




▲ **NEXT-LEVEL GOVERNANCE™:**

Leading with Strategic Agility ▲



Over the past few years, we've seen massive disruptions that have dramatically changed markets, industries and professions. For associations, how we derive revenue, how and when we meet and connect, and how and where we work have been turned upside down. Making those tectonic shifts required leaders – volunteers and staff – to band together as true governance partners and reinvent their organizations in real-time.

As the crucible of recent years eases somewhat, it may be tempting to shift governance back to comfortable, familiar patterns of the past. However, there are tremendous upsides to holding onto this newfound strategic agility, for the pace of change in the world around us simply is not going to slow. Associations that seek to thrive in the future must be driven by governance structures, systems and processes that result in strategic agility. In this report, we outline the critical elements of reinventing association governance for enduring strategic agility.

Associations are known for having a unique form of collaborative governance where volunteer leaders and staff leaders share responsibility for advancing the organization. All too often this has led to complex, slow-moving structures with constituency-based governing bodies and decisions made through consensus-building.

Through our work at McKinley, we see that associations that effectively evolve their governance practices are better positioned to deliver value to their members and industries as the rate of change both inside and outside the organization accelerates. Slow-moving governing bodies that delay or avoid decisions in the name of consensus-building do not allow associations to respond quickly enough in a rapidly changing environment. Today, next-level governance requires structures, leaders and processes that enable the strategic agility required for nimble thinking and actions.



STRATEGIC AGILITY:

the ability to improve performance — not just survive but thrive — amid disruption.

In a 2021 Harvard Business Review article, three professors from IMD Business School's Global Center for Digital Business Transformation defined strategic agility as the ability to improve performance — *not just survive but thrive* — *amid disruption*.¹ Therefore, agility is not as much about speed as it is about the ability to make directional changes based on market and organizational conditions.

For associations, we believe strategic agility is characterized by transparency as well as the capacity and skill to redirect resources based on what is happening in the organization and the marketplace to achieve maximum mission impact.

¹ Source: "[6 Principles to Build Your Company's Strategic Agility](#)", Michael Wade, Amit Joshi, and Elizabeth A. Teracino, Harvard Business Review, September 2, 2021

▲ Strategic Agility Begins with the Board

The board of directors is just one component of a highly functioning association governance system. As the preeminent group of volunteer leaders for any membership organization, the board helps set the tone. Change happens at the pace of the board. The board must understand the capabilities within the organization (including where there are resources that could be re-deployed) as well as external market conditions that could lead to shifts in the association's profession or industry for any organization to develop the strategic agility necessary for success in today's environment.

In McKinley Advisors' 2023 survey of association executives, we set out to understand the characteristics and behaviors that drive the kind of next-level board performance needed to thrive. Reflecting on their boards, the 116 association CEOs we surveyed defined a very clear and interrelated set of characteristics that provide a roadmap for creating the right conditions for board-led strategic agility. Without these strengths, boards flounder; with them, they thrive.

Achieving these core strengths requires a combination of the right people, the right systems and a culture that embraces and rewards risk. Below we share insights and recommendations that will support and perpetuate board-led strategic agility.

The core strengths of every successful association board should include:

RESPECT, TRUST AND CANDOR



Board directors must place equal measures on **demonstrating respect, building trust and engaging with candor**. Boards that work with all three of these attributes present are those that can have the deep, challenging and robust debates needed to drive success.

DIVERSE LEADERSHIP



Association leaders must recognize that recruiting, empowering and supporting diverse volunteers in every aspect of governance **enables and accelerates change**. Difference maximizes success.

COURAGE TO CHANGE



Boards must **embrace change and have the courage to make big decisions** that often will deviate from historical practice. The world and the interests represented in the mission are changing profoundly and quickly. Change is essential to relevance.

DYNAMIC LEARNING



Robust insights must constantly **inform strategy that drives action and new insights**. And this cycle must happen rapidly to keep pace with change.

Embrace Strategic Leadership

In the eyes of CEOs, the elements most important to the success of the board of directors relate to their focus on strategic leadership. While this is not surprising, the focus has shifted from formality to nimbleness and outcomes over process. A partnership between the CEO and the board has taken on new characteristics, with association CEOs increasingly being called on to guide their boards and bring forward strategic questions for board input and consideration. Gone are the days when a CEO is simply an administrator managing the staff and the day-to-day. Empowering CEOs to use their experience and expertise is critical to taking calculated risks and driving success amid uncertainty.

ELEMENTS THAT ARE CRITICAL TO THE SUCCESS OF THE BOARD

Ranked from highest to lowest

- | | | |
|----|--|--|
| 1 | Focus of role (focus on association outcomes, not process) | Focus on Strategic Leadership |
| 2 | Partnership with staff (focus on constructive relationship with CEO/staff) | |
| 3 | Understanding of roles (directors understanding what is expected of them) | |
| 4 | Trust (directors providing appropriate care for one another, assuming positive intent) | Professionalism and Leadership Mentality |
| 5 | Communication (culture of careful listening and understanding) | |
| 6 | Candor (providing direct and honest conversation, “saying the thing”) | |
| 7 | Loyalty to the association (values centered around what is best for the association) | Process and Tactics |
| 8 | Agenda setting (identifying and advancing conversations around the critical topics/business of the association) | |
| 9 | Using time wisely (commitment to focusing on the right topics, advancing the agenda) | |
| 10 | Coaching (directors supporting one another to perform better) | |

Double Down on Diversity

We asked specifically about the progress associations are making regarding diversity, equity and inclusion (DEI). Most are engaged in ongoing discussions related to DEI amongst their leadership (78%) and proactively recruiting and working to retain members of underrepresented groups among leadership (74%). But far fewer have a comprehensive DEI strategy (53%) or key performance indicators (KPIs) attached to DEI goals (37%). Like in many other sectors, associations are striving for change, but progress is slow. We will need to keep DEI squarely in our sights if we want to lead our industries and professions to move the needle on this social imperative.²

Prioritize Insights and Guidance

There is more than one kind of strategy. Strategic planning, in the form of vision, mission, values and priorities is often what comes to mind first when we talk about strategic leadership. But, for associations, the board also plays strategic internal roles in setting success measures, monitoring and enabling high-level organizational performance, and acting as a barometer of member needs. From an external perspective, the board brings forward important information about the competitive and operating environment and represents the stakeholder perspective. Association board members are also often on the front line when it comes to enhancing the organization's reputation and representing the industry or profession in advocacy initiatives.

All these roles are important and time-consuming. Boards will need to regularly prioritize them, fluidly shifting focus based on the current environment. Today, most of our survey respondents see their role of providing insight into the future challenges facing the field/industry as their number one priority (81%). Followed closely by guiding the long-term strategy of the association (76%).

² Source: [Diversity Wins: How Inclusion Matters](#). Sundiatu Dixon-Fyle, Kevin Dolan, Dame Vivian Hunt and Sara Prince. McKinsey, May 19, 2020

IDEAL BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES



Providing **insight** into the future challenges facing the field/industry



Guiding the **long-term** strategy of the association



Fostering **constructive, candid, and healthy** debate relative to decisions facing the association



Responding to **emerging** issues that threaten the association



Ensuring **competent and effective** governance structure, policies, and procedures

Discuss Disruptors and Emerging Trends

Identifying and addressing emerging trends and potential disruptors is a strategic role in which both the board and the staff must collaborate. Nearly all the CEOs in our study indicated their boards are paying attention to major changes occurring in their field/industry and new innovations in association programs and service lines. But, what about emerging topics such as workforce health (physical and mental), social issues and data/cybersecurity threats? Fewer than half of the association boards we surveyed are actively talking about these issues. Yet 91% of corporate board directors see technology as a top concern, and 64% see environmental, social and governance (ESG) concerns as tied to their company's strategy.³ Agile boards will keep tabs on these developments and lean into the difficult conversations needed to address them sooner rather than later.



The board must carry out the major duties of governance, but they also serve as the content experts about the profession and the emerging issues that we must address.”

— CEO OF A HEALTHCARE PROFESSIONAL SOCIETY

³ Source: [PwC's 26th Annual Global CEO Survey](#). PwC, January 16, 2023

RISKS AND DISRUPTORS REQUIRING STRATEGIC AGILITY IN 2023

A Focus for
**NEARLY
ALL**
Associations

- Discussions on **major changes occurring** in the field/industry
- **New innovations** to associations programs or service lines
- **Financial planning** related to economy/possible recession

A Focus for
MOST
Associations

- Strength of the field's **workforce pool** (adequate numbers)
- **Disruptions** to the associations business model
- Association's **staff and talent** strategy
- Determining **events strategy** (e.g., in-person vs hybrid)
- Planning for **future disruptions** or crisis

A Focus for
**AROUND
HALF**
Associations

- **Health of the field's workforce** (physical health, mental wellbeing)
- The association's policies/practices for taking **stances on social issues**
- The association's **data and cybersecurity threats**

Connect All Volunteers to Strategy

As part of their role in ensuring effective governance, more than half of boards (56%) task individual directors with communicating with committees, taskforce and other volunteer leaders. And 35% ask directors to raise support with these volunteers for board decisions, programs or policies through outreach. However, that communication can sometimes be one way, with only 46% asking directors to gather feedback from those same volunteers. Perhaps most surprising is that only 28% of boards set desired outcomes (charges) for committees on a yearly basis. Without such oversight, committees and task forces can take on a life of their own with yearly goals and activities not aligned with organizational strategy. This points to a need for associations to rethink their approach to governance beyond the board of directors. Understanding and managing volunteer activities while mining their insights helps agile boards focus organizational efforts and foster capacity for new initiatives. This can be done in various ways including by engaging volunteer leaders in the strategic planning cycle to help build shared ownership of organizational outcomes and holding annual volunteer governance training workshops to reinforce roles and responsibilities.

Prioritize Mindset

Both at the collective and individual levels, strategic thinking and acting stand out as crucial characteristics for board success. Rather than focusing on recruiting directors with access to resources, who bring prestige or possess specific functional skillsets, our research suggests that board leaders who are broad, creative thinkers are most needed. When faced with eight qualities that the board should possess, our research respondents prioritized those that influence **how directors think** such as being strategic-minded, innovative, knowledgeable and diverse. The underlying sentiment was that associations face big questions and that board members need to be courageous, inclusive, strategic thought leaders and visionaries helping to navigate changing times.

CHARACTERISTICS NEEDED TO BUILD A BOARD WITH STRATEGIC AGILITY

- 1 Strength in **strategic leadership**
- 2 An **innovative mindset**
- 3 A **breadth of knowledge, skills and experience**
- 4 **Diversity in its composition** (demographic, employer type, etc.)
- 5 **Appreciation for enterprise risk** and how to balance it
- 6 Strength in **communication and people/interpersonal skills**
- 7 **Prestige and reputation** among your field/industry
- 8 **Access to resources** (people, opportunities, etc.)

Recruit Intentionally

CEOs describe a variety of informal and formal methodologies to populate their boards with diverse directors who possess the most desirable and needed characteristics. Their list of methods is presented below, organized from most common to least.

INFORMAL

- Maintaining a **close relationship and strong communication** between the board, the CEO and the nominating committee.
- Intentionally **cultivating relationships with leaders** in their profession/industry.
- Promoting and communicating the **personal qualities of desired leaders**, not just their professional experience.

FORMAL

- Matching the strategic plan with the board nominating and assessment process to **enhance the board with skillsets** required for achieving the strategic plan.
- Undergoing an **annual review of the qualities needed** for the next set of directors to be added to the board to enhance its effectiveness.
- Conducting a regular **board competencies assessment and gap analysis** to inform nominating decisions.
- Setting specific targets for collective skillsets, qualities and experiences to **enhance collective diversity and competence**.
- Establishing formal director **job descriptions and experience requirements** and updating them regularly.
- Developing **nomination guidelines** that are updated yearly to target important evolving qualities and needs.
- **Undertaking an application process** that requires a demonstration of strategic thinking.
- Implementing a **leadership development committee** and **talent pool**.

Looking across this list, it seems that CEOs are focused primarily on reworking the composition of their boards—the people aspect of the equation. But, according to a trio of professors from Duke University's Fuqua School of Business, building an agile organization starts with understanding and managing the interactions across three interdependent and evolving systems: the market, the organization and the human.⁴ We wonder, then, whether the time is right for a more holistic examination of governance systems and structures in addition to the people comprising the system.

⁴ Source: "**AGILITY ARCHITECTS**". Professor Joe Perfetti, Professor Tony O'Driscoll, Michael Canning & Scott Koerwer, Duke Corporate Education

▲ Conclusion

Amidst uncertainty in the external environment, boards may be shifting back to their comfortable internal focus. Let's use this as an opportunity to reset expectations and reimagine governance models to structurally enable the type of agility adopted during the early days of the COVID-19 pandemic. Can we muster the courage to reinvent the outdated, cumbersome governance models and related nominating processes that we have institutionalized over time? Doing so might be the most promising, and strategic of all approaches to building an organization that embodies strategic agility.

ACT NOW TO BE AT THE FOREFRONT OF THIS EVOLUTION:

- Build a board that embodies strategic agility with a **focus on outcomes over process** and partnership over traditional siloed roles.
- Create a comprehensive DEI strategy and **set performance metrics** to drive and measure outcomes.
- Prioritize the board's role in providing **insights about future challenges** and **guidance on long-term strategy**.
- Actively engage in **high-level discussions around potential disruptors** and emerging trends from inside and outside the organization.
- Leverage the board and its members to **help connect volunteer activities** directly to strategic initiatives.
- Attract board members with **strategic, innovative mindsets who embrace diversity** and foster inclusion.
- Establish an intentional recruiting process to **find, attract and keep leaders** with the characteristics most needed by your organization.

Tackling the hard work of reinventing governance now is sure to reap dividends, enabling leaders to navigate the changing landscape more nimbly. Systemically building strategic agility into governance structures will enable associations to evolve to meet the shifting needs of members, attract the next generation of leaders and achieve greater mission impact.

▲ About McKinley Advisors

McKinley Advisors is an award-winning association consulting firm dedicated to accelerating associations' positive impact on the world. McKinley works in partnership with association executives and volunteer leaders to identify and address their most significant challenges and opportunities. McKinley provides services through four practice areas—Strategy and Innovation, Organizational Excellence, Business Transformation, and Research and Insights.

Our Approach to Governance and Leadership

We believe that effectively navigating the intersections of strategy, insights and governance drives the success of associations. Our team has decades of experience helping leaders evolve their structures and processes to realize more effective and impactful governance.

Our team is well known for our ability to gain the necessary support of decision-makers to advance high-stakes governance change initiatives. McKinley's expertise in organization dynamics and change management, together with best-in-class facilitation gives us the ability to create a shared vision of governance success for associations.

Connect with an Association Expert

Elevate your association's impact by **reaching out to our team**. From facilitating transformational change with board leadership to designing and implementing new modes of governance, our consultants are well-equipped to support the unique needs of mission-driven organizations.

Learn more about McKinley Advisors at mckinley-advisors.com.



mckinley-advisors.com

