

Term limits for Board Members

The Standard

Standard 3.9 of the CMA Standards Council Principles and Standards of Responsible Stewardship reads as follows:

“The governing body must have a policy which addresses the periods of service of its members and which balances the benefits of knowledge and experience of the organisation against the danger of losing the member’s independence from management, their effectiveness and their enthusiasm.”

Background

This standard addresses the length of time that a Board member should serve on the Board (by “Board”, we mean your governing body, whether called a Board, Council of Elders, Parish Council, Trustees, Committee etc). For the purposes of this discussion, we would consider any Board member with longer than 10 years consecutive service to be a long serving Board member.

The standard is a balance between two worthy but conflicting points of view. On the one hand, Board members who are experienced and thoroughly understand the organisation and its mission can add significant value. On the other hand, Board members who stay on the Board for a long time can run out of energy and new ideas, and can become “captives” of the organisation, so as to lose independence.

The benefits of long serving Board members

Diligent, long serving Board members can bring real benefits to a Christian not-for-profit organisation. These include:

- Deep and detailed knowledge of the activities of the organisation
- Relationships with long term donors, suppliers and users of the organisation’s services
- A strong reputation within the sector
- Stability in the event of CEO change
- Perspective and wisdom
- A long institutional memory, including of past lessons learnt

Board members who have served on the Board for a long period will usually have demonstrated a strong commitment to the mission of the organisation. Their dedication and service can be a great blessing to the organisation.

The drawbacks of long serving Board members

Long standing Board members can cause problems for a Christian not-for-profit organisation. These may include:

- Burnout and a consequent lack of passion, energy and enthusiasm
- Complacency
- A lack of fresh ideas and perspective

- The formation of cliques or power blocs within the Board
- Problems with Board succession planning
- Too much familiarity with the CEO or management, leading to loss of independence from management
- Loss of concentration and acuity for elderly Board members

An organisation which has a Board comprising of tired Board members without fresh ideas and independence from management will suffer from lack of leadership and will gradually fade away into insignificance and irrelevance.

Our recommendations

Clearly there is a balance to be struck in dealing with this issue.

Academic research on for-profit organisations is evenly split between the benefits and drawbacks of having long serving Board members. Different industry bodies in the secular world (eg ASX, AICD, Governance Institute) take different approaches. There is no general consensus about how to deal with this issue.

Simply having a clause in the Constitution which requires a Board member to resign after say 3 years is not sufficient to manage the issue, especially if the organisation has a history of Board members offering themselves for re-election at the conclusion of each term and being re-elected by a small number of members unopposed.

In our view, the key is for the Board as a whole, and in particular the Chair, to be aware of the issue and consciously and explicitly set its own policy about how to deal with it. Possible ways to deal with the issue could include:

- a hard and fast rule, eg, no Board member may serve more than 12 consecutive years without a break of at least 1 year
- a requirement that a majority of Board members must have been on the Board for less than 10 years
- a requirement that the Board must explain in writing to members each year, and/or the Board member in question should attend the AGM in person to justify to members, why any Board member who has served more than say 12 years should remain on the Board
- an annual assessment of each Board member's performance by the Chair or by an external party, with recurring under-performance leading to departure from the Board
- 360 degree assessment from stakeholders (eg other Board members, senior staff, major donors) about the performance of long serving Board members or Board members generally
- a requirement that any long serving Board member must be assessed annually to ensure that he/she is continuing to add value to the Board

Different organisations will have different ways of dealing with this issue. The CMA Standards Council does not purport to know the best way to proceed for each organisation. What we are looking for is evidence (by way of a written policy) that the organisation has thought about the issue, has made a decision about it, and is implementing it. That is not to say that a policy cannot be changed, but that any change must be made in an informed and considered manner.