Essential Board Governance

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The Five Areas You Need to Know to Ensure a Great Board of Directors

Board Purpose | Responsibility and Performance | Leadership and Fiduciary | Self Management | Structure

By Donna Childs

ESSENTIAL BOARD GOVERNANCE ©

BY DONNA CHILDS

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About the Author

Donna Childs is President and founder of Donna Childs Consultants LLC, a management consulting firm. The firm's mission is to show organizations how to create a culture/internal environment that will help it thrive and develop strategies to exceed its goals. This is the natural progression to becoming a great company. Ms. Childs has 25 years executive management and leadership expertise. She is known for achieving breakthrough results with clear leadership, strategic business direction, and innovation.

Her extensive experience with nonprofits comes from 20 years in nonprofit executive management and assisting nonprofits in governance and accountability issues. She was president and CEO of a regional trade association, the Better Business Bureau of Dayton/Miami Valley, for 15 years. She also served as a director for a performing arts nonprofit prior to her role with the BBB. While at the Better Business Bureau, Childs was instrumental in forming the committee that developed of the local accountability guidelines and standards for area nonprofits. The result was the standards which became an important tool for screening nonprofits for funding for corporate and private donors and nonprofits, and was aligned with national standards developed by the Council of Better Business Bureaus and IRS guidelines.

She also served on the local United Way Board of Directors and on United Way's Committee on Nonprofit Accountability for many years. She continues to serve on numerous boards and committees in the community. She has been active with the American Society of Association Executives, serving on the Executive Section Council and Ethics Committee.

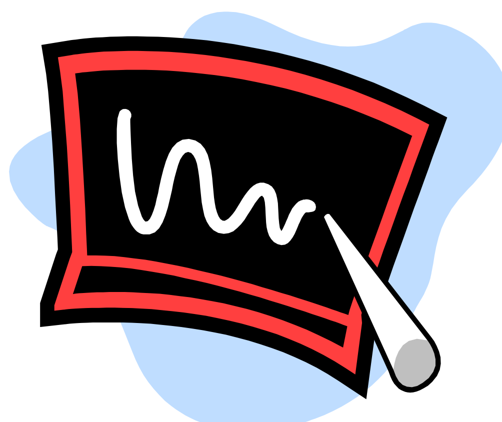
She was the recipient of the Excellence in Association Leadership Award from ASAE demonstrating a deep understanding of nonprofit management and leadership. She received the Silver Medal honor from the American Advertising Association-Dayton. She was recognized as a "Women Who Mean Business" by the Dayton Business Journal and a "2010 Woman to Watch" by Women in Business Networking. She has numerous other industry awards as well.

Introduction

Nonprofit organizations are required to have a board of directors, a governing body, as stated in the organization's bylaws. The governing board is the leadership of the organization. The board of directors consists of volunteers, are not compensated for their role as a director and have displayed an interest in the purpose of the organization; such as a cause, industry, or profession (cure for cancer, disaster relief, nurse, financial planner, realtor, or alumni association).

For the purpose of definition, a nonprofit organization comes in many forms, such as a charity (501c3), an association (501c6), civic leagues and social welfare organizations (501c4), just to name a few. IRS publication 557 lists the different kinds of nonprofits, what their functions are, as well as the financial laws and reporting requirements governing them.

Boards of directors vary in their level of complexity as well. With very small entities, in addition to governance the board may also do some or all of the work of the organization: organizing events, preparing financial statements, maintaining the website and membership database, fundraising, and scheduling board meetings.



With an organization which has staff, the board serves as a governing board, tending to its duties of overseeing the overall purpose (mission and vision), strategic direction, and policies. In addition, the board has the responsibility of philanthropy, stewardship and organizational performance.

A more highly developed nonprofit will have a board of directors focused on these same governing issues, but also be expected to influence and garner support for the organization and use their positions to promote the organization.

It is important to understand the role of governance for nonprofit organizations. Accepting a position on a board of directors or as a paid staff executive is considerable responsibility and should not be taken lightly. Don't become a board member just because you are asked – especially if you have no prior experience, time to devote to the effort, or don't particularly care about the purpose of the organization.

The chief staff executive (CSE) is critically important in the success of the board of directors, providing the glue for the board to do its work. The CSE is responsible to the board of directors and responsible for management of the nonprofit, and the implementation of strategic and operational plans.

Oversight, vision and mission, leadership, fiduciary, legal and stewardship are all heady and time consuming elements of effective governance. A board of directors is expected to and should have a high level of performance, understand the legal and performance requirements, follow board best practice models, and demonstrate unquestionable trust.

This book will cover the most important areas of board governance for any nonprofit from the point of view of a director of the board. However, the executive staff of an organization will gain a great deal from knowing and understanding the role of the board of directors, and how to work with the board. The executive staff will also learn some important elements of developing a more effective and higher functioning board of directors. A collaborative and supportive relationship between board and staff makes for a better performing organization.

Even if you are a volunteer committee chair you need to know what a board of directors is, its roles and responsibilities, and some of the legal issues. Every role and expectation of a governing board will not be covered in these pages. However, you will learn a good deal of the most important components so the board will govern at a higher level.

Chapter 1| Define Governance

Sitting on a governing body by definition means you have a purpose of loyalty, of care of the organization, you are representing the larger group of constituents involved in the organization – whether it is members, the community or clients. The governing board is tasked with creating a vision for the organization, for providing guidance and oversight to ensure its continued success, establishing policies and having influence, and that the organization has the resources (financial and people) to do the work for which it was established.

Oversight.

Oversight simply means to look out for. To manage or supervise.

Govern means to steer or direct. It involves making and administering policy. According to the dictionary it includes controlling, directing and influencing.

With these definitions you get a little better idea of the scope of responsibility of the board of directors. So what does it really mean? The definitions shed some light on what a board does.

A board should make sure the organization has adequate policies and procedures in place and they are adhered to. Policies should cover areas of effective business practices, use of funds and resources, operations and board functions.

Oversight includes making sure the organization operates ethically and in good faith. It should be free from internal conflicts, should adhere to legal standards, and a code of ethics. These should be clearly mandated so everyone involved in the organization understands and knows what they are.

The board of directors is expected to make sure the organization is involved in strategically planning for the future, and the plan is implemented. It is involved in deciding what the long term future looks like for the organization. But not just developing a strategic plan, making sure the organization is actively focused on goals, executing the plan and the mission of the organization.

Another element of oversight for a board of directors, is know how the organization is doing now, the current situation. Is it meeting its objectives, are members or clients being served. What results are being achieved now? What is the financial situation?

The board must also govern itself. Does it have qualified and active board members? Is each board member committed to the organization's success both in giving of volunteer time and knowledge?

Some boards also require a concrete commitment from each board member of financial resources and pro bono effort (such as marketing expertise, IT, or balanced scorecard assistance). Do board members come to meetings and contribute to the governance and work product of the board? These issues and expectations need to be spelled out and formalized for the board to be most effective.

Mission and Vision.

Every organization should have both a mission and vision statement. They each have very specific meanings and roles in any organization. Well written, understood and communicated mission and vision statements can help transform an organization that tries to do too much, be everything to everyone, or lacks direction.

The board of directors should make sure they are both in place, visible, appropriate and followed. It is also important that everyone understand what they are.

Defining what the organization does, for whom and how, is the mission. The March of Dimes mission is to prevent birth defects in newborn babies. That's it. Being very clear on what the organization is about also keeps everyone motivated, tuned in and helps the organization gain support for its programs.

A business trade association may have as its mission to provide the best training, advocacy, development and advancement for its members (such as retail merchants, realtors, or financial services). Not anyone outside the group. Its only purpose is to serve its members, those in the industry.

The vision defines what the organization strives for in a big picture view. It sends the message of what the organization ultimately wants to achieve. The March of Dimes vision when it was established in the 1930's was to end polio and polio epidemics in the United States. It essentially achieved the vision with the polio vaccine and went on to its current vision of preventing birth defects.

The vision needs to be big and audacious and forward looking.

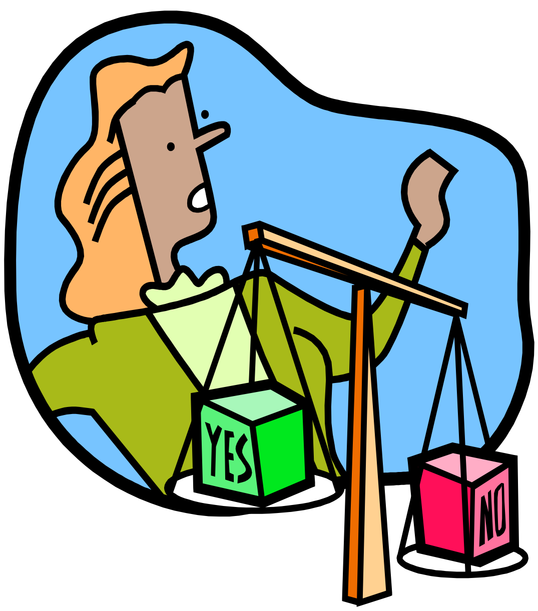
There are guidelines for developing mission and vision statements. The key is making sure it fits your organization, it is easy to understand, and it is communicated and used by the organization. Everyone within the organization should know what those are and should be able to articulate them and understand how to carry them out. They should be top of mind for everyone associated with the organization and guide everyone's actions and business direction.

Purpose.

The purpose of the board of directors is to guide and direct the organization. A board of directors is the leadership of the organization. It serves as a rich resource of intelligence and knowledge to help guide the organization and articulate the vision, values and purpose. It has the potential to have great impact on how well the organization performs and carries out its purpose. The scope of the guidance includes:

- Establishing and operating under a mission and vision
- Bylaws which are compliant with regulations and are followed
- Hiring a chief staff executive (reviewing, compensating, supporting, and dismissing if necessary)

- Approve the outcomes/goals the organization wants to achieve
- Meeting the needs of its intended audience, the stakeholders or members
- Ensuring adequate resources are in place, financial and human resources
- Maintaining a high level of ethics in everything it does, garnering trust
- Monitoring the effectiveness of the organization, is it delivering services that meet or exceed expectations
- Providing its collective knowledge and expertise for the benefit of the organization
- Plan for the future, strategic planning, securing endowments, and changes in its area of focus
- Keep abreast of change in the many arenas in which the organization operates, such as market place shifts, the economy, stakeholder needs, legal requirements, innovation and research developments



A board of directors has its work cut out for it. It must be proactive and engaged. If it finds there are members of the board who are not working out for whatever reason, it is obligated to shed those members. Chapter 4 covers board self management, including effectiveness and board development.

The board's purpose is to be effective, to guide the organization to fulfill its mission; it cannot operate fully if it has weak or disruptive members.

Think about how a sports team is able or not able to perform when some of the members are not qualified, trained or motivated. Imagine if you can a football wide receiver not knowing the playbook, being adequately trained or not following the rules of engagement. A team, or board of directors, is not likely to have a winning record if all the members of the team can't do what's necessary and required.

The board must make tough decisions in this regard and have the most qualified and engaged people on board. If it has to constantly deal with ineffective board members, a great deal of impact can be taken away from its ability to do its work of governance. Sound policies and rules protect the board and the organization. Board policies and development is covered in Chapter 4.

Chapter 2| Responsibility and Performance

Roles.

A board of directors has many roles. Chapter 1 covered the scope of oversight, developing a strong mission and vision, and the principles of having values and other components of governance. This chapter further defines the roles of a board getting into a board's responsibility and performance issues.

The multiple roles of a board of directors include planners, leaders, policy making, fundraising, and partners. The board is responsible for securing a talented and experience chief staff executive.

The board has an obligation of care and financial oversight, as well as ensuring the board is always conducting itself above reproach and with high ethical standards.

Planning .

Along with setting the mission, vision and values, the board of directors is responsible for assuring the organization plans for the future; strategic planning, operations planning, capital and financial planning. When done well, planning for the long-term future of the organization can set it up for years of better performance, higher expectations and exceptional results. This translates into a more effective organization, more service provided to the community and the people it serves, and a more effective and higher functioning board and staff.

It is imperative to plan; otherwise the organization goes along with status quo with unacceptable results and falling far short of its potential. Without seeing what the future should be, any organization just stumbles along – usually with below average performance and results, not meeting its potential and leaving undone a lot of important work. It is essential to effectively implement the strategic plan and other well developed long-range initiatives. If the board of directors, CSE and staff are not ready to execute a strategic plan or strategic initiatives, then time and resources are wasted in the effort of developing a strategic plan.

Something to think about, when is a good time to do strategic planning? When the organization is running smoothly and attention can be given to the effort or when the organization is struggling to deliver its programs? It is not a good idea to postpone strategic planning until everything is under control, there is always going to be a new initiative, a mini crisis or a challenge to get everything done. Do strategic planning with the singular purpose to help focus the organization.

Staff .

The board of directors is responsible for appointing the chief staff executive. The CSE is responsible for all other staff, the human resources functions associated with staffing, and with all other aspects of the operations. In other words, the CSE reports to the board regarding the effective operations of the organization.

The board and CSE work in alignment to achieve the objectives of the nonprofit. Therefore, the board and CSE must have a close working relationship, a professional and positive bond. You could say they work as a team and as partners, with the board of directors being the final authority and with final responsibility. What you don't want is someone in any of these positions saying, "This is the way it is going to be", stifling collaboration and change and imposing an element of confrontation and self interest.

It is equally important the board obtain the services of a highly qualified and professional CSE. A strong CSE is a key to a strong board, empowered by the board with authority to carry out the work of the nonprofit. The board also supports and provides guidance, as well as reviews and can dismiss the CSE.

Fiduciary .

Guiding the actions of the board is the general principles of loyalty, obedience and care. Board members should not exploit their position or power for personal gain, but should demonstrate trust and integrity in their duties.

Fiduciary duty is a moral imperative to act on behalf of the greater good, put aside self-interest and exercise sound judgment. Any board member, director or volunteer ignoring these principles may be faced with liability for the board and the individuals.

Fiduciary responsibility includes the areas of finance, safety, legal, compliance, insurance, loyalty, conflict of interest, obedience and care.

Loyalty. The duty of loyalty is an obligation to act only in the best interest of the organization and to avoid conflicts of interest. Being loyal prevents a board member or other volunteer from using their position or information concerning the organization and its property in a manner that allows the person to secure a pecuniary benefit for them self. The duty of loyalty requires the person to reveal any conflict of interest to the board and refrain from being involved in, or the appearance of, a conflict of interest. This also means a person will not put his or her interests or personal agenda ahead of that of the organization when acting or making decisions regarding the organization.

Obedience. The duty of obedience is the obligation to pursue the objectives that make up the organization's purpose or mission. It includes abiding by the bylaws of the organization, as well as all applicable laws and regulations. It also refers to adhering to the decisions of the board made as the governing body. It is not appropriate for a board member, other volunteer or staff to counteract or defy a board directive or decision (unless there has been wrongdoing), including public expressions of disagreement.

Care. The duty of care requires board members, volunteers and staff to exercise ordinary and reasonable regard in the performance of their duties for the organization. This means acting honestly and in good faith in regards to the entity and with others on its behalf. The Revised Model Nonprofit Corporation Act (RMNCA) states the duty of care means acting 'with the care an ordinarily prudent person in a like position would exercise under similar circumstances.' A person is expected to act in good faith, honestly and in the best interest of the organization.

Champion .

The board of directors serves as champions for the organization, leveraging their individual spheres of influence to enhance the public image, gain resources for the nonprofit and have a greater impact on those they serve.

Rules.

Rules cover a wide area of nonprofit existence. In this section, rules include laws (national, state and local) which must be obeyed, policies and practices, financial oversight requirements, bylaws and sound business practices.

All of these impact and provide the organization with formal rules outlining governance, accountability, structure, and responsibilities.

***Policy*.**

One of the primary duties of a governing board is to ensure adequate policies are in place, at the board level and within the organization.

The board of directors should be ruled by a clear set of policies and practices spelled out in a board manual.

Bylaws.

Bylaws are required by the IRS of all nonprofits and there are a number of areas which must be included in the bylaws. Bylaws requirements vary by state.

The bylaws should be reviewed by the board of directors on a regular basis (every year or every other year) to ensure they are followed and up to date with current regulations.

Some of the key sections in bylaws and what they could include are:

- Definitions: what is the organization , what does it do, who does it serve and where is it located

- Membership: who can be a member, are there classes of members and what are those classes, qualifications for membership, member voting rights, revocation

- Board of directors: how many board members, officers, terms and limits, when are elections and how is it done, filling vacated board positions, duties of board members and qualifications to serve on the board

- Officers: composition such as board chair, vice chair, secretary/treasurer, at large board members; authority vested in the board, duties of officers, terms of office

- Board meetings: how often does the board meet, how many absences can a board member have or what is the attendance requirement, quorum means how many board members must be present in order to conduct business

- Meetings of members: frequency of member meetings, is there a need for a quorum, is there an annual meeting

- Financial oversight: annual audit specified, what is the fiscal year, is a balanced budget a requirement, a statement on the amount of reserves

- Legal: standard indemnification clause, fair practices language, conflict of interest, jurisdiction may specify a geographic area, profession or industry, spell out how bylaws revisions are made and approved

Financial .

This is one of the roles of the board of directors that seems to be the most visible, that of financial oversight. The board does hold the responsibility of ensuring an organization is fiscally sound and adequate resources are available to carry out the mission and vision. This also includes ensuring appropriate policies and procedures are in place to protect the organization, its assets and instill trust for the organization throughout the larger community.

One thing to remember about having adequate financial oversight: it protects the organization, the board of directors and other volunteers, staff and those the agency serves. The board of directors can be sued if it has not provided clear oversight of financial management and use of funds.

No longer can nonprofits operate outside generally accepted accounting principles (GAAP). More oversight from the government has been enacted with the Sarbanes-Oxley Act, and more is likely to come. It is imperative for a board of directors to seek the guidance of a qualified financial/accounting professional as a matter of providing ongoing expertise in handling regulatory mandates. Some of the key financial oversight requirements include:

- Influence the development of and approve an annual budget, including the general operating and capital budget

- Ensure adequate revenue and development programs to carry out the purpose of the organization

- Independent audit annually (according to IRS guidelines) , approve the auditing firm and maintain timely tax and other legal filings

- Investment of reserves and endowment policies which have adequate oversight and expertise

- Regular, accurate and up to date financial statements that are reviewed at board meetings

- Set financial policies and practices regarding records maintenance, check signing, handling of funds, bank accounts, separation of duties regarding handling money, reserves – how much should be in reserve and how should it be invested, insurance and other daily and ongoing activities regarding finances. These should meet IRS and GAAP standards, and state and local laws.

- Clearly keep funds designated for specific purposes separated. If funding is received for a specific program such as disaster relief for the tornado victims of the Midwest in April 2011, then it should be used only for that purpose.

Resource.

The board of directors is a profound resource for a nonprofit. The board should contain a wide range of people – diversity - who bring different perspectives and viewpoints, different experiences and experience levels, a variety of expertise, and a wealth of knowledge and influence.

The resources board members bring to the organization include:

- Personal time to spend on board work
- Individual expertise or talent such as marketing, investing, or accounting
- Service on committees or task forces, in addition to attending and working at board meetings
- Leveraging contacts or business resources to bring others to the table
- Influence – within their business or profession, the community and even on a national arena
- Donating funds or securing financial resources

The board should be considered a rich resource of volunteers giving of their valuable time and talents, and a resource for leveraging their influence on behalf of the organization. They can also give the organization an edge with contacts in the government, with funders, and in industries in which they work.

As volunteers they should be considered a valuable treasure, giving many hours monthly for the benefit of the organization. Time is the most valuable asset a person can give. When that person has a passion for the mission and the means to do good work on behalf of the organization, the board and staff should take great care to take advantage of and recognize the many contributions.

Following are some examples of resources and diversity that provide an invaluable benefit to the organization. You may have an event planner on the board who as a volunteer chairs the annual trade show or conference. There may be a banker on the board who can use the company's branches to promote a 5k run to employees and the public.

Or, because of who is on the board it could bring together a task force of select experts to develop a plan to evaluate and establish a state of the art IT infrastructure if that is the need, or bring together a talent pool of human resources experts to develop a program for hiring, retaining and training staff for the organization.

Another common expectation for board members is providing financial resources, especially among charitable agencies or foundations. There is always a need to be met, a shortfall to be made up, a capital campaign, or a matching grant that needs to be pursued.

Boards differ on what the expectations are for each board member, some clearly spell out before the start of the board service that a certain dollar amount is to be pledged. This information is shared in advance of being placed on the election ballot.

Other boards expect board members to be sponsors of events, buy tickets, ask for donations, or get involved in fundraising activities. Or expect the board member to get financial support from the business they work for or own.

Chapter 3| Leadership and Fiduciary

Leadership .

The board of directors is the leadership of a nonprofit. By definition leaders inspire others with a shared vision. They work for the common cause, as a team achieving a common vision on where the organization is going. They set the shared direction: mission, vision and values. They understand they are the servants of the organization, not where the spotlight shines. Leaders focus on the big picture and put forth their efforts for all constituents. It's about what they can collectively do to achieve the overarching purpose and vision – with the CSE.

Leaders make important decisions which enable an organization to thrive, to protect it, and have tremendous impact on its effectiveness and results. As the leaders of the organization, the board has ultimate responsibility for its operations, its ability to meet its intended purpose and results. The CSE is a big part of the leadership and the future is pursued by both in concert.

It is also important that time be taken to develop the leadership role of the board of directors, in board retreats and other training and development activities.

Time can be set aside at regular board meetings for leadership development above the necessary training for governance. For instance, one board covers a particular value statement at its quarterly meetings, reinforcing the importance of the values.

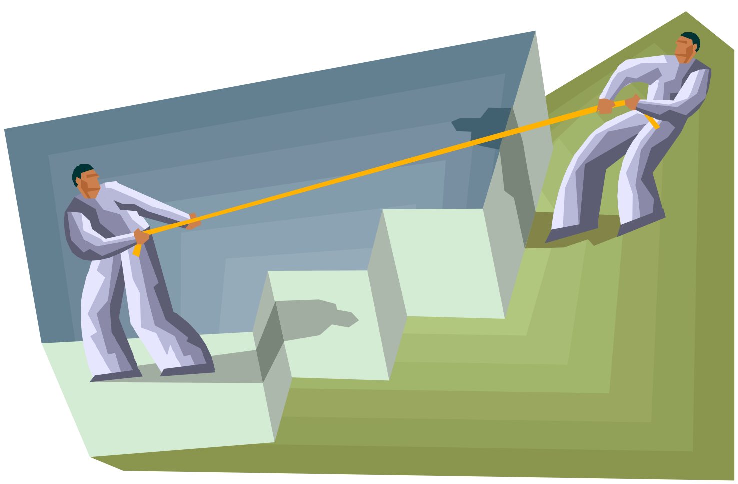
Board leadership should focus on making sure the organization functions at its peak, or gets it to that level. These areas include:

- Clear vision and mission for the organization
- Shared values within the board, volunteers and staff; what they believe in regarding how they function, treat people and work
- Knowing the organization, taking the time to learn what the core purpose is, how programs work, its impact on the community
- Board development, increasing its ability to be effective by training its board members and keeping abreast of best practices
- Understanding financials and the financial health of the nonprofit, including where does the revenue come from, is there reserves
- Top notch CSE, understanding the qualifications needed, responsibilities, reporting structure
- Effective committees, a great deal of work gets done at the committee level and providing good leadership and guidance can make or break the committee's effort

- Delivering on service promises, such as feeding the homeless, advocating for disabled children, health care excellence, highly trained and ethical home improvement contractors
- Evaluating program results and deliverables includes did the organization provide excellent health care, provide the best training or certification
- Planning for the long term, strategic planning, succession planning, market transitions and economic changes

Stewardship.

Protecting the organization and ensuring its well-being are keys to stewardship. Nothing hurts an organization more than having people involved who have nothing more than their self-interest at stake or who do not hold themselves and the organization accountable. It is disturbing to see errant board members or committee volunteers speak out in a negative manner in any public venue, whether at a social function or in the media about a disagreement or other matter that should be held in confidence.



One such public display of board disagreement was the recent national discord within the Southern Christian Leadership Conference. This is a national board of directors which had internal political factions, pointing fingers at each other and assigning blame – in a very public way - to the great detriment of the organization all across the country.

Headlines were made in national and local media, and board members were behaving unprofessionally and with great self-interest. The national headquarters was shut down temporarily, the doors locked according to media reports. Lawsuits were filed and the reputation greatly harmed.

An organization must have in place safeguards to protect it from harm, even from within its ranks. Some of the safeguards include having these three policies

- **Code of Conduct**

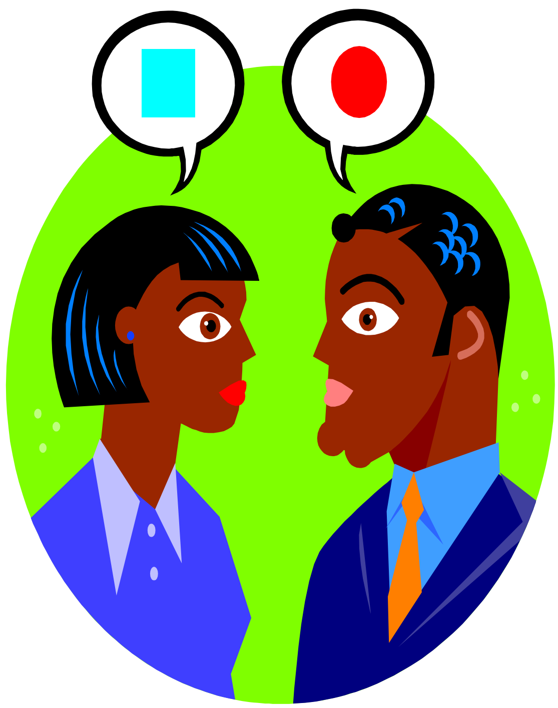
  It is important to have this in place to clearly define for everyone involved in the organization what is expected as they present themselves and work on behalf of the nonprofit. An individual is expected to act in a professional and courteous manner in all situations.

  Unfortunately, that doesn't always occur. Some areas to be covered under this policy are personal behavior, confidentiality, loyalty, diversity, professionalism, avoiding personal gain, and abiding by other policies and practices of the organization.

- **Conflict of Interest**

  Serving on a board does not include achieving personal gain because of the position. It really means the opposite, a person should not put the organization or themselves in a position where the individual board member gains an advantage or uses their position for personal benefit.

  This is one area where so much harm can be done to an organization. Egos, self-interest and power struggles can sidetrack an organization to where it may take years to recover. When an individual can influence the organization to be pulled into dangerous territory, it is highly disruptive to the organization and causes it to lose focus. It also can result in a loss of trust from the community, members and donors.



  A conflict of interest arises when a person involved on the board, on the staff or a volunteer uses their position or knowledge gained of the situation to influence a decision that will be adverse for the organization or create an unfair advantage for someone or a business. For example, a board member or committee member should not influence the awarding of or compete for a contract. This is an unfair advantage because of their position with the nonprofit and knowledge of the proposed contract.

- **Code of Ethics**

  Every organization should have a code of ethics for its board of directors, volunteers and staff. This defines what is important in regards to integrity and how the organization operates at all levels.

  A code of ethics should be well known by everyone involved and training should be conducted on how to comply with the code.

  Part of being well known is communication of the code and what it means, making sure it is published and distributed to everyone. For better understanding it should be discussed at meetings, even framed and posted in the office and board room where everyone can see it.

  The training could include scenarios and question and answer sessions. Some of the common elements in a code of ethics include: trust, honesty, respect, integrity, inclusiveness, honor, ethics, cooperation, fairness, transparency, quality or excellence.

  With these definitions should be included so everyone understands what they mean and how they are to be carried out.

Values.

It would seem this would be self evident; however, it is not uncommon for nonprofits to assume or take for granted that everyone has the same set of values or inherently understands what is critically important in the way it carries out its mission. A value is a strong belief or principle by which someone adheres to in their daily decision making and behavior.

Don't underestimate the power of a strong set of values to carry an organization to an extraordinary level of success and attract quality board members and staff.

The values are the keys to what the organization firmly believes in, how it operates daily, not what it aspires to - but it defines the nonprofit's behavior.
An example of a strong value would be "we believe each child should ...." have access to a quality education, adequate food and shelter, be safe from harm.

Another example of a value is "we believe in the Golden Rule – treat others as you would like to be treated." This is a universal value and should be appropriate for any organization.

Some organizations take this to a higher level and adopt a separate set of values for individuals and one for the organization itself. For the purpose of this publication, it is important to have a set of values which may be the same for an individual or the organization. The key here is to have this area covered and clarified for everyone involved in the organization.

Another point on values, it is not recommended that an individual be assigned to write the values of the organization. The board should take this assignment on as an important and critical element of its role.

Developing a catchy paragraph or writing a lengthy booklet on values is also not advised. Neither of these choices will result in something people will believe in or probably adhere to for the simple reason they aren't compelling or believable.

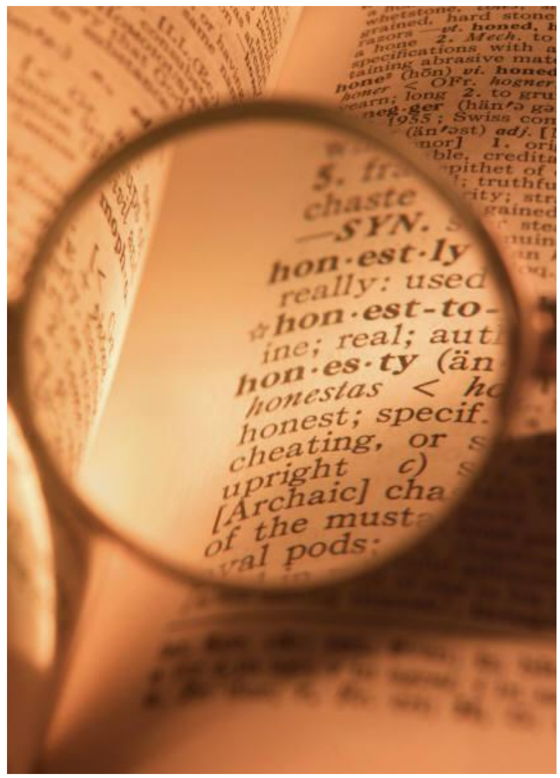
Developing and implementing the values is board work and it is imperative the board understands the organization in order to develop a set of values that defines the organization's fundamental beliefs. The values should also clearly align with what the organization is about.

A value implying a high return on financial investment would not be congruent to an organization whose mission is educating pregnant women on the dangers of smoking or alcohol consumption.

A value of inclusiveness for a food pantry could mean no one is turned away who appears to have a need.

A set of values could include:

- Transparency: board decisions are known, the results of programs and services are known, secrecy and closed sessions are not good practice



- Honesty: in all transactions and interactions. Honesty is the number one characteristics people look for in a leader according to ‘The Leadership Challenge’ by Kouzes and Posner.

- Open and honest communication: disclosure of what is being done, the board of directors should practice open and honest communication in all situations, not omitting information or putting a spin on the truth.

- Respect: this includes each other, the processes, the organization, constituents, and the board as a governing body.

- Excellence (defined clearly): an example is earning top honors in service delivery, awards for industry excellence, or defined by the board in a number of ways

- Customer service: being responsive and professional to everyone who comes into contact with the organization
- Personal responsibility: take responsibility for your actions, performance and personal development
- Fairness: in all dealings, even handed
- Diversity: inclusive, open minded, and welcoming of diverse peoples, ideas, and beliefs
- Compassion: have feelings for people who are suffering, troubled or hurt
- Inclusiveness: include different types of people, thoughts and situations
- Research: this may be an important value in a science field, cancer, sustainability, or food products
- Innovation: continue to find ways to improve on what you offer or do, which enables the organization to continue to be relevant and operate more efficiently

- Community development: this would be a strong value for a park system, human services entity, and financial institution. It lends itself to being good citizens in the community and helping better the community.

- Empowerment: this is a fundamental value for the YWCAs across the United States; the slogan is 'Empowering Women, Reducing Racism'.

Clearly, these are just some examples you can find in a variety of organization's values statements.

It is common practice to have about four to six values with the written definitions. Each organization should define values from its own point of view. Make them public by posting them in the lobby, including them on the website and annual report.

Trust.

Without trust, an organization has nothing. If members of the board do not trust each other it can cause harm to the organization and to the ability of the board as an entity to carry out its duties. If the board finds itself in a position of not being able to trust all of its members, it takes away the focus of the board's work when it has to deal with board members who may not be doing their jobs or may be causing harm.

Further, it the board as a whole has strayed from its purpose and responsibility for oversight, trouble follows and the organization loses credibility, financial support

momentum or worse. It is not beyond reality to see an organization collapse from lack of adequate governance and breaches of trust. Look no further than the news headlines to see examples.
Trust is built when everyone focuses on what the board and organization is about. Trust comes with open and honest communication, mutual respect, transparency and collaboration.

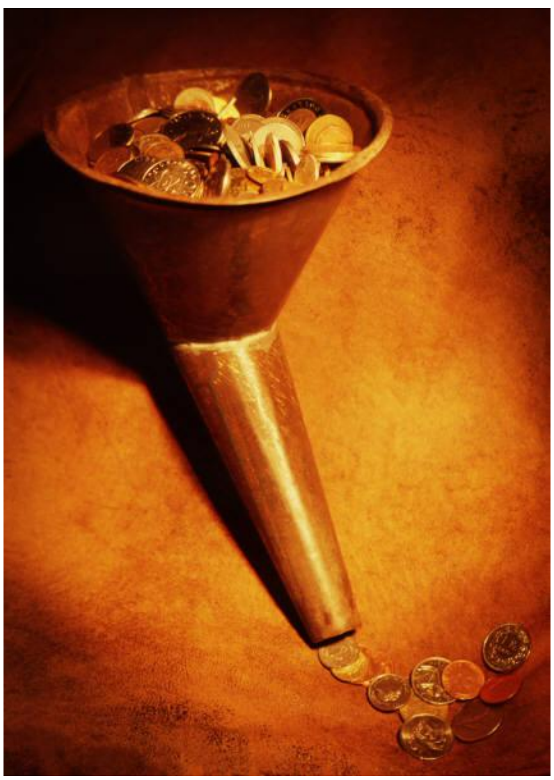
It is built when the work of the board is done by all the board members, not just the executive committee or a few core people who are perceived as power brokers or controlling elements. A failure of trust is a bad precedent for any board to find itself. If the board is not performing as it should and oversight and trust is nonexistent, the organization is held back or can fall into chaos.

The board should also ensure everyone knows what's going on – what are the board and organization's objectives, purpose, and structure. Accountability is present and board members are more engaged when they are better informed.

Some of this is achieved by:

- Having regular board meetings communicated in advance with well drafted agendas, reports and supporting documentation
- Clear communication on board decisions to staff, regulators, the community and members
- Transparency and disclosure of actions and information

- Defined board position descriptions for officers, at large board members
- Accountability within the board and staff to each other and the overall organization and those it serves
- A well developed board policy manual
- Effective working committees, with clear objectives and structure
- Evaluating effectiveness, programs and finances against agreed to standards
- Adhering to the principles, policies and practices of the nonprofit



Financial.

The area of finance is one of the biggest in nonprofit governance. It's what keeps an organization functioning and providing its valuable services. There are many basics that every board of directors should be aware of. The board of directors is responsible for the fiscal soundness of a nonprofit: legally, morally and according to its bylaws.

Financial strength gives the organization the ability to focus on its purpose and mission, as well as the long term vision. An organization's budget

should align with its mission and strategic goals.
The board of directors should look at financial oversight as a guiding principle in the organization's strategic priorities and in determining the soundness of the nonprofit. The board should absolutely know how the money is spent and how effectively the programs and services are being carried out with the funds.

This does not imply at all that the board should direct every decision or know every detail of a budget line item or see every check that is written. That is counter to the whole concept of board governance and considered micro-management. It in fact impedes a board's ability to govern because it is not focusing on its own purpose and duties.

There is a point, however, when the board should intervene in looking at expenditures and program delivery much more closely. When an agency that oversees fund distribution, such as the government or a foundation, to a nonprofit has come back to the nonprofit looking for proof on paper and explanations on how money was spent or how many people were served and the nonprofit has kept sloppy records or no records, there is a huge issue.

The board of directors is responsible for knowing how the money is spent and if programs are effective and well managed. This information should be included in financial statements, program reports and reports provided to the funding source such as a private foundation or government agency.

Sloppy records or no delivery of services is an example which could be a breakdown in leadership, from the CSE on down the staff lines all the way up to the chair of the board. The board is accountable and has a legal liability. The board should demand and get accurate information and if it doesn't it is ultimately responsible. When this kind of glaring mismanagement occurs, lawsuits and failed nonprofits are not far behind.

Not to mention, the intended recipients of the programs are left vulnerable and without the services promised. The organization has a greatly damaged public image and may further suffer from decreased donations, lawsuits, board members dropping off and hard working staff out of jobs.

Within the board's responsibility for the financial health of a nonprofit are processes and practices to provide responsible oversight, some are required and some may be pertinent depending on the type and size of the organization. They are:

- A treasurer is required on any board and should present the budget and monthly financial statements, and understand them
- A finance committee should be part of every board, providing guidance, ensuring compliance with laws and policies, and internal controls
- Developing and approving an annual operating budget is required on any board

- Ensure an annual audit (according to IRS guidelines) by a qualified accounting firm

- An audit committee is needed, this can also be handled by the finance committee, and includes working with an auditing firm and ensuring internal financial controls

- A fundraising committee, could be responsible for oversight of special events, capital and endowment functions

- Ensure timely monthly financial statements, required of any nonprofit

The board's role of ensuring financial oversight cannot be stressed enough. When a board does not know the financial status of the nonprofit it can lead to serious trouble, including lawsuits misuse of funds, and even loss of funding.

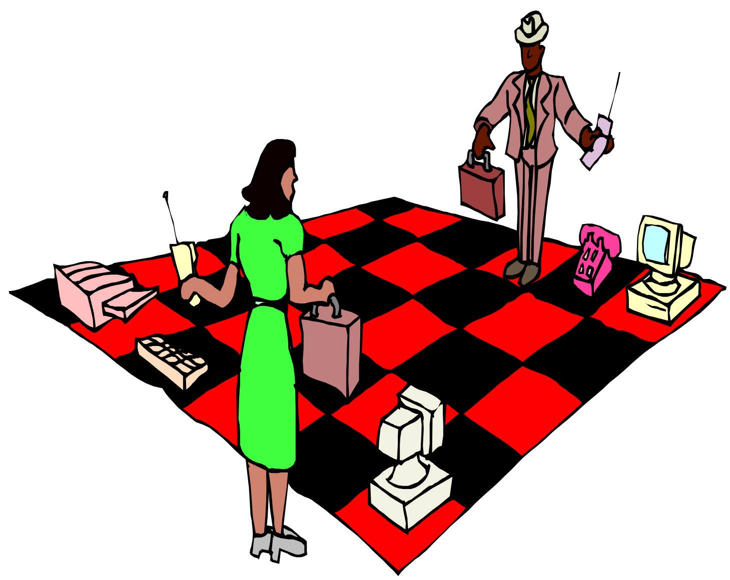
Instances of programs being badly managed or not delivered, fraud, or other violations of law are not the norm. The board of directors is legally responsible for actions of the nonprofit.

Chapter 4| Self Management

Boundaries.

A board of directors' basic responsibility as mentioned throughout is the role of oversight and governance. These have been defined in this publication. This chapter will cover the boundaries a board works within.

These should be clarified in the various policies, bylaws, the board manual and other governing documents and principles. The term boundaries is not intended to speak of limitations or restrictions; but to help the board, volunteers, staff and committees better understand the parameters in which they operate.



Think of boundaries more as a supporting guide and protection for everyone involved. They should not be viewed as restrictions or as a hindrance to everyone performing at a high level.

The boundaries in this chapter include:

A. Board and CSE
B. Board and staff relations
C. External communications

A. Board and CSE.

The relationship between the board of directors and the CSE is one of a partnership. It should be a close working relationship that fosters collaboration and trust, openness and transparency. Is should be one of reciprocal respect. The CSE should view its board as a valuable asset that is used for long term gain.

The very definition of oversight for the board of directors should tell board members they are not there to run the day to day operation of the organization. And, the CSE is responsible for helping develop the board and provides a seamless connection to advancing the work of the organization.

It is understood, as a general rule, that board members are strong leaders themselves and astute business people. It's natural to them to want to make hands on decisions and get things done. This is also why it is important to understand and honor the responsibilities and boundaries involved in governing, because in this case they are not required or expected to make hands on decisions. Board members are not managers engaged in the day to day business decisions of the nonprofit.

The CSE leads the organization, its operations and plays a very important role of leading the board of directors from behind. This statement implies a strong dependence on each other to achieve the organization's mission and goals. The

CSE takes direction from the board as a whole, not from individual board members, including the board chair.

The board should be confident of the CSE's ability and understand it hired the individual to run the organization and not be expected to report everything involved in running the organization. The very nature of board members being part time volunteers precludes their ability and should preclude their desire to be involved at the micro level.

Working together requires trust, sound guidelines and boundaries.

Another note of boundary clarification, the board is responsible for hiring, reviewing and firing a chief staff executive. This means that one board member is not responsible for this important function. There are common practices that should guide the board of directors in securing the best talent, adequately compensating the CSE, and setting goals and expectations for leading the organization.

A selection committee to identify a new CSE could consist of the executive committee or a search committee; the annual review could be done by the executive or compensation committee. Discontinuing the services of a CSE should be a board decision and be done for good reason. It is also good practice to have at minimum a letter of agreement or a contract with the CSE to protect both parties. This should be done or reviewed by a qualified attorney.

B. Board and Staff Relations.

Larger organizations have staff members as liaisons appointed to assist or support board committees in their work. The board members do not supervise the staff liaison; however, they should have a good working relationship. The staff provides:

- Background information
- Supporting materials
- Logistic support for the committee

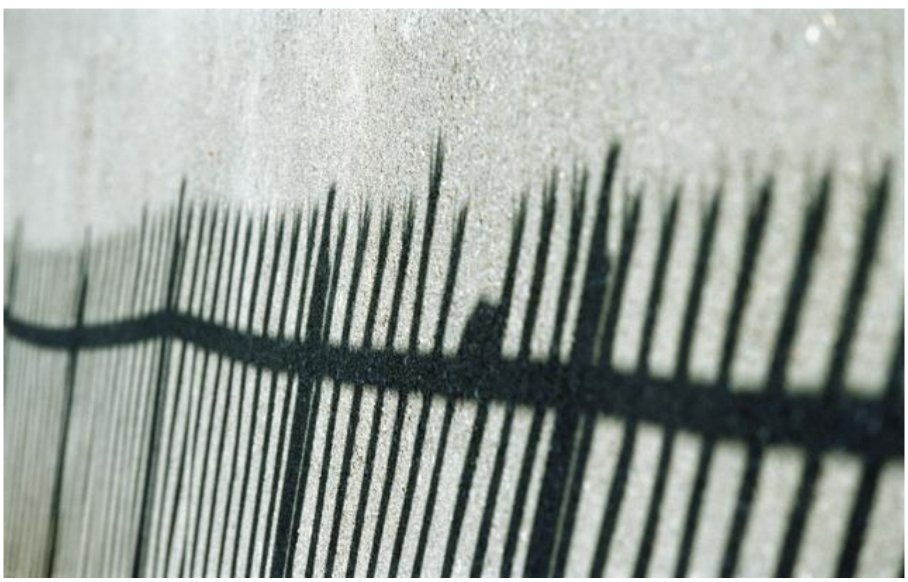
This support is important for the board and the organization to carry out the many responsibilities and broad scope of work in which the nonprofit is involved.

Some of the basic boundaries are:

- Board and staff interaction requires mutual respect and understanding of the roles of each position.

- The board committee is not supervising the staff person and the staff person is not supervising the committee. Committees should be lead by a board member.

- Neither should try to influence the work of the other, such as lobbying for a certain action or program. A board member should not tell a staff how to do their jobs.



- Board members should respect staff time and likewise the staff person needs to respect the time committees devote to their work.

There should be a shared understanding between board and staff of the purpose and roles of committees in advancing the organization.

Board and staff should be careful to understand and respect the boundaries, board members have limited time to devote to their board duties and staff has a full set of responsibilities as well.

C. External Communications.

It is well understood that the spokesperson for an organization is the CSE, unless the organization is large enough to have a dedicated public relations staff and media relations expert. As a general rule, no one on the board of directors should be making announcements about the organization (unless it is to announce a transition of the CSE or some other agreed to announcement).

The board chair is generally not the spokesperson and should not want to be responsible for that role.

One of the primary reasons to have the CSE as spokesperson is to assure the accuracy and consistency of the message, image and brand, thereby having a consistent image and preventing misunderstandings and reining in loose cannons. It should be made clear to the board and to the staff about the authority and structure of communicating outside the organization.

One of the lessons learned here is making sure when the media calls, the media is directed to the person who has authority to speak on behalf of the organization. Allowing a board member or staff to talk to reporters or other types of information gathering agents (such as attorneys, government representatives, or anyone looking to gain unauthorized information about the nonprofit) can lead to wrong or classified information given, liability or a damaged public image.

One example which can happen to a nonprofit is the media called asking for the particulars about a specific program. The CSE was out of town and the person responsible for the specific program did not understand the 'rules of engagement' with a reporter and innocently answered the questions, not knowing the conversation was on the record.

The result was information was not clarified as to the reporters understanding of what was said and what appeared in print was inaccurate. The nonprofit received phone calls questioning some aspects of the program. This is not a worst case scenario but an example of what happens when someone innocently thinks they are answering even simple questions from a reporter.

There is a caveat to the position of having the CSE be the only spokesperson. A board member may represent the organization in an important event, testifying before a Congressional committee, act as spokesperson for a particular cause, or garnering support from a constituency or foundation.

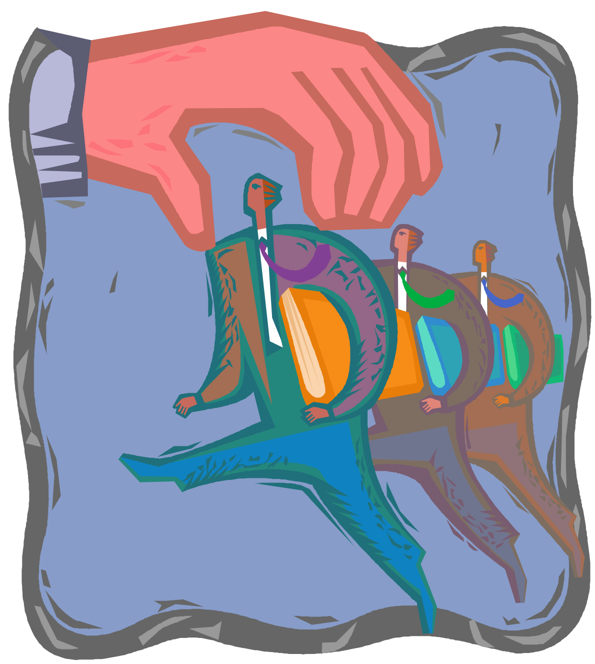
A board member because of their position in the community may communicate a 'call to action' on behalf of an organization, such as an economic development issue, a levy or other public awareness need. Some board members are well known in their communities and have influence and connections that should be utilized, that is one of the reasons they serve on boards.

They can also serve as ambassadors in participating in community events, government forums, or reaching out to other organizations for collaboration and partnerships. An example would be a board member of a park district being a contact or point person for a university program that is developing a recreation area along a local river.

Board Development.

The board of directors is a welcome and powerful resource for a nonprofit and its development is a key component to the board's ability to carry out its purpose with the highest degree of success. The elements of board development covered in this section include:

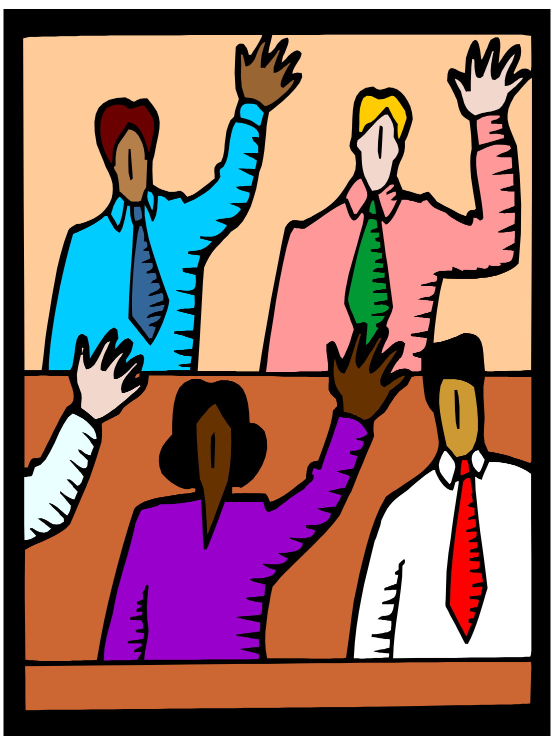
- Nominating committee
- Orientation
- Training
- Self evaluation



Nominating Committee.

Developing a strong board of directors begins with paying attention to who is selected to run for a board position. Setting criteria and the selection process for board members assists the nominating (or governance) committee and the board in identifying people who are more qualified and likely be more engaged. The nominating committee selects the future leadership of the organization, important work for a small group.

The process of identifying possible board members should not be left to finding the next person who says yes and wants to add board service to the resume. Additionally, board members should not be asked to find their replacements.



There are processes to go through which result in a higher performing board and more engaged board members. Some of the central steps which should be incorporated into identifying qualified candidates to run for a board of director's position include:

- Use a set of interview/screening questions to ask each prospect - to understand the person's interest, board experience, background, thoughts on the organization, prior involvement with the organization and understanding of governance

- Diversity requirements – including gender, ethnicity, age, education, size or type of employer (small business, type of research, public works manager, corporate CEO, private enterprise, region). The objective is to have representation from the different constituencies served. The diversity will be determined by the type of organization.

- Expertise requirements – it is common to look for a variety of expertise to fill a board seat, again it depends on the nonprofit. A nonprofit involved in some aspect of health issues would look for an experienced expert in the field, insurance, hospital system, medical director, and others in expertise areas such as human resources, financial management, marketing, fund development and strategy development.

- Job descriptions – a well thought out job description for board members assists the nominating committee to give forethought to the amount of commitment and who might be able to meet that commitment when they are screening prospects for board members. The job description should also define attributes for a good board member. Standing committees should have job descriptions as well spelling out reporting structure, objectives, oversight areas, accountability and self-evaluation.

Once these basics are in place, it is easier for the nominating committee to do its work. It also communicates to the board, the staff and to the community the organization is serious in making a difference. With these steps in place, it is a more fair process of identifying board candidates and helps alleviate the possibility of stacking the board or other political maneuvers.

The nominating committee then follows the policies and format of placing candidates on a ballot to move through the election process.

There are variations on how boards are elected; some require contested ballots while others put forth only those candidates who will be elected. Elections generally are conducted with the members of an organization voting or through a vote of approval by the board of directors. How board members are selected should be spelled out in the bylaws of the organization.

Electing board members depends on the type of nonprofit, trade and professional associations have members and boards are representative of the membership, thereby must be elected. Some nonprofits, such as some charities, do not have a membership constituency per se and nominations are submitted to the board of directors for a vote. The size of the board and how long they serve are covered in the next chapter.

Orientation.

It is important to give new board members an orientation to the organization and the work and structure of board itself. With a good understanding of the history, mission and vision, governance, future direction, programs and challenges of the nonprofit, a new board member will be able to more quickly be an asset and be more involved at the beginning of the board term.

The sooner a board member is able to help in the governing process and make better informed decisions, the better for the organization.

Generally, board orientation should occur before the board term begins or during the first couple of months. A good rule of thumb is to concentrate on the content and what is important for the new board members to learn.

The orientation agenda should include:

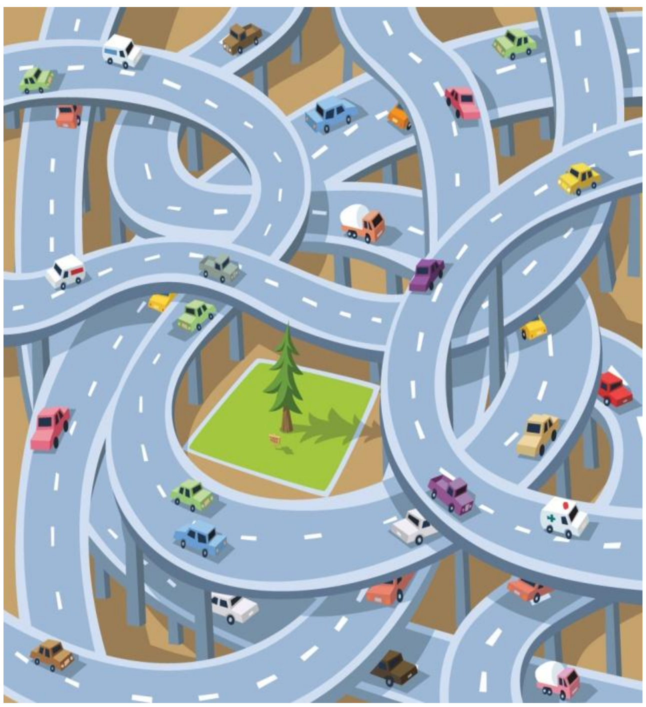
- A history of the organization, why does it exist
- Review of mission, vision and values and how they are used and implemented for the entire organization
- The work of governing, what are upcoming issues and expectations

- Overview of the strategic plan, the goals, what's been achieved, when planning is expected to take place again.

- Current challenges such as significant loss of funding sources or new funding streams

- Legal issues, such as any pending lawsuits or government regulations

- A list of board meetings and attendance expectations



- Board composition, who is on the board with contact information

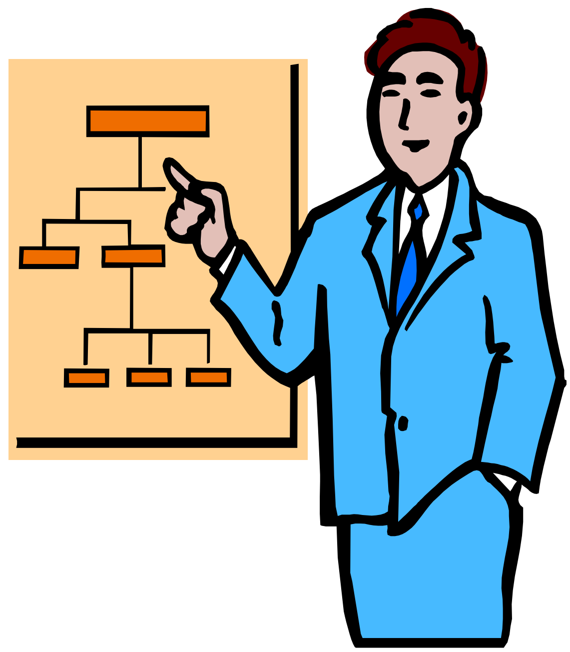
- An organizational chart showing reporting responsibilities and functions

- A list of key staff and their functions

- Recent accomplishments and challenges; such as a successful annual conference, the awarding of a significant grant or contract, or a pending merger with another nonprofit

To clarify, the orientation should not be just about what the organization does, but considerable attention needs to be placed on board level expectations, the work of governing and the future of the organization. It should identify board level expectations and objectives so as to be more informative to the new board member and reduce the time it takes to understand the work of the board.

It should be lead by the board chair and a one or two other select board members and the CSE. It should be well organized, well planned and conducted in a professional manner to further set the tone and expectations of board members.



To make the orientation more interesting and relate to its mission, tell stories about how the organization was founded, a significant milestone it achieved, or how it has impacted an individual or the industry it serves.

The new board members should be given a board book or board manual, generally a three ring binder with key information such as:

- A current copy of the bylaws
- Board policy manual
- Committees and descriptions, along with what the committees have accomplished in the last 2-3 years
- Board performance standards, is the mission being accomplished
- Financial documents including the current budget, most recent audit and monthly financial statements

- Strategic plan and other key planning documents
- Board minutes, generally the last two or three meetings
- Schedule of board meetings, including length and locations
- Communications such as copies of marketing plan, sample newsletters, email blasts, most recent annual report and perhaps newspaper clippings of significance
- Outline of programs and services and how they are evaluated
- Geographic area served such as statewide, international, national or a few counties
- Organizational chart for the board and governance structure and one of the staff
- List of board members and contact information
- List of key staff and contact information

A timely and well done orientation helps incoming board members get up to speed. As volunteers and new leaders they need this insight to help them ask appropriate questions, understand better where the organization is in its development, and where it is headed.

The board book can also serve as the board members reference source for much of what they need during their board service. They can compile all their board materials in the binder and always be organized and prepared.

Training.

Board governance doesn't just happen because there is a board of directors. All board members do not come fully trained on the roles and responsibilities on a board or knowing all the principles, policies and practices of the board. The assignment of providing training and development for your board does not fall on the staff to decide and create.

A governance committee of the board should be tasked with this important undertaking. However, the CSE can assist by making suggestions of training programs available or identifying facilitators in the board governance area. It needs to be a board initiative and decision strongly supported by the CSE.

Training board members should be deliberate and scheduled on a regular basis, an all day session once a year, or shorter dedicated time slots perhaps quarterly. Even shorter finely focused training can be done at board meetings, for example a 15-30 minutes session on ethics. The purpose here is to reinforce the principle and the continuity of training.

The topics should be appropriate to the level of sophistication of the board, to its functioning level. For instance, if it has standing committees, perhaps further training and clarification on roles, functions and accountability of the committees would be a good training session.

A facilitator and topic expert should be retained so that a board or staff member is not the trainer, which enables the board member to participate and learn and keeps the training at a higher level.

It is necessary to assign importance to this function. It shows that the board is committed to building governance and leadership skills, lets the community know it is serious about the future of the organization and demonstrates to board members, staff and constituents that this is no average board. Another result of providing board training is enhancing the commitment of board members to a serious and top notch organization.

Self Evaluation.

A board of directors should have clear guidelines, principles and expectations to understand whether or not it is effective, accountable and doing its work. A board should look inward to see how it is doing. According to BoardSource "Nonprofit Governance Index 2007", only 52% of nonprofit boards have conducted a self assessment.

A self-assessment can lead to better meetings and communication, a better alignment with the mission, and a plan for improving the board's performance. The board should have a good idea on what its performance should be. This means a well thought out plan should be developed, usually annually, and followed to guide the board in its work. The board of directors should conduct a self evaluation on a regular basis, usually annually. It should be clearly understood in advance what the board is going to measure and cover the plan that was put in place to achieve what is being measured.

Some questions to address in looking at the board's effectiveness include:

- Is it doing what it said it would do? What outcomes were established and have they been achieved?
- Are meetings productive and run effectively?
- Do all board members understand their roles and responsibilities?
- Is the communication to the board members clear, timely, and pertinent?
- Do board members have the skills sets necessary to do the work required?
- Are they attending board meetings and contributing?
- Is the committee work getting done effectively and on time?
- Is the mission and vision the focus of the board? Is the board aligned with the mission and vision?

- Is the board effective in board/staff relations?
- Has the work of the board contributed to the image of the organization, reaching goals and building community support?
- How is the board's performance measured? What are the success indicators?

Board self evaluation can be done in the form of a written evaluation. It should include questions that allow board members to indicate their level of agreement/disagreement to the different areas of their responsibilities and effectiveness.

It should include an area for board members to write in their observations and suggestions.

The evaluation could also be done by a board development expert conducting interviews or through online questionnaires. There is no one way absolute best way to do a board self evaluation.

Once the evaluation is complete, it is necessary for the entire board to see and discuss the results, determine areas needing attention and develop an action plan to improve its performance. This is key; the board should use the feedback as a resource to build a cycle of continuous improvement.

There are numerous resources available to explore the board's development. A list is provided on page 73. There are also many good books on board governance available at any library.

Chapter 5| Structure

A board of directors is a multi-faceted group of volunteers doing a lot of work on behalf of an organization. To do this work, it must be organized, have clear direction, training, have adequate support and guidelines. It should be disciplined and held accountable. Everyone should understand the rules, the expectations and the outcomes of the board of directors. Boards should be innovative, act with purpose and in a timely manner. Boards make the most important decisions about the organization.

This chapter covers board meetings, committees, board size, terms and attendance and a board basics checklist.

Board Meetings.

The decisions of boards of directors are made in board meetings. Conducting effective meetings goes a long way in enabling the board to carry out its role of governance. Some of the basic requirements include:

- Have regular meetings scheduled well in advance, usually a year in advance and published on a calendar and distributed to all board members at the time it was established

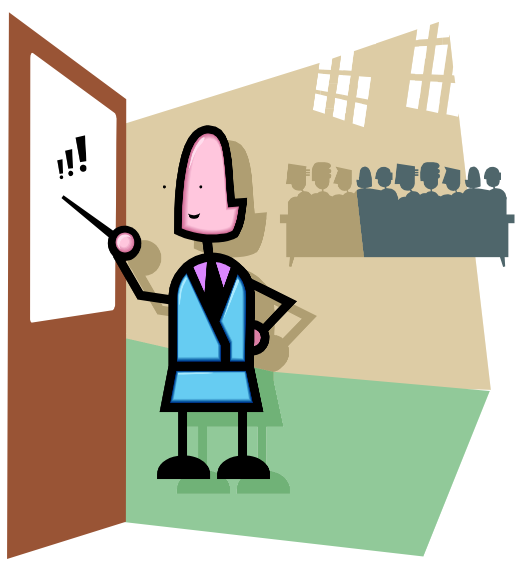
- Should be run by the chair of the board of directors
- Start and end meetings on time, and state in advance if the board meeting is two hours or a half day.
- Specify attendance expectations and requirements. The American Advertising Federation – Dayton Chapter has in its bylaws if a board member misses two consecutive board meetings unexcused, the board member is automatically removed from the board. The board can vote to reinstate the board member at its next meeting.
- Have an agenda strictly focused on board work distributed at least one week in advance with supporting documentation. The agenda should identify items needing a vote versus reports and unless there is a compelling reason to revisit a report, the report should stand without reading it.

- Recording the minutes of meetings. Board meeting minutes should only include the actions of the board; not all the discussion points, who said what or individual comments. Minutes are legal documents of board meetings and actions and should be taken seriously.
- Adhere to a set of rules as to protocol for motions, mutual respect, and handling of interruptions or subjects not on the agenda. Roberts Rules of Order is a common guideline to augment a set of rules.

- Avoid having 'committee' meetings or intricate details of a project discussed at a board meeting. This should be done at the committee level meeting or project team meeting.

- Avoid sidebar conversations. This should be addressed in the rules and curtailed by the board chair when they occur.

- Very sensitive or confidential topics should be deliberated in an executive session. Going into executive session should happen on rare occasions and with topics that are clearly suited for an executive session. It should not be used to avoid the media, to hide board actions or generally do business in secret. Transparency is very important to a board's ability to be effective and to building trust.



Committees.

A highly developed board of directors has an effective committee structure and gets a great deal of its work done through committees. This important subset should have clear roles, outcomes and accountability, leadership and reporting structure. Committees report to and are accountable to the full board.

Most boards have standing committees, which mean they are ongoing and the work never ends such as the nominating, finance, governance and the development committee. These are examples and the list does not imply each organization should have these particular committees, although this is a common list.

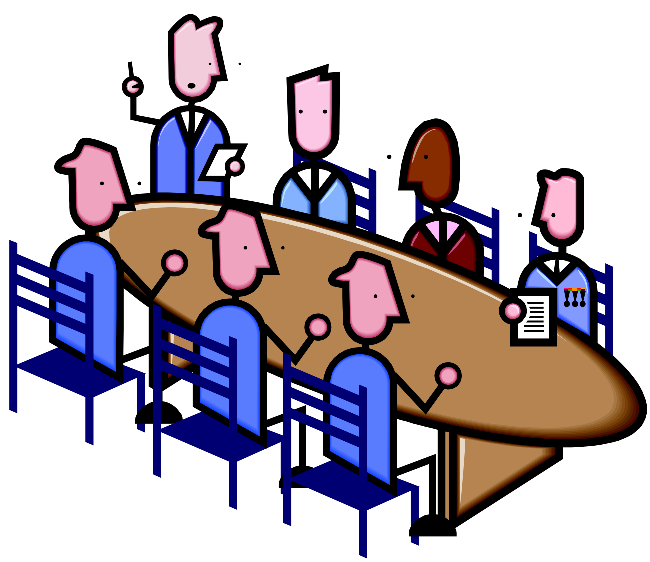
Committee should have these three attributes:

A. Action oriented
B. Board driven
C. Communicate plans and results

The work of committees should be clearly defined, in fact a job description should be written for each committee. What the committee should be working on, the scope of the work, a timeline, goals and outcomes should be part of the job description. Committees should be chaired by a board member and every board member should serve on a committee, and preferably not on two or three committees.

It is up to the organization to decide if all committee members should be board members. Sometimes this is spelled out in the bylaws or other policies of the board. Committees don't work in a vacuum; their ongoing work should be communicated to the board regularly as does the outcomes and results.

The committee chair is responsible for making sure the committee gets its assignments done and that the communication of work progress is done including working with the CSE and appropriate staff.



At the beginning of the fiscal year, each committee should have a work/planning session to set its objectives for the year (which tie directly to the strategic plan) as well as set additional planning meetings, determine when work is to be completed, how it will report its work to the board of directors and organize its work with a staff liaison. Some of the work of committees need approval by the full board of directors, such as reviewing and approving the budget or fund development initiatives or a new program being proposed or one being suggested for elimination.

At times, it may be appropriate to form a task force or ad hoc committee which has a shorter term and a specific task to accomplish.

One example would be an IT task force with the responsibility of evaluating the current technology system, organizational capacity and future needs and recommending a total IT solution for board approval. The task force can be formed, given its charter and timeline and be done in a matter of months (depending on the complexity of the organization) – including board approval of the IT plan.

Another example would be a capital campaign cabinet to raise funds for a building project; this could last a year or up to ten years depending on the organization and the amount to be raised. Raising funds for a university research institute may take longer than a capital campaign to renovate a small museum.

It is not recommended to form committee structures along the lines of departments or organizational silos such as separate committees for early childhood development, teen education projects, or adult learning. A more appropriate committee would be education committee tackling the overall issue as a unit, which provides for a better understanding of the big picture, the resources and challenges, and the role of the board of directors as a whole.

Carving out niches and special interest groups for committees is not advised and is counter to a board's ability to work on innovation and visionary efforts. Special interest groups prohibit looking at the big picture.

Every effort should be made to steer board members away from self interest and thinking in terms of silos, their committee or special interest area.

It greatly deters the board from its work in governance and drains limited volunteer, financial and staff resources.

In summary, committees should have specific purposes and objectives, timelines, reporting structure and be accountable to the full board of directors.

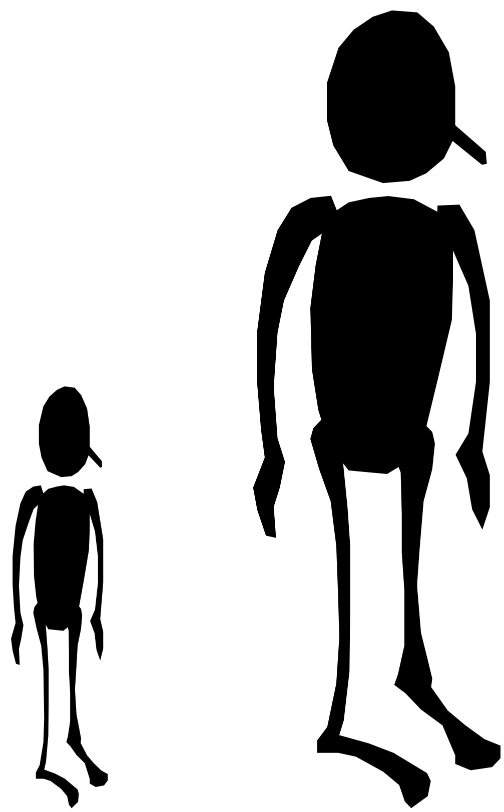
Board Basics.

In this section, some basic guidelines and principles of board governance, size and term limits will be reviewed. The board of directors is a very valuable resource for the organization, pulling together a group of highly motivated and dedicated volunteers willing to give their time and expertise to advancing the purpose and mission. The board and CSE gain more than can be measured when they pay attention to the development and strength of the board of directors.

Size.

There are many thoughts on what is an appropriate size for a board of directors, and those opinions change over the years. Some say size does not matter. It was believed at one time that large boards got more done, had more influence and served the organization better because there were more people involved to govern. By large it was meant 50, 60 or more board members.

Some thoughts behind that included all the big donors needed to be on the board, or powerful financial institutions or large corporations, community leaders of every shape and sometimes even union representatives. Whoever wanted to be on the board, got on, because of who they were, regardless of their attitude or commitment to service or appropriate governance.



Think about it, adding every person who may influence your bottom line to the board of directors is counterproductive to the work of effective governance. It is simply adding politics and self-interest to the board of directors. They weren't there to govern and to benefit the greater good, but to be 'at the table', to influence and protect interests.

That opinion is not so popular anymore. Large boards are cumbersome, take more time to manage and can be fraught with politics, favoritism and inertia just because of their size. It is all but impossible to have 70 board members fully engaged.

Then the pendulum swung the other way, smaller is better. Smaller being eight to 10 board members. In some cases, that is about the size of an executive committee of the board. And, that is the way some organizations wanted the governing body to be structured, using words like nimble, flexible, or fast.

Somewhere in the middle is the average size of an effective board of directors, probably 15-20 members. It allows for a diversity of board members representing the interests of the nonprofit and is not so large as to be cumbersome. This is not a golden rule or a magic number. It just seems to be a manageable and useful number to bring together a committed and passionate group of individuals willing to do the work of a highly effective board.

Term Limits.

It is really important that limits be set on the amount of time a person may sit on a board. It can be detrimental to an organization to have board members involved for 15, 20 or more years. New ideas and fresh energy are essential for an organization to thrive and new board members bring these to the board room.

The bylaws should state what the length of a term of office on the board is, usually two or three years once a person is elected. It should also state whether a board member may be elected again. The bylaws should clarify how many terms a board member may serve. Three terms is generally the maximum.

It is common practice for a person to be placed on the ballot for a second term on the board. But, here is a caveat: it is up to the nominating committee (and the board) not the person who is up for election. This gives the board the option to allow the person to possibly continue serving on the board, depending on the outcome of an election. The other point being, the person may not be placed on the ballot for a second term, allowing the board to discontinue unproductive board members.

The bottom line, the amount of time for one term on a board of directors can be two or three years. Board members may serve two or three terms. This gives the board and the organization the service of an exceptional board member up to nine years (three – three year terms), which is enough time for anyone to serve on a board. This is not a hard and fast rule, but a guide.

Board Checklist.

Remember the board of directors is an oversight and policy making body. It should not be involved in the day to day operations of the nonprofit. Consider this a quick checklist of what should be a part of every effective and high achieving board.

- Clearly defined mission, vision and values
- Clearly defined and communicated roles and responsibilities of the board and individual members of the board in a board policy manual
- Guidelines on board/staff relations
- Bylaws that meet minimum standards
- Compliance with IRS and other federal, state and local laws
- Board development plan, what does the board need to learn to better govern
- Self evaluation and assessment of the board
- Strong committees and structure

- Oversight of the CSE, including annual performance review, goals, objectives and results

- Strategic planning initiative, a well thought out and developed plan for future success and continuation

- Flexibility and willingness to change, change occurs faster than ever and circumstances don't allow organizations to continue accepting the status quo

- Conflict of interest policy which explains what constitutes a conflict and what to do about it from the individual's and board's point of view

- Board code of conduct, as well as the enforcement component in the unlikely event it is violated

- Board recruitment and training, guidelines and structure to ensure the valuable resource of the board is maintained and nurtured

- Organizational policies which cover human resources, technology, finance, employee handbook, and other factors

There is much more that could be written, much more has been written about the importance and role of the board of directors of nonprofits.

This is intended to be a good start in building a higher functioning board of directors, some things to look out for which could adversely impact the board's effectiveness and the success of the organization. This book should give some guidance on things to put in place such as policies, a board development plan, nominating and selecting good board members that will enhance and engage the board for long term success of the organization.

All of these elements contribute to a more robust and well run nonprofit enabling it to achieve its mission and purpose, resulting in a much greater impact on the community and those it serves.

Resources

American Society of Association Executives
www.americansocietyofassociationexecutives.org

The American Society of Association Executives (ASAE) is the membership organization and voice of the association profession.

Association of Fundraising Professionals
www.afpnet.org

Professional association of individuals responsible for generating philanthropic support for a wide variety of nonprofit, charitable organizations.

BoardSource
www.boardsource.org

BoardSource is dedicated to advancing the public good by building exceptional nonprofit boards and inspiring board service.

Chronicle of Philanthropy
www.philanthropy.org

The *Chronicle of Philanthropy* is the No. 1 news source, in print and online, for nonprofit leaders, fund raisers, grant makers, and other people involved in the philanthropic enterprise.

Independent Sector
www.independentsector.org

Independent Sector is the leadership forum for charities, foundations and corporate giving programs committed to advancing the common good in American and around the world.

National Council of Nonprofits
www.nationalcouncilofnonprofits.org

The National Council of Nonprofits, the nation's largest nonprofit network, works through its member **State Associations** to amplify the voices of America's local community-based nonprofit organizations, help them engage in critical policy issues affecting the sector, manage and lead more effectively, collaborate and exchange solutions, and achieve greater impact in their communities.

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What other people say about

Donna Childs

"Donna Childs is a true leader, which is a rare talent. Her brainstorming and strategic planning skills are truly exquisite, and there isn't a day that goes by where she is not teaching all those who come in contact with her. Along with these invaluable strategic planning and leadership skills, Donna demonstrates humility, empathy, and active listening skills that make her such a pleasure to work with that she quickly become an inspiration and confidant to those around her."

Neil Kingery, *President/CEO, Better Business Bureau of Lexington Ky*

"Donna is a take-charge, focused individual who works to get results through others. And, she has a soft-spoken, subtle way of getting it done with a keen sense of humor. I know when I'm with her we'll accomplish our goals."

Marie "Penny" Wolff, *Legal Administrator, Sebaly Shillito + Dyer*

"Donna Childs offers strong leadership and organizational skills as well sound judgment and visionary strengths that have resulted in substantial and profitable growth for the business she led for the past 15 years as President & CEO. She is an intuitive leader with the ability to build strong relationships and she continually demonstrates a high level of personal integrity."

Tim Hull, *President & CEO, TDH Marketing, Inc*