

# Strategic Initiatives

Vol. 1 No. 2



**Discover.**

**Analyze.**

**Strategize.**

**Implement.**

**Measure.**

## Is Your Board of Directors Doing its Job?

Associations face a unique set of issues in their structure, governance and management. While the business of an association is often different from that of a for-profit business, the role of the Board of Directors is equally as important.

Still, many association Boards seem set up to fail. Some, for instance, are simply too large. We have worked with clients that attempt to set strategy and make decisions with a group of 100 or more directors. Others appear to not take the oversight of their association seriously. We have seen strategic plans completed but never implemented, annual reviews of the chief executive not initiated, and even indifferent hiring decisions. The results of a Board's negligence or poor oversight comes back to haunt the business years later and by that time, it is often difficult to implement a turnaround.



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## Characteristics of an Effective Board of Directors

### 1. A Well-Defined Mission

A good Mission Statement has to walk a fine line between being too narrow and being too broad. If an association defines its mission too narrowly, new developments in the industry it serves can render the association obsolete.

Remember the railroad companies of the early 20<sup>th</sup> century? They ignored the emerging threat from the upstart airline companies and “missed the wave” of a new form of transportation. They maintained their mission of providing good rail service to their customers, instead of broadening their mission of providing good transportation services – whether by rail, air or truck.

Associations face similar struggles when sharp changes occur in their industries. A mission that is too focused limits the association’s options if massive consolidation occurs among its members; one that is too broad forces the association to “be all things to all people.” The Hale Group worked with an association that defined its mission very broadly. We asked, “What business activities does this mission statement exclude?” The CEO and Board could not answer, but refused to narrow their mission. Today, they are suffering a sharp decline because they do not do any one thing particularly well.

### 2. Clear Financial and Strategic Goals

An old proverb says, “If you don’t know where you’re going, you’ll probably get there.” Many associations do not have clear financial and strategic goals – for next year or for three to five years from now. Many simply have the vague goal of “serving our members well.”

Perhaps the best way to serve your members is to have clear and measurable goals. Ask yourself if you can state definitively whether or not you have met annual goals. If the answer is no, you might not be providing your members with the distinct value that more and more are seeking as reasons to justify the expense of staying in the organization.

Goals should be developed in at least two different areas:

- Financial goals – specific targets for financial measurement of income (from dues, conferences, etc.), debt reduction and reserves
- Strategic goals – major actions for how you plan to achieve your mission and stated financial goals that often include plans for diversification or consolidation of services and products, the adoption of new technology, the hiring of staff with different skill sets, and plans to improve member communications

Does your association have specific goals? Are they written down? Can every member of your Board tell you what those goals are? Few things are more important for a Board than their discussion, debate and, finally, agreement upon the goals of the association.

### 3. Clearly Defined Roles for Both the Board and Management

Good governance starts with each Board member and the CEO having a very clear and mutually agreed upon understanding of the difference between the role of the Board and the CEO. While most Boards and CEOs would say they know the distinction, their actions often depict confusion about their respective roles.

The role of the Board of Directors is to act on behalf of the association’s members by:

- Representing the best interests of all members, not just one constituency
- Defining a clear and accurate mission
- Establishing clear policies that guide the operation
- Setting long-term strategic and financial goals
- Monitoring progress in achieving the goals
- Hiring and evaluating the CEO’s performance

The job of the CEO is to:

- Determine how he / she will achieve the desired results
- Lead the staff in achieving the desired results
- Comply with the Board’s policies *continued on page 3*

Many associations define the job description of the CEO in terms of the activities that he / she should perform. Instead, it would be more effective for the Board to spend its time carefully defining goals and expectations for results.

**Has Your Association Developed Each of These Documents?**

Source: The Hale Group, Ltd.

#### 4. A Healthy Relationship between the Board and the CEO

Recent corporate scandals have focused on Boards of Directors that were too “cozy” with the CEO – by granting huge personal loans from the corporation, allowing questionable accounting practices and paying excessive salaries and bonuses even when the company performed poorly. Few associations have been guilty of such practices. If anything, association Boards are sometimes guilty of either establishing an adversarial relationship with its CEO in order to “keep him in line,” or having no relationship with the CEO at all. None of these extremes is beneficial to the organization.

Some say that one of the most important jobs of the Board of Directors is to hire the right CEO. That is too simplistic. One of the more important jobs of the Board is to hire the right CEO and then to establish an effective relationship with that CEO.

A healthy relationship between the Board and the CEO is based on the recognition that both parties have complimentary roles to play for the benefit of the association. Mutual respect and trust, and very open lines of communication, between the Board and the CEO are absolutely critical if the association is going to succeed.

#### 5. A Wise Use of Time by the Board

During Board meetings, what percentage of time is spent:

1. Listening to department reports?
2. Making decisions that will have minor impact on future results?
3. Discussing member dissatisfaction?
4. Reviewing recent financial results?
5. Setting major policies for the association?
6. Debating long-range strategic decisions?

Far too many associations spend a huge percentage of their time dealing with the first four topics and little time discussing topics 5 and 6. Time allocations should be the exact opposite of that common prioritization.

Topic 4 – reviewing financial results – should occupy a significant portion of the Board’s time only when current results are seriously out of line with the Board’s plan and expectations.

#### 6. An Appropriate Mix of Members - and Skills - in the Boardroom

Generally, associations seek a diverse Board that is somehow reflective of the membership and / or the amount of dues paid. Some associations attempt to manage Boards in excess of 100 members. No amount of open-floor debate or subcommittee work can allow a Board of this size to function properly. On the other hand, associations must face the reality of over-representation of “small members.” In cases where large members pay a huge share of the dues, Boards must be carefully organized to appropriately reflect their influence. The Board must ensure it is a fair representation of the membership yet of a size and structure that can effectively make decisions and set strategy. *continued on page 4*

Publicly traded companies often have very diverse Boards, with members representing expertise in sales, marketing, finance and operations. Association Board members usually have similar sets of expertise. Associations do not always have the luxury of recruiting different skills to their Boards so they must obtain these skills in other ways. This can be done by a) contracting professionals with the right skills to attend Board meetings in a non-voting capacity and drawing on their expertise; b) utilizing knowledgeable consultants to provide expertise and advice for a specific decision; or c) hiring outside directors with the required skills. The merits of these three options can be debated, but failure to provide the right expertise at Board meetings is a recipe for disaster.

## Summary

If I were an association executive or director, I would want to know that my Board is serving the needs of the membership. I would look for:

- A well-defined Mission Statement
- Clear strategic and financial goals
- Clearly defined, complimentary roles for both the Board and the CEO
- A positive and healthy working relationship between the Board and the CEO
- A wise use of time by the Board when it meets
- A well-balanced representation of members and skills in the Boardroom

For associations facing difficulties in these areas, an independent assessment of the association and its structure can help identify the barriers, open the lines of communication between members, the Board and the CEO and provide options for moving forward. A third-party, such as The Hale Group, can objectively identify the issues and ask the tough questions that those close to the association can't ask. It can be a difficult process, but for some, the future of their association is at stake.

## About The Hale Group

*The Hale Group is a consulting and advisory partner assisting companies develop fact-based strategies to contend with an evolving landscape. The underlying philosophy of the firm's efforts on behalf of its clients, and in collaboration with them, is to formulate strategies that enable clients to break through the market clutter and identify platforms for growth.*

*The Hale Group has developed proven processes and tools to help organizations gain perspective on the opportunities and challenges within an industry. The level of The Hale Group's participation can take many forms from addressing the overall process or an individual part of the process. However, in whatever capacity we participate, the desired outcome is for our clients to be successful.*

*Our products and services include:*

- *Strategy*
- *Organizational Effectiveness*
- *Market Research*
- *Operating Efficiencies*
- *Opportunity Analysis*
- *Mergers & Acquisitions*

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