



Effective Ministry Boards

A publication for board members of Christian churches, schools and ministries.
September 2009

'Effective Ministry Boards' is a new email publication of Christian Management Australia specifically for board members of Christian churches, schools and ministries. It is provided for free, and we encourage you to forward it to all the board members of your church or ministry. The purpose of this publication is to provide governance-specific articles, resources and information for ministry boards, in the hope that it will lead to more effective ministry governance. Each edition will feature one main article, and readers are encouraged to interact / comment / rate the article on our website at www.cma.net.au/governance. See what others have said, have your say, and help us shape future editions of this publication.

Ministry Board Assessments

By Gary Williams, CMA National Director

The global literature on governance has grown substantially over the last decade, stimulated in part by public and costly examples of where governance has failed. So what's the first thing a well-meaning board often does, when it wants to move up a notch in its governance effectiveness? Some form of board assessment or evaluation. The notion of conducting regular board assessment is a sound one, but is full of traps for the unprepared, particularly in the world of nonprofit Christian ministry. If your church or ministry board is interested in governing more effectively, then a board evaluation should form part of your overall strategy, but there are some issues that need to be considered along the way.

Motivation

The literature reveals at least five reasons why boards may consider an evaluation: to improve organisational effectiveness; to solve a particular problem; to satisfy the requirements of donors / sponsors; to meet the requirements of external ratings agencies or opinion brokers; or to secure reduced Director and Officers' Liability insurance premiums. Under different circumstances, each of these motivators may be appropriate, but it's important to know why you're considering a board evaluation. If you don't really believe it can affect your organisational performance, but just want to tick the 'We've done that'

box, the chances of the exercise being productive are fairly slim.

Barriers

The literature also identifies common barriers to board evaluation. Firstly, there is a fear that conducting board evaluations can disturb the collegiality in the boardroom. An honest evaluation will in most cases reveal some weaknesses, and yes, honest discussions about collective weaknesses can superficially disturb 'boardroom niceness' – but

probably the most important problem with self assessments is that they may be wrong!

sometimes, for the sake of our missions, that's healthy! A second barrier is the notion that informal, casual evaluation is entirely sufficient, and that anything more formal is overkill. A third barrier is the fear that a climate of evaluation may drive away good candidates who believe they have already proven themselves. A fourth barrier is fear that an evaluation may give rise to unrealistic expectations, which, if not met, would cause morale to diminish.

A board intent on doing well will usually not let these fears stand in the way of improvement. It is important, however, to be aware of the possible impediments, and to

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deal sensibly with the concerns or fears raised.

What is Being Measured – In General?

This is where the world of ministry diverges sharply from the world of business. In the business world, it is entirely reasonable to rely on organisational *outcomes* (such as share price, profitability, industry metrics etc.) as a measure of board and organisational effectiveness. But the academic literature argues that for nonprofit organisations, where outcomes are far harder to measure, it is much more useful to measure board *processes*. Mueller, Williams *et al* (2005:159) state that, '... the tool does not test the *outcomes* of the organisation's work; but speculates that an organisation with poor internal structure will be less likely to perform sustainably...' [Italics added]. In other words, given that it's too hard to reliably link board performance with tangible nonprofit organisation outcomes, it is

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reasonable to infer that a board that is 'doing the right things well' is more likely to produce suitable outcomes than a board that is *not* 'doing the right things well'. Thus, the focus on evaluating board effectiveness for nonprofit organisations is on measuring how well they perform the *processes* that are recognised pointers to greater effectiveness.

What is Being Measured – In Particular?

Given that the emphasis for nonprofit organisations is more process oriented than outcome oriented, what, in particular, should be evaluated? There are myriads of different instruments in the wild, measuring all sorts of particular board behaviours and processes, but in general they cluster around the same group of concepts:

- Governance structures and guiding principles;
- Board operating principles, policies and board development (such as recruitment and orientation of new members, meeting procedures, board development and education, board performance monitoring etc.);
- The selection, support, remuneration and evaluation of the CEO;
- Fiduciary compliance and risk management;
- Progress towards desired organisational outcomes;
- The quality of information flow from management;
- Relationships with key stakeholders;
- Board members' contribution to the cause by way of raising funds or providing strategic introductions;
- Monitoring of organisation's key programs and services;
- Enhancing the organisation's public image and profile;

- The crafting and articulation of the organisation's mission and purpose;
- The quality of board decision making;
- The performance of the board chair in particular;
- Ensuring adequate organisational planning.

Methods of Evaluation

So getting down to specifics, how is an effective board evaluation conducted? The answer has both general and specific elements. In general, the most useful board evaluation involves a combination of a formal diagnostic survey, and open-ended interviews by an external 'interventionist'. This provides the board with both quantitative and qualitative feedback. But this is where one of the biggest issues comes into play: the rigour of the instruments used, and the expertise with which they are selected, administered, and reported.

In a most helpful article '*All Numbers are Not Created Equal: Measurement Issues in Assessing Board Performance*', Scissons (2002: 22) observes that, 'if one walks into a room of anorexics and the obese, a description of the population as 'of average weight' casts little light on the real situation.' He further states that, 'probably the most important problem with self assessments is that they may be wrong!'

What Scissons and others highlight is that overly simplistic approaches to board evaluation, using imprecise instruments, can easily lead to evaluations that are just plain wrong! For example, how good is good? In a poorly worded evaluation tool, a typical question might ask how well the board performs a particular function, on a scale of 'very poor / poor / neutral / good / very good'. A problem may exist in the wording of the question, or in the appropriateness of the 'poor / good' scale. The misleading result may be that two different board members, using entirely different internal frames of reference, might describe

exactly the same phenomenon very differently. A board of six may answer the very same question with two 'very bad' and four 'very good' responses that are all wrong anyhow because nobody knows what 'good' actually represents. The end result in this case would be an averaged result on the good side of 'Neutral' that is no help whatsoever. Worse, the vast disagreement may not even be detected, and may in reality be the most significant fact.

What are the Benchmarks?

Evaluating ministry boards would be a lot easier if there were some universally accepted benchmarks against which to measure – but that's not the case. Nonprofit organisations are so diverse in their missions and in their structures, that when combined with variances regarding resources, geography, life-cycle stages etc., it's just not possible to set benchmarks that are relevant to everyone. However, there is hope.

Firstly, in the Christian world, the Evangelical Council for Financial

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Featured Book

Exceptional Board Practices
by BoardSource



This book is a 139-page compilation of articles, topic papers, white papers and excerpts from various BoardSource publications, designed to move your board from passive stewardship to active board leadership.

\$25 members, \$28 non-members.

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Accountability (EFCA) has done some stellar work in creating some standards and benchmarks for Christian organisations and churches. These standards, available from www.ecfa.org under the 'Standards and Best Practices' link, are the closest thing the Christian world has to a universal benchmark. If every Australian church and ministry adopted the ECFA standards (or at least the spirit of the standards, where the terminology and regulations are USA-centric), ministry governance would improve dramatically. CMA is working on adapting these standards for Australian ministries, as well as expanding them to include areas of staff management, strategy etc.

Secondly, even in the absence of normative standards, comparative benchmarks are extremely useful. Again Scissons (2002:22) makes the most helpful comment:

"In assessing a CEO's interpersonal skills, what really matters is how that CEO would perform in comparison to other CEOs doing the same job. Since such a comparison is clearly impossible, a close second best would measure the CEO against other CEOs of comparable organisations as measured by other boards of directors on the same characteristic using the same instrument." [Italics added]

Clearly, it's not much help to measure a charity's governance processes against the standards mandated for listed companies, even though the principles may be instructive. It is exceedingly helpful, however, for a nonprofit ministry with a budget of \$3m (or a local church with three staff) to compare its performance in specific areas of governance with several other nonprofit ministries of similar sizes, *using the same instrument*. If five such organisations were each to engage five different consulting firms to evaluate their governance, it is likely that five different (perhaps customised) evaluation instruments would be

used. Depending on the expertise of the consultants, this would no doubt provide useful feedback to the organisation, but it makes any form of comparative benchmarking much more difficult. To leverage the power of comparative benchmarking, a common instrument is necessary, even if self-administered, or administered by different consultants to different organisations.

Finally, in addition to the benefits of an organisation comparing itself to other organisations using the same instrument, one other extremely useful benchmark is comparing itself to itself over time – again, using the same instrument. If the goal of evaluation is improvement, then an obvious way to measure improvement is to check in periodically, using the same instrument, and plot the progress over time.

The Role of the Interventionist (Consultant)

There is clearly a valuable role to be played by an expert who is external to the organisation. An expert can assist with the selection or, if necessary, customisation of a diagnostic instrument. An expert can also conduct the open-ended interviews which provide a great companion to the more quantitative data that a survey produces. And an expert can also assist in the communication and interpretation of survey results, as well as developing a plan to remedy any deficiencies that emerge.

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Experts don't come cheap, and depending on the size and complexity of an organisation, and where it is in its lifecycle, it may not be necessary on every occasion to hire an expert to run the process. The following list shows a progression of alternatives, ranging from least effective and least expensive, through to most effective and most expensive.

1. No assessment
2. Informal self assessment
3. Self assessment using home-grown tool
4. Self assessment using universal tool
5. Self assessment using universal tool, benchmarked against others
6. Self assessment using universal tool, benchmarked against others, with expert facilitation
7. External assessment by expert using universal tool, benchmarked against others
8. External assessment by expert using custom or universal tool as required, as well as interviews and other processes as required on an individual basis (so long as any custom tool is EXPERTLY designed and tested)

Summary

Effective organisations have effective boards. That may seem obvious, but it's taking a lot of work by the researchers to actually prove it!

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Featured Audio

Principles and Practices for Governance Excellence

In this recording from CLA's Dallas conference, **Bob Andringa** gives a steady stream of wise advice about ministry boards, committees, policy manuals, board rotation and more. Bob has authored and co-authored some of the most respected books on nonprofit and ministry governance, and his easy-to-listen-to style provides solid input for boards of all kinds. This session is a great overview, without getting too technical.

MP3 download \$5 members, \$10 non-members.

CD \$12 members, \$15 non-members (including postage)

Available at www.cma.net.au/resources or by phoning 07 5545 2004



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However the evidence is flowing in and the evidence is mounting that in this case, intuition is correct. If you want your organisation to hit the mark in terms of its mission, you need an effective board. Some may argue that the local church, being a body ('the body of Christ') different from all others, doesn't have to play by the same rules, but CMA's experience, as well as the first-hand accounts of pastors, deacons, elders and church consultants, would suggest that board dysfunction in a church is every bit as debilitating as board dysfunction elsewhere.

Correspondingly, board effectiveness in a church assists successful church mission, just as board effectiveness in other organisations assists successful mission outcomes there too.

Measuring board effectiveness is a great way to diagnose any weaknesses, allowing then for appropriate remedies to be applied. However, there is significant danger in approaching this important and difficult process in an ad-hoc manner. There are five important lessons from the literature regarding measuring board effectiveness:

1. Survey design is a job for the experts. Home-grown surveys are just too prone to a myriad of technical faults that the average board member won't notice, but that can provide misleading results, leading to misplaced comfort or anxiety.
2. Organisations are too diverse to simply rely on any supposed 'Universal Benchmarks'. Universal or niche benchmarks (such as the ECFA Standards) can be very helpful, but because of their universal nature cannot always identify specific issues that a particular board needs to focus on.
3. There is enormous value in an organisation comparing itself with similar organisations using the

same instrument.

4. There is enormous value in an organisation comparing itself with itself, over time, using the same instrument.
5. There is considerable value in engaging an objective, external expert when a more rigorous review process is warranted.

It is for these reasons that the Australian Centre for Philanthropy and Nonprofit Studies at QUT has invested in developing an Australian board diagnostic instrument, designed for nonprofit use, and why CMA is partnering with QUT and encouraging Christian organisations to get involved. CMA is particularly interested because there now exists a standard tool which makes benchmarking more accessible. It is designed for nonprofits in Australia and thus is contextually appropriate; it is designed by university-level experts and thus less prone to the usual technical errors; it is offered at no charge and thus allows resource-sensitive organisations to participate; and it is provided by a credible, established academic institution, and is likely to still be around in future years to allow longitudinal studies to develop.

Finally, because CMA's membership base in the Christian sector is diverse, it means that CMA is in a position to do useful benchmarking, and draw meaningful comparisons between organisations of similar sizes and types.

Beyond merely the individual benefit to a board of improving its effectiveness, there is a further benefit in the collective learning that comes from a wider process, which in turn will help all of our churches and ministries to perform more effectively their sacred mission – thereby maximising ministry effectiveness.

References

Mueller, J., Williams, D., Higgins, A. and Tou, M. (2005). **The measurement of responsible governance and management of NPOs in New Zealand: an evaluation tool for NPOs, donors and government.** "If you have no money - you have no mission". *Corporate Governance*, Vol 5 Number 2.

Scissons, E.H. (2002). **All numbers are not created equal: Measurement issues in assessing board governance.** *Corporate Governance*, Vol 2, Number 2.

Benchmark Your Church or Ministry Board Free for CMA Member Organisations!

A number of CMA member organisations, both large and small, are already undertaking a board review using the board evaluation tool recently developed by the Australian Centre for Philanthropy and Nonprofit Studies (ACPNS) at Queensland University of Technology (QUT). The evaluation is free for CMA member organisations, and we encourage your church or ministry to participate.

The process involves having each of your board members complete one or two online surveys hosted by ACPNS. The surveys take 15 to 20 minutes each to complete. Once all surveys have been completed, you will receive a comprehensive report from ACPNS. In November, you will also receive a detailed report from CMA, benchmarking you against other CMA member organisations. This is an anonymous comparison, to preserve the privacy of other participants.

Apart from the value to your organisation of getting helpful feedback, the pool of data, once de-identified, will enable better insight into the strengths and weaknesses of ministry boards—and help identify ways to improve ministry governance in Australia. **To get your free analysis and benchmarking report, Contact CMA now - Ph 07 5545 2004 or email cma@cma.net.au for info.**

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In Search of Minimum Governance Standards

There's lots of talk about 'Best Practice' in all areas of management. But CMA believes there is a step prior to Best Practice: Minimum Standards. For very young or very small churches or ministries, 'Best Practice' in governance can just be pie in the sky—the immediate need is simply to meet some minimum standards! Only once minimum standards are in place does the pursuit of 'Best Practice' become a realistic objective.

CMA defines minimum standards as those standards which, if you can't meet them, you probably shouldn't even exist in organisational form. We're busy developing a statement of Minimum Governance Standards for churches and



ministries—but we invite your input! If you have comments or thoughts (or suggested actual minimum standards), please email CMA National Director, Gary Williams, at gary@cma.net.au before the end of September. We will carefully consider all suggestions as we develop these standards, and your input will help us to give a meaningful starting point for churches and ministries who aspire to better governance, but aren't sure where to start.

Help CMA to Maximise Ministry Effectiveness! Get Involved!

CMA depends on membership, donations, grants and sponsorship to achieve our mission. Visit www.cma.net.au/membership or www.cma.net.au/support and get involved, as an individual, or as an organisation. Help CMA to help the church and ministry sector maximise ministry effectiveness!

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Websites to Watch

In each edition of 'Effective Ministry Boards', we will highlight a particular website that is of relevance to ministry governance.

www.ecfa.org

ECFA is the 'Evangelical Council for Financial Accountability'. In the 'Knowledge Centre' accessed from the home page of the site, you can find literally HUNDREDS of documents, samples, and templates relating to ministry governance, fundraising and financial accountability. This is all available for free, and is the richest source of free documents, from a credible and respected source, that we have come across. Even though some of it is USA-specific, this site is pure gold.

Looking for Governance Assistance?

CMA Business Members may be able to help. The following CMA Business Members are organisations who offer products or services in the area of governance. Check www.cma.net.au/marketplace for full details. Contact CMA if you offer services to the Christian sector and wish to be included in our directory (whether in governance, or other specialisations).

Moores Legal. *'Talk with us. Expertise, Integrity, Service'* www.mooreslegal.com.au, ph 03 9898 0000 (Offices in Melbourne, Box Hill and Mornington, serving all of Australia)

Corney and Lind Lawyers. *'Quality Advice Solicitors'* www.corneyandlind.com.au, ph 07 3252 0011 (Offices in Brisbane and Gold Coast, serving all of Australia)

Resolve Consulting. *'Equip. Develop. Sustain.'* www.resolveconsulting.net, ph 02 4324 4800 (Offices in Gosford, Melbourne and Perth, serving all of Australia)

Insync Surveys. *'Benchmarked Stakeholder Surveys'* www.insyncsurveys.com.au, ph 03 9909 9209 (Offices in Melbourne, Sydney and Perth, serving all of Australia)

Prolegis Lawyers. *'Legal solutions for charities, schools & not-for-profits'* www.prolegis.com.au, ph 02 9466 5222 (Office in Sydney, serving all of Australia)

Neumann & Turnour Lawyers. www.nrlawyers.com.au, ph 07 3837 3600. (Office in Brisbane, serving all of Australia)

R & P Business Consulting. *'Effective, Practical Assistance'* ph 02 9724 4779 (Office in Sydney, serving all of Australia)

Twelves Consulting. *'People. Potential. Purpose. Progress.'* www.jimtwelves.com.au, ph 02 9836 0114 (Office in Sydney, serving NSW, VIC and QLD)

starrenburg.com.au. *'People and Change Solutions'* www.starrenburg.com.au, ph 07 3353 4119 (Office in Brisbane, serving the Brisbane region)

Note: CMA Business Members are listed in CMA's Marketplace directory. Inclusion in the directory does not mean an endorsement from CMA. Readers are advised to carefully check the qualifications of CMA Business Members and exercise their own judgement about whether the Business Member is able to meet their needs.



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