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Making the cut: Surgery on the board

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Abstract Intervention, such as that performed via surgical procedures, is necessary when a board of directors is not functioning as it should. Unlike medical procedures, members of a board of directors have to perform surgery on themselves for change to occur. Board surgery might require resizing the board, invoking term limits, establishing conflict of interest policies, and increased emphasis on board member competencies. This article describes the symptoms leading to the need for surgery and suggests that it is better to perform elective surgery rather than let problems reach the point of requiring emergency surgery.

1. Charles and John: A conversation between two board members

Charles: Damn it, John. You got me into this. I would never had joined the board, much less stood for board chair, if you. . .

John: I know, Charles. That was the whole point.
Charles: You mean, you actually expected me to?

John: You are what you are. It isn't in you to sit still while the association continues down the road to irrelevance.

Charles: Well, you're right about that. And, I'm convinced that any serious change of direction has to begin with the board. If Enron and the others taught us anything. . .

John: Are you talking about restructuring the board?

Charles: That's probably what it will come to. We need a smaller board that's more focused. That business last year of putting the fiscal report as the last item on the board meeting agenda so there was no time to discuss it. . .

John: Not exactly kosher, huh?

Charles: It was nothing short of outrageous when you think about the serious nature of the issues we face. If an organization is only as strong as its board of directors, that alone shows why the association is in trouble.

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John: Well, you know I'm behind you. So are a number of other board members.

Charles: I will need more than that when I become board chair in two months—OK?

John: That's why I want you to chair a temporary committee on ethics and governance that I'm going to create. We have to get our arms around these conflict of interest issues among board members before we can do much else.

Charles: Do I get to pick my own committee members?

John: Give me a list by Friday and let's talk about it.

Charles: OK. But we have to think about the other half of the problem, too.

John: What other half?

Charles: Convincing the existing board to perform surgery on itself.

John: I suppose you're right.

Charles: In fact, it could be the other two-thirds of the problem. Designing a new board is probably the easy part.

John: Yes, that is something to think about.

Charles: For both of us. Have some more wine?

John: Half a glass. Looks like tomorrow is going to be a long day.

Boards of directors have a fiduciary and moral responsibility to guide the organization toward a sustainable future by implementing appropriate economic, ethical, and legal governance policies. The responsibilities are similar across various types of organizations (e.g., for-profit vs. non-profit, public vs. private). Table 1 details a list of characteristic board responsibilities as adapted from a guide published by BoardSource (2007), one of the leading resource centers for boards of directors.

Table 1. Characteristic board responsibilities

1.	Set the organization's mission and purpose.
2.	Select and decide on compensation of the chief executive.
3.	Maintain legal and ethical integrity and accountability.
4.	Ensure adequate resources.
5.	Provide for proper financial oversight.
6.	Confirm effective organizational planning and approve strategic plans.
7.	Recruit new board members and assess board performance.
8.	Enhance the organization's public standing.
9.	Determine and monitor the organization's programs.
10.	Evaluate and support the chief executive.

Source: Adapted from BoardSource (2007)

A good many conversations—like the opening narrative between two board members of a national industry association—have taken place in recent years as corporations, trade associations, nonprofit groups, and other organizations have responded to an evolving and increasingly complex and competitive environment. As Parent (2012, p. 527) stated: "The velocity and visibility of good governance practices have grown considerably over the last 10 years and will continue to do so in the decade ahead." There has been a renewed focus on corporate governance, and board restructuring has played a pivotal role in the link between board and company strategies (Casal & Caspar, 2014). To radically change the size, structure, membership, and/or orientation of the board of directors is an undertaking that—as noted by Charles—essentially amounts to self-inflicted surgery.

Surgery refers to a medical procedure consisting of a physical intervention with bodily tissue. This physical intervention can be exploratory (to look for a diagnosis), elective (to repair a non-life threatening condition), or emergency (has to be done promptly). Also, surgery can be invasive or non-invasive (type of incision), depending upon the type of equipment used (e.g., scalpel, laser). Surgery on the board is called for when a board of directors is not functioning as it should. This physical intervention might be exploratory as a cause of problems is sought, elective in order to forego future problems, or emergency in the case of an unforeseen crisis. In such scenarios, however, members of the board have to perform surgery upon themselves for change to occur.

By delaying action (e.g., surgery), the national industry association board represented in the opening conversation was placing itself and the organization at risk for malfeasance. The private agendas of its more manipulative members had resulted in fiscal problems that were catching up quickly with the organization. Fiscal problems had begun to manifest themselves as the association lost its million-dollar funding from the federal government. Just as there are many different types of surgical processes that intervene and repair bodily tissues, invasive surgery was needed as the association found itself in the midst of a fiscal crisis. It was at risk of losing its hold as a leading presence in its field and was not making effective use of a large board of directors with wide-ranging interests.