

Bookshelf

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Reinventing Your Board

By John Carver and Miriam Mayhew Carver

Published by Jossey-Bass Publishers, San Francisco, 1997, 232 pp., \$40.95

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The phenomenon known as John Carver's "Policy Governance Model" for the management of nonprofit boards seems to be continuing unabated. By November 1998, the catalogue of Carver's publisher, Jossey-Bass, offered for sale two books, 12 "Guides" (24-page booklets on various topics related to boards), a bimonthly newsletter, a video and an audiotape — a \$617 value if you buy the whole package. As well, it is rumoured that a new book is in the works (this time for corporate boards) plus another volume on implementing the model written by a group of its fans (including several Canadians). On top of all that, since the original work that started it all (*Boards That Make A Difference*) appeared in 1990, the authors have presented many hundreds of workshops to live audiences and acted as consultants to many more individual charitable organizations.

Clearly Carver and his works sell big time (and particularly well in Canada according to the publisher). Why is this? What is it that Carver's material is offering to the leaders of nonprofit organizations? And, when all is said and done, do Carver's solutions for board problems really work? These questions will be looked at in the context of discussing one of the latest products from the Carver atelier: *Reinventing Your Board* of which Carver and his wife Miriam Mayhew Carver are co-authors.

First, some thoughts on what is behind the Carver phenomenon. Carver disciples, of course, would have a simple answer: "the model and all its related products meet a huge need and meet it well". Without question the need is there. For years, nonprofit Executive Directors (EDs) tended to operate with passive "rubber-stamping" boards. They would set the agenda, supply the

information they wanted the board to hear and usually get ratification of whatever policies they needed board approval for.

Then two things happened. Major funding cutbacks from governments began in the early '90s coupled with increased competition for other sources of funds. At the same time critiques of lazy, negligent corporate boards began to appear in the popular press along with the call for boards to hold their CEOs more accountable. Suddenly EDs were being faced by more difficult issues and more demanding boards. They needed real help from their boards but many found it came in the form of meddling in the operations of the organization. Boards started swinging unpredictably between useless rubber stampers and picky interferers. What was the long-suffering ED to do?

The how-to-do-it books of the day (and there were a number even then) asserted that the role of the board was to “make general policies” and the role of management was to implement them. But where did “general policy” end and non-general policy and implementation begin? Then, along came Carver. He offered what seemed to be a simple solution that would settle once and for all what boards were supposed to do and what the EDs were supposed to do, a solution, he said, which could be applied equally well to all boards and make every board effective.

The conditions that created “problem boards” remain with us today. In fact, if anything, they have intensified. We only need to look at the recent spate of “sector bashing” by a few politicians and journalists and the creation of the Commission on Governance and Accountability in Canada’s voluntary sector. So clear, workable techniques for improving boards are still yearned for by many an ED and board chair. Hence the sale of Carver products continues apace. But does Carver really have the answers?

This is not the place to attempt a lengthy description of the full Policy Governance Model. That is best obtained by reading Carver’s main book *Boards That Make A Difference*, now in a second edition. For those who want a quick overview, however, *Reinventing Your Board*, offers one in Chapter 2. Here we learn that boards must set the ends the organization is to achieve and allow EDs to set the means within a framework of “limitations” (policies that outline those things which EDs (and by extension their subordinates) may *not* do. This done, the board then watches to assure itself that the ends are being achieved and the means limitations are not being violated. Policies are defined as “statements of value” (p. 20) and we are introduced here to the concept of policy “levels” — their “size” or “breadth”. Policies can be defined quite broadly and left at that or the board may choose to interpret these broad statements more narrowly. In fact three or four levels of “nested” policies of increasing specificity may be created by a board depending on how much trust

it has in the management team to interpret a broad policy in the spirit in which it was intended. Many specific recommendations flow from these broad principles including how “ends” are to be developed and what the categories of means limitations are.

One of the most common complaints from those who tried to apply this model as it was presented in the original book was that, while it seemed easy to understand in the abstract, it was difficult to implement in practice. It is this problem that is addressed in *Reinventing Your Board*. In fact the book’s subtitle is: *A Step-by-Step Guide to Implementing Policy Governance*.

Before getting into the details, we are reminded in the first Chapter that “Policy Governance was designed to be generic, so it should be applicable whenever a board faces the task of governing” (p. 4). By inference this means that, if it doesn’t work for you, it can’t be the fault of the model; it could only be that you weren’t “ready” or haven’t applied it properly. We are also told that the move to Policy Governance is a “paradigm shift” so should not be applied in bits and pieces or incrementally — it has to be all or nothing.

With these caveats in mind, the bulk of the book leads us through the steps in the implementation process, starting with the creation of three sets of means-related policies and ending with the critical job of setting the ends policies. Interestingly, the authors are quite insistent that one should *start* with the means-related policies and leave the setting of ends until later. (This is quite unlike the usual teachings on strategic planning which say, decide the strategy first then design the structures and processes in the light of that).

In Chapter 4 we learn how to set Executive Limitations starting with the “level 1” policy that, in essence, says that the ED should not violate the law, be imprudent or be unethical. We are told that this level does not usually provide quite enough specificity so are given a list of areas in which more detailed “level 2” limitations can be stated. We see sample policy statements regarding what the ED may not do with respect to the treatment of “consumers” (their term for all users of a nonprofit’s services), staff, budgets, finances, assets, compensation, and communication. In case the ED needs even more constraining, we also get examples of more specific level 3 and 4 policies. (To make it easier, the authors recommend that their sample policies be used as a “first draft” to put before the board so they can have something to react to rather than having to craft all the words themselves).

In Chapter 5 we are told what the policies should be for the board itself—the means it must use to carry out its responsibilities. The level 1 policy tells us that the purpose of the board is to see that the organization “achieves what it should” and “avoids unacceptable actions and situations” (p. 91). In case that

seems a little too broad, level 2 sample policies are laid out with respect to governing style, the board's job description, the role of the board chair, board members' code of conduct, board committee principles and the cost of governance. Again, level 3 and 4 statements for boards that need a lot of guidance are provided.

Chapter 6 tackles the all-important area of the "board-CEO linkage", i.e., how the ED should relate to the board. Here the level 1 policy is: "The board's sole official connection to the operating organization, its achievement, and conduct will be through a Chief Executive Officer" (p. 114). Level 2 policies address the issues of "unity of control" (the CEO reports only to the board as a whole), accountability of the CEO, delegation to the CEO and monitoring of CEO performance.

In Chapter 7 we finally get to the all-important area of how the board should go about setting the "ends policies" for the organization. We see here an elaboration of the basic definition of ends presented in the original Carver book which states that ends policies must be those that answer the question: What services are to be provided to which people at what cost? Level 1 is roughly comparable to a mission statement, while levels 2 and 3 look a lot like what non-Carverites would call strategic objectives and priorities (though the authors here make quite a point of warning the reader *not* to get trapped into the language of that old paradigm of strategic planning). Examples of suitable ends statements are provided from a hypothetical nonprofit setup to help people with mental and emotional problems such as a Community Living Association.

The final two Chapters of the book deal with how to put the newly crafted Policy Governance policies and practices into effect and sustain them over time after the initial effort of crafting them is over. Again, the implication is clear: if they seem not to be working for you, this is not the fault of the model; it simply means you have strayed from the path of righteousness and should go "back to basics" for re-education in how to get it right.

As a final aid in launching a board into the "new paradigm" of Policy Governance we are provided with three appendices, one offering a sample board manual, one offering samples of ends policies for other types of nonprofits and the third presenting samples of monitoring reports to be used by the board.

So what are we to make of all this ? Several questions can be raised:

1. Does the book and its underlying model comprehensively cover all the major issues that plague nonprofit boards today? Alas, it does not. A few examples of missing pieces will illustrate. (a) Critical to the success of any board is finding the "right" people to sit on it.

While the book does discuss the concept of what the right person should be, we get no help in how to locate these paragons or how to dispose of those who don't measure up. (b) Setting "ends" is the board's main function but usually doing this requires considerable knowledge of the "industry" of which the organization is a part. Since most nonprofit board members have, at best, only a few hours a week to spare for the organization they govern and often are not specialists in its field of endeavour, it is not clear how the board is going to acquire sufficient expertise for the task it faces. (c) The big issues facing many nonprofits these days are complex and high pressure. Since the book has no illustrations from real situations we don't get any feel for how an organization goes about actually grappling with these thorny issues or how it deals with the inevitable disagreements that must arise in the course of doing so. (d) While it is unquestionably a good idea for boards to track the performance of the organization against the ends it has identified, we get little or no recognition of what a messy, subjective, ultimately political business the evaluation process really is or how to handle the dilemmas this creates.

2. Can the model be implemented as directed in this book? I am not at all sure it can, for most boards. To come up with what I estimate to be the 30 to 100 "means limitation policies" and "ends statements" that are recommended and then stick to them over time is a truly daunting task. Indeed the Carver model seems to require truly dedicated and extraordinarily disciplined board members and EDs. It does not have much room for the many frail humans (including this reviewer) who fill so many of these positions. These are people who have a difficult time avoiding the mixups between ends and means; who can't help becoming personally friendly with the ED; who have personal attitudes and values that enter into their judgements about what is good and bad; and so on.

In some ways the authors appear to realize that boards and EDs will have trouble staying on the straight and narrow. The tone of the writing is often didactic, distant and even cold. For example, we are told: "The board is not there to help the CEO but to instruct and monitor the CEO" (p. 130). Frequently we are admonished that "the board must be a disciplined group" (p. 49); and "this policy demands rigorous board discipline" (p. 118). Rather like the heads of a strict religious denomination, they tell us that any deviation from the true

path is our own fault and can be corrected only through the exercise of discipline.

3. Assuming however, that it *is* possible to implement the Policy Governance model as instructed, how sure can we be that it will create a really effective board, one that can make a significant difference to the success of the organization? The most accurate answer to this question at present is — nobody knows for sure. In spite of nine years of what must be thousands of boards attempting to apply the model, no one has published any definitive research testing its efficacy as compared to other models, or indeed to having no model at all. We do have testimonials gathered by the publisher that are lavish in their praise of the model. Conversely, anyone who has a chance to talk to a broad range of EDs and board chairs will pick up all sorts of horror stories of boards that have spent months trying to make the model work for them and come out of the process either no better, and sometimes worse, off than when they went in.

The limited evidence from a few studies, based mainly on interviews or questionnaires administered to EDs and board members, suggests that the model is no more effective than several others. What it does indicate, however, is that the general process of trying to clarify the role of the board and have it focus more on “the big picture” issues often leads to more satisfaction with the board’s performance. Whether that leads to a more effective organization remains to be established. Regrettably, neither anyone in the Carver camp nor anyone else has sponsored anything in the way of better-designed research. Had this model originally been applied to *corporate* boards, the hotshot researchers in business schools would have been testing it from all angles within a year. However, in many ways current research into nonprofit management resembles the state of research into business management in the 1950s — minimal in quantity and highly unsophisticated. It is to be hoped, the rapid growth of this field of study will change that situation soon.¹

What is the bottom line, then? Is it worth reading *Reinventing Your Board*? If you are already a confirmed Carver disciple who believes that the answers to all the important board problems are to be found in *Boards That Make A Difference*, this new book may well act as the equivalent of a biblical exegesis — shedding light on the difficult passages in the original text. On the other hand you may be one of those, like this reviewer, who thinks Carver does indeed have some good ideas but that they do not represent a paradigm shift, can be used piecemeal, and certainly don’t apply equally well to all types of nonprofit organizations. For us, the book offers some useful nuggets that could help certain boards deal with certain problems. These are worth throwing into the pot with ideas from a number of other “how-to” books and articles

on boards in order to come up with the best configuration of board/staff structures and processes that will fit the unique combination of culture, history, environmental pressures and key personalities that make up the current reality of the organization one is trying to help.²

FOOTNOTES

1. For those interested in looking at some of the limited research that *has* been carried out into what actually happens in boards, see:

Alexander, J. and B. Weiner. "The adoption of the corporate governance model by nonprofit organizations", *Nonprofit Management and Leadership*, Vol. 8, No. 3, Spring, 1998, pp. 228–243.

Brudney, J. and V. Murray. "Do intentional efforts to improve boards really work?", *Nonprofit Management and Leadership*, Vol. 8, No. 4, Summer, 1998, pp. 333–339.

Herman, R. and D. Renz. "Nonprofit organizations' effectiveness: Contrasts between especially effective and less effective organizations", *Nonprofit Management and Leadership*, Vol. 9, No. 1, Fall, 1998, pp. 23–58.

Kearns, K. "Effective nonprofit board members as seen by executives and board chairs", *Nonprofit Management and Leadership*, Vol. 5, No. 5, Summer, 1995, pp. 337–357.

Saidel, J. "Contracting and patterns of nonprofit governance", *Nonprofit Management and Leadership*, Vol. 8, No. 3, Spring, 1998, pp. 243–260.

Sheehan, R. "Nonprofit board effectiveness and mission accomplishment", Paper presented at the 1998 conference of the Association for Research in Nonprofit Organizations and Voluntary Action, Seattle.

2. Since nowhere in this book do the authors refer to any other approaches to improving boards, readers might be interested in a few references for alternative sources of help (including some that are Canadian):

Anderson, M. (ed.). *Building Board Effectiveness*, (2nd ed). Ontario Association of Volunteer Bureaus, 1996.

Chait, R. and B. Taylor. "Charting the territory of nonprofit boards", *Harvard Business Review*, Jan.–Feb., 1989, pp. 1–8.

Deloitte and Touche. *The Effective Nonprofit Board*, Toronto: Deloitte and Touche, 1995.

Harris, M. "Exploring the role of boards using total activities analysis", *Nonprofit Management and Leadership*, Vol. 3, No. 3, Spring, 1993, pp. 269–281.

Murray, V. "Improving Board Performance", *The Philanthropist*, Vol. 13, No. 4, pp. 1–19.

United Way of Canada, *Board Training Manual*, Ottawa: United Way of Canada, 1996.

Taylor, B., R. Chait and T. Holland, "The new work of the nonprofit board", *7 Harvard Business Review*, Sept.–Oct., 1996, pp. 36–46.

Not-for-profit Financial Reporting Guide

By Kerry Danyluk

Published by The Canadian Institute of Chartered Accountants, 1998, 290 pp.

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The almost 75,000 registered charities and an estimated 100,000 voluntary organizations that are not registered charities have faced new accounting and disclosure standards for fiscal years commencing after April 1, 1997. This has been the result of new standards for not-for-profit organizations promulgated in March 1996 by The Canadian Institute of Chartered Accountants' Accounting Standards Board after more than 20 years of discussion and refinement.

The changes in accounting are sweeping and not easy to follow for either the lay person or, for that matter, the accounting practitioner, so the CICA developed this guide to provide an easier-to-understand explanation of the new standards, with examples and answers to some frequently answered questions. In addition the actual Sections 4400 to 4460 of the *CICA Handbook* are reproduced as an appendix.

The guide achieves its purpose and will prove useful for several years to come as organizations, their boards and their accountants endeavour to implement and explain the accounting standards and their effects to constituents, funders and regulators.

The guide deals well with the use of either the deferral method or the restricted fund method of accounting for contributions, a particularly thorny issue. Capital assets, often written off in the past when acquired but now to be recorded and amortized, are dealt with extensively, with good discussion and a number of examples of disclosure that are helpful.

Recording donations in the operating statement as they are received, rather than tucking them away in a separate fund where they are not noticed; recording capital assets and charging their amortization as an operating expense to show the full cost of operations; recording information about related organizations such as supporting foundations; all are accounting changes that affect financial reporting by many organizations and consequently how readers of their financial statements may look at their operations. Changing how people look at operations can offer opportunities for better understanding but also call into question past assumptions. This guide will prove to be helpful to the readers who are trying to thread their way through reporting complexities in order to produce comprehensible and meaningful financial statements.