
Building Successful Boards

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About CompassPoint Nonprofit Services

CompassPoint intensifies the impact of fellow nonprofit leaders, organizations, and networks as we achieve social equity together

Our integrated practice offers the strongest teaching, coaching, consulting, and peer learning – all grounded in deep nonprofit leadership experience.

Objectives

Today's session will cover:

- Understand a board framework of governance and support
- Define individual board members' and collective board's responsibilities
- Learn best practices and strategies for enhancing the board's work

Welcome

- 9:00 am – 3:00 pm. 1 hour lunch around noon. A break in the morning.
- Sign in & logistics
- Silence mobile phones
- Speed Introductions:
 - Name, organization, and role
 - One thing that you want to learn

Agenda

- Welcome, Introductions and Agenda Review
- Governance Fundamentals, Purpose, and Obligations
- Model for Governance and Support: Board Roles and Responsibilities
- Fund Development and Fundraising
- Financial Literacy
- Structures: Meetings, Committees and Task Forces
- Board Recruitment and Composition

Governance Fundamentals

What is Governance anyway?

Nonprofit governance is the provision of guidance and direction to a nonprofit organization so that it fulfills its vision and reflects its core values, while maintaining accountability and fulfilling its responsibilities to the community, its constituents and government with which it functions.

The Alliance for Nonprofit Management's Governance Affinity
Group

Purpose

A nonprofit board is the **legal guardian** of an organization:

- Legal compliance
- Fiduciary oversight
- Management support
- Mission driven and impact focused

Competent Stewards
+
Engaged Leaders

Legal Obligations

- ***Duty of Care***—acting with the same care as would a “reasonably prudent person” under similar circumstances, in good faith, and in a manner reasonably believed to be in the best interest of the organization.
- ***Duty of Loyalty***—not engaging in any activities which would injure or take advantage of the organization, including self-dealing.
- ***Duty of Obedience***—following federal and state statutes (such as laws prohibiting discrimination) and contractual agreements.

Conflict of Interest

POTENTIAL	ACTUAL	SELF-DEALING/SELF INTEREST
<p>Situation where a conflict <u>might</u> arise between the interests of the organization and the individual interests of the board.</p>	<p>Situation where a conflict is present.</p>	<p>Situations when a board member advocates a decision that results in personal advantage to himself or herself or to a family member.</p>



BEST PRACTICE

1. Establish conflict of interest policy (legally required)
2. Disclose all potential conflicts as a normal habit or practice (e.g. reaffirm/revisit every year)
3. Vendors or major purchases – obtain at least 3 competitive written bids to ensure that prices and product are comparable if a board member stands to benefit (financially) from a particular decision.



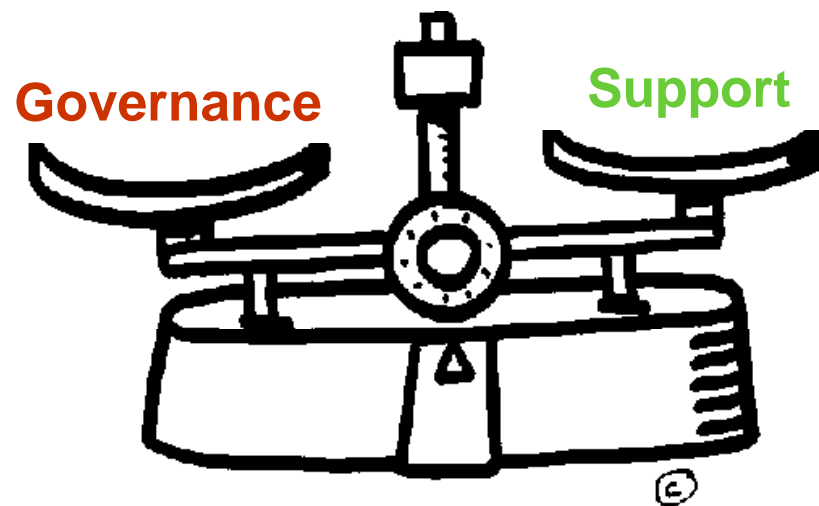
Best Practice: SAMPLE: Standards of Care Guidelines

- Act at all times with the benefit of the (nonprofit) corporation and its charitable purpose in mind.
- Attend board and committee meetings and make sure your vote is recorded. A board member can be found liable for either supporting an act of the board or not opposing an activity—even if he or she is not aware of the activity due to absence from a meeting. See that a written record of each board meeting is kept and approved.
- Disclose all possible conflicts of interest, abstain from voting when you feel that some conflict may exist, and avoid self-dealing activities. Discourage business dealings between board members and the organization.
- Be familiar with organization bylaws, and work to ensure that they are followed.
- Make sure state and federal statutory regulations are met, including but not limited to filing annual information returns (such as IRS Form 990), remitting withheld payroll taxes and employer-paid taxes, and submitting payroll reports.
- Stay informed. Review all program reports carefully; request and review regular and timely financial statements and other financial reports; ask questions.
- Seek advice from competent experts, such as lawyers, accountants, and other professionals in their respective fields.
- See that the organization has written and up-to-date personnel policies, complies with employment law, and follows these personnel policies and laws.
- Make sure the organization's bylaws include an indemnification clause. An indemnification clause states that the nonprofit organization, within its financial abilities, will cover most legal fees or judgments against a board member.

Board Roles & Responsibilities

- Ambiguity can lead to role confusion, micro-management, decision making stagnation, and frustration **AND**
- Boards are a valuable source of support and guidance

Governance is a relatively rare and unnatural activity as board members are part time volunteers overseeing full time professional staff.
--Richard Chait



CompassPoint Board Model For Governance & Support

Governance



- Act as a body (whole board)
- Representing interests of community and the public
- Outside looking in
- Board has authority

The Board Model for Governance and Support	
The board acts to <i>govern</i> the organization	The board acts to <i>support</i> the organization
Objectives	
<ul style="list-style-type: none"> • To represent the <i>community's</i> interests within the <i>organization</i> by making sure the organization is fulfilling its mission, meeting the needs of its constituencies, and operating legally, effectively, and efficiently. 	<ul style="list-style-type: none"> • To represent the <i>organization's</i> interests in the <i>community</i> by providing necessary individual support to ensure that the organization has sufficient resources to fulfill its mission and is well known/ respected.
Process for action	
<ul style="list-style-type: none"> • The board acts as a body (with the assistance of committees) 	<ul style="list-style-type: none"> • Board members act as individuals or through committees
Mandated or optional function	
<ul style="list-style-type: none"> • Governance fulfills a legal responsibility to the community and as such is a mandated function. 	<ul style="list-style-type: none"> • The level of support expected from individuals or committees is optional and will vary from organization to organization.
Responsibilities	
<ul style="list-style-type: none"> • Affirm mission and purpose. • Legal: Ensure compliance with federal, state, and local regulations and fulfillment of contractual obligations, including payment of payroll taxes and filing of required reports. • Financial: Safeguard assets from misuse, waste, and embezzlement • E.D.: Select the executive director and monitor and evaluate performance; delegate the day-to-day management to the CEO. If necessary, fire the E.D. • Planning: Participate with staff in determining program and administrative strategies and overall long-term and short-term priorities. • Programs: Approve an annual operating plan, monitor implementation, and make sure there are program evaluations to measure impact. • Efficiency and Impact: Ensure a realistic budget that maximizes use of resources. • Financial Viability: Make sure the organization has an overall fundraising strategy to support the effective delivery of services, and monitor the implementation of the funding plan. • Policies: Approve personnel and other policies. Review periodically to ensure policies are up to date and relevant. • Evaluation: Assess whether the organization is achieving its purpose (effectiveness), at what cost (efficiency), and is meeting the needs of the community. • Board effectiveness: Ensure effective governance through evaluation of the board itself, committees, and board leadership. Ensure the board's own continuity. 	<p>Personal Commitment:</p> <ul style="list-style-type: none"> • Fundraising: Participate with staff in raising adequate financial and other resources. • Public Relations: Act as ambassadors to the community on behalf of the organization and its clients. • Volunteerism: As needed, volunteer to assist staff, and/or recruit new volunteers. <p>Professional Expertise:</p> <ul style="list-style-type: none"> • Advise staff in areas of expertise. Act as a sounding board for executive director and other executive staff. <p>Credibility:</p> <ul style="list-style-type: none"> • Lend names and personal reputation to the organization to use in brochures, grant proposals, and other marketing materials.

Support



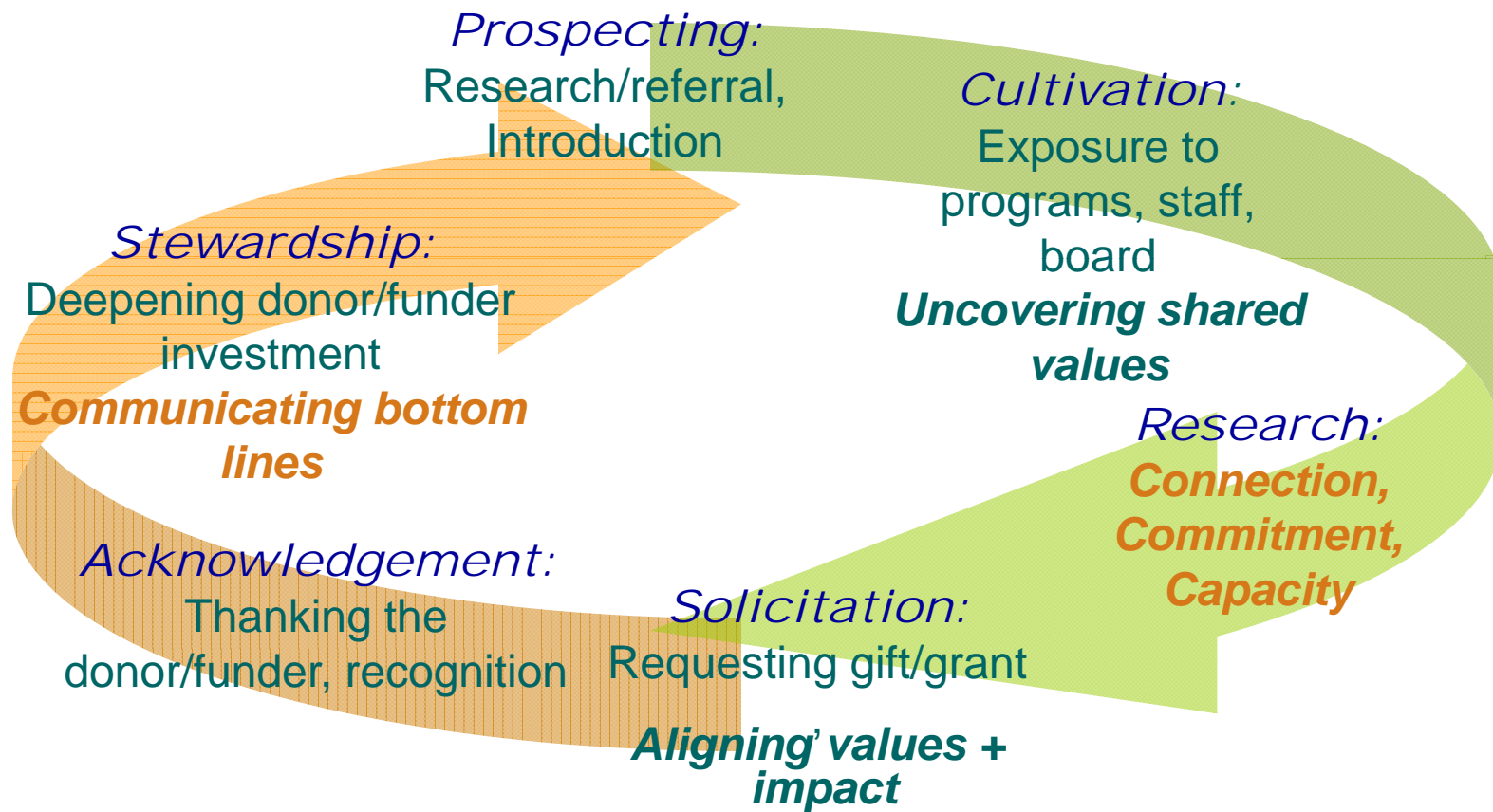
- Act as individual volunteers
- Representing interests of organization to the public
- Inside looking out
- CEO/staff have authority

= VALUE ADD

What do good board members do?

- Establish and maintain healthy relationships with ED/CEOs; have partnerships built on confidence and trust
 - Are good, patient listeners
 - Effectively balance the ED/CEO's and staff's independence and ensure that ethical standards are met
 - Practice loyal opposition; asking questions and respectfully challenging the organization when it is in service of furthering the organization's desired impact
 - Are ambassadors; balance public communications with discretion
 - Have genuine interest, intellectual curiosity, pleasure, and enthusiasm for the work of the organization
-

The Fund Development Continuum



What role does the board play in fundraising?

- Learn: accept training to increase skills to become more effective
- Identify: provide names of colleagues, businesses, etc...
- Cultivate: serve on task forces, matching interests and skills
- Ask: obtain donations and give donations themselves
- Recognize: thank donors for their generosity
- Monitor: set fundraising policies with staff

Fundraising Roles of Board & Staff

Board Responsibilities:

1. Set fundraising policies
2. Make your own gift to the organization in addition to soliciting other donations
3. Ask others for contributions, including potential major contributors; solicit them
4. Open doors for staff members to make their solicitations
5. Take on special fundraising projects and make them successful
6. Become passionate spokespersons for the organization
7. Add personal notes to letters mailed by staff members

Shared Responsibilities

1. Cultivate current and prospective donors
2. Plan fundraising activities for board and staff
3. Plan and implement special events
4. Add names to mailing lists for staff solicitations
5. Make presentations to potential donor groups
6. Acknowledge the generosity of donors

Staff Responsibilities:

1. Draft plans and recommend reasonable goals
2. Draft the case for investment and talking points
3. Research current and prospective donors
4. Prepare proposals and direct mail solicitations
5. Provide the board with necessary materials for their solicitations
6. Manage fundraising logistics

Financial Literacy

Financial literacy is the ability to read, analyze, manage, and communicate about the financial condition of individual activities and your organization overall.



The Case for Financial Literacy

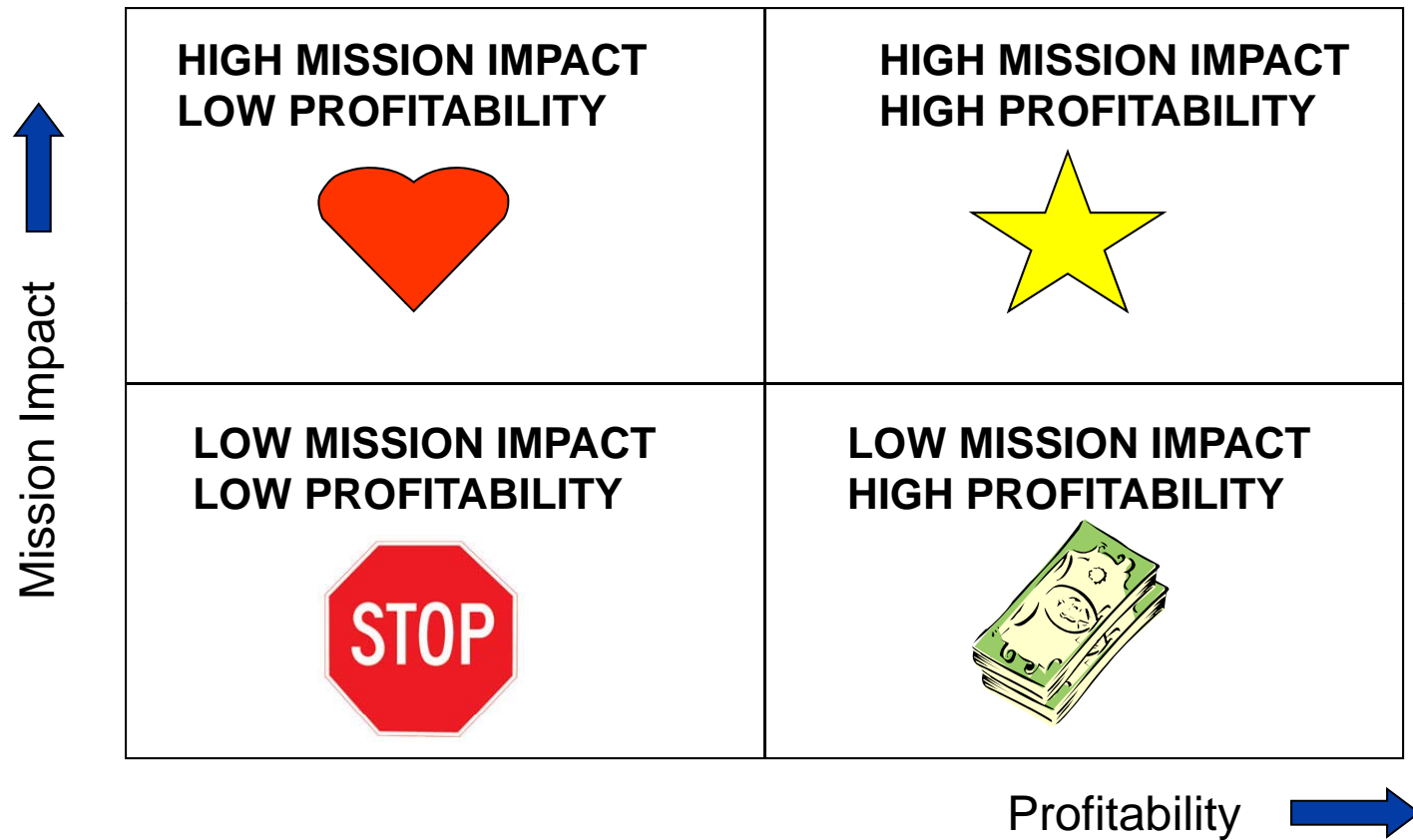


- Improved decision making
- More strategic fund development
- Increased credibility among financially literate staff, board, funders
- Career development
- More certainty during uncertain economic times

Shared Financial Leadership & the Board

CHALLENGE	RESPONSE
<p>At meetings, the board is constantly asking for information in new ways; they never seem satisfied with what we provide them.</p>	<p>The Executive Director needs to work closely with the Treasurer (or empower her CFO to) to make sure that <i>well before</i> meetings the report formats have been decided upon. At meetings, the Treasurer and ED must already be on the same page.</p>
<p>The board appears to ignore or not fully understand the financial condition of the organization.</p>	<p>The ED and Treasurer (or CFO) should:</p> <ul style="list-style-type: none">○ Provide a one-hour private lesson to each new board member to go over the financial reporting package that he or she will receive each month as well to discuss the organization's overall business model and most pressing financial issues.○ Do a 90 minute annual "reading financial statements" training for the full board as part a meeting or annual retreat. Everyone can use a brush up and for some it will be part of them initially mastering the key concepts. Make sure the trainer uses your own financial statements so that it's most useful.

Dual Bottom Line



Developing Financial Leadership and Best Practices

- Beyond mission vs. money thinking
- Cultivate board and staff financial leadership
- View the nonprofit as an interdependent portfolio of activities (dual bottom-line thinking)
- Recognize the relationship between strong infrastructure and strong outcomes
- Set a tone of financial accountability and transparency



Promising Practice: Outcome & Role Based Agenda

What's the issue? Drives the **AGENDA**, frames the discussion and roles.





Promising Practices: Committees & Task Forces

- ✓ Charters: description, protocols, roles defined, calendar of events
- ✓ Work plans, objectives & performance metrics
- ✓ ID whether board led or staff led
- ✓ Name a staff liaison
- ✓ Match individuals' strengths, talents and interests to their committee assignments

Watch out!

- Redundancy of staff or board functions
 - Burn-out
 - Irrelevance and status quo
-



Promising Practices: Governance Processes

- ✓ Governance check-up & review
- ✓ Annual calendar of activities, commitments, milestones
- ✓ Use the re-set button! Regularly assess, evaluate, adjust
- ✓ Officer Job Descriptions and Selection, identify a process to select new officers and groom successors so that leadership is fostered and sustained.
- ✓ Emerging practice: Governance Officer
 - ✓ Empower the secretary; meaningful leadership role
 - ✓ Partnership to chair
 - ✓ Chair Ex Com
 - ✓ Oversee governance functions, recommend changes

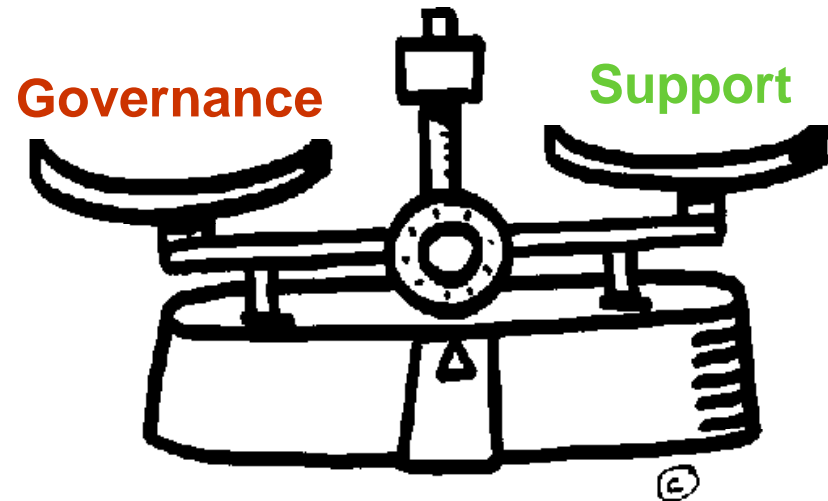
How to Have Productive Board Meetings: 10 Tips for Board Chairs

- Prepare an agenda. For each item, indicate who will be in charge and in the action required.
- Make a sign with useful acronyms posted at each meeting (such as CDC = Centers for Disease Control).
- Send a packet of information to board members of one week ahead of the meeting.
- Have nametags or nameplates at every meeting. Every person, and every meeting!
- Don't be rigid about how all meetings are conducted (Robert's Rules of Order need not be strictly followed).
- And ask for a formal vote on important matters even if there seems to be a consensus.
- Practice "facilitative leadership."
- If someone has expressed a view with which most board members do not agree, approach that person after the meeting and comment that you appreciate board members speaking up and expressing their opinions.
- Encourage the board to adopt "meeting rules" that all are willing to follow.
- Demonstrate, by your words and actions, that you take the board work seriously and that you appreciate the efforts and talents of both board and staff members.



Promising Practice: Recruitment and Performance Accountability

- NEEDS drives RECRUITMENT
 - Revisit every term cycle
 - What are the skills, knowledge, interests and passion REQUIRED
- EXPECTATION SETTING
 - Clarify board and individual expectations early and often
- INDIVIDUAL WORK PLANS
 - Unique work plans based on individual desire to contribute; growth/learning objectives; implementation support.



What does your Organization
Need RIGHT NOW from its
board?

Board Recruitment: Planning

- Given our collective talents & strengths, who else do we need to complement our group?
- How do we bring new people onto the board?
- Who do we need on our board vs. on a task force or leadership council?
- What kind of screening do we need to do?
- How should we frame interview question to elicit information that we need?
- What kind of board job descriptions do we need?
- Do we have an updated contract for new board members?
- Who do we have to be and what will it take to make this happen?

Board Recruitment: Questions to Ask Candidates

- What interests you about our organization? What aspect of our organization interests you most?
- What are some of your previous volunteer (or other) experiences? Have you had other leadership roles in nonprofit organizations?
- What appeals to you about board service as a volunteer activity? What are you hoping to get out of your board experience?
- What strengths, talents, skills, training, resources, and expertise do you have to offer?
- What would you need from this organization to make this a rewarding experience?

Strategies for Dealing with Inactive Board Members

- Check to be sure that expectations were made clear to the board member before he or she joined the board.
- Hold a board discussion at which expectations are reconsidered and re-affirmed.
- Transfer the responsibilities to someone else.
- Together with the board member, explore whether he or she has enough time right now to be an active board member.
- Survey and/or discuss with the board what makes it difficult for people to participate fully.
- Consider how meaningful board participation is to board members.
- Revise your expectations of board members and have them align more closely with individuals' strengths and abilities.



Promising Practices: Evaluation

- Conduct annual board evaluation
- Conduct annual CEO evaluation
- Continuous learning processes in place

(see assessment tool)

Suggested Reading and Resources

- Further Reading

- *Daring to Lead 2011: A National Study of Nonprofit Executive Leadership*, by Marla Cornelius, Rick Moyers and Jeanne Bell, 2011. You can download a report at www.daringtolead.org.
- *The Best of the Board Café*, by Jan Masaoka, A CompassPoint-Wilder Book, 2003.
- *Governance as Leadership: Reframing the Work of Nonprofit Boards*, by Richard Chait, William Ryan and Barbara Taylor, 2005

- On-line Resources

- **BoardSource** increases the effectiveness of nonprofit organizations by strengthening boards of directors through our highly acclaimed consulting practice, publications, tools, and membership program (www.boardsource.org).
- **Blue Avocado** is a free nonprofit online magazine for community nonprofits. The Board Cafe is a regular column in the magazine and features common questions and issues regarding nonprofit board service (www.blueavocado.org).
- **CompassPoint Nonprofit Services** has archived articles from the Board Café available for free (www.compasspoint.org).

QUESTIONS?

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