



Nonprofit Boards and Governance Review™

Strategic Plans Aren't the Answer (Part 1 of a 5 part series)

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Contributed By Terrie Temkin

[Part 1]

Much has been written over the years about the value of strategic planning and it is the rare organization nowadays that doesn't know it should have a strategic plan. However, as a consultant who has dedicated the last 10 years to facilitating such plans, I am calling "uncle." I think there is a better way. In this five-part article, I will share my observations about why strategic plans don't work, why I believe there must be a shift to building strategic thinking boards, what I mean by a strategic thinking board, and how to build one.

In this section I will cover the reason I think it is time for a change. In Parts II - V I will discuss how you can build a strategic thinking board in your organization. Specifically, Part II will deal with adjusting your bylaws to promote strategic thinking. Part III will deal with recruiting strategic thinkers. Part IV will cover orienting your board members to the organization and their responsibility for strategic thinking. And, Part V will discuss structuring your meetings to maximize strategic input

Why Strategic Plans Don't Work

Traditional plans -- those massive documents designed to provide organizations with long-term direction -- are philosophically sound, but haven't proven to work in today's fast changing environment. For one thing, the large majority of nonprofit organizations don't have the required months, money or manpower to devote to the lengthy planning process. Strategic plans can cost \$5,000 to over \$100,000, take anywhere from four to 18 months, and involve the staff, board and other stakeholders. Even if organizations had the money to spend, the other factors are daunting.

The required commitment of time and effort is significant, if not prohibitive. I've known groups to spend months just rewriting their mission statement! Environmental scans to identify those trends that are likely to impact the organizations' plans can take hours and hours of work in the facilitation, recording and analysis of interviews, focus groups, or surveys. And, of course, there is the time required to actually plan. Who has this kind of time to give? Many organizations have been forced to lay off staff due to the economic downturn. Typically, those remaining are stretched too thin to take on additional responsibilities, especially those as demanding as traditional planning. Some of these same organizations

further complicate the situation by protecting their board members' busy calendars by giving them a pass when it comes to doing any work outside of regularly scheduled board meetings.

Of course, there is the other end of the spectrum where organizations may spend three hours on a Saturday morning with just half the board in attendance, cobble together a few goals with no or minimal preplanning, and call it a strategic plan. One has to wonder if the results can realistically be called a *plan* and how *strategic* this project could be.

Whichever direction an organization takes, what really destroys the effectiveness of strategic plans is when boards fail to use the plans as the guides they are meant to be -- referencing them at every meeting, using them to make programmatic, human resource and financial decisions. They become instead expensive dust catchers. And, unfortunately, this scenario is more common than not.

Recently, other issues have arisen to affect the usefulness of strategic plans. The first is the speed with which our daily environment is changing. Strategic plans once covered a period of 10 - 20 years. Then it was five - seven. Today those organizations still doing formal strategic plans usually feel comfortable projecting no more than three years out. Yet, the organizations' work can't stop while their plans are being created. If it takes 18 months to write a plan and it isn't feasible to conceive a plan for more than three years out, half the plan should be obsolete by the time it is finished.

Why there Must be a Paradigm Shift to Strategic Thinking Boards

I am not suggesting that nonprofits eschew planning even with these drawbacks to traditional strategic plans. The old adage, "*You don't have to plan to fail; all you have to do is fail to plan,*" remains true. Nor am I suggesting that nonprofits plod along, doing business as usual and relying on what they perceive as their importance to the community to keep them afloat. Dan Austin, a professor at Nova Southeastern University, warns us, "*Just because you are on the side of angels doesn't mean you are going to survive.*"

To grow and prosper nonprofits must adopt a culture that demands that its board members never stop thinking strategically. The organizations must rely on their boards -- the entity ultimately responsible for ensuring an organization's future -- to constantly reason, challenge and express ideas from a strategic perspective. More than just a case of semantics, this is a critical change in focus for most boards.

Organizations search out the best and the brightest to sit on their boards. However, all too many of the organizations then ask these talented individuals to do little more than listen to a series of reports. Questions -- the underpinnings of strategic thinking -- are often discouraged either because they lengthen the meeting or challenge the leadership. This type of behavior must change. We need to encourage not discourage questions.

What is a Strategic Thinking Board?

A strategic thinking board asks questions and looks at ramifications, intuitively buying-in to what physicist Tom Hirshfield once said, "*If you don't ask, 'Why this?' often enough, somebody will ask, 'Why you (this organization)?'*" It realizes that the questions it asks will often be more valuable than any answers it receives. It wants to understand why each issue matters and how each decision will reflect on the organization. Such a board frames every

decision against the organization's mission, vision and values. Further, and equally important, it sees planning as part and parcel of every action the organization takes rather than as a discrete activity.

A strategic thinking board focuses its communication about issues around 12 key factors:

- Potential -- Can this option help us meet our organization's needs? It's goals? Will it help us deal with the unpredictable?
- Philosophy -- Is this option consistent with our values and policies?
- Image -- What does this option say about our organization?
- Stakeholders' needs and desires -- Will this option be readily acceptable to our clients and the community?
- Worldview -- Is this organization more traditional or entrepreneurial in its approach?
- Sophistication level -- How experienced is this organization with the wide range of options available? Are we ready to take on this particular option?
- Life cycle -- Is this option appropriate given the fact that our organization is
 - just emerging;
 - established;
 - a large bureaucracy; or
 - on the verge of collapse?
- Staffing -- Do we have the people to carry off this option successfully?
- Risk -- Are we opening our organization to excessive liability?
- Cost -- Do the benefits of pursuing this option outweigh the costs?
- Competition -- Is everybody (anybody) else doing this?
- TSWQ -- The "So What" Question. What is really important about this? Will implementing this option make a difference?

Boards can learn to be strategic. In Part II of this article I will suggest the first step -- adjusting your bylaws to promote strategic thinking.



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Adjusting Your Bylaws to Promote a Strategic Thinking Board (Part 2 of a 5 part series)

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Contributed By Terrie Temkin

How To Build A Strategic Thinking Board, Part 2 of 5

Building a strategic thinking board is not difficult. Those familiar with best practices in the areas of board development and governance will recognize most of the steps. The key is putting them all together and making them an integral part of your organization's culture.

The steps can be classified in four basic areas: adjusting your bylaws to promote strategic thinking; recruiting strategic thinkers; orienting board members to the organization and their responsibility for strategic thinking; and, structuring meetings to maximize strategic input. In this article I will deal with the bylaws.

Adjusting Your Bylaws

All too often, organizations inhibit strategic thinking without realizing it because they operate under bylaws that stipulate practices that are counter-productive to the thoughtful exchange of information, ideas and intuition -- cornerstones of the strategic thinking process. While I am a strong believer that there is no one way to run an effective board, there are four factors typically spelled out in bylaws that can have a dramatic impact on a board's ability to think strategically. These are the size of the board, the use of executive committees, the frequency of board meetings and the medium through which board members can participate.

Size of Board

Many boards are large by design. The reasoning is that each additional board member extends the reach of the organization into new spheres of influence and affluence. However, if a board is to think strategically, every board member must participate, offering his or her unique perspective on issues. Large boards prohibit this. It is too easy for someone to sit back and abdicate any sense of responsibility.

So what is too large? A board is too large if the members cannot sit around a table and easily eyeball one another. Generally speaking, this means limiting board membership to under 20, with 7-15 being more conducive to substantive interactions. If you are concerned about losing your reach, use committees made up of people who do not sit on the board.

Remember, the goal here is to use the board to provide strategic direction, not be all things to all people -- or, in this case, be all things to the organization.

Executive Committees

Few constructs do more to limit strategic thinking than executive committees. Having a small group make decisions behind closed doors does little to encourage committed thoughtful participation by the larger group. Whether the executive committee presents its decisions as *fait accomplis* or thinly-disguises them as recommendations, the rest of the board understands that its role is to rubberstamp those decisions. And, if that is the case, no one is going to waste time or effort in thinking through ramifications or other options. The usual justification for executive committees -- to make quick decisions in times of crisis -- is moot if your board is small enough.

Frequency of Board Meetings

The trend over the last several years has been to reduce the number of meetings board members are expected to attend -- in some cases, to as few as one or two a year. Board members have a legal duty -- the Duty of Care -- to make informed decisions. One can hardly be expected to make informed, strategic decisions if meeting only one, two, or even five or six times a year. Needed knowledge about the organization is just not going to be there.

I am not suggesting that boards need to meet once a month. An organization could choose to meet on an evenly-spaced schedule like every four to seven weeks, but it could also decide to meet more frequently during the organization's busy seasons and less frequently at other times. If you want strategic thinking, be strategic about your meetings. What I would not suggest is to eliminate all summer meetings. The work of the organization does not stop just because it is vacation time for the majority of people.

Means of Participation

Board members are busy. They travel, life interrupts. However, you need most of your board members at each meeting if you are to get the best strategic thinking. Consider using today's technology to increase participation.

Each state has different laws regulating the use of technology as a means for conducting board business. Clearly, your bylaws must be in compliance. However, many states merely require that people be able to participate simultaneously. This would allow the use of conference calls, chat rooms or online conferencing. The latter, among other things, allows everyone to see the same visuals, annotate those visuals, hear each other talk, and take votes. You could even put up everyone's pictures so that people can put faces to names and ideas.

The use of this technology has the additional benefit of allowing you to broaden your search area when seeking the best strategic thinkers in your mission area. You are no longer limited by where people reside or by concerns that they may not be sufficiently able-bodied to physically attend meetings.

If you are concerned that your organization will lose too much by meeting via technology consider placing limits on such participation. For instance, you might require that everyone attend a minimum number of meetings in person before "attending" a board meeting via

conference call. Or, you might limit the number of times within a given year someone can participate using one of these alternative mediums.

The key to all of this is to consider the changes your organization needs to make in how it functions in order to facilitate more strategic thinking. Once you've identified those changes, you must change your bylaws to provide the necessary authorization to operate in the desired fashion.

In Part three of this series I will cover recruiting strategic thinkers.



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Recruiting Strategic Thinkers (Part 3 of a 5 part series)

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Contributed By Terrie Temkin

Part 3 of How To Build A Strategic Thinking Board

I have lost count of how many times over the last few years I have heard boards talk about their need to recruit board members of affluence and influence. While individuals who meet these qualifications can add much to a board, they may or may not be what a particular organization needs at its particular stage of development. In all cases, however, organizations need strategic thinkers -- people who can size up the environment, predict the most likely future, weigh the ramifications of various options, and determine the best direction for the organization.

Since merely putting out a call for strategic thinkers is unlikely to produce the results you desire, you must consider how you can recruit people with the necessary skills. The first step is to identify the common characteristics for which you are searching. The second is to plan to ensure sufficient diversity. The third is to strategically narrow your list of potential board members to the best of the best.

Characteristics of Strategic Thinkers

For me, the list of common characteristics is relatively short. I look for people who are curious, who will ask questions, challenge, probe and never take a statement at face value. These are the ones who will refuse to move forward without answers to such questions as: Why does this matter? How does this relate to our mission? Is this the best way to approach this? Or, What are the costs as compared to the benefits if we proceed in this manner?

I also look for people who can think ahead -- people who are able to anticipate the most likely results from specific actions. Hockey legend Wayne Gretzky credits his success to his ability to ignore where the puck is and skate to where the puck will be. Organizations will always be playing catch up as long as their boards are skating to where the puck is.

Individuals who are good at brainstorming options -- who embrace the French philosopher Emile Chartier's view, "*Nothing is more dangerous than an idea when it's the only one you have*" -- would be on my list as well. When I facilitate brainstorming I often ask groups to come up with at least 60 ideas in 10 minutes. When the group has petered out, I ask for at

least 20 more ideas. The best ideas are usually in this last group. The first ideas are typically the over-tried. If you want a strategic thinking board, you must find people who not only will dig deep for the best solution, but who are excited about the prospect of doing so.

Two other characteristics I would look for are a comfort level with uncertainty and a willingness to fail. We all know there are no guarantees in life. However, strategic thinkers seem more at ease with taking risks. Perhaps this is because they are able to calculate their chances for success fairly accurately. It might also be because they appreciate that the only way to move the organization to the level of the extraordinary is to take risks.

How can you tell if potential board members hold these characteristics? Putting them on committees and watching their interactions over time before inviting them onto the board is one way. At the very least, pay attention to the questions they ask -- or don't ask -- when you inquire about their level of interest in serving on the board.

Ensuring Diversity Betters Chances for Strategic Thinking

Equally important to identifying potential board members on the basis that they share characteristics commonly associated with strategically thinking boards, is identifying potential board members that can bring unique perspectives. Historically, board members have felt most comfortable recruiting people who look, speak and act like they do. A recent study of corporate boards found that, on average, the members of any two of 550 of these boards are connected by only 3.5 degrees of separation. My experience in the nonprofit sector suggests if anything, the degrees of separation here are fewer. However, today, diversity must rule.

We now know that people have different learning and working styles. None is right or wrong, better or worse. We need big picture thinkers, but vision will never be realized without detail people. Maintaining a focus on one's job is critical, but rarely do people step up to the plate unless they are doing so for others -- ergo, a people orientation is as important as a task orientation.

There is a saying, *"If two people in business think the same way, then one of them is unnecessary."* We must solicit the different perspectives our board members bring to the table as a result of the unique blend of their education, careers, connections, experiences, and so on. It is critical to the process of creating a strategically thinking board. Margaret Wheatley, in her classic work *Leadership and the New Science: Learning about Organization from an Orderly Universe* (San Francisco: Berrett-Koehler, 1992), concluded that as long as there is an organizing principle within which people can work -- in the case of nonprofits this would be mission, vision, values and goals -- the best (most strategic) results will come from communication between diverse individuals.

Strategically Building -- Then Narrowing -- Your Pool of Potential Recruits

One way that you can build a pool of people from which to choose the best of the best is to ask your current board members to think about everyone with whom they come in contact as possible recruits. Have them share names of the most viable potentials at every meeting. Then, start the cultivation process, sending these individuals newsletters and invitations to events. Invite them to a special introduction to the organization. Put them on committees. When it's time to nominate future board members you not only have a wide range of

individuals from which to choose, but based on their responses to your cultivation efforts, you will have a better idea of who, in fact, thinks strategically.

So, you've now recruited strategic thinkers. How can you ensure that they will utilize their skills to benefit your organization? I will discuss orienting board members not only to your organization but to their responsibilities for strategic thinking in Part four of this series.



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Orienting Board Members to their Responsibilities for Strategic Thinking (Part 4 of a 5 part series)

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Contributed By Terrie Temkin

Part 4 of How To Build A Strategic Thinking Board

Those who have been following this series know that a strategic thinking board is essential in today's environment. However, such boards do not just appear. An organization must ensure that its bylaws promote strategic thinking and that it recruits people with the capacity for thinking strategically. However, I have seen some of the most brilliant strategists reduced to yes-men and women because of an organization's culture. The orientation is one of the first places that an organization has the opportunity to officially stress its need and desire for strategic thinking.

Traditionally, board members are introduced to an organization's mission in an orientation. This remains essential. They will be hard pressed to think strategically if they do not know or do not buy into the *raison d'etre* of the organization because it provides the primary screen through which all decisions must be filtered. No activity -- even the pursuit of a grant -- should be adopted if it doesn't fit the organization's mission. The same is true of vision, values, goals and the rarely considered but critical Duty of Care.

Vision

Vision refers to how you expect the community to look --how you expect it to be better -- once the organization has achieved its mission. It must be widely shared. Think how easy it becomes to make strategic decisions if everyone responsible for making the decisions has the same picture of this desired future in his/her head.

Unfortunately, most board members don't envision the same future even when an organization has a succinct and carefully crafted vision statement that each can spout. Why? Words can be -- and therefore will be -- interpreted in many different ways. If you want to create a strategically thinking board take the time to have everyone describe -- I like to have them draw -- his or her interpretation. Then, work to merge the pictures until you have everyone operating from the same image. One of my proteges uses a computer program to meld these!

Values

Organizational values, like vision, allow board members to focus their energies in a unified, strategic way. Drawn up to specifically speak to your organization's responsibilities and its philosophy regarding clients and the community -- these are not the generic, "We shall be honest and have integrity in our dealings." -- they serve as guiding principles for all decisions.

For example, a values list for an organization that deals with domestic violence might include the belief that every person deserves to return to a safe environment at the end of the day, every day. Let's say that the board was faced with making two decisions. The first was between building a program that builds self-sufficiency so that people can make it on their own outside the abusive relationship or building a program that provides emergency shelter. The second was between opening the program to men as well as women and children or concentrating on women and children. Regarding the first decision, the board would have to lean in favor of investing its resources in the self-sufficiency model because the value statement includes "deserves to return to a safe environment -- every day." Regarding the second, it would have to plan for abused men as well as abused women and children because the value statement says "every person" has a right to a safe environment.

The use of organizational values keeps personal agendas at bay. It also ensures that generation after generation of board members makes its decisions strategically around the same core principles.

Goals

I may be suggesting that traditional strategic plans don't work, but I am not suggesting that we throw the baby out with the bathwater. Goals are still important. After all, Lewis Carroll's Cheshire Cat taught us along with Alice that if we don't know where we are going, any road will take us there.

Each year the board should identify a limited number of organizational goals (2 - 5) to be accomplished during the year that will bring the organization closer to the fulfillment of its vision. At the same time, it should identify a similar number of goals for which the board itself should be responsible. The board's goals should be related to the organizational goals. The more specific each of these goals is in terms of what is to be achieved and by when, the more strategic the board can be in its direction.

A discussion of accountability is also appropriate at this time. Let people know how progress toward these goals will be assessed, how people will be held accountable for achieving or not achieving them, and the consequences if the goals are not achieved.

After the board has been oriented to mission, vision, values and goals it should be oriented to its legal duties: Duty of Care, Duty of Loyalty, and Duty of Obedience (the last is often incorporated in Duty of Loyalty). When these are presented, it's helpful to emphasize the organization's expectations under each category. You should also share any tools or techniques the organization uses to ensure the board members' adherence to its legal responsibilities and expectations, such as a board commitment letter or forms for disclosing conflict of interest. Given our subject of creating strategic thinking boards, I will concentrate on the Duty of Care in this article.

Duty of Care

As mentioned earlier, board members have a legal responsibility to make informed decisions. This means that they must understand context, have sufficient data and thoroughly explore the issues at hand. In order to accomplish these three responsibilities -- which are all critical to a strategically thinking board -- there are a number of things board members must be expected to do.

The first -- in no particular order -- is to be able to read a financial statement. Statistically very few board members feel comfortable doing this, so one of the first things that might be covered in an orientation is a segment on understanding and interpreting financials.

The second is to become familiar with whatever dashboard the organization uses. Each organization should have a set of indicators that are presented at each meeting that give board members an instant read on the status of the organization, much like a dashboard on a car gives a driver an instantaneous idea of how fast he or she is driving, whether the engine is running too hot, or how much gas remains in the tank. Indicators might include the number of clients served in relationship to capacity, projections and the previous month's figures or the relationship between revenues and expenses. Being attuned to such current indicators allows board members to make strategic decisions for the future.

Third, board members must also be knowledgeable about any decision-making screen that the organization uses in addition to mission, vision, values and goals. Sometimes called a decision tree, this screen provides a list of criteria -- often weighted -- against which the board can measure the options it comes up with. For instance, an organization might determine that the cost of an option is more of an influencer than the time it might take or the staffing it would require. A list of criteria a board can use to think more strategically was provided in Part I of this article.

Fourth is to come to meetings prepared. This means that board members have read any briefing papers that were sent prior to the meeting and called in with questions or requests for additional information.

Fifth is to ask questions. Perhaps you might give board members a cheat sheet with the types of provocative questions that will stand them well in a number of different situations. Some sample questions are: What's driving our desire to go in this direction? Are the drivers valid? How will this decision impact our clients? How will this impact our image in the community? What are the downsides of this?

Also key to Duty of Care is the expectation that board members will openly share their knowledge, ideas and reservations, as well as respect the knowledge, ideas and reservations of others. Also, that they will engage in sufficient dialog to feel comfortable that they are in fact reaching the best decision. This means that they must have an expectation of confidentiality -- that what is said in the boardroom will stay in the boardroom. It also means that they have to understand that meetings may run more than the customary timeframe and that they are expected to stay and hash out the resolutions.

Putting all these pieces together in the meeting itself is the subject of Part 5, the last, of this series. Stay tuned.



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Structuring Board Meetings to Maximize Strategic Input (Part 5 of a 5 part series)

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Contributed By Terrie Temkin

Organizations can go to all the trouble of adjusting their bylaws to promote strategic thinkers, recruiting the best and the brightest, orienting them to the need to share their knowledge and experience, and then shoot themselves in the foot when these people show up at a board meeting. The classic meeting format, which relies heavily on reports to bring board members up to date on old and new business is one of the worst approaches an organization can take. Reports are boring. They don't involve people. They don't make them think about the "what ifs'." What's worse, however, is when those board members who still put on their thinking caps are discouraged from asking questions because everyone wants to finish and leave or because questions are seen as a challenge to leadership.

Structuring your meetings to maximize strategic thinking is critical. I mentioned in previous sections how important questions are. So, you want to create an agenda that promotes questions and the brainstorming of options. Try assigning a devil's advocate at each meeting. This person's job is to challenge each idea that is brought up. He or she might ask such things as: What could happen that would prevent us from accomplishing our objective? Isn't the trend away from this and toward? The risk I see is.... While there are natural devil's advocates in every group, the tendency is to tune out the voice that appears always to be taking the opposite road. By spreading around the responsibility for challenging the status quo you remind people why you chose them in the first place and they begin to appreciate the value of such behavior.

Also try eliminating the reports. Have them prepared ahead of time and sent out as a part of the board packet. If committees have recommendations, they can also go out ahead of the meeting with a brief synopsis of the rationale for the recommendation, the pros and cons, the estimated cost in terms of all resources, and a description of how it fits the organization's mission, vision, values and goals. This way, board members can truly think through the issues related to the recommendations rather than merely reacting off the top of their heads. This way, too, most of the recommendations can be handled quickly through a consensus vote, with time spent only on those issues that require additional discussion.

There is one presentation that should be kept. That is the board education piece. Every board meeting should include a short segment about the organization -- its mission, clients, or successes -- or how to be a better board member. Best if presented creatively, these portions

motivate board members as well as providing them with information that is key to their making strategic decisions.

Design the bulk of the agenda around a single substantive issue that truly needs the input of a group of strategic thinkers. This issue should be closely tied to the organization's goals for the year. Concentrate on what's not working (your dashboard indicators will give you this information), upcoming opportunities that directly relate to your mission, vision and values, and specific threats to your organization or its mission. Spend the time to develop action plans and assign responsibilities. The best ideas are worthless if they are not carried through.

Leave time for two additional agenda items: the Executive Director's Nightmare and the BTW Talk. The Executive Director's Nightmare is the opportunity for the executive director to talk about those issues that keep him or her up at night. Requiring a strong partnership relationship between board and E.D. as well as a commitment to confidentiality and a high level of trust, this part of the meeting can make immediate use of the different skills and perspectives represented on the board as everyone puts their heads together to discover solutions to problems that seemed unsolvable.

The BTW (By The Way) Talk takes the place of the environmental scan in the traditional strategic plan. It substitutes a year-round assessment of those factors that could impact the organization in both the near and distant future. Because each board member travels in different circles, each hears different information and places different values on that information. Setting aside a few minutes at the beginning or end of each board meeting to discuss these factors again provides information critical to making strategic decisions.

Cyril Houle once said, "A good board is a victory not a gift." By building an organizational culture that rewards board members for thinking strategically every day planning will be ongoing and meaningful -- not just another "best practice" that is adopted with fanfare and quickly forgotten.