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Oregon Board of Forestry
2022 Annual Planning Retreat
October 12-13, 2022   Portland, Oregon

Board/Agency Roles and Relationship | Part Two
Discuss Organizational Primer on Governance
Discussion leaders: State Forester Mukumoto and Clark W. Seely

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Purpose

The purpose of this planning retreat discussion item is to provide an opportunity for the Oregon Board of Forestry (Board), the Oregon State Forester, and the Oregon Department of Forestry (Department) Executive Team to (1) examine and discuss notions and concepts about organizational governance, (2) review the relationships of this topic to other important organizational efforts such as the revision of the *Forestry Program for Oregon*, and (3) consider moving forward with an intentional and deliberate approach to making Board governance improvements in a complete and coordinated manner.

Introduction

For organizations that are led by a deliberative body, effective governance is critical to the achievement of goals (ends) in service to the owners of the organization. This is particularly true for organizations that have both a deliberative body and a chief executive, where the relationship between the body and the executive serves as a keystone to organizational success. For many organizations, this deliberative body is known as a governing board, made up of directors and one or more officers.

For these types of organizations, effective governance, at its core, is based upon well-established board policies that articulate (1) the roles and responsibilities of the board and how the board governs and functions; (2) the authorities delegated to the chief executive of the organization; and (3) the governance partnership, connections, and relationships between the board and the chief executive including joint roles, responsibilities, and accountabilities. These three policy areas must be present, current, and well understood to ensure that the organization is relevant, trustworthy, and successful. (see Attachment 1)

Background

In recent years, both the Board and the Department have experienced significant and important changes in leadership, including the appointment of a new Board Chair, the appointment of four new Board Members, the appointment of a new Oregon State Forester, and key changes to the Department's Executive Team. For many organizations, times of transition such as these represent a unique and sensible opportunity to examine leadership, governance, and management of the organization, with a focus on effectiveness and building strong and resilient relationships. Such is the case with the Board and the Department at this moment in time.

<u>Consideration</u>

Since the recent leadership changes at the Board and Department levels, a number of governance-related actions have been initiated including, but not limited to, the adoption of a broad governance policy statement in 2020, initial policy establishment based on the MGO review, initial work on the next iteration of the *Forestry Program for Oregon*, adjustments to the development approach and content of Board meeting agendas, changes to the management of Board meetings, and continued annual evaluation of the performance of the Board. In addition to these actions, the Board is most recently engaged in forward-looking discussions about their biennial work plans, the schedule of meetings for 2023 in terms of number and duration, and the composition of meeting agendas relative to topics, priorities, and sequencing.

All these actions and forward-looking discussions appear to be well-founded and effective in their own right, at least to-date. However, the consideration before the Board and the State Forester is (1) whether additional improvements and gains in effective governance can be achieved and if so, (2) whether the Board and State Forester should embark on a pathway and process to achieve a more complete approach to Board governance through policy establishment in partnership with the State Forester.

In several recent discussions that Board members have had in 'open discussion time' during Board meetings, it appears that there is interest in exploring a more complete approach. The State Forester has also expressed his interest in this type of effort. In addition, the July 22, 2020, Board Policy on Governance states:

> "It is the Policy of the Oregon Board of Forestry (Board) to have a set of bylaws to direct and clarify its actions, procedures and organization, which include expectations of members. The Board will establish written documentation for Board processes and procedures developed to execute its statutory responsibility."

Thus, it appears that the answers to the two questions posed above are 'yes' and 'yes'. The interest seems genuine, the foundation has been established, and the timing, with other factors mentioned above in play, seems right.

Attachments: (1) Board Governance Through Board Policy - Effective Governance in a Partnership Relationship - A Background Paper
                      (2) Clark W. Seely Biographical Sketch

Board Governance Through Board Policy[1]

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Effective Governance in a Partnership Relationship

A Background Paper

<u>What is Governance?</u>

"Governance is the exercise of authority and influence over an organization through deciding what and what not to do to further the mission and achieve intended outcomes."[2]

<u>What is Policy?</u>

"Policy is a definite course of strategic action adopted (usually in writing) by a decision-making body to guide a path towards and achieve an end result."

<u>What is Board Governance Through Board Policy?</u>

- Governing boards of all types – public, private, for profit, nonprofit, governmental – adopt some system and style for conducting their business.
- Sometimes it is loosely defined and relatively informal, and sometimes very structured and formal (often because of external requirements), with many points in between.
- Sometimes the system and style are based on past practice, carried forward, without much regard to current needs and 'goodness of fit'. In fact, at the extreme, no one on the current board or the chief executive may know why certain things are done the way they are, or how it was decided that a particular role or responsibility is placed on some element of the governing structure or with some individual – 'it's just the way we've always done it.'
- Other times, the governing system is quite intentional and purpose-built for the organization's needs now and in the future, and of course as a principle of modern organizational management and best practice, this is the preferred approach.
- And while nearly every governing body has some sort of system in place, the approach and framework around which that system is built can be based on differing principles and requirements, e.g., legal, operational (programmatic or functional), collective, management, constituent, advisory.
- In more recent times, many boards of all stripes and persuasions which have a governing responsibility have gravitated toward using a framework or approach that is based on establishing policy as the key element to their governance methodology.
- This is due, in part, because boards are typically accustomed to working in the realm of policy, even though most of it is operational in nature. So, this familiarity helps transition to a governance system that is built around the use of policy.

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[1] Prepared by Clark W. Seely, Seely Management Consulting, Inc., based (1) specifically on the Governance Roadmap Approach expressed in *Good Governance for Nonprofits*, Fredric L. Laughlin and Robert C. Andringa, 2007, and other related Andringa Group materials; and (2) generally on *Boards That Make A Difference*, Third Edition, John Carver, 2006 and *Reinventing Your Board*, John Carver and Miriam Carver, 2006.

[2] See other definitions and perspectives on the concept of governance in Appendix 1 of this paper.

- Thus, in this approach, the formation and implementation of policy is the 'framing structure' and 'system tool' for board governance.

Why is Board Policy Required for Effective Board Governance?

- Most governing boards today are not in need of complete 'tear-down and reconstruction'. This is in part due to the significant focus on the subject of governance in both public and private sectors over the past four decades, ironically often due to catastrophic failures in governance, e.g., the Enron story. And there have been catastrophic failures in the nonprofit and governmental arenas as well.
- Because of this intense focus, there has been much study and knowledge developed around the subject of governance generally and best practices specifically that many boards have adopted or incorporated into their existing governance systems, either by choice or by legal direction.
- However, the vast majority of boards have areas of need, sometimes significant, that are constraining or confounding effective and efficient governance.
- Yet they often have incorporated governance changes in a fragmented, piecemeal fashion, rather than in a deliberate, wholistic, systems approach. This may meet an immediate, isolated need, but is rarely durable for the long term.
- According to Fredric Laughlin and Robert Andringa in their 2007 book, *Good Governance for Nonprofits*, some of the more significant benefits or values that a policy-driven governance approach provides can be seen at both a strategic level and a tactical level.[3]

Strategic Value and Benefits

- Governance scholar John Carver suggests that there are three basic products or contributions of the nonprofit board that it cannot delegate. He calls them, "the irreducible minimum contributions of governance." They are:

  1. ***Linkage to the Ownership*** – Connecting the moral owners with the organization.
  2. ***Explicit Governing Policies*** – Expressing the values and perspectives of the organization in explicitly enunciated and properly catalogued policies.
  3. ***Assurance of Organizational Performance*** – Ensuring organizational performance that is consistent with applicable policies.

- The order here is intentional and important – ownership; governing; assurance. Carver goes on to say that

  "Boards can contribute any number of products to an organization, but these three products cannot be delegated, and this irreducible trio applies to all governing boards. The board may add other products to this list, but it cannot shorten it and still govern responsibly."[4]

- A governance approach that rests upon board policies allows a board to adequately define, articulate, and implement the 'why, what, and how' of these three strategic contributions.

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[3] Fredric Laughlin and Robert Andringa, *Good Governance for Nonprofits* (New York: AMACOM, 2007), 24-29.
[4] John Carver, *Boards that Make a Difference, Third Edition* (San Francisco: Jossey-Bass, 2006), 199.

Tactical Value and Benefits

- Laughlin and Andringa go on to articulate seven values and benefits of a policy approach at what they call a 'tactical' level. They are:

    1. ***The Board Speaks with One Voice*** – When the board finally speaks to an issue in the form of policy, it should speak with one voice. The policy approach ensures that the board's voice is clear, consistent, and current. This is the primary benefit, at a tactical level, of the policy approach.
    2. ***Policies are Explicit*** – The board codifies its intentions through written policy. It does not govern or function on the basis of 'unwritten rules' or 'wisdom from the past.'
    3. ***Clear Guidance to the Chief Executive*** – There is no more important job of the board than assuring the performance of the chief executive, and thus the organization. Guidance comes in the form of delegation, limits on authority, and performance evaluation.
    4. ***Efficient Orientation of New Board Members*** – The policy approach ensures that new board members are confident in assuming their new roles and responsibilities from the beginning and can effectively contribute and 'play their role' early on.
    5. ***Eased Policy Development and Elimination of Duplication*** – The policy approach ensures that boards see all their governing policies in context of one another and allows for consideration of the linkage of their governing policies to the organization's operational policies.
    6. ***Efficiency of Having Board Policies in One Place*** – While this value seems simple on the surface, due to regularly occurring turnover and change of board members (in most situations), many boards collectively, and members individually, lose track of where policies are and how to recall and use them as needed. Technology has greatly improved this situation over time, but the value of ready access and availability is ensured with the policy approach.
    7. ***Modeling Efficiency and Competence to the Owners, Chief Executive, and Organizational Staff*** – Through the policy approach, the board makes clear that its system of governance is effective, efficient, and robust, and provides assurance to the owners and models competence to the chief executive and staff. This is a subtle, but very important value and benefit of the policy approach. In many respects, this is the key to boards continuing to have the 'license to operate' from the owners.

- Thus, we understand that the policy approach addresses the most core aspects of organizational governance while providing significant tactical and 'day-to-day' benefits.

How is Effective Board Policy Developed and Implemented?

- Laughlin and Andringa say that, given the significant examination of governance over the past four decades, many 'best practices' have been formulated to express and define what 'good governance' looks like, particularly for nonprofits. The organization, BoardSource, is nearly exclusively dedicated to examining and formulating these governance best practices for nonprofits.
- So, for Laughlin and Andringa, the key question is no longer the 'what' to do, but rather, 'how to do it.'
- This is the point at which many boards get stuck – they understand the need (usually), they begin to understand the 'what' of best practices, but they can't figure out the 'how.' Laughlin and Andringa put it this way, as they reflected on the work of Jim Collins and his seminal organizational management research in his 2001 book, *Good to Great*:

"…Our concern is not so much with the lack of definition of 'great' or 'exceptional' boards, but rather with how one moves into that category, i.e., how a nonprofit board goes from good to great."[5]

- A bit later in their book, they make the point more directly:

  "The fundamental reason for not developing a board policies approach is that boards and chief executives don't know how to do it."[6]

- This has become the crux of the matter for many boards and organizations. Yet, through the work of experienced guides like Laughlin and Andringa, coupled with some supportive expertise, boards and chief executives can, in fact, learn how to do it and achieve success.
- Board Policy must be intentional and described. This is achieved by the creation and implementation of what is known as a 'Board Policies Manual', or BPM.
- The BPM is a thorough, clear, concise, written expression of the governance policies of the board in a way that addresses three interrelated aspects:

  1. The roles and responsibilities of the board and how the board governs and functions;
  2. The authorities delegated to the chief executive of the organization; and
  3. The governance partnership relationship between the board and the chief executive including roles, responsibilities, and accountabilities.

- Once the BPM is created and implemented, it becomes the expression of the 'what, how, who and why' of governance of the organization, agreed upon by the board members and the chief executive. In this way, it is assured that there is a common understanding and agreement between the board and the chief executive of roles, responsibilities, expectations, and accountability. Everyone is, as they say, 'singing off the same sheet of music.'
- It also becomes a living document, adaptable through time as governance needs change.
- The BPM is built in three primary stages:[7]

  1. *Committing to the BPM* – Developing a BPM requires the full buy-in from the board and the chief executive. Without this commitment, pursuing this approach does not make sense, and frankly, is not worth the time, and in fact, may do more harm than good.
  2. *Developing the BPM* – Notwithstanding the importance of the BPM for a board, its development does not have to be a daunting task or process. Board member involvement is key and required, but with support, does not have to be burdensome or overwhelming. A time-tested methodology is in place in the work of Laughlin and Andringa, and much of the 'heavy lifting' of structure and best practices have already been incorporated into their model and accompanying template, which is based on six overall parts or sections. They suggest that BPMs of most organizations can be 15-25 pages in total length. Through eight progressive steps, the BPM is developed in an orderly and complete manner.
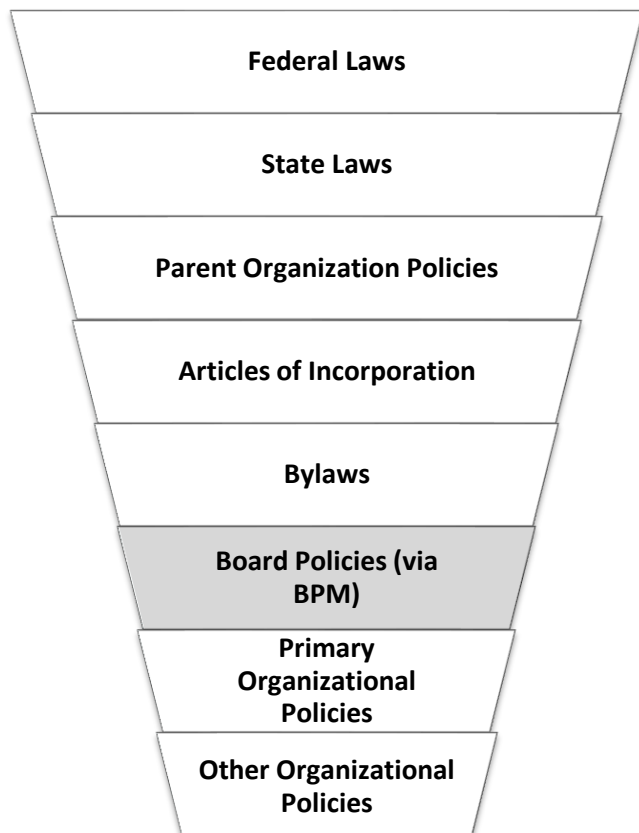
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[5] Laughlin and Andringa, *Good Governance*, 13.
[6] Laughlin and Andringa, *Good Governance*, 29.
[7] Laughlin and Andringa, *Good Governance*, x-xi.

3. ***Implementing and Integrating the BPM*** – The BPM is not intended to be a static document, 'one and done'. Its role is to be a part of the governance process, like a tool, on a continuing basis. Like any effective policy, it must be kept current, up-to-date, and relevant.

- The BPM exists within a hierarchy of other organizational 'policies' that influence, and may even direct, the governance and management of the organization. A simplified model of this hierarchy in western societies looks like this:

| Federal Laws |
| State Laws |
| Parent Organization Policies |
| Articles of Incorporation |
| Bylaws |
| **Board Policies (via BPM)** |
| Primary Organizational Policies |
| Other Organizational Policies |

- A key principle with the hierarchy is that the policies at a particular level must not conflict with nor contradict the policies above it.
- As the BPM is built, checks are made to ensure that coherence and compatibility is maintained up and down the hierarchy.
- The 'Primary Organizational Policies' would be the key organizational policies that typically would be found in such documents or materials as strategic plans, HR policies, financial and accounting policies, internal controls and audits policies, public involvement and participation policies, etc.
- The 'Other Organizational Policies' would typically be policies at levels below the organization itself, i.e., divisions, programs, units, etc.

- Laughlin and Andringa's experience reveal that (1) each step in the process is necessary, and (2) the overall process is sufficient to move an organization from its present level of governance to where it wants to go.
- Key to their approach is that, at the end of the day, the results must be practicable and useable. If done well, the result will be serviceable and long-lasting.
- Finally, realistic expectations are important:
  o Is the policy approach to governance and a BPM a 'silver bullet' to correct all the issues and concerns of governance that a board may have? No.
  o Is the approach a guarantee that the board will not encounter issues or concerns in the future? No.
  o Does the policy approach and BPM ensure that the board and chief executive make gains and strides in governance, leadership, and management of the organization together, in an effective partnership relationship, that serves the owners and the organization effectively? Yes, most assuredly.

Appendix 1 – Governance Considered

"The purpose of governance is to ensure, usually on behalf of others, that an organization achieves what it should achieve while avoiding those behaviors and situations that should be avoided." John Carver, *Boards That Make A Difference*, 2006, page xxvii

"Governance comprises the arrangements (includes political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved." Good Governance in the Public Sector—Consultation Draft for an International Framework, CIFPA, 2013

"Governance is concerned with structures, processes for decision making, accountability, control, and behavior at the top of organizations." Governance in the Public Sector: A Governing Body Perspective, IFAC, 2001

"Governance is the process by which decisions are made and implemented (or not implemented). Within government, governance is the process by which public institutions conduct public affairs and manage public resources." Manual On Fiscal Transparency, IMF 2007

"Public sector governance encompasses the policies and procedures used to direct an organization's activities to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner." The Role of Auditing in Public Sector Governance, Institute of Internal Auditors, 2012

Note the Common Themes or Keywords: (1) outcomes, achievement; (2) assurance, accountability; (3) decision making, directing, controlling; (4) public resources, public affairs; (5) policies, processes, procedures, arrangements, structures

Clark W. Seely

Clark is a forester and currently President of Seely Management Consulting, Inc. He has over 45 years of experience in forestry, natural resource management, and organizational leadership. His consulting practice and expertise focuses on natural resource policy and organizational management. The company was created following his retirement from the Oregon Department of Forestry (ODF) as the Associate State Forester, after 35 years of public service with the agency. He is also currently adjunct faculty with the Natural Resource Policy and Administration Master's Program at the University of Florida, School of Forest, Fisheries, and Geomatic Sciences, where he teaches graduate-level courses on public land management, human resources, and organizational management. Clark graduated with honors from the Oregon State University College of Forestry with a Bachelor of Science degree in Forest Management. He is a graduate of the Covey Executive Excellence Program.

His ODF career began in 1974 as a Summer Intern in Forest Management in the Astoria District while attending Oregon State University. He held two additional summer intern positions in 1975 (Coos District) and 1976 (Southwest Oregon District). Following graduation from Oregon State in 1977, he was hired to his first permanent position with ODF as a Stewardship Forester/Forest Management Forester in West Central Oregon District, The Dalles. In 1979, he promoted to Unit Forester for the La Grande/Baker Unit of the Northeast Oregon District, La Grande. In 1985, he promoted to the Assistant to the Area Director position, Northwest Oregon Area, Forest Grove. In 1987, he promoted to the District Forester position for the Klamath-Lake District, Klamath Falls. In 1989, he was asked by the State Forester to transfer to the District Forester position in the Coos District to help lead and manage the federally listed species issues and impacts for the Elliott State Forest. In 1994, he promoted to the Department's Director of Fire Protection and Management, Salem. In 1999, he promoted to the Assistant State Forester for Agency Administration, Salem, and in 2004, he promoted to the Associate State Forester, Salem, from which he retired in 2009. Immediately following retirement, he returned to the Department in a part-time capacity serving as Senior Executive Advisor to the State Forester and Executive Team, a position he held until 2012.

Clark has been a professional member of the Society of American Foresters (SAF) since 1977 and was elected a Fellow in 1996. He was nationally elected SAF Vice-President in 2015, served as President and Chairman of the Board in 2016, and served as the SAF Immediate Past President in 2017. In 2018-2020, as Past President, he served on the national Board of Directors Nominating Committee (Chair in 2020) and in 2018-2019 also served as Chair of the newly formed national Leadership Development Committee. In addition, he has held numerous other leadership positions at the national, state, and local level. He is the 2012 recipient of the Society of American Foresters' *John A. Beale Memorial Award,* recognizing his "long-term leadership, dedication and contributions to the forestry profession." In October 2021, he was inducted into the Florida SAF Foresters Hall of Fame, honoring "outstanding and significant contributions to the forestry profession."

He is also currently a member of the Forest History Society (FHS), serving as a director on the FHS Board. He is currently serving as Co-Vice Chair of the Board, Chair of the Board's Governance Committee, and Co-Chair of the FHS Strategic Plan Implementation Subcommittee.

Clark and his wife of 46 years, Adenia, live in New Smyrna Beach, Florida, and have two grown sons, Paul and Matthew, and daughter-in-law Adrienne. Clark enjoys family time, leadership service in his church, reading, golf, music, travel, cooking and custom cars.

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