

ARTS Law Memo

How is your board doing? a self-assessment guide

What does effective board performance look like? Is your board of directors performing at the highest possible level? Does it openly and regularly evaluate its successes, failures and overall effectiveness? How can your board do better?

Taking the time to step back from routine matters to conduct a self-assessment can motivate board members — both as a group and individually — to work smarter. As Jeffrey A. Sonnenfeld notes in “What Makes Great Boards Great” (*Harvard Business Review*, Sept. 2002), “No matter how good a board is, it’s bound to get better if it’s reviewed intelligently.”

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This issue of *Arts Law Memo* is designed to help your organization answer these questions: Why should our board conduct a self-assessment? How often should we conduct an assessment? What resources are available to assist us? What criteria should we use to measure board performance? What topics should our self-assessment cover? What should we do with the results?

CONTEXT

Board self-assessment is not a stand-alone activity. Rather, it should be part of your organization’s overall commitment to accountability, compliance with applicable laws, adherence to ethical standards and dedication to learning.

Neither individuals nor nonprofit organizations can improve without regular,

critical reflection — without evaluation. At first glance, developing a comprehensive evaluation system can seem like an overwhelming task. But it doesn’t have to be overly complex.

Critical components include an annual review of the executive director (see “Evaluating the Chief Executive,” *Arts Law Memo*, 1998, www.vlaa.org), program evaluation that identifies key indicators of success and data collection activities before the program or project is launched, thoughtful fiscal oversight (see VLAA’s new *Guide to Financial Oversight*) and board self-assessment.

VALUE

More than one academic study, including research conducted by David O. Renz, director of the Midwest Center for Nonprofit Leadership at the University of Missouri-Kansas City, has determined that effective boards are more likely than ineffective boards to attempt to assess their own performance at regular intervals.

The assessment process offers both tangible and intangible benefits.

Too often, boards are overly-focused on oversight functions and specific activities and ignore the equally important softer side of processes and relationships. Beliefs about how the board should operate are usually unspoken and taken for granted.

Addressing subjects not normally discussed at board meetings, such as the structure, operation and culture of the board itself, will build trust and respect among board members and enable them to work more effectively as a team and with staff.

The most tangible benefit is that members are given the opportunity to reflect on their individual and group responsibilities and to determine what constitutes success for their board now and in the near future.

Self-assessment may identify needed

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VLAA helps artists and arts organizations solve and avoid legal and accounting problems by:

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- Sponsoring seminars and public forums;
- Arranging for guest speakers;
- Maintaining a reference library;
- Operating an arts space clearinghouse;
- Supplying model contracts and other arts law and business materials;
- Conducting and disseminating research;
- Contributing articles to publications;
- Collaborating on arts advocacy initiatives; and
- Providing access to the national volunteer lawyers for the arts network.

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board development skills or areas that need attention or improvement. Like any evaluation process, it provides a benchmark for measuring progress toward articulated goals.

TIMING

The assessment process involves a number of steps. The first step is deciding to actually conduct the assessment. This must be a full board decision or precious time and energy will be wasted.

How often should the board conduct a self-assessment? Of course, the answer will vary from organization to organization.

One suggestion is to alternate the assessment with an overall organization

assessment, which the Better Business Bureau Standards for Charity Accountability Standards say should be conducted no less than every two years.

Another approach is to make the board self-assessment a component of your organization's strategic planning process.

Alternatively, conducting the assessment in small chunks throughout the year may work best for your board. You could start by addressing one or two questions, such as:

- What makes a good meeting?
- Are we fulfilling our legal duties?
- Why do our members enjoy serving on this board?

The timing for self-assessment is

ideal when the board is experiencing low energy or high turnover. An assessment should not be conducted during a financial or leadership crisis, but it may be useful when the board is facing a major decision, such as hiring a new artistic director or launching a capital campaign.

METHODS

A self-assessment requires preparation to ensure that your board focuses on the right issues, uses its best thinking in the most efficient way throughout the process and selects the appropriate method for collecting and analyzing the information.

There are a variety of diagnostic tools and checklists available. Most are designed as quantitative questionnaires or scorecards asking directors to rate performance in many areas.

Measuring Board Effectiveness: A Tool for Strengthening Your Board (\$75.00) by Thomas P. Holland and Myra Blackmon builds on the research that led to the ground-breaking 1996 *Harvard Business Review* article "The New Work of the Nonprofit Board" by Richard Chait, Thomas P. Holland and Barbara Taylor.

Published by BoardSource (www.boardsource.org), the book includes a full board self-evaluation questionnaire based on six characteristics of effective boards (see page 4). Board members will learn methods of examining and improving board performance and incorporating ongoing board education into regular board business.

Organizations with deep pockets may want to use BoardSource's *Assessment for Nonprofit Governing Boards: Online Tool*, which costs non-members \$1,199.

McKinsey & Company's *The Dynamic Board: Self-Assessment Tool*, which is offered in three versions based on the time it takes to complete the assessment, is free but requires a one-time registration, on the company's site, www.mckinsey.com.

How Are We Doing? by Gayle L. Gifford is subtitled *A 1-Hour Guide to Evaluating Your Performance as a Nonprofit Board*. The 110-page book presents 34 straight forward statements

Redesign Your Nominating Committee

Is it time to redesign your nominating committee? Most boards form a nominating committee when it is time to elect new officers or fill board vacancies. This ad hoc approach may get the job done but it does not result in a strategic approach to board operations, planning and decision-making.

Instead of a nominating committee, consider establishing a standing board development or board governance committee. The committee would be responsible for the general affairs of the board. While the committee's specific tasks would vary greatly from organization to organization, the charge usually includes at least some the following responsibilities:

- To plan and implement the board self-assessment process
- To identify priorities for board composition
- To update board job descriptions
- To assure diversity on the board
- To meet with prospective board members
- To recommend candidates to the board
- To oversee board mentoring
- To recommend a slate of officers to the board
- To conduct orientation sessions for new board members
- To organize training sessions for the entire board
- To ensure that all board members are aware of their legal duties
- To suggest non-board individuals for committee membership
- To look for leadership skills among board members who could be asked to serve as officers in the future

and asks board members to indicate whether they strongly agree, agree, disagree or strongly disagree.

While these and other off-the-rack tools can save time and are based on the knowledge of the nonprofit experts who developed them, they may be too long, too abstract, too demoralizing or too superficial.

Furthermore, the tools are predicated on the assumption that there is a single, prescribed set of accepted board roles and responsibilities. Of course, this is not the case.

More importantly, it is easy to get wrapped up in the tool and neglect the dialogue, which is the more difficult part of the assessment process.

To emphasize the importance of open, productive conversation, you may decide that the best approach is to develop your own self-assessment tool. Developing the tool will enrich the assessment process by helping your board:

- Build on the issues and concerns raised when the board agreed to conduct the assessment and result in greater investment in the process;
- Define, in advance, your own criteria for what constitutes an effective and successful board and/or for rewarding board service;
- Concentrate on the most important issues and avoid the irrelevant questions that are included in the off-the-rack checklists and scorecards;
- Design data collection methods, either quantitative, qualitative or both that are best suited to your goals and time constraints;
- Focus on the discussion that will celebrate successes and identify practical goals and action steps that will lead to better board performance and more engaged board members.

DATA COLLECTION & ANALYSIS

Typically, surveys are distributed and tabulated in advance by an outside party, such as a consultant or former board member. This approach assures full participation and confidentiality. It also allows the results to be organized in a way that will give the follow-up discussion focus.

Self-Assessment at a Glance

Assess board readiness. The self-assessment process is designed to make a reasonably well-functioning board do better.

Decide, as a board, to conduct the assessment. Buy-in is crucial. Allow time to discuss initial concerns, questions and suggestions.

Decide what information will be collected and by whom. Assign preparation to a task force or committee.

Agree on standards in advance. Be sure to decide whether the assessment will address board performance, individual member engagement or both.

Decide whether to use a consultant or outside facilitator, such as a former board member.

Examine a few standard instruments. Then decide whether to adapt one of them or to develop a new form. Either way, keep it short.

Distribute the instrument.

Ensure confidentiality by using a third party, such as a former board member, to receive and compile the self-assessment forms. Experts say board members should see only the compiled data, but this approach may not be right for your organization.

Compile, analyze and present a written report.

Discuss the findings. Remember to celebrate successes.

Identify and implement a few practical goals and achievable action steps that will lead to better board performance and more satisfying board service.

However, your board may want to answer the questions as a group. Reaching consensus on how to rate each item may enrich the conversation and lead to stronger, more cohesive working relationships.

USING THE RESULTS

When reviewing the assessment's key findings, the goal of the discussion should be to identify strengths and areas for improvement. Board members should congratulate themselves on their good work. Then areas of improvement should be explored to identify the dynamics that contribute to the

problem or challenge. Ask and answer the question: How can the board do better in this area?

Next, choose a few goals and identify specific, readily achievable action steps. These steps then become the basis for a board development plan that ensures that critical issues will be addressed and that board members will receive the information and training they need to improve their performance.

Finally, commit to making use of what you learned by revisiting both the assessment process and its outcomes.

Measuring Effectiveness

contextual, educational, interpersonal, analytical, political and strategic practices

In “Measuring the Effectiveness of Nonprofit Boards,” *Nonprofit and Voluntary Sector Quarterly*, 27 (1998) Douglas K. Jackson and Thomas P. Holland offer a framework for measuring the effectiveness of nonprofit boards. Their model identifies six observable categories of practices or competencies that enhance a board’s performance and is the basis of the BoardSource self-assessment tool. It is summarized here to encourage you to think broadly when conducting an assessment of board meetings and overall board performance.

Contextual Practices involve the extent to which a board takes into account the mission and values of the organization it governs when making decisions. Acknowledging the importance of context also requires the board to keep informed about important trends that are relevant to the future viability and performance of the organization.

Educational Practices ensure that the board takes necessary steps to make members well informed about the organization as well as the board’s roles, responsibilities and performance. Educational activities enhance board members’ knowledge of the history and traditions of the organization and provide an opportunity to reexamine and learn from past decisions. To help educate new board members, the board should assign veteran members as mentors. Management should ensure that complete information is made available to all board members in a timely manner.

Interpersonal Practices ensure that the board, as a group, is cohesive and attends to its own collective welfare. These activities are designed to provide opportunity for board members, past and present, to socialize with new members and to interact in formal and informal settings with the objective of fostering group cohesiveness.

Analytical Practices relate to the board’s ability to dissect complex issues and examine them from multiple perspectives. Every board member should be encouraged to actively participate in the discussion. Additionally, the board should carefully scrutinize management’s proposals and committee recommendations to analyze complex issues that appear ambiguous or ill-conceived.

Political Practices involve the board’s acceptance of its responsibility to develop and maintain cordial and healthy relationships with the key constituencies. The board should become familiar with internal and external stakeholders of the organization and to make sure that their interests are reflected in board decisions.

Strategic Practices are those directed at the board’s ability to envision and ensure a strategic approach to shaping the future direction of the organization. To do so, the board must set clear long-term priorities for the organization and use the organization’s mission as a benchmark with which current strategies and objectives are measured.

In Memoriam: Claudia Daugherty

We deeply mourn the passing of our beloved colleague and friend Claudia Daugherty, who passed away on November 29, 2006 at the age of 49. Claudia dedicated her too short life to helping our region’s nonprofit organizations nurture creativity, care for the vulnerable and educate our children. While on staff at the Regional Arts Commission in the mid-1980s, she was instrumental in helping VLAA make the transition from an informal pilot program run by a few dedicated volunteers to a professionally-staffed agency with more than 300 affiliated lawyers and accountants. Most recently, Claudia donated her time and facilitation expertise as we prepared to move into our new home and, again, when we were drafting our strategic plan. We count ourselves fortunate to have known Claudia. She will be long remembered for her positive outlook, calming influence, faith, wisdom and loving humble spirit.



W H I T A K E R F O U N D A T I O N

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