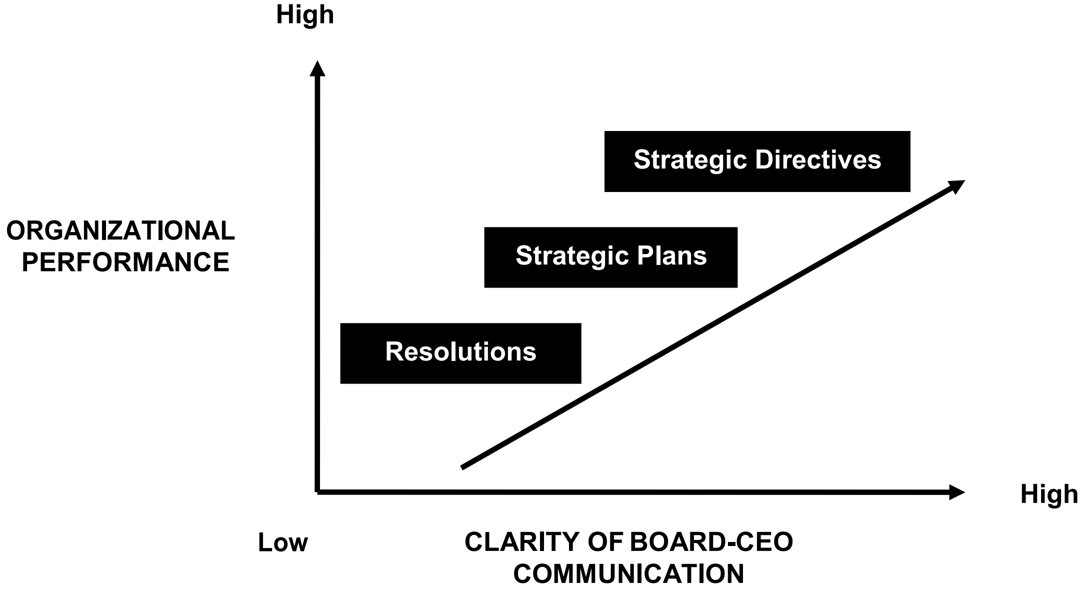
# HOW A BOARD OF DIRECTORS EFFECTIVELY COMMUNICATES ITS GOALS

Good communication between the Board of Directors and the chief executive is a key factor of success in any organization. In order to function effectively, the Board has to have a system of communicating its goals and priorities without impinging on the delegation of authority to the CEO. If the Board is perceived as micromanaging, then a talented CEO will grow resentful and eventually leave. On the other hand, if the Board fails to set clear goals, then it is failing in its fiduciary duty to the organization.

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 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:




**Resolutions** are an unwieldy tool for communicating the Board's goals. They 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 very difficult for a Board member to remember or 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. The chief executive and staff need an encyclopedia to remember them all.

**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 are developed by the executive team in consultation with Board members. A typical strategic plan contains a mixture of elements that the Board should approve and monitor (e.g. goals) and elements that the Board should not formally approve (e.g. strategies and action steps). In short, a strategic plan can also be unwieldy because it doesn't clarify what is within the Board's purview and what is delegated to the chief executive.

**Strategic directives or policies** are the most effective form of communication because they are developed and adopted by the Board. Each directive deals with one specific goal that the Board decides is important. Each sets a specific result that the organization is to achieve, along with related performance measures and targets. One directive might say "the organization is to achieve a customer satisfaction rating of no less than 90% on an annual survey of its customers." Another directive might address the question of debt, e.g. "coverage ratio on our debt shall not fall below 1.7." 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 chief executive and management team. Because strategic directives focus on results and performance measures – and leave decisions on how to obtain those results to professional staff – they often result in the highest level of clarity and alignment between the Board and the CEO.