of interest, and other factors. In addition, at Dayton Hudson Corporation we had a board model indicating the ideal size and makeup of the board—how many and what kinds of corporate executives, how many and what kinds of other inputs, what kind of geographic and demographic mix, and other considerations. Then we would compare our current status (and our status a year or two hence in view of the known retirements) to the model.

In that way we could begin our search for future directors with the needed qualifications well in advance of the need to fill a position. I wonder how many corporations or nonprofit agencies do that.

Frankly it seems to me that in some respects the independent sector is ahead of the corporate sector in regard to board policies on balance and rotation. Many nonprofits are very sensitive to all their constituencies and want their boards to reflect them. Few corporations are that sensitive. On the other hand, independent sector agencies are often less sensitive to whether the individual selected can and will make a positive contribution. After all, once a board member, you are no longer the representative of any constituency. Your primary loyalty must be to the institution of which you are a trustee.

The same is true of rotation. When we instituted a 12-year rotation policy for outside Dayton Hudson directors, we could find no other American corporation with a similar policy. Yet many nonprofits have even more stringent policies. I am a great believer in rotation for board members, for committee assignments, and for committee chairs. In philanthropic organizations I also strongly believe in a strict rotation policy for the chair of the board. No public institution with a public purpose should be too closely tied to one individual, no matter how good he or she may be. There is no such thing as the indispensable person, particularly the indispensable volunteer.

Expectations of the Chair

Having said that about the chair, I would like now to turn to the chair's role, his or her relationship to management, and particularly his or her partnership with the CEO.

Once again, I have to tell you that I have used my own former position description as a model even though I have made more changes in it than in the previous two.

All my experience and study have convinced me that the chair of the board should not be the CEO—not in an American public corporation and certainly not in a philanthropic institution. Why? There are three reasons. First, a chair/CEO wears two hats at the same time and you just can't do that and look good in both roles. A chair is responsible to chair the meetings of the board, enhance the full discussion of important issues, and bring out the ideas and thoughts of all board members and management. This leader is in a delicate position between the CEO and the board, letting the CEO make necessary reports and recommendations, supporting the CEO, and sometimes even protecting the CEO. But at the same time, a chair must make certain that suggestions, challenges, even criticisms are heard and considered. In my view no one can do all that and be the CEO as well. I know. I tried it.

Chair of the Board

Function

- As chair of the board, assure that the board of trustees fulfills its responsibilities for the governance of the institution.
- Be a partner to the CEO, helping to achieve the mission of the institution.
- Optimize the relationship between the board and management.

Responsibilities

- Chair meetings of the board. See that it functions effectively, interacts with management optimally, and fulfills all of its duties. Develop agendas in conjunction with the CEO.
- With the CEO, recommend composition of the board committees. Recommend committee chairs with an eye to future succession.
- Assist the CEO in recruiting board and other talent for volunteer assignments that are needed.
- Reflect any concerns management has in regard to the role of the board of trustees or individual trustees. Reflect to the CEO the concerns of the board of trustees and other constituencies.
- Present to the board an evaluation of the pace, direction, and organizational strength of the institution.
- Prepare a review of the CEO and recommend salary for consideration by the appropriate committee.
- Annually focus the board's attention on matters of institutional governance that relate to its own structure, role, and relationship to management. Make sure the board is satisfied that it has fulfilled all of its responsibilities.
- Act as another set of eyes and ears.
- Serve as an alternate spokesperson.
- Fulfill such other assignments as the chair and CEO agree are appropriate and desirable for the chair to perform.

A chair who is also the CEO makes the agenda, conducts the meeting, presents management's recommendations, controls the discussion, and asks for support of his or her own recommendations. When one does all that and picks fellow board members as well, you have, in my opinion, a dictatorship. It may be benign and it may even be enlightened, but it is nonetheless a dictatorship. In my view, any chair/CEO inevitably wears primarily the CEO hat and only occasionally takes on the far more neutral and impartial role of the chair of the board.

Second, it is my opinion that, where the chair is the CEO of a nonprofit organization, you will inevitably have only a functionary as the chief administrative officer. You will always have to settle for a second-rater; you will never get and certainly never keep an imaginative and creative innovator, leader and motivator.

As trustees we are there to support, encourage, challenge, stimulate, and help that professional whom we pick to lead our endeavor.

Third, I submit that the most crucial relationship in the entire enterprise is that between the CEO and the chair. In my view it will be a far better relationship if both clearly recognize that the CEO, not the chair, is indeed the CEO. Then the chair becomes the CEO's partner in making a great board, in enhancing its ability to carry out all of its responsibilities, and in encouraging it to support the CEO in every reasonable way. As a director of the Minnesota Orchestral Association, I came to the conclusion that the only role of a trustee of an orchestra is the care and feeding of the music director. By that I mean everything the board

does is done to enhance and support the vision and mission of the music director. Well, so it is with all trusteeship. As trustees we are there, it seems to me, to support, encourage, challenge, stimulate, and help that professional whom we pick to lead our endeavor. If every board could see its role as that, I am convinced we would have far more dynamic institutions, far stronger professional executives, far more attractive independent sector careers, far better relationships between board and management, and a far greater willingness on the part of board members to undertake whatever volunteer assignments are requested of them.

Governance Is Not Management

That statement concludes my case that governance is governance, management is management, and the difference between the two must be clearly understood and accepted. In making that case, I hope that I have also convinced you that governance is governance no matter what the institution—be it government, corporation, or nonprofit (be it health agency, organized religious group, arts institution, foundation, or advocacy group).

The role of the board of the American Charitable Institution is in my opinion identical to that of the board of directors of Dayton Hudson Corporation. Dayton Hudson Corporation's board position description clearly states that it is its primary function "as representatives of the shareholders, to be the primary force pressing the corporation to the realization of its opportunities and the fulfillment of its obligations to its shareholders, customers, employees and the communities in which it operates."

As I indicated in my hypothetical position description of the American Charitable

Institution, the board's function is, "As representatives of the public, be the primary force pressing the institution to the realization of its opportunities for service and the fulfillment of its obligations to all its constituencies."

To do this, each board (for-profit or not-for-profit) must organize itself and conduct its affairs in such a way that it can attract, keep, motivate, evaluate, and reward—and if

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we also sign on as volunteers
agreeing in essence to undertake
any assignment reasonably asked
of us.*

necessary change—a CEO who, with the chair's help and the board's support, will lead the institution to fulfillment of its mission and enable the board to fulfill all of its responsibilities.

Trustees as Volunteers

I want to make just one more point to which I alluded at the beginning. I wrote this essay at the request of the CEO of INDEPENDENT SECTOR. You see, in addition to being one of the CEO's bosses, I am also the CEO's volunteer. Our CEO is our leader, our inspiration, our coordinator, our expeditor, our doer. But because we are a voluntary organization, I recognize that no CEO can ever do it alone or even do it with an excellent staff.

To be effective, the CEO needs hundreds, thousands, perhaps millions of volunteers to carry out the work of INDEPENDENT SECTOR or any other organization. So when we sign on

Board of Trustees

Function

- As representatives of the public, be the primary force pressing the institution to the realization of its opportunities for service and the fulfillment of its obligations to all its constituencies.

Duties

Planning

- Approve the institution's philosophy and review management's performance in achieving it.
- Annually assess the ever-changing environment and approve the institution's strategy in relation to it.
- Annually review and approve the institution's plans for funding its strategy. Review and approve the institution's five-year financial goals.
- Annually review and approve the institution's budget.
- Approve major policies.

Organizations

- Elect, monitor, appraise, advise, stimulate, support, reward and, if deemed necessary or desirable, change top management. Regularly discuss with the CEO matters that are of concern to him or her or to the board.
- Be assured that management succession is properly being provided.
- Be assured that the status of organizational strength and human resources planning is equal to the requirements of the long-range goals.
- Approve appropriate compensation and benefit policies and practices. Propose a slate of directors to members and fill vacancies as needed.
- Annually approve the performance review of the CEO and establish his or her compensation based on recommendations of the personnel committee and chair of the board.
- Determine eligibility for and appoint board committees in response to recommendations of the nominating committee.
- Annually review the performance of the board and take steps (including its composition, organization, and responsibilities) to improve its performance.

Operations

- Review the results achieved by management as compared with the institution's philosophy, annual and long-range goals, and the performance of similar institutions.
- Confirm that the financial structure of the institution is adequate for its current needs and its long-range strategy.
- Provide candid and constructive criticism, advice and comments. Approve major actions of the institution, such as capital expenditures on all projects over authorized limits and major changes in programs and services.

Audit

- Ensure that the board and its committees are adequately and currently informed—through reports and other methods—of the condition of the institution and its operations.
- Confirm that published reports properly reflect the operating results and financial condition of the institution.
- Ascertain that management has established appropriate policies to define and identify conflicts of interest throughout the institution, and is diligently administering and enforcing those policies.
- Appoint independent auditors subject to approval by members.
- Review compliance with relevant material laws affecting the institution.

as trustees we also sign on as volunteers agreeing in essence to undertake any assignment reasonably asked of us. That's the only difference between a corporate board and a not-for-profit board. The corporate board will usually only be asked to undertake this additional role when the corporation is in real trouble. But our kinds of boards are asked to play this double role all the time. Individuals should not be invited to serve on such a board unless they are totally willing to undertake the volunteer side as well as the governance side of a trustee's responsibility. So a CEO is a CEO, but a trustee is a governor and a volunteer.

A trustee of a not-for-profit organization has an obligation to be a volunteer in addition to governing, but otherwise the responsibility of a trustee and the responsibility of a corporate director are absolutely identical.

Let's never forget then that the board of trustees of the American Charitable Institution (and your board as well) has two roles—governance and volunteering. They are complementary but very different roles.

Governance is not management and it surely is not volunteering. Furthermore, it is the same no matter what the institution. Governance is governance.

A Follow-Up Interview with Ken Dayton

You have said that the responsibility for governance of an organization rests with the board and the responsibility for management rests with the CEO or executive director—the full-time, paid executive. Would you explain what you mean by “governance?”

DAYTON: First of all, governance is not management. Second, governance is recognizing the responsibility that, as a board member, you have to protect the long-range future of your organization and see to it that it fulfills its obligations to its constituencies, however defined. And by governance I mean that as a board member you have to see to it that the organization is well managed, rather than managing it yourself.

How do you compare the responsibilities of a corporate director with those of a nonprofit trustee?

DAYTON: A trustee of a not-for-profit organization has an obligation to be a volunteer in addition to governing, but otherwise the responsibility of a trustee and the responsibility of a corporate director are absolutely identical. In both cases the individual is selected as a guardian of the constituencies that are affected by that organization and the responsibility of the board, in either case, is to protect the long-range future of the organization and the long-range interests of all its constituencies. In both cases they go about fulfilling those responsibilities in almost the same way—by seeing to it that the board of directors or the board of trustees is enabled to fulfill its responsibilities to the organization.

And the CEO is the enabler and the manager not just of the organization but also of the board?

DAYTON: Exactly.

What are some of the things a CEO can do to enable a board?

DAYTON: I think number one is to make certain that the board understands what its responsibilities are.

A review helps to perfect the methods and systems by which the board operates and fulfills its responsibilities.

Then, no matter how often the board meets over the course of a year, the CEO must make certain that he or she has enabled the board to fulfill all those responsibilities.

If the board has a responsibility, as I maintain it does, to review performance, then the CEO must give it a report of performance and must let it question, challenge, criticize, or praise that performance. If its responsibility is to approve a long-range strategy, the CEO has to present the plan and then let the board make it its own. Again, let it question, challenge, criticize, amend, and finally approve the plan. In every single case, if the board is to do its job, the CEO must enable it to do so.

I think every board should annually look at its role and its relationship with management and discuss with management the degree to which the board feels it has been enabled to fulfill its responsibilities. Several things can happen with such a review. For example, if the CEO hasn't done an adequate job of reviewing performance or allocating capital or whatever, then the board has an opportunity to say, "We wish you'd do more of that for us."

Also, when such a review occurs, the board tends to look at itself as it would not otherwise and say, "Hey, you gave us that opportunity but we really missed it." A review helps to perfect the methods and systems by which the board operates and fulfills its responsibilities.

The third thing a review triggers is a greatly improved relationship between the board members and the managers, between the board and the CEO. I think that the most important dynamic in any organization is just such a relationship. The review process gets it all on a very discussible basis of "how can we do a better job together?" That's the secret of running an institution.

How does a CEO see to it that his or her organization has a good board?

DAYTON: I think it's clearly a shared responsibility. The chair of the board has a major responsibility to build a good board. But I think that any CEO who leaves the building of the board entirely to the board itself will probably find that the board becomes weakened over time. I think that you have to work hard on the composition of your board.

Previously I was talking about the way in which you use the board and help train, educate, and involve it, but the way in which you constitute a board is equally important. I believe strongly that you have to go about it in a thoughtful, well-organized way.

The worst way to find board members is to say at a board meeting, "My gosh, we're short of trustees. Does anybody know anyone who would like to come on the board?" And someone says, "Well, I know old Joe or Suzy and he or she would be just wonderful." That's the kind of casual, buddy-boy, old-school system that results in a relatively complacent, compatible, and ingrown board.

What's the best alternative?

DAYTON: I think the only way to go about building a model board is to say, "What kind of a board do we really need for this organization?" Consider how many executives you want, what kind of executives you want, what other kind of talent you want, and what kind of balance you want regarding age, sex, or ethnic background. If you know what you would like your board to look like, then you know what kinds of directors or trustees you need to seek out. You should always be building towards the future composition of the board.

How does a CEO begin achieving a good balance on the board?

DAYTON: Each organization has to sit down and decide what characteristics it needs its board members to have. If you say, "We just want balance"—so many female and so many minority and so many of this or that—then you end up with a constructed, patched-together board that probably won't work very well. Diversity should be the goal, not representation.

If you have a board that is solely composed of CEOs of the 10 major corporations in your community, you don't have a very diverse board. If you have a board that's all male, you don't have a very diverse board. I don't think there's any set number of male and female board members you have to have, but you certainly do want a board of diverse background, experience, and success. Going after diversity and specific kinds of input will solve the balance problem.

Are there any other considerations?

DAYTON: The other thing you need to think out clearly is what characteristics you want on a board. When I was a CEO, we listed the qualities that we were looking for in individual directors. Each director didn't have to have all of

those qualities, but the board in total needs to have all of those various characteristics.

There are 11 *necessary* characteristics: integrity, wisdom, independence, a valid business or professional knowledge and experience that could bear on our own problems and deliberations, a track record of accomplishment with excellent organizations,

Diversity should be the goal, not representation.

an understanding and a general acceptance of our philosophy (which applies equally to nonprofits and corporations), an inquiring mind, a willingness to speak one's mind, the ability to challenge and stimulate management (a lot of people on boards don't want management to be better—they're perfectly comfortable with a hack because then they can take over their particular part of the operation and exercise their own pet hobby), a future orientation (I want people on the board who are looking ahead), and, last, the willingness to commit time and energy.

Accomplishing these goals is not hard to do. You've just got to work at it. If you're trying to hire a CEO, you're probably using a search firm, getting all kinds of input from the field, and taking action to find the best CEO you can. So why don't organizations use the same care and thought, the same degree of professionalism in selecting trustees as they do in selecting executives?

Trustees are ultimately responsible for an organization's welfare. CEOs come and go, but the organization and the board go on and on. No one should be asked to accept a board position unless you are confident that he or she can and will fulfill all the responsibilities of a trustee.

Do you think board members should have a set term of service?

DAYTON: I'm a strong believer in rotation, in bringing in a steady flow of new people, new talents, and new ideas. I think every director or trustee has a certain bell-shaped curve of contribution to make. It usually takes a year or two to really understand an organization and its needs, problems, and opportunities. After gaining that understanding, a board member then provides several years of ideas, input, and productivity.

But after a certain period of time, the organization would be better off with fresh, new ideas. I even more strongly believe in rotation for the chair. In nonprofits, it's important that a board never be dominated by any one person or even by a small clique.

What qualities should a CEO look for in the chair of the board?

DAYTON: I think the chair ought to love the organization more than anyone else does. Too many take this leadership role because it's their turn or because they like the prestige, rather than because they're determined to make the organization even better.

I think the chair should have two important qualifications. First, the chair ought to be a good partner to the CEO. The chair should spend time trying to help that person do his or her job well. The chair, as the alternate spokesperson of the organization, should try to build the CEO and bask in the reflected glory.

Second, the chair should have the competence to handle the job of heading the board. The board needs the CEO to come up with programs, ideas, recommendations, and so forth, but then the chair must make certain that management has built an agenda that will help the board understand the situation and fulfill its responsibilities.

You have said that boards always tend to fill management voids. Why?

DAYTON: Over long experience I've found that for any void that management leaves there will always be some board member who either knows how to do that job, make that decision, or perform it better than management does, or there will be a board member who has a particular, specialized expertise and interest in a particular subject. I once saw a corporation in which the CEO and the top financial officer disagreed about how to go about doing some financing until one of the directors, who had expertise in that area, stepped in and told them how to do it.

It can work exactly the same way with nonprofits. If management is floundering or hasn't covered certain bases, you'll find somebody on the board who is an expert in that field who'll tell management how to do it.

Trustees are ultimately responsible for an organization's welfare. CEOs come and go, but the organization and the board go on and on.

That person is very capable of taking over the management of that function. To me the trick, if you're the CEO, is to make sure you don't leave any management voids. Every time the board gives you trouble about something it's probably because you haven't figured out how to handle that responsibility. So when your board gives you trouble, the problem usually is with management, not the board.

How does a CEO keep the board from taking over responsibilities that properly belong to management?

DAYTON: I'm all for going to the board and saying, "We'd like your thoughts about this problem that we haven't been able to solve." But once you get the board's idea on that subject, you should say, "We'll come back to you next month with a recommendation."

Then the ball is back in your court, and the board is put back into its position of governing rather than managing. It's a matter of benefitting from the board's expertise and connections while maintaining the responsibility and control necessary to keep you in the driver's seat.

What happens if the board insists on interfering?

DAYTON: Anytime you've got a board that is, in essence, managing the institution, the CEO is merely a figurehead and the organization is inevitably headed for trouble. A CEO should never say, "Well, the reason this failed was that so-and-so on the board did that. I knew at the time it wasn't right, but who am I to say anything?" In my opinion, a person who says that is a very weak executive.

How about the reverse of that problem, where the CEO is a person of great vision who dominates the organization's board and staff, but is not a terribly effective manager?

DAYTON: Not everything has to be institutionalized. Sometimes a dynamic person can accomplish a lot of good in society all by himself or herself or with a small band of people, but then everyone should recognize that when that person is gone the organization ought to fold up because it hasn't been institutionalized.

The role of the board is to institutionalize the concept, the genius that created it. It shouldn't make any difference whether the person who started it is there or retires or is hit by a car. Part of the board's responsibility is to see to it that the future of the institution is protected. This means you must have backups, you must have successors, you must have people in training, you must have the institutional capacity to carry on. A CEO who cannot develop a successor team that will do better than he or she is doing has no business being a CEO.

What if a CEO would like to involve the board in more decisions, but finds that board members are reluctant to be active?

DAYTON: CEOs who have that type of board have no one to blame but themselves. Now, you may have walked into that situation. But no one should accept a CEO position unless he or she has got a good board or knows how to build a good board, and has a chair who is willing to work to build one.

I think that too many CEOs in the nonprofit sector don't even want a good board. They say, "I don't want anyone looking over my shoulder. I don't want anyone second-guessing me. I don't want anyone reviewing my performance."

But if they really want to be good, if they really want to grow, if they really want to build that institution into a dynamic factor in society, then they will soon discover that they can do it so much more effectively if they have a dynamic, effective board. Not only will it help them do their jobs better but it will make them better individuals because of that challenge and stimulation.



INDEPENDENT
SECTOR

1200 Eighteenth Street, NW
Suite 200
Washington, DC 20036
202-467-6100
fax 202-467-6101
publications 888-860-8118
info@IndependentSector.org
www.IndependentSector.org