

# Beyond Carver

*By Thomas C. Abbott CAE*

The association community owes a great deal of gratitude to Dr. John Carver. The fundamental governor/management principle, “The board sets policy and the staff implements policy” has been recognized for well over 50 years. Yet it is largely because of Carver’s work that the term “governance” has been added to the lexicon of modern association management and that the topic is so widely discussed and debated in the nonprofit community. Carver articulated a new methodology to be used in nonprofit organization (NPO) management and governance. In some ways, it was a strict departure from what had been operating before: yet it adhered to the fundamental principle that the volunteer board sets policy, and the staff implements policy.

Nonprofits waste uncounted hours debating who is superior and who is subordinate—the Board or the Executive Director. The answer is they must be colleagues. Each has a different part, but together they share the play. Their tasks are complementary. The two have to work as one team.

At the close of the twentieth century, because of Carver’s work, there were two distinct governor/management alternatives for the NPO community—either the traditional model or the Carver model. The purpose of this article is to describe a third alternative—the Complementary Model of Board Governance. The title for the model is derived from a paper written by Peter F. Drucker, which appears in his book, *Managing for the Future*.

## ***Complementary Model: Principles***

Ten principles underlie the Complementary Model. Some of them are unique to the Model; others are common to the Carver and Traditional governance models. However, in combination, the 10 create a governance and management environment that many NPOs will find highly effective, successful, and rewarding.

The Board is accountable for both the governance and the management of the association.

Common law has long held that volunteer boards of directors are accountable not only for the governance of their organization, but also, in a broad way, for the effectiveness of the management of the organization. Many statutes and government regulations (e.g., those dealing with labour standards, withholding employee taxes and remittances, and the GST) hold the volunteer Board of Directors liable for management failures in these areas. As a consequence, to suggest that the volunteer directors should work exclusively on policy development leaves volunteers exposed both legally and financially. Volunteer boards must acknowledge and accept their broad responsibility for the management of their organization.

The Executive Director is designated the Chief Operating Officer (CEO) of the association.

During the 20 years that I have worked and consulted in the NPO community, no single question has been answered with so much hesitation or misgiving as the question: Who is the chief executive officer of your association? Some volunteer organizations respond that the chief volunteer is the CEO; others respond that the chief staff person is the CEO; many other NPOs simply refuse to address the question. The Complementary Model requires that the matter be dealt with once and for all—and with significant benefit for the volunteer board and the senior staff person.

First, let us examine the rationale for the principle. The Dictionary of Business Terms defines Chief Executive Officer as follows:

The Chief Executive Officer (CEO) is the officer who has ultimate management responsibility for an organization. The CEO reports directly to the Board of Directors [and] appoints other managers ... to assist in carrying out the responsibilities of the organization.

That definition, in fact, describes the Executive Director of an NPO with pinpoint accuracy. Once there is agreement that the Executive Director is indeed the CEO of the organization, it allows the Board of Directors to hold that individual solely and completely responsible for managing every aspect of the organization.

The senior elected volunteer is President of the association and the Chair of the Board.

Two separate issues are addressed by this principle. First, the term President is reserved for the volunteer. There has been considerable confusion during the last 10 years, both in Canada and the United States, as to what position in the NPO should be designated President—the senior volunteer or the senior staff person. In Canada, the most frequent approach is to call the senior volunteer the President and the senior staff person the Executive Director. In 2000, for example, our firm's annual compensation survey of association executives in BC found that 66% of the senior staff officers were called Executive Director; only 4% were called President. The Complementary Model standardizes this terminology.

Second, the model requires that the senior volunteer be designated the Chair of the Board and therefore be entrusted with all of the responsibilities inherent in the position, including agenda preparation and meeting management.

The Board is responsible for determining all non-administrative policies of the association; the CEO is responsible for determining all administrative policies of the association.

This principle sets the policy-making boundaries for both the volunteer Board of Directors and the CEO. Yes, the Board is responsible for policy determination, but that responsibility does not extend to defining administrative policies, for example, in areas such as personnel and finance. Policy matters that are purely administrative should not

be on the table for discussion at Board meetings. However, the volunteer Board does debate and decide on policies related to non-administrative matters such as governance, mission, goals, and monitoring organizational effectiveness.

The Board defines and approves a Code of Conduct for the Directors and a separate Code of Conduct for the CEO.

When a Board of Directors articulates its expectations of Directors by establishing a Code of Conduct, three things occur. First, Directors are not subsequently surprised by the requirements of their position because they have been forewarned. Second, Directors can be held accountable for their volunteer performance. Third, there is a greater probability that their performance will rise to meet the expectations that have been established.

Similarly, when Boards of Directors communicate their expectations of the CEO by establishing a CEO Code of Conduct, the same benefits follow. In my experience, too often there is a gap between the expectations of a volunteer Board and the performance of the CEO because the Board has simply not articulated its expectations. The creation of a CEO Code of Conduct avoids such misunderstandings.

Three different types of committees or task forces exist in the organization.

Policy task forces are established by the Board of Directors and regularly report on their activities to the Board. They are always chaired by a Board Director, are comprised of members of the Board, and are mandated to examine and develop recommendations on Board policy matters. These task forces have a limited time horizon, a defined sunset clause in their mandate, and are required to provide written reports at each Board of Directors' meeting until their task is completed.

Board Statutory Committees are established by the Board of Directors and regularly report on their activities to the Board. They are mandated to deal with responsibilities that are outlined in the bylaws or enabling legislation of the association, for example, member discipline, member ethics, board nominations or the audit of the association. Statutory committees are always chaired by a Board Director and can be comprised of both Directors and non-directors. Board statutory committees are ongoing and provide written reports at each Board of Directors' meeting.

### ***CEO Working Committees***

CEO working committees are established by the CEO and report to the CEO. They are mandated to deal with operational or management matters, such as conferences, professional development, or fundraising. The Chair of a CEO working committee is appointed by the CEO and may be either a staff member or a volunteer. The committee can be comprised of staff, Directors and non-directors. It is vital for Directors serving on CEO working committees to recognize that they are not serving as Directors of the organization, but serving at the request of the CEO. Reports on the activities of CEO working committees are provided to the Board of Directors through the Executive Director's CEO Report at each Board meeting.

Four different monitoring options are available to the Board of Directors.

The Executive Director's CEO report is a written report provided for each meeting of the Board of Directors—verbal reports are not permitted. The report is circulated in advance of the Board meeting. It is not read at the meeting, but the CEO does respond to questions from the Directors about its content. In it, the CEO reports on any breaches of the CEO Code of Conduct as well as the activities of the CEO working committees.

Board Task Force and Statutory Committee reports are written reports provided for each meeting of the Board of Directors—verbal reports are not permitted. The reports are circulated in advance of the Board meeting. They are not read at the meeting, but the committee Chairs do respond to questions from the Directors about their contents.

The Board of Directors may, at any time, engage an independent third party to review any management or policy area of the organization. The independent third party will report directly to the Board on the CEO's adherence to approved policies or compliance with generally accepted management practices by way of an External report.

The Board of Directors will review periodic financial reports that highlight divergences from the approved priorities and the approved budget.

The Board of Directors Completes an Annual Written Appraisal of the CEO

How am I performing and how can I do a better job in my role as CEO? These are two vital questions for the CEO. One of the principles underlying the Complementary Model is that this type of feedback must be provided to the CEO on an annual basis.

The President Co-ordinates Written Appraisals of the Volunteer Directors

How are we performing and how can we do a better job in our volunteer role? These are two equally vital questions for NPO volunteers, and in fact, Drucker writes:

“Many of these ... volunteers insist on having their performance reviewed against preset objectives at least once a year. And increasingly, they expect their organizations to remove nonperformers...”

One of the principles underlying the Complementary Model is that this type of feedback be provided to volunteer Directors, at least annually.

Training is a Priority, Budgeted Item

Drucker writes of this issue:

“What do these unpaid staff people themselves demand? What makes them stay—and, of course, they can leave at any time. The first and most important demand is that the nonprofit have a clear mission, one that drives the organization.... The second thing this new breed requires, indeed demands, is training, training and more training.”

Most NPO Directors agree that a clear mission is vital for the organization; many Boards spend considerable time, effort and money ensuring that this is accomplished. Far

fewer NPOs, however, appreciate the correlation between poor volunteer training and poor volunteer performance. The linkage between effective Board training and effective Board performance should not come as a surprise. The Complementary Model requires that attention be paid to this important area.

### ***The Complementary Alternative***

Governance and management; the role of the Board of Directors; the role of the Chief Executive Officer —questions about these issues have prevailed since the first Board of Directors hired its first Executive Director. While there is widespread acceptance of the principle, “The Board sets policy and the staff implements policy,” there remain many questions about how this relationship should be operationalized. Is there a single solution that fits all circumstances? No. The Complementary Model provides NPOs with another alternative when neither the Traditional Model nor the Carver Model seems to provide the best answer to the question: What is the most appropriate role for our Board of Directors and our Chief Executive Officer?