

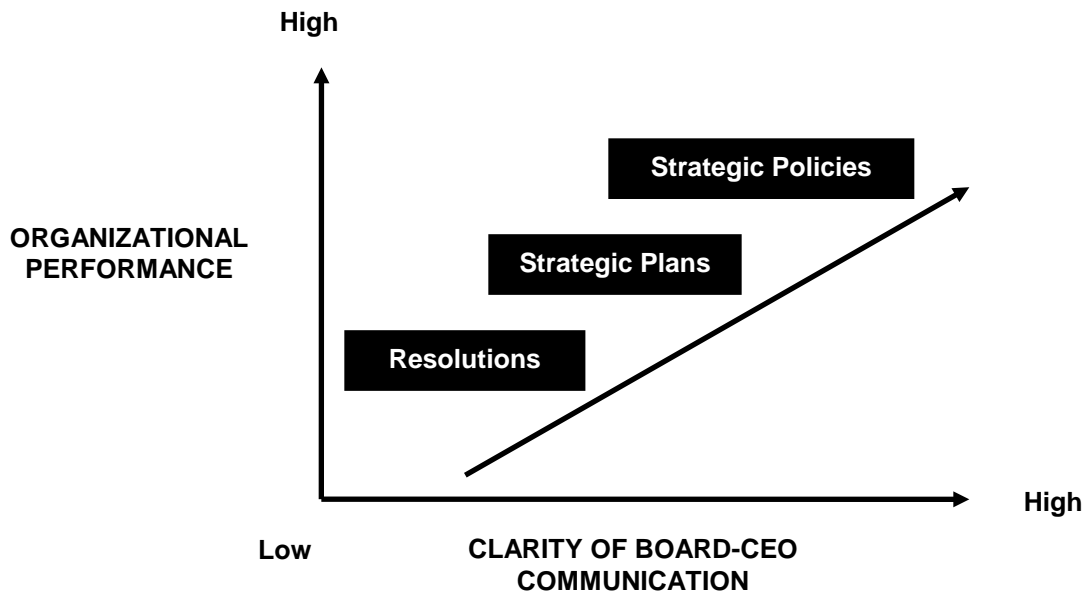
HOW A BOARD OF DIRECTORS EFFECTIVELY COMMUNICATES ITS GOALS

Good communication between the Board of Directors and the organization's top executive is a key factor of success. In order to function effectively, the Board has to have a system of communicating its goals while delegating authority to the general manager to achieve those goals.

In our experience, there are three different systems for communicating the Board's goals, one of which results in the clearest form of communication and the highest level of overall performance. These are the three systems:

1. Resolutions approved by the Board.
2. Strategic plans developed by the general manager in consultation with the Board and approved by the Board.
3. Strategic directives or policies developed and adopted by the Board.

The chart below shows the level of organizational performance correlated with each of these systems of communication:



Board Resolutions can span everything from minor administrative procedures (“Our organization adopts this safety handbook”) to a new mission statement (“Our organization shall provide subsidized housing to the elderly”). Over time, the pile of policies and resolutions becomes difficult for a Board member to comprehend. As new issues come up, Board members struggle to remember the existing policies and find it cumbersome to refer to every single

resolution before making a decision. In sum, Board resolutions are an unwieldy way to communicate the Board's goals.

A strategic plan offers a more comprehensive framework for understanding the organization's priorities. It can capture in a relatively few pages the organization's goals and objectives. The problem is that most strategic plans contain a mixture of elements that the Board should be responsible for and approve (e.g. goals and financial strategies) and elements that the Board should not be responsible for or approve (e.g. marketing tactics and action steps). In short, because it doesn't clarify what is within the Board's purview and what is delegated to the chief executive, a strategic plan is not the optimal system for communicating between a Board and its executive.

The most effective form of communication is a set of strategic directives or policies, developed and adopted by the Board. Each directive deals with one specific goal of the Board. Each policy defines a specific result that the organization is to achieve, along with related performance measures and targets. For example, a strategic directive might say "the organization is to achieve a customer satisfaction rating of no less than 90% on an annual survey of its customers." As brief and succinct as that it is, it is all that the Board of Directors needs to say on that point. How the organization achieves it is up to general manager and his or her team.

An important point to emphasize is that strategic directives must fully express the Board's desired results. The general manager should know that, so long as he or she is successful in achieving those results, his or her job is secure.

The idea of a Board communicating through a set of strategic policies will resonate with people who are familiar with the policy governance system developed by John Carver. That system, when tailored to the needs of the organization, is the most effective way for a Board to communicate its goals to the chief executive – and thus assure consistently good communication and positive results.