

What's Going to Matter Next in Board Governance

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When it comes to board futures, I don't have a crystal ball but I'm willing to read the tea leaves. Significant governance trends are underway. My bet is they will deepen and continue, and boards of directors will soon be grappling with a quite different framework of expectations for what is good governance. First, what I suggest are the push and pulls affecting boards:

- *Deliberate tests for accountable governance and management:* Given technology, increased scepticism and strong competition for limited resources, funders and donors will expect organizations to share performance data and governance information as a matter of transparency. There will be a deeper "line of sight" than ever before.
- *Generational culture shifts:* As our over-50 leaders retire, new people will come onto boards and into senior management. These leaders may have more business than not-for-profit experience. Younger leaders will drive new organizational strategies.
- *Web 2.0:* There will be awesome opportunities to leverage communication and Web 2.0 technologies but only for those organizations who are able to see and invest in them or who can connect to companies who already have these capabilities.
- *Disruptive Developments:* Upstart competitors who are only at the fringe today will shift the game disturbing the status-quo. New ventures for the public good so completely different in structure and method will challenge the traditional "legacy organizations" driving mergers and alliances amongst them.

Sound challenging? You bet! So what's the impact on governance work? Here's my list of the top seven impacts on the agenda of boards in the future:

- 1. The Rise of Follower and Stakeholder Power:** After the needed swing to better separate policy and operations, boards will have to compensate for their seeming isolation. They will develop new ways to discover what members and diverse stakeholders think and value from the organization. A stakeholder engagement strategy will be a required element in every annual plan. And when stakeholders merit continued influence, informal advisory groups will provide regular dotted-line input to boards.
- 2. Legitimacy:** Boards will have to demonstrate they are actually leading organizations as not everyone will assume they are awake, critically thinking and contributing value. Boards are quietly, or not so, observed by employees, volunteers, members, and outside others. Images are conjured of boards as effective/dynamic or disengaged/clueless/rubber-stamping, or in-between. In this connected future, the wrong side of these judgments will be much more damaging than today. Boards can expect more disclosure of their governance practices, and will have to manage accordingly. As transparency increases, how directors are chosen, the integrity of that process, and whether the board does self-evaluation

will matter. The other challenge? To lead authentically, constructively, and appropriately without diminishing strong and effective management teams.

3. **Succession planning and talent management:** While this trend surely applies to board composition, directors will have to consider staff succession-planning in a more serious way. Is second-level talent management a priority? It should be. Boards can be caught on their heels when “high-potential employees” leave for better opportunities at the same time as senior leaders retire. A real, workable talent management plan will help maintain operational stability in the long run so it will increasingly be a board priority to gain assurance on this front.
4. **Compensation philosophy:** Right behind and buttressing the previous issue is compensation strategy. In both the U.S. and Canada, organizations must report the salaries of its highest earners. The newly designed IRS Form 990 will broaden the definition of key employees and create even greater transparency. Boards will have to have a frank conversation about their compensation philosophies and positioning in the market. This includes pay and other benefits. The most conservative “ready for primetime” philosophy may not be the winning fiduciary formula. A board must ensure management quality, organizational stability and capacity. (Here’s one simple philosophy from a major steel producer: “We will hire five people to do the work of ten and pay them like seven.”)
5. **Performance Assurance:** Boards will need distinct means to take the measure of the organization’s performance. This will introduce greater rigor into the not-for-profit boardroom. Scorecards and dashboards will become as regular a feature of board meetings as the financial report. After board review, this information will be uploaded and communicated – on the website and to donors and funders.
6. **The Yin and The Yang:** Expect both tougher questions and a rise of analytics at the same time as an increased emphasis on lived values. Business-minded directors will have increasing influence and context to ask tough questions such as how does the cost of our fundraising compare with others, what are our administration costs relative to others, how complex are our offerings and how does that complexity cost us, where can we improve most in our processes, how are the leaders making money and what is their approach, etc. At the same time, the seemingly soft matter of values will matter more. Values will be a key branding element. Key leaders will be judged as much on their ability to communicate values as to get results. Today some boards look at values as a “motherhood” step in strategic planning. Tomorrow, all boards will see it as their job to ensure values are demonstrably lived.
7. **Partnerships and Alliances, and Mergers:** Boards will be pushing management on the front of creating strategic alliances with organizations sharing markets or issues. We are judged by the company we keep. Similarly, organizations will be expected to have a range of enabling and authoritative linkages. Boards will drive this outward-looking and opportunistic perspective. Outright mergers will be more acceptable than ever before.

We may well find ourselves on quite different shores tomorrow in terms of what boards are expected to do. In many ways, it will be a more exciting, compelling role for directors.

These are my musings; I encourage you to reflect on your predictions. Try asking your board for the trends directors anticipate affecting their work. This is a great “generative” conversation. Moreover, by talking about the future, we prepare ourselves for it.