Developing a High-Achieving Board of Directors: A Primer on Think Tank Governance

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In private enterprise, the importance of a board of directors, elected by shareholders to supervise management on their behalf, is well established. But think tanks (and other non-profits) sometimes neglect the topic of governance. They do so at their own peril.

Atlas urges think tanks to take the topic of governance seriously. After all, the goal of any think tank should be to build institutional capacities to accomplish its mission, so that its important work is not dependent on the talents of any one person.

While start-up think tanks tend to be powered by a founder who serves as chief executive, organizations that are successful over the long-term will have a high-achieving, independent Board of Directors.

This Primer on Think Tank Governance is intended to serve as a brief overview of governance topics for newcomers, and a reference point for “best practices” that existing think tanks may consider adopting.

Governance 101
The Legal Structure of a Think Tank

Most think tanks are organized as non-profit corporations. They have a mission to serve the public interest (rather than creating a profit for shareholders), and they formally register with a state body, pledging to operate within certain rules. In return, they may receive exemptions from certain taxes. The rules vary from country to country (and within the U.S., from state to state), but in virtually all cases, the organization will create governing documents that are filed with the state.

Governing documents create an agreed-upon framework for making decisions about the use of organizational assets. (This mirrors the role of a Constitution in specifying the powers of government, and the procedures by which powers are exercised.)

In the U.S., non-profits file Articles of Incorporation and By-Laws. The former provides legal registration in accordance with the laws of the state in which the organization is founded. The latter provides more detailed rules that governing board members are legally bound to uphold.

The Bylaws specify the corporation’s name, its purpose, and its offices. It will specify any prohibited activities. It will grant powers to a governing Board of Directors (or a board with a similar title) and specify how the board will govern itself (e.g., the election and removal of members, quorum, the roles of the Chairman and other specified officers, the processes for amending the By-Laws).

What Will the Board Do

Michel Kelly Gagnon of the Montreal Economic Institute says it simply: “The role of the Board is to protect and to direct.”

The Board has a fiduciary role, providing a check on management to ensure the organization is meeting all its legal responsibilities (i.e., obeying all relevant statutes, and utilizing its assets appropriately) and optimizing...
how it uses its resources to advance the organization’s mission.

The Board is responsible for setting the organization’s **overall direction**, and selecting the chief executive who will be responsible for its daily leadership.

High-performing Boards will insist that an organizational **business plan** is developed, utilized, and updated periodically. A proper business plan focuses the efforts and expectations of Board, staff, and other stakeholders.

In addition to these “protect” and “direct” functions, a high-achieving Board will support the organization by giving and attracting resources, making connections that enhance programs, and providing advice to management when asked.

The Board must also govern itself effectively, evaluating its own contributions and recruiting and orienting new members.

### The Evolution of a Board

Few non-profits begin with a high-achieving Board of Directors. Typically, organizations begin with a “Starter Board” that fulfills important legal obligations.

In the best cases, members of the “Starter Board” consciously strive to improve the Board, so it can be more supportive to the organization. As the organization develops a track record of effectiveness, it will have the opportunity to attract Board members of a higher profile. Boards should aspire to add members who can help the organization seize new opportunities and react to other changes. At the same time, the Board will want to add members cautiously, so that the organization does not stray from its mission.

This challenge – of incorporating new members to create and capitalize on opportunities, while safeguarding the organization’s mission and brand and other assets – is not confined to start-up boards. It is one that will continue through the life of the organization.

### The Relationship between the Chief Executive and the Board

Organizations can err by having a Board that is overly deferential to the CEO. This is a problem – even in the best of circumstances, when a highly competent, highly trustworthy CEO is in place – because it means the Board will be ill-prepared to steer the organization in the event of a crisis. (At an Atlas Board Retreat, Susan Meier of BoardSource shared a Warren Buffet quote – “You never know who’s swimming naked until the tide goes out” – to convey that a passive Board might appear high-functioning during “good times,” but will not be ready to respond when it matters most.)

Organizations can also err by micromanaging affairs that are the responsibility of the CEO, thereby undermining his or her authority and muddying systems of internal reporting.

Ideally, the CEO will see the board as an asset that is supporting the organization, and the Board will focus its oversight on issues that matter, and hold the CEO accountable for achieving expected results.

Typically, the full Board will conduct a formal evaluation of the performance of the CEO (and also the Chairman of the Board) annually, or on another set schedule. The Board will develop and approve succession plans for the CEO and Chairman (and perhaps other key individuals within the organization) within this review process.

### Legal Obligations of Board Members

Board Members assume fiduciary duties – that is, a set of ethical and legal responsibilities – for the non-profits they serve. In the U.S., the legal obligations are categorized as:
The duty of care – giving careful thought to decisions when acting as a steward of the institution, and protecting the assets of the institution.

The duty of loyalty – prohibiting a board member from acting out of self-interest, requiring that the member puts organizational interests first.

The duty of obedience – obligating a board member to advance the organizational mission and adhere to the organization’s governing documents.

The Importance of Culture

In addition to its legal obligations and its role supporting the organization’s goals, the Board can have an important effect on the culture of an organization.

High-performing boards institutionalize a culture of inquiry, transparency, and mutual respect that fosters constructive debate and sound decision-making. Differences of opinion are acknowledged (even encouraged), but all members are obligated to abide by the decisions of the Board.

Best Governing Practices

Assessing the Big Picture

Let’s begin by looking at ten “Attributes of a Quality Board.” This section is adapted from a list provided by authors Robert C. Andringa and Theodore Wilhelm Engstrom in their well-regarded Non Profit Board Answer Book.

1. The role of the board is clear and distinct from the role of staff.
2. Board members understand their role as governors (as compared to possible roles as supporters or volunteers)
3. The board is clear about its moral owners (those to whom it feels accountable) and is clear about the organization’s primary beneficiaries
4. The board adopts clear goals for programs and policies.
5. The CEO is responsible for achieving goals within clear parameters set by the board.
6. All board policies are organized in one document that is reviewed frequently.
7. The board chair manages the board with support from the CEO.
8. Committees are formed to efficiently serve the board’s needs (not staff needs) and they speak to the board, not for it.
9. Board meetings are well-planned with a clear agenda, and well-executed with a high level of fellowship
10. Board members are thoughtfully recruited, and effectively oriented.

Number of Members and Length of Terms

An organization’s Bylaws will often specify the minimum and maximum number of members to serve on a Board. Organizations may start up with a smaller number of trustees on the Board (perhaps only three, for example), so that those with the founding vision have tight control during the early years.

Most organizations see diminishing returns from having very large Boards. Fifteen is often considered a maximum number. Some think tanks have had much larger Boards, but in these cases, the real business of governing was essentially delegated to a smaller Executive Committee.

Typically, Board members are elected for specified terms (traditionally three years or four years). In the absence of a term limit, the member would be eligible for election to a new term -- pending confirmation of willingness.
to serve and the board’s formal evaluation of that member’s past (and expected future) performance on the Board. The evaluation should determine whether the current interests of the Board member are still aligned with the needs of the organization.

High-performing Boards take seriously the task of reviewing Board performance (meeting attendance, levels of financial contributions, record of making introductions to new supporters, etc.). Boards that do not take this process seriously risk having the problem of “dead weight” (re-electing members who are not improving the Board).

There are arguments for and against term limits (that is, having a policy that forbids members from serving on the Board for more than a set maximum number of terms). Some organizations fear losing the involvement of very helpful Board members, and worry that the queue of good prospective Board members is not substantial enough to sustain an effective board, if it institutionalizes reasonably rapid turnover of its membership. Others have embraced term limits as a way to “force the issue” and orient the Board to the task of finding promising new members.

Some organizations create specific exceptions within the governance structure (for a founding trustee, for example) or provide for re-admission to the Board after a one-year period off of it. Others create positions of honorary “emeritus” status for valuable trustees who are term limited off the Board, as a means of keeping them close to the organization.

Boards that do have term limits should emphasize that members’ performance will be evaluated toward the end of each term, and that an invitation to continue is a privilege and not a right. It can be problematic if Board members believe they are entitled to a new term, simply because they have not yet reached the limit.

Building a High Performance Board

Of course, knowing what your organization’s governance should look like is not the same as knowing how to get there.

Krist Mauren of the Acton Institute has been a popular teacher within the Atlas Think Tank MBA program, because of the practical advice he gives to leaders of young think tanks. In discussing the “how to get there” question, he emphasizes the following nine points:

1. Thoughtful, strategic board recruitment
2. Properly set their expectations
3. Be transparent and non-defensive with a spirit of continuous improvement
4. Deliver high quality communications between meetings
5. Ensure first class meetings
6. Honor their talents, wisdom and experience, look for engagement
7. Equip them to be ambassadors
8. Help them to identify ways they can tap their network for you
9. Speak frankly to them about money

Give/Get Requirements

Board members should have the mindset that being on the Board is a privilege that is earned by giving or attracting resources that can be used by the organization.

Sometimes Members add value in other non-monetary ways (contributing expertise, or making connections that enhance programs), but typically, it is ideal to have Members giving or generating “general funding” (i.e.,
money that can be used at the discretion of management to achieve its goals). Boards can become dysfunctional if they are dominated by members that do not “earn,” but simply feel entitled to a privileged position within the governing structure.

Many Boards require that members give (or get for the organization) annual financial contributions of a certain size. The more established an organization, the more likely it is to have such a requirement (and the higher it will tend to set the minimum donation size).

A firm “get/give requirement” may be an impediment to building an effective Board during the start-up phase of a new think tank. But it is reasonable – even at the start-up stage – to be transparent about wanting the organization to soon have a Board that has 100% participation in annual giving programs.

**Strategic Board Recruitment**

Again, from Kris Mauren’s notes. Here is a checklist of questions to consider in evaluating the merits of candidates for your Board.

1. Do they believe passionately in your organization’s mission and share its values?
2. Are they at present, a generous contributor to your organization?
3. Are their present gifts small compared to their ability and proven track record of giving to other organizations?
4. What is their reputation in the community? Outside the community?
5. What is their reputation among staff of organizations on which they serve presently as board members?
6. Do they bring unique and under represented skills and experience to the board?
7. Would they be willing to prioritize your organization among their present charitable commitments?
8. Would they be willing to recruit others to your cause?

The seventh point on Kris’s list is an interesting one, and is worth additional discussion. Atlas president Alex Chafuen often advocates seeking Board Members who will treat your organization as their top charitable priority (or at least their top charitable priority among think tanks).

An acute version of this problem occurs when think tanks add noteworthy academics, or other think tank leaders, on their Boards a means of accruing prestige. This can cause practical problems. After all, will an individual whose principle role involves creating value for one institute be effective in serving the Board of another which might “compete” at times for resources in the same space? There may also be complications with tax authorities concerned about the “independence” of Board members. In the U.S., one think tank did not get its approval as a 501c3 because its Board contained scholars who were also listed as potential authors of studies for the think tank. Such scholars may be better suited to a Board of Advisors, which has no governing authority. (See the discussion further below on “Secondary Boards.”)

Boards must also be careful to guard against potential conflicts of interest (such as having a member receive compensation from an entity that receives business from the organization). High-performing boards typically have an annual process that requires members to disclose any possible conflicts of interest. In the U.S., non-profits must complete an annual tax return (IRS Form 990) which now requires that they report on their policies governing conflicts of interest, setting executive compensation, and similar items.

Perhaps it goes without saying, but Members should also clearly understand your think tank’s mission and priorities. Problems can occur when a Member joins because he is enamored with one program, but not the full mission, of the organization.

Be wary of adding a Board Member who is unable to prioritize your organization among her other charitable commitments
Good Behavior by Board Members

In addition to honoring their fiduciary requirements and any written expectations of the Board (typically concerning giving levels and meeting attendance), most guidelines regarding Board governance recommend the following:

1. Members should let management speak for the organization.
2. Members should arrive prepared for Board meetings, so that the valuable time of their colleagues is devoted to informed discussion (rather than reviewing materials that could have been read in advance).
3. Members should seldom present ideas to management that involve new expenses, unless willing to lead a fundraising drive to support them.
4. Members should incur the costs of attending or participating in Board meetings and other organizational activities.
5. Members should limit the number of grant-seeking, non-profit Boards on which they serve, and advise the Chairman of the Board and/or Chairman of the Board Affairs Committee in advance of accepting new invitations to serve on another non-profit’s Board (especially if it competes for similar donors).
6. Members should tender of letter of resignation to the Chairman of the Board and/or Chairman of the Board Affairs Committee when their principle occupation or business association changes substantially from the position held when invited to join the Board.

Different boards will handle some of the matters above in different ways. But the above underscores the importance of good communications and transparency throughout the Board. It highlights how members of a governing board should be oriented toward service to the organization and conscientious about adding value and staying within their appropriate role.

Some boards also include a recruitment obligation in their board member job description. It’s very helpful when each member has the goal of replacing himself with “someone better.” This encourages a mindset among Board members of continual improvement: no single individual is indispensible, and the Board in five years time should be different – and better – than it is today.

The Role of Committees

Boards may establish Committees that monitor certain aspects of the organization and take on specific duties, thereby improving overall Board performance through a division of labor. Typical committees include: Audit, Board Affairs, Development, Executive Compensation, Finance/Investment, and Program.

Procedures for establishing and managing Committees are typically detailed in the organization’s Bylaws. Often, the Bylaws empower the Board to create an Executive Committee, which authorizes a subset of elected members to act on behalf of the Board in certain circumstances. This allows the Board to be nimble and address issues without needing to convene a formal meeting of the full Board.

Secondary Boards

Think tanks can benefit from association with talented and influential figures who are, for one reason or another, not well suited for election to the governing board.

As discussed above, prestigious intellectuals can enhance the brand of a think tank, but may have conflicts of interest, or otherwise be unwilling to meet the requirements of Board members. Many think tanks establish an Academic Board or Board of Advisors, which has no governing authority, but encourages interaction with important scholars and enhances the institute’s reputation.
Similarly, a secondary Board of Advisors or Overseers can be used to honor significant donors, and/or recruit individuals with the potential to become members of the governing Board of Directors. This type of involvement acts as a “trial period,” so members of the existing Board can assess a track record of participation with the organization in a more limited role, before making a decision about election to the actual Board of Directors.

It also helps educate prospective Board members about the organization, as they should periodically receive “An insider’s perspective” in the form of personalized meetings, a conference call, or a formal report. Some Boards allow (and encourage) members of the secondary Board to take non-voting roles on Board Committees.

**Good Board Relations**

The Chief Executive can foster good Board relations by making the Board proud of the organization’s performance, and by operating in that “spirit of continuous improvement” mentioned at the beginning of this section on Best Practices.

An important governing aspect of achieving good Board relations concerns communications. Are you making it easy for Board members to stay informed on relevant matters?

Atlas recommends:

- Providing a high level of transparency. Our team at Atlas established a shared, password-protected Web site to facilitate communication and collaboration among Board members. It is an excellent place to store key documents, so they are appropriately accessible.

- Providing regular reports. This may occur as a function of preparation for Committee Meetings, but it is important to provide regular updates to Board members about progress toward goals.

- Remembering that board members are individuals. Just as donor relationships are best nurtured by appreciating each person’s uniqueness, Board members ought to receive personalized attention. Some individuals will prefer a verbal update more than the regular written report. Respect their contributions to your organization by making time for personalized outreach.

Board meetings that are not run efficiently can harm the culture of the Board. Here are a few tips to getting them working correctly:

- Setting the Agenda. Unless the Chairman wishes to take full initiative in setting the agenda (as is his prerogative), the Chief Executive should work with the Chairman in determine priorities for the discussion and how to structure the meeting.

- Avoid Wasting Time on Routine Matters. Meetings can be made more efficient by incorporating a “consent agenda” as an item on the meeting agenda. This means grouping items and resolutions that do not need discussion before a vote. Unless a board member feels an item should be pulled from the consent agenda (in order to have a discussion during the meeting), all items in the consent agenda are voted on at once without any additional explanations or comments. Some of the items that might be approved by consent agenda include: Committee and previous board meeting minutes, office reports, minor change in procedure, standard contracts, and confirmation of conventional actions required in the bylaws (e.g., signature authority for a bank account).

- Providing well-organized materials in advance. Board members should have adequate time to prepare themselves for a meeting. Discuss with Board members how much advance time they desire to review materials, and what format they prefer (i.e., paper or electronic documents?). Get feedback from Board members, so you learn to provide enough information without crossing the line into too much information. Remember to honor their time, and ensure that materials you are providing help them in...
their oversight role and equip them to be effective ambassadors for the organization.

In addition to regular Board meetings, it can be beneficial to schedule a Board retreat at least every three years, to encourage reflection on your think tank’s strategies and or changes in its market. This kind of “big picture thinking” is difficult to fit within a short board meeting, and doing a retreat has the added benefit of fostering camaraderie among members of your Board. Atlas has learned from experience that selection of a facilitator for such a retreat must be done carefully. The facilitator should possess strengths that match the organization’s weaknesses. They must have the credibility and courage to push the Board to address uncomfortable topics.

Another aspect of taking care of your Board’s members is to insure them against legal liabilities that may arise from claims of wrongful termination and the like.

Some individuals will not join Boards without knowing the extent of the organization’s Officer & Directors Liability Insurance. Premiums for $1 million or more in coverage typically cost just a few thousand dollars per year. Obtaining such insurance may not be appropriate in all cases, but it is certainly an important matter to discuss in a transparent fashion with Board members who are volunteering their time, and taking on legal responsibilities, to benefit your organization.

Learning More

This document has been assembled by borrowing on lessons taught and materials developed by Atlas Leadership Academy instructors such as Alex Chafuen, Kris Mauren, and Michel Kelly-Gagnon.

This only scratches the surface of a dense literature about best practices for governing boards. For further reading, we recommend:

- Exceptional Board Practices (available via BoardSource)
- The Board Book, by William Bowen
- Nonprofit Board Answer Book, by Robert C. Andringa and Theodore Wilhelm Engstrom
- Managing the Non Profit Organization, by Peter Drucker

*Brad joined Atlas in 1998 and became its Chief Executive Officer in 2009. He is a member of the Mont Pelerin Society and the John Templeton Foundation. Before joining Atlas, Brad worked in financial services and for an Internet startup. He received his MBA from the Goizueta Business School of Emory University and his BA from Princeton University.*