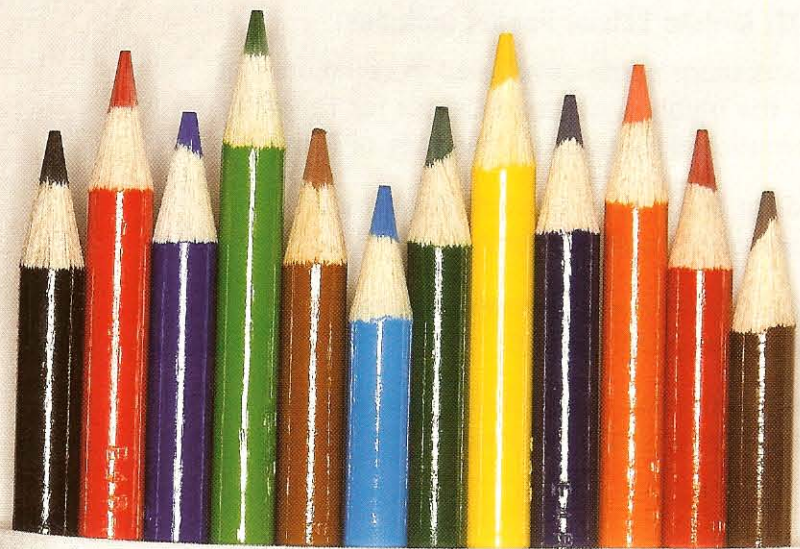


FROM RESPONSIBLE TO



EXCEPTIONAL

LESSONS IN GOOD GOVERNANCE

BY DEBORAH S. HECHINGER

PHOTO ILLUSTRATION BY MICHAEL NORTHRUP

THE HEIGHTENED PUBLIC DEBATE AND INCREASED REGULATORY SCRUTINY of nonprofit organizations has been fueled by scandals at both foundations and public charities. Recent stories in the press have focused on alleged excessive compensation and lavish benefits for the recent president of American University in Washington, D.C., concerns about the circumstances surrounding the departure of the chief executive officer of the American Red Cross, and alleged financial improprieties at the United Ways of New York City and the National Capital Region in Washington, D.C. These are just the latest in a series of examples that highlight the importance of good governance and the consequences of its absence.

Regardless of size or mission, all charitable organizations, including independent schools, depend on the faith of key constituents, the support of donors, and the trust of the public. Nonprofits earn that confidence by ensuring board and staff compliance with legal and ethical responsibilities, *and* in delivering mission success. For trustees of independent schools, governance is about compliance *and* leadership, oversight *and* fund-raising, and challenge *and* support.

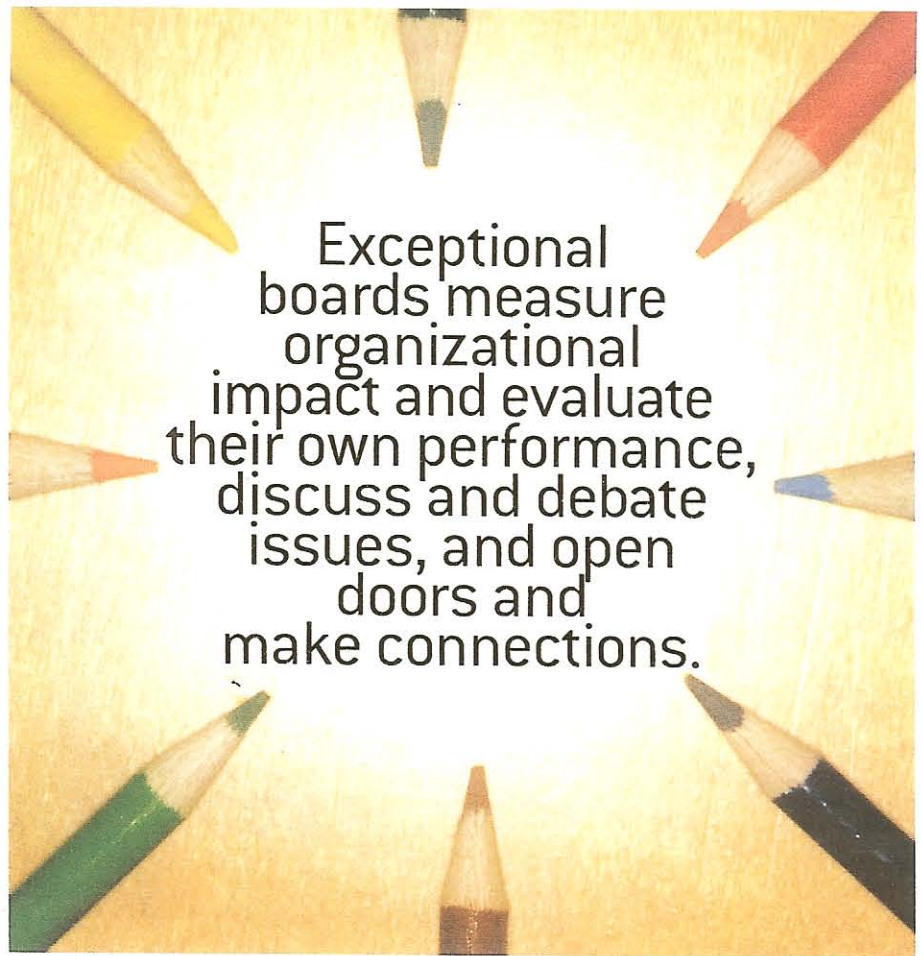
A nonprofit board may meet every legal requirement and adhere to proper procedures, yet still be ineffective, if it is not engaged in setting strategic direction and supporting the organization. A board's neglect of any aspect of its responsibilities may preclude the organization from reaching its full potential. An exceptional board recognizes the impact of its leadership, and board members understand that they must be thoughtful and engaged leaders, not competent but passive stewards. Good governance is about providing critical capital — intellect, reputation, resources, and access — to strengthen the school and, in turn, the community it seeks to educate and nurture.

Moving from Responsible to Exceptional

To help boards operate at the best and highest level of their collective ability, BoardSource — a nonprofit organization focused on improving governance in the broader nonprofit community — recently developed *The Source: 12 Principles of Governance That Power Exceptional Boards*. Drawing on observations, academic knowledge, and proven practices, we identified the common traits and actions of boards that have made discernible differences to their organizations.

These boards behaved differently from other boards. To highlight these differences, we distinguished between “responsible” boards and “exceptional” boards. A responsible board is capable and dutiful in carrying out its responsibilities. This is not always an easy feat, nor should it be taken for granted by either board or staff members. A responsible board understands its fiduciary obligations, and it adds value to the organization by approving strategic plans and budgets, regularly reviewing financial statements, evaluating the chief executive annually, and participating in fund-raising.

An exceptional board operates on a higher level that is both “more” and “different.” Undoubtedly, its members



give more — of their time, talent, and treasure. But, they also give differently. Their time is spent more wisely, their skills and social networks better leveraged, and their treasure more strategically deployed. Exceptional boards measure organizational impact and evaluate their own performance, discuss and debate issues, and open doors and make connections.

Responsible or exceptional, independent school boards are no different from other nonprofit boards in their fiduciary duties nor in the need to advance their organization's mission. In emulating the behavior described in these 12 principles, independent school boards can “power up” their performance to help ensure the quality education to which their organizations aspire.

Common Denominators

Management guru Peter Drucker said, “Management is doing things right; leadership is doing the right things.” As leaders of nonprofits, boards need to consider whether their governance practices add real value to their organizations.

They need to invest time and energy in building collaborative relationships among board members and with the chief executive. They need to be willing and able to think strategically, challenge ideas, and probe for better solutions. While they must bring independent thinking to decision making, they must do so collegially and with an eye towards inviting consensus. In the give and take in the boardroom, they must remember that governance is, fundamentally, a team sport.

The 12 principles of governance, summarized in the sidebar (page 34), get at what boards do and how they do it. They include the fundamentals, such as financial oversight activities, and the intangibles, such as group dynamics. They depend as much on a good board as a good chief executive. They highlight critical and complex characteristics — like a commitment to robust debate in an atmosphere of mutual respect, a drive to spend time on consequential matters, and a passion for mission — and they share some common denominators that enable the board to operate at an exceptional level.

A Frank and Open Relationship

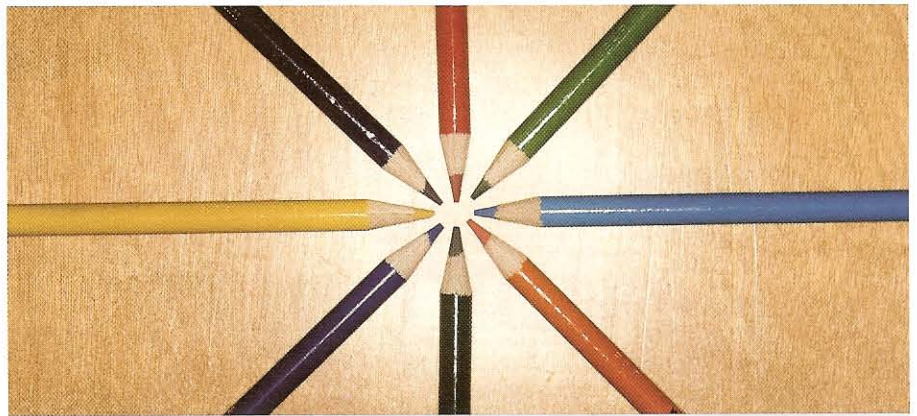
In order to function at the exceptional level, the chief executive (or head of school) must be more than competent and confident. He or she must also be open and honest with the board. The board, in turn, must be committed to ensuring success, while recognizing that nonprofit organizations are complex and constantly changing. As interlocking pieces in a jigsaw puzzle that together create a complete picture, the chief executive and the board are complements, with mutual trust, respect, and appreciation building the foundation for a leadership team that can handle short- and long-term challenges.

Consider This: Working together, the board and head of an independent school created a leadership succession plan a few years before the head of the school was to retire. Board and staff members participated in a collaborative, holistic review process that included articulating the institution's values, evaluating the school's other internal infrastructure needs, and assessing the board — all before the executive search officially started.

Who's on the Board Matters

Cyril Houle, an expert on adult learning, said, "A good board is a victory, not a gift." Great governance doesn't just happen by accident. It takes the right people, in the right place, at the right time. Recent corporate governance scandals have focused attention on the need for board members with business savvy and financial expertise. But nonprofit groups need more than business acumen in the boardroom. They need board members who understand and are willing to live up to the fiduciary obligations established by state law. They need board members who believe in the mission and who will do what is right, not what is easy. They need board members who open doors and wallets.

An exceptional board has members who are also thoughtful, self-aware, and proactive. They balance the need



THE SOURCE: 12 Principles of Governance That Power Exceptional Boards

1. CONSTRUCTIVE PARTNERSHIP

Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent.

2. MISSION DRIVEN

Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values.

3. STRATEGIC THINKING

Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization's direction.

4. CULTURE OF INQUIRY

Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making.

5. INDEPENDENT-MINDEDNESS

Exceptional boards are independent-minded. When making decisions, board members put the interests of the organization above all else.

6. ETHOS OF TRANSPARENCY

Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results.

7. COMPLIANCE WITH INTEGRITY

Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight.

8. SUSTAINING RESOURCES

Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence.

9. RESULTS-ORIENTED

Exceptional boards are results-oriented. They measure the organization's progress towards mission and evaluate the performance of major programs and services.

10. INTENTIONAL BOARD PRACTICES

Exceptional boards intentionally structure themselves to fulfill essential governance duties and to support organizational priorities.

11. CONTINUOUS LEARNING

Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performance and assessing the value they add to the organization.

12. REVITALIZATION

Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness.

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Lessons in good governance

for long-term stability on the board with the need to adapt board structures, people, and practices as circumstances change and the organization evolves.

Consider This: A university foundation board, after asking how it could add real value to the institution, shifted the foundation's focus from fund-raising to commercialization of intellectual property. In turn, the board populated itself with individuals who have significant professional expertise in law, finance, and research and development. Given the foundation's new role, the board also redefined its relationship with the university's administration and governing board, as well as with foundation and fund-raising staff.

Engagement

Board work is just that, work. It requires more than mere attendance at meetings, even at the monthly meetings held by so many independent schools. It requires of board members

personal motivation and commitment, as well as intellectual curiosity and challenge. They must share a passion for the organization's cause. In turn, the chief executive must be ready, willing, and able to engage board members in making sense of situations, in determining what matters, and in solving dilemmas. Neither the board nor the chief executive can simply go through the governance motions and expect great results.

Consider This: A board member led a process that resulted in an emotionally powerful vision statement at an environmental organization. The board and the staff were inspired to reframe strategies, elevate goals, and embark on an ambitious fund-raising campaign. The campaign raised significantly more money than expected, fueling even greater conservation success.

Benefits

The Source represents the wisdom of a working group of nine governance experts and insights from an advisory panel of 27 distinguished

leaders from across the nonprofit and corporate sectors. These 12 principles highlight group dynamics and behavioral characteristics that make the most difference to board performance and, in turn, organizational success.

The Source helps board members understand and meet the expectations and requirements of their positions, providing a vision of what is possible and a way to reach a higher level of effectiveness. The 12 principles also serve as a tool for chief executives, offering a vision of an empowered board that is a strategic asset to be leveraged, not an obstacle to be circumvented.

Independent schools differ in size, structure, and complexity, but the characteristics of exceptional governance do not. These 12 principles are universal. They represent the essence of what great boards do differently and how they do it.

Exceptional nonprofit boards advance the common good through uncommonly good work.

Deborah S. Hechinger is president and CEO of BoardSource.

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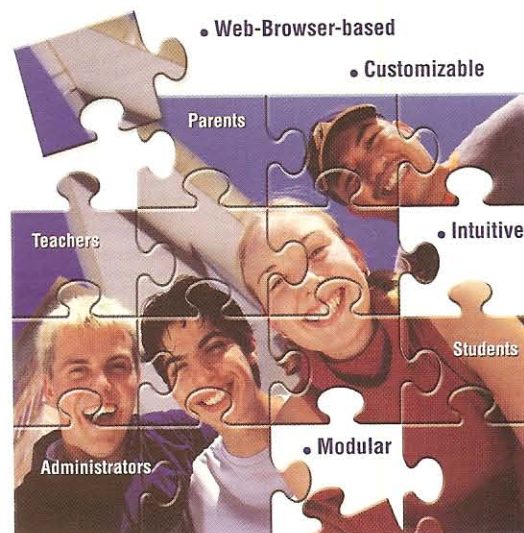
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