
Continually Improving Nonprofit Board Performance

A professional development seminar by **Anne Howden Consulting**



Anne Howden Consulting

Serving Non-profits and Foundations

Financial & Organizational Development — Assessment, Planning & Training

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Why Do We Have A Governing Board?

4, 6, 9, 10 & 11

1. Three main purposes:

- To register as a tax-exempt corporation;
- To provide organizational oversight; and
- To maintain accountability to the public and the law.

2. A governing board must ensure that:

- The organization is providing real benefits to the community; and
- The organization is operationally and financially healthy.

Legal Requirements

Duty of Care

Diligence and attentiveness to board responsibilities. Act as “an ordinarily prudent person would in a like position and under similar circumstances.”

Duty of Loyalty

Faithful pursuit of the interest of the organization rather than personal interests or the interest of another person or organization.

Duty of Obedience

Act with fidelity, within the bounds of law generally, to the organization's mission.

Duty of Care

- Attend meetings and actively participate in the work of the board.
- Scrutinize the work of committees having authorization of the board.
- Participate in board actions. If you are there, you are responsible.
- Know the books and records.
- Ensure accurate record-keeping.
- Protect the organization's assets consistent with donor restrictions and legal requirements. 9, 10, 11
- Assist the organization in obtaining adequate resources.
- Honor your duty to investigate and report potential theft or mismanagement.

Duty of Loyalty

- Avoid conflicts of interest or the appearance of such conflict. If questions arise, the burden of proof that no conflict existed lies with the director.
- Establish a written policy on avoiding conflicts of interest.
- Do not lend money to a director or the director's family unless the board deems it will benefit the corporation.
- Do not divert a corporate business opportunity for your own personal gain.
- Adhere to the rules of the Internal Revenue Code regarding self dealing.

Duty of Obedience

- Be familiar with state and federal statutes and laws relating to the organization.
- Comply with deadlines for all local, state, and federal filings.
- Be familiar with the organization's governing documents and follow the provisions of those documents.
- Where appropriate, obtain opinions of legal counsel or accountants.

Top Ten Board Responsibilities

1. Establish organizational mission and philosophy.
2. Establish long-term objectives and strategies through effective organizational planning.
3. Select, support, monitor, appraise, compensate, motivate, and, if necessary, change top management.
4. Ensure that the organization has adequate resources and capacity to fulfill its mission and objectives.
5. Set policies to effectively guide operations and programs.
6. Review financial and programmatic performance as compared with the organization's objectives in order to ensure effective resource management and strong programs that make a positive difference in the community. 10 + 11
7. Organize the board to work effectively, establish performance criteria, and self-evaluate.
8. Recruit and orient new members with needed skills and talents.
9. Advocate for the organization in the community in order to build its public reputation.
10. Ensure the legal and ethical integrity of the organization.

Elements of Fiduciary Responsibility

- Establish program revenue and expenditure objectives consistent with organizational mission.
- Debate and adopt an annual budget that reflects organizational goals and strategies – before the start of the fiscal year.
- Review financial statements regularly, compare them to budget, account for significant variances, and require timely course adjustments as needed.
- Hold the organization to income-based, rather than budget-based, spending.
- Where possible, establish an operating reserve to finance cash shortfalls and program growth.
- Receive the annual audit and management letter, assess implications, and approve action plans to strengthen performance, and follow up to ensure progress.
- Ensure that the organization is in compliance with all relevant financial laws and regulations.
- Update investment policies at least annually, including guidelines about how debt is to be incurred and handled.
- Approve other than routine contractual obligations as defined by approved board expenditure authorization policies.
- Establish risk management policies and review at least annually.
- Ensure that charitable gifts are allocated as donor restrictions require.

A Board Member's Roles

"TOP 12"

- Be alert and engaged as a board member and concerned about the organization's health, problems, and prospects.
- Be knowledgeable about and faithful to the organization's mission.
- Inquire about the organization's impact on the community. How does the board know if the organization is doing a good job?
- Understand the organization's operational models, program delivery environment, and economics, as well as the issues facing the organization's field overall.
- Stay focused on important and long-range issues, not day-to-day operational matters.
- Work with the board chair each year to identify your own annual goals for board engagement and organizational participation.
- Attend board meetings and organizational programs and participate actively on a board committee.
- Prepare for meetings and read all materials provided. If you miss a meeting, take responsibility for bringing yourself up to date.
- Ask questions—exercise healthy skepticism.
- Be willing to make decisions.
- If you have concerns, take them to the board chair or chief executive. Avoid raising individual concerns initially in a full board meeting.
- Be an advocate for the organization and assist in generating community support and resources.

Characteristics of an Effective Board

Mission-Driven—passion in pursuit of the mission infuses the board's actions.

Knowlegable—well-informed and continuously learning about the key internal and external issues affecting mission delivery and organizational success.

Strategically Focused—maintains group focus on an agreed upon set of strategic issues, the effectiveness of the organization's business model, and the board's own action plan for the year.

Clear Sense of Priorities—attends to important and long-range issues, not small matters.

Leadership—clear leadership structure (officers and committee chairs) drives board's activities effectively and new leaders are fostered to fill future roles as needed. Chair is respected and skilled in making certain that diverse points of view are heard and informed decisions are reached.

Inquiring and Independent-Minded—group represents and seeks to hear from different constituencies and viewpoints to enrich dialogue about and understanding of organizational issues.

Results Oriented—ensures that programs have real impact and regularly evaluates organizational and board performance. There is awareness of progress and accomplishment so members gain satisfaction from service.

Ethical—maintains rigorous conflict of interest policies, code of ethics, and financial tracking and disclosure policies to be reviewed and renewed annually by the board and senior staff.

Structured—organized so that individuals and committees play an appropriate and active role.

Involved—members are highly engaged in their oversight and other roles and are truly concerned about the organization's problems and prospects.

Financially Supportive—includes an appropriate number of members who provide access to financial resources.

Constructively partners—the working relationship between the executive director and board members is productive, honest, and trusting.

Professional—members show respect for each other regardless of differences of opinion and maintain a productive working relationship with each other.

Diverse—the board as a whole contains differences in skills, experience, interests, and social background, and is responsible for its own on-going revitalization.

Appropriate Role Behavior—members understand and respect the differences between acting as a board to govern the organization and acting as individuals to provide expertise that enhances organizational operations.

Making Board Improvement Stick

- **Readiness** - Members must be ready for change.
- **Integration** – Change efforts must be integrated with the board's regular business.
- **Leadership** - Effective leadership is essential for even the most willing group of members.
- **Behavior Focus** – Working to change what the board **does** is more effective than trying to change beliefs or personalities.
- **Long-Term Commitment** - Board development is a long-term process, not a silver bullet.

Keep Your Board's Work in Focus

Short Range

Agenda—mailed in advance of the meeting; annotated for member preparation

Motions—made prior to discussion; clearly stated and recorded

Minutes—concise, including minimal discussion, and accurate

Plans—written, accessible documents; regularly updated and reviewed

Procedure—chair retains control of meetings; momentum of meetings maintained

Deliberation—open, honest debate encouraged; organizational decisions respected

Orientation—board roles clarified; new members brought “on board”

Disclosure—conflict of interest policies in place, dual loyalties disclosed

Long Range

Planning—a continuous board activity; shaping the organization's future

Mission—a clear understanding of purpose; a statement that motivates for action

Vision—describing a preferred future; a driving force for board commitment

Goals—unified set for both board and committee work; used to monitor and evaluate progress

Policies—basic, established, written directives for common, consistent governance

Education—ongoing organizational learning; board members articulate issues

Self-Assessment—board roles and culture examined; growth and maturation encouraged

Teamwork—an atmosphere of trust; clear understanding of board and staff roles

Keep Board Members Engaged

1. Engage in thoughtful orientation
2. Regularly spend time on mission-oriented activities
3. Keep collectively agreed strategic objectives front and center
4. Establish benchmarks for organizational progress to track organizational progress
5. Get things done!
6. Develop the next generation of board leadership
7. Facilitate linkages between each member's skills and abilities and real organizational needs
8. Use committees as a way to strengthen member involvement
9. Don't let inactive members linger
10. Recognize and appreciate member contributions

Structure Meetings Around Strategic Objectives

Typical Board Agenda

1. Executive Directors Report: Report on marketing systems assessment; Announcement of proposed expanded season for 30th anniversary year
2. Board Development Committee Report: Review of potential candidates for board membership; Review of agenda plans for upcoming annual board planning retreat
3. Fundraising Committee Report: Update on holiday individual giving effort; request for board member participation in securing new donors; report on 30th anniversary season fundraising plans.
4. Finance Committee Report: Review of year-to-date financial performance, highlighting box office sales and projected changes in contributed income by year end; Cash flow report; Analysis of financial impact of implementing marketing recommendations; Analysis of financial impact of expanded season and special fundraising events for 30th anniversary year.

More Strategic Agenda

1. Increase Marketing Effectiveness: Results of assessment of current marketing systems and recommendations for improvement (Executive Director); Analysis of box office sales trends and projected cost/benefit of implementing marketing assessment recommendations (Finance); Potential board members with marketing skills (Board Development).
2. Improve Financial Performance: Analysis of overall organization financial performance year-to-date and projection to year-end including projected changes in contributed income (Finance); Update on holiday giving effort, and request for board member participation in securing new donors (Fundraising); Potential board members with access to resources and financial management skills (Board Development).
3. 30th Anniversary Season: Announcement of proposed expanded 30th anniversary season (Executive Director); Analysis of financial impact of proposed season and special fundraising events (Finance); Report on plans for 30th anniversary season fundraising events (Fundraising); Review of agenda for upcoming board retreat on 30th anniversary season (Board Development).

Clearly Define Expectations and Responsibilities

- Attendance
- Committee participation
- Legal liabilities
- Fundraising
- Nomination process
- Conflict of interest

Can't Say Enough about the Importance of Leadership!

Board leadership is often selected with little investment of time and consideration compared to the care typically taken to select staff leadership.

Role of the Board Chair:

Manages the board – its decision-making process and the people on the board.

Doesn't manage the organization and its employees – that's the job of the Executive Director.

Works for the board – the board doesn't work for the Chair

Has only as much authority as the whole board gives the position.

Doesn't have the authority to direct the organization or staff without board approval, nor to veto board decisions. Only the board can change decisions with a motion approved at a meeting.

Being a Successful Chair

How does the Chair manage the board successfully? Instead of making decisions for the board, the Chair helps the board make better decision for the organization.

To do this effectively, the Chair needs:

- High commitment to mission
- Willingness to contribute time and resources
- Ability to work with people – especially all types of board members
- Ability to establish and maintain a participative meeting environment
- Ability to represent the organization to the community

An effective Chair is seen as a leader in the organization as well as honest, forward-looking, inspirational, and competent.

Position Description: Chair of the Board

Function

1. As chair of the board, assure that the board of directors fulfills its responsibilities for governance of the organization, remaining focused on the organization's mission and long-term direction.
2. Be a partner to the executive director, helping him/her to achieve the mission of the organization.
3. Optimize the relationship between the board and management.

Responsibilities

1. Oversee board and executive committee meetings.
2. Serve as ex-officio member of all committees.
3. Encourage the board's role in planning and monitoring progress toward goal accomplishment.
4. Work in partnership with the chief executive to make sure board resolutions are carried out.
5. Call special meetings if necessary.
6. Appoint all committee chairs and with the chief executive, recommend who will serve on committees.
7. Delegate workload appropriately
8. Help guide and mediate board actions with respect to mission, organizational priorities, policies, and governance concerns.
9. Encourage board members' participation in meetings and activities.
10. With the chief executive, review any issues of concern to the board.
11. Assist chief executive in preparing agenda for board meetings and assure that members have input.
12. Assist chief executive in conducting new board member orientation.
13. Oversee any search for a new chief executive.
14. Coordinate chief executive's annual performance evaluation.
15. Work with the nominating committee to recruit new board members to meet organizational needs.
16. Act as an alternative spokesperson for the organization.
17. Periodically consult with board members on their roles and help them assess their performance.

Position Description: Chief Executive Officer

Function

1. Serve as chief executive officer of the Institution, reporting to the board of directors, accepting responsibility for the success or failure of the enterprise.
2. With the chair of the board, enable the board of directors to fulfill its governance function, and facilitate the optimum interaction between management and the board of directors.
3. Give direction and leadership toward the achievement of the organization's philosophy, mission, strategies, and its annual goals and objectives.

Responsibilities

1. Be responsible for the Institution's consistent achievement of its mission and financial objectives.
2. Make certain the Institution's philosophy and mission statements are pertinent and practiced throughout the organization.
3. Assure that the Institution has a long-range strategy which achieves its mission, and toward which it makes consistent and timely progress.
4. Make certain that the flow of funds permits the Institution to make steady progress towards the achievement of its mission and that those funds are allocated properly to reflect present needs and future potential.
5. See that there is an effective management team, with provision for succession.
6. Ensure the development and implementation of personnel training and development plans and programs which will provide the human resources necessary for the achievement of the Institution's mission.
7. Maintain a climate that attracts, keeps and motivates top quality people—both professional and volunteer.
8. Formulate and administer all major policies.
9. Serve as the chief spokesperson for the Institution, and thereby see that the Institution is properly presented to its various publics.

Relationship Between the Board and the Executive Director/Manager

- The board collectively serves as the employer of the executive director.
- The board's role in employing and evaluating the executive director is one of its most important responsibilities.
- The board retains legal responsibility for all delegated tasks.
- As organizations develop, different delegation patterns are needed.
- The relationship of the board president and executive director is a key element in effective agency functioning.

A Board Expects Its Executive Director Will:

1. Serve as chief operations manager of the organization
2. Serve as professional advisor to the board
3. Recommend appropriate policies for consideration
4. Implement effectively all policies adopted by the board
5. Inform the board fully and accurately regarding the functioning of the organization
6. Interpret the needs of the organization and present professional recommendations on all problems and issues considered by the board
7. Develop a budget (in conjunction with the board finance committee) and keep the board up-to-date on budget problems
8. Recruit the best personnel and develop a competent staff and supervise it
9. Devote time to improving the staff
10. Assist the board in developing and conducting community information programs

An Executive Director Expects Its Board Will:

1. Counsel and advise—giving the benefit of its judgment and expertise
2. Consult with the executive on all matters which the board is considering
3. Delegate responsibility for all administrative functions
4. Refrain from handling administrative details
5. Make all the staff responsible to the executive director
6. Share all communications with the executive director
7. Provide support to the executive director and staff in carrying out their professional duties
8. Support the executive director in all decisions and actions consistent with policies of the board and the standards of the organization
9. Hold the executive director accountable for supervision of the organization
10. Evaluate the work of the executive director

Member Terms

Term limits for members are an excellent way to ensure balance between new perspectives and seasoned experience.

Typical rules of thumb regarding length of board service are:

- A board member should serve a maximum term of three to four years.
- A board member should serve no more than two consecutive terms.
- No more than one-third of directors should rotate off the board in any one year.

Why Have Board Committees?

Seven basic reasons for setting up a committee:

1. Responsibilities are shared.
2. More members become involved.
3. Specialized skills of members can be used to best advantage.
4. Inexperienced members gain confidence.
5. Matters may be examined in more detail.
6. Board is able to complete its business more effectively by delegating some work to committees.
7. Non-board community members can be involved in less intensive ways while gaining exposure to the organization.

Signs of an Effective Committee

- Purpose of the committee is clear to all.
- Time is carefully managed.
- Members are sensitive to each other's needs.
- Atmosphere is informal and relaxed with good communication between members.
- Chair and members are prepared.
- Members are interested and committed.
- Minutes are complete and concise.
- Committee periodically self-assesses performance.
- Members receive recognition and appreciation so that they feel they are really making a contribution.
- The work of the committee is accepted and makes a valuable contribution to the organization.

Tips to Get Your Board Engaged in Fundraising

- Establish expectations for board member engagement in fundraising and personal giving.
- The board's leadership must set an example for personal giving – but are not expected to be the largest donors.
- Press for 100% board participation in personal giving.
- Make progress toward achievement of fundraising goals (including personal giving) a regular agenda item at each board meeting.
- Assign board members responsibility for specific projects such as a portion of the annual fund, a benefit, or a targeted campaign.
- Provide training for members on basic fundraising techniques.
- Set fundraising goals for the board that they can meet and exceed.
- Help members move beyond concern about “begging” by emphasizing mission, services, how the community is better off, and such words as “investment,” “opportunity,” and “benefit”.
- Build a separate resource advisory group if you've got a great working board that doesn't have access to financial resources.