Board–Management Collaboration Case

by Harry Korine
(UK)

*London Business School
INSEAD
International Center for Corporate Governance*

An international NGO dedicated to research and project work has seen the amount of unrestricted funding it receives decline precipitously over the last 3 years. In an environment of declining budgets, both public and private donors have sought to earmark the funding they provide to specific research programs or project outcomes (e.g., restricted funding). As a result, the NGO has been forced to cut back on some of its work and reduce staff. Overall, headcount has declined from over 250 to 200. Just as importantly, the nature of the work has changed: whereas for the first 20 years of the organization's existence, researchers and project workers could count on a steady flow of centrally generated funding, they now have to spend a lot of their time preparing proposals and applying for external funding.

While a majority of staffers have taken to the new challenges positively, quite a few have reacted to the changed conditions with disbelief and anger. The Director whose term has coincided with the changes has come in for particular criticism. He is said to have been unnecessarily blunt and, at times, to have acted in a threatening manner in implementing the new policies. Several senior staffers have made use of their ties to individual members of the NGO's Board of Trustees to make personal complaints about the Director. In the absence of regular communication between the Director and the Chair of the Board, mistrust has been allowed to fester.

The NGO Board is made up of respected scientists, career non-profit professionals, and experienced business people from around the world. The Board is self-constituting, independent, and unpaid, with members chosen for a maximum of two 3-year terms and a change of Chair every 3 years. In addition to teleconferences for committee work, the Board meets twice a year in person, for

2–3 days per meeting, receiving management’s recommendations and deciding upon the major issues facing the NGO.

Under the influence of the complaints of several senior staffers to individual Board members, the Board decided at its last meeting to give the Director a contract extension of only 1 year (rather than the 2 years that he had asked for) and require that he undergo professional coaching as a condition for the extension. This decision came as a surprise to the Director and to his management team. They feel that they have done their best to steer the NGO through turbulent waters, and the results, both in terms of quality of work done and new funding obtained, bear this out. In response to the Board’s decision on the Director’s contract, the management team has written to the Chair of the Board in strong support of the Director, asking the Board to give him an unconditional 2-year extension.

The new Chair, who only took over after the last board meeting, asks an independent consultant for advice. Specifically, (a) what should be done about the contract extension for the Director—should he the Chair ask the Board to go back on its decision; (b) what should be done to strengthen the collaboration between the management and the Board; and (c) what should be done to restore confidence in the organization and its governance?

1 Analysis

Comparing the experience of the NGO in the case to that of other “not for profits” (NPFs) is a good starting point for the analysis. The situation described is dramatic, but the context is not unusual. In fact, many NPFs have experienced similar challenges in recent years, specifically the decline of unrestricted funding, the reduction in headcount, and the need for staffers to become more entrepreneurial. Also, it is not uncommon for the staffers of NPFs, particularly those with a research focus, to work around hierarchical channels of communication and take personal complaints directly to the top. Finally, a significant knowledge gap between all-volunteer Board and professional management is a feature of many NPFs. In short, the NGO in the case can learn from the experiences of other NPFs.

2 Consultant’s Advice

In a first, immediate step, the consultant had to help the new Chair decide what to do about the contract of the Director and the letter of the management team. Given the Director’s record of good performance under difficult conditions and in view of the fact that the negative information on the Director was limited and potentially biased, the consultant asked the Chair to decide if he would be willing to personally support the Director, not only in extending his contract against partial opposition on the Board but also in working with him closely to make sure that the Board and the management would be able to go forward on the same page. In the process of addressing management’s letter in support of the Director and reconsidering the contract extension decision, the new Chair made his commitment absolutely clear to

Board as Integrator: The “W” Model

Source: Martin Hilb, Notes, 2017; based on *New Corporate Governance*, 2008

Fig. 1 Board as integrator

both Board and management. Faced with a Chair resolved to lead, the Board member who had been most closely connected with the information against the Director resigned, and, after several teleconferences, the other Board members agreed to reverse their previous decision and grant the extension.

In a second step, the consultant worked with the Chair and the Director to prepare a workshop on Board–Management collaboration. It was agreed that the workshop would be one part education and three parts work. In the educational part, both Board and management would learn about best practice in the governance of NPFs, with a particular focus on the different roles of board and management. In the work parts, Board and management would rethink the nature and role of the Board, develop new processes for working together, and agree on how to channel two-way communications between staff, management, and the Board. Preparation for the workshop was intense, with a three-way personal meeting, multiple trans-continental telephone conferences, and numerous drafts of workshop content. It was important to the consultant that both Chair and Director contributed to and bought in to the recommendations for action to be presented and put into action at the workshop.

The key ideas presented at the workshop can be summarized in two slides (Figs. 1 and 2), as follows.

3 Workshop and Board: Management Resolutions

At the workshop, the consultant helped Board and management understand how the changes in the context required them to collaborate much more closely than they had in the past: to be able to respond to the twin challenges of unstable, restricted funding and rapid transformation of the business model, Board and management could not go on in the “old” way, but needed to adopt the “new” way outlined by Taylor, Chait,

Fig. 2 Teaching new ways

Teaching an Old Board New Ways

OLD	NEW
• Approves/monitors	• Joint problem solving
• Territories set in stone	• Domains set as needs
• Structure and routine	• Strategy and flexibility
• Process driven	• Content driven
• Collection of stars	• Collective capabilities

New Issues → New Behaviors

Source: Taylor, Chait, and Holland, The New Work of the Nonprofit Board,
Harvard Business Review, 1996

and Holland and summarized in the second slide above. Once that was understood and agreed upon, Board and management resolved a series of concrete actions:

- (a) To organize future board meetings around specific themes, as dictated by needs
- (b) To constitute mixed Board/management work groups to address issues of strategic importance on an ad hoc basis
- (c) To ensure that all board agenda items were presented by management as either for information or for decision and led to specific next steps
- (d) To establish and reinforce clear channels of communication from the Chair and the Director to the staff and from the staff to management committees and hence to the Board and to close down any unauthorized communication to the Board

It should be noted that the consultant also took part in the first board meeting after the workshop and intervened on several occasions to actively reinforce the “new” way of working. This allowed Board and management to see their agreement in action and adapt the model to their circumstances.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution 4.0 International License (<http://creativecommons.org/licenses/by/4.0/>), which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons licence and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter’s Creative Commons licence, unless indicated otherwise in a credit line to the material. If material is not included in the chapter’s Creative Commons licence and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.