

## BOARDS DON'T ADD UP

Math is not my strength, but even I can appreciate the power and beauty of Einstein's elegant equation  $E=MC^2$ .

If only there could be an equation that explains why boards are often ineffective. Loyal critics of nonprofits, from the United Way and members of Congress, to a host of frustrated and disillusioned board members, wish they could explain the underlying dynamics of under achieving boards with the clarity and the precision of Einstein's famous equation.

After years of work, I am proud to unveil my Bad Board Equation. While it does not reflect Einsteinian elegance, it accurately describes one of the central problems plaguing the boards that run our organizations.

### THE BAD BOARD EQUATION:

**Management Decisions = Management, ≠ Governance**

*Translation for the mathematically impaired:*

When a group, such as a board makes management decisions, they cease being a governing body and become a management body.

### WHAT DOES IT ALL MEAN?

Managers are the people responsible for leading an organization. Managers decide how the organization will accomplish the mission for which it was created. CEOs, Executive Directors, directors of departments or divisions, are all managers. They bear the burden of making management decisions. If they do well, they will be rewarded (although less than they are worth if they work in a nonprofit!). If they do not do well, they might very well be fired.

Members of boards of directors do not manage, they govern. This means that the board members *represent* some group, be it shareholders, the members of an organization or perhaps all the people who deserve to have a say in the organization. The simple idea is that boards represent other people's interests.

As much as we trust the managers leading our organizations, it is important to have some group *independent* from the managers, who can keep an eye on things and make

sure that the owners interests are being represented. That independent group is the board! Among other things, the board watches over the management to make sure that everything is done appropriately and above board (pun intended).

**Here is the problem.**

When the board begins to make *management* decisions, such as, how the organization will achieve a particular goal, the board *becomes the management*. If a group makes management decisions, the group is a part of the management. This leaves no independent body to keep watch over the management.

Boards that make management decisions (such as how the organization will achieve its goals), fail to remain independent *from* the management and therefore are not in a position to represent the owners' interests *to* the management.

Now that you know the Bad Board Equation, test it out on your favorite nonprofit.

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