You Asked Us...

...about competency-based boards

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This issue features a panel discussion on competency-based boards. Our panelists this issue are Rose Mercier, Richard Stringham, and Jeffery Schau. The panel is moderated by Eric Phinney. All are consultants with The Governance Coach™.

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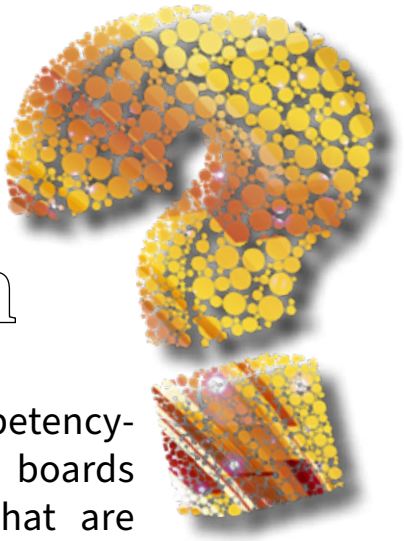

The Question

"I've been hearing a lot about competency-based boards, particularly from boards funded by government bodies that are asking them to develop competency profiles for board members and to use when recruiting new members. If a board is faced with this requirement from a funding body, how should it get started?"

Rose: It depends what you mean by competency. I recently read a suggestion that board members should possess as many of the skills necessary for optimal board functioning as possible including financial, governance, legal, marketing, digital, human resources, fundraising, sponsorship, and international or external relationships. These "competencies" seem more related to managing the organization than governing it. These seem more like areas of operational expertise. I think it is more important that board members' competencies relate to the job of governing.

A job competency profile is defined as a set of predefined "key" competencies required to perform successfully in a specific role. If you think about being a director on a board as a job, you could start to build a profile by looking at the competencies a board needs to set organizational direction and ensure protection of organizational assets, engage with the organization's owners, and systematically and rigorously assess organizational performance.

It seems to me that being an effective board requires directors who are competent in different types of thinking, including strategic thinking,

analytical thinking, systems thinking, committing to action, and generating creative ideas.

Also, boards need to be able to work together effectively. They need interpersonal competencies – respect for others, being team players, persuasiveness, consensus building, resolving conflict, and empathy.

Leadership competencies should also figure prominently in a board profile. I would include strategic orientation, developing vision, planning the future, promoting a healthy organization culture, and integrity.

I think if a board used these three areas of competency, it would be a sound starting point for a board competency profile.

Jeffery: Regardless of where the directive is coming from, developing competency profiles is something all boards should do. They help refine the candidate pool while reinforcing the role of board members. As for how to start, I believe Rose captured it well - gain clarity on the essential competencies.

A potential challenge boards may face while developing profiles is keeping the main thing, the main thing. Clearly, being a skilled thinker, a team player, and visionary leader are great assets for a board member. However, boards need to create and monitor policies dealing with legal, financial, and human resource matters and having board members with expertise in these areas would be of benefit. But these are competencies a board can learn about and/or tap into external expertise for assistance as needed. Plus, picking board members based on legal, financial or human resource expertise runs the risk of a board defaulting to those individuals as the experts and shutting down creative thinking and teamwork. So, if these are included in a competency profile, it needs to be clear which competencies are primary, and which ones are potentially beneficial.

Richard: Yes. There is a risk that in a group of people with different types of expertise (e.g., legal, financial, human resource) decisions default to the person with the relevant expertise. We see this in boards where other members wait for the board member accountant to give her nod of approval for financial decisions before the rest of the board votes. Instead, each board member should make an informed decision. In other words, they should ask questions as needed and vote only when they understand the options well enough to intelligently defend their decision.

Eric:

How can a board explain to others less familiar with Policy Governance® the type of competencies required by board members and why it doesn't include marketing, financial management, communication, and so on?

Jeffery: To answer this question it's helpful to understand the difference between a working board and a governing board. A working board engages in both operational and governing matters. It's something you often see in a small organization where there is a limited pool of individuals to do the work. Thus, board members are directly responsible for operating the organization. A similar scenario exists in larger organizations when the board takes on an advisory role. Rather than delegating all operational matters, the board maintains a role in operational decisions. In both of these scenarios, board members are recruited to fill two roles at once – governing and operational. Thus, the required competencies will need to reflect the complexity of the role.

Richard: I want to build on Jeffery's point about the board in traditional governance being in an advisory role to management. For a few different reasons (subject for another discussion), a board using Policy Governance should not take on the role of advising the CEO. Doing so creates confusion as to what is a command and what is not. The board should be the CEO's commander!

Jeffery: Absolutely correct, Richard. The focus of a Policy Governance board should be that of governing – setting

direction, setting standards of behavior, and ensuring accountability. This is best achieved when the board delegates operational matters to a CEO or equivalent. The CEO is charged with building a team with the competencies to handle the day-to-day operations while the board focuses on governance.

Rose: That brings this discussion full circle. Setting out the competencies for a Policy Governance board is possibly the best way to illustrate the difference from a more traditional policy board that often drifts into operations.

Eric:

After we finish developing a competency profile, how do we use it effectively and keep it current?

Richard: That's an important question. Unfortunately, too often I see boards that have competency profiles in their policies and then ignore those profiles when in the process of recruiting board members. If the board does not apply the profile when recruiting, why have it?

Here is a simple process for using the competency profile. Create a matrix with desired competencies listed down the left-hand side and the names of potential candidates along the top. You might also choose to determine deal-breakers among the competencies. For example, if you included being supportive of your organization's mission, you might consider that a "must-have." Not having sufficient time to devote to the board's work might also be a deal breaker.

On the other hand, knowledge of Policy Governance might not be a require-ment, as you can provide training for those who are new to the system. In my experience, training for knowledge and skills is much easier than altering attitudes.

Jeffery: I totally agree, Richard. Knowing what the deal breakers are and how to assess them will definitely serve a board well. In addition to identifying ideal candidates, the matrix can also be used to guide the board's recruitment process. If the board recruits through the media, it needs to keep the purpose of the role as well as the deal breakers front and center. This helps capture the attention of prospective candidates who would be a good fit while deterring those who would not be.

Richard: With the matrix in place, rate each candidate for each competency on a scale of 0-5. This can be done by a nominating committee or by the board as a whole. Use those ratings to identify the candidates who best fit your needs.

Once you have identified the best candidates, use the work you did in the matrix to approach them. People are

far more receptive when approached with a list of competencies that the board needs and specific observations regarding how the would-be recruit aligns with those competencies. Give illustrations of where you have seen or heard of those competencies being applied. For example: "We're looking for people who can bring strategic foresight. Your contributions to the round table discussions regarding the future of our profession demonstrated to the members of the nominating committee that you can think about the future that we want to create."

"Most boards would fire their CEOs for filling staff positions as haphazardly as the board recruits for board positions. . . . Commonly, boards have little regard for matching candidates' abilities to job requirements."

John Carver

Jeffery: Approaching prospective board members without this type of preparation can turn into the re-cruitment pitches I have heard boards use that sound something like this, "We meet once a month for 2 hours and everyone gets along well." Unfortunately, not only will that approach not attract the right can-didates, it can deter them. People want to know their time and effort will be well spent, especially if the role is a volunteer position. Helping them figure this out before they apply and attend interviews is a win-win for all involved.

Richard: It's important to keep the profile current. You can do this by embedding the competencies in your Governance Process policies. We often assist boards to develop a board succession policy. Having it in your policies should obligate the board to regularly review the policy and ensure it remains current.

Rose: It's also useful for a board to plan for the possibility of having more candidates than available positions. Although this is a nice problem to have, you want to avoid scrambling at the last minute to figure out how to decide among candidates. Even if a board stops recruiting when it reaches the exact number of persons as open positions, it can be valuable to include an interview stage as part of the selection. An interview is an opportunity for both the board or nominating committee and the potential board member to see if it's a good match. It allows the potential board member to ask questions and get a feel for how the

board operates and vice versa. If this sounds like a dating app, it's probably not a bad analogy - the real test of compatibility is easier to assess in a face-to-face situation. We have a great tool - the Best Fit Board Builder™ - that provides a bank of questions to help the nomination committee assess characteristics such as passion for the organization's mission, systems perspective, critical thinking, and ability to function as an effective member of the board team, which are not commonly found in interview tools. It can be customized to fit your needs.

Jeffery: Be clear about the competencies you need on your board, and help potential board members to determine if they would be a good fit before they apply and attend interviews. This creates a win-win for all involved.

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"I would like to take this opportunity to thank you for the the Best Fit Board Matrix™. The information was very useful in helping us select a knowledgeable trustee candidate"

~ Board Chair

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