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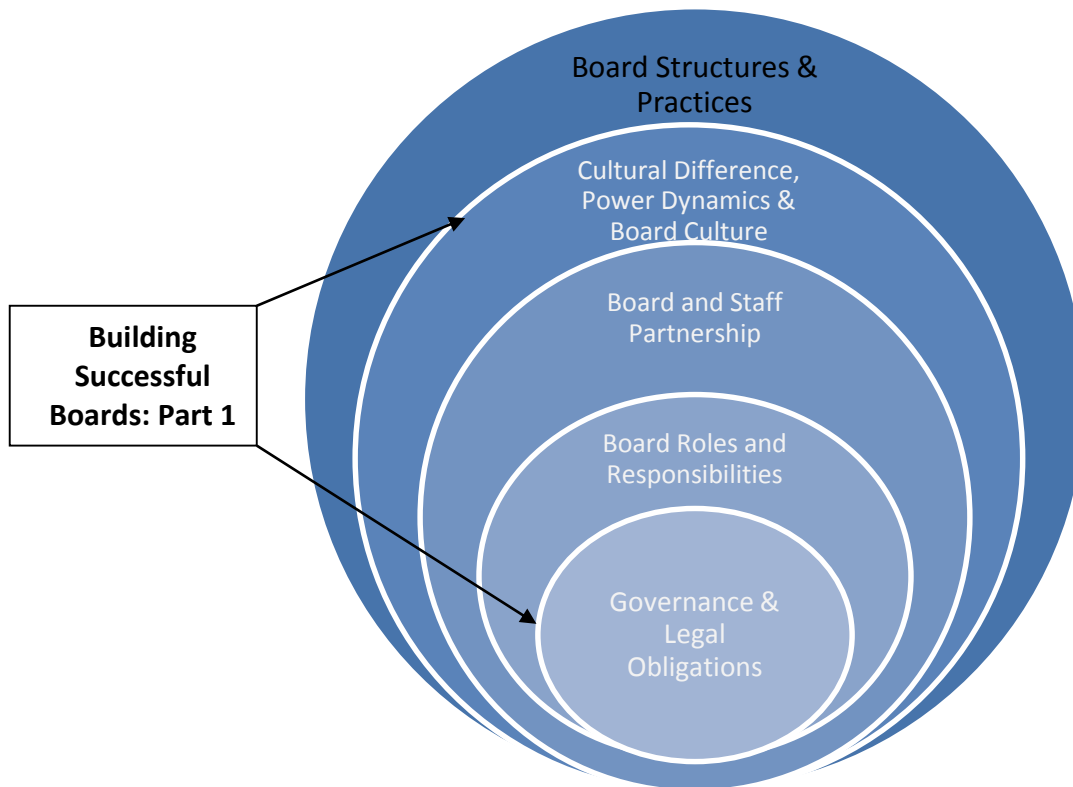
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Building Successful Boards: Part 1

Board Structures and Practices

- Understand how to create appropriate board structures to support the work of the board.
- Understand a set of promising governance practices to support strong boards.
- Have identified a set of practices and structures to adopt or improve to ensure good governance in your organization.

REFRESHER:

Governance
- Understand governance and the fiduciary responsibilities of nonprofit board members.

Roles and Responsibilities
- Understand the distinction between governance and management support; understand the board's roles and responsibilities in each area.

PART 1

REFRESHER: GOVERNANCE and ROLES & RESPONSIBILITIES

GOVERNANCE

1. Nonprofit Governance

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 AND LEGAL OBLIGATIONS

2. Purpose of a Nonprofit Board

All nonprofit organizations are legally required to have a board. Although the specific responsibilities may vary due to mission focus and different phases of an organization's existence, the basic role and purpose of all nonprofit boards remain the same. There are legal and ethical reasons that nonprofit boards are required and these reasons shape the foundation for good governance.

> The board is a surrogate public, representing the public's interest as it carries out its programs and activities. As a surrogate public the board's accountability is external and directed at the state attorneys general and the IRS.
>
> —Pamela Leland
> Embracing Interdependence: The Relationship Between the Board and the CEO

Legal Reasons

State laws explicitly indicate that nonprofit corporations need a board to assume the fiduciary role for the organization's well-being. These laws designate overall responsibility and liability to that board. In its role as representative of the public—its clients, donors, volunteers, and general public—the board must ensure that the organization uses its funds efficiently, as donors have designated, and in pursuit of the organization's goals. In sum, nonprofit organizations provide services to the public in lieu of taxes.

Ethical Reasons

One of the key ethical reasons to have a board is to create a structure that functions to assure the public and all individual stakeholders that the organization is in good hands. The board assumes the responsibility for the achievements, or lack thereof, within the organization. Its role in this capacity is to go beyond the legal requirements and ensure that the organization not only does things right, but does the right thing.

Advantages of Tax Exemption

When a nonprofit incorporates and obtains its tax exempt status (at both the federal and state levels) they are eligible for have several advantages, they:

- Do not pay corporate income tax on income made by the corporation;
- Can accept donations that are then tax-deductible to the donor;
- Are eligible for foundation and government grants that are only for nonprofits;
- Are eligible for the nonprofit bulk mail postage rate; and
- Are eligible for state and county tax benefits in some areas.

The government has granted these tax advantages to nonprofits for several reasons. Nonprofits provide services to society which may not be provided through the commercial sector. Community-based nonprofits can often perform important community roles that are less successful when done by government agencies. Finally, nonprofits may speak out for groups or advocate for issues that would not be done by either the commercial or government sectors.

Form 990: Required Federal Annual Information Return

Called the Form 990, this is an organizations' federal annual information return. It is similar to an annual tax return, but since 501c3 organizations do not pay income tax, it is more appropriately called an information return. It is required for organizations with revenues in excess of $25,000 annually (there are some exceptions, such as religious organizations).

It is critical that the information included be accurate for compliance reasons, but it is also important because the 990 is public and accessed by donors, community members, regulators and the media.

The Form 990 was substantially redesigned in 2009. Some areas of major changes in reporting requirements from the earlier Form 990 include a new governance section and substantial revisions to the reporting of the organization's compensation of officers, directors, trustees, key employees, and highest compensated employees. For example, Part VI, Governance, Management, and Disclosure, is a newer section that asks questions about the organization's governance structure, policies and practices. Your board should carefully review the Form 990 and the instructions to make sure reporting requirements are in check.

3. Legal Obligations: The Fiduciary Role

Fiduciary Defined

A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of another party, property, money, or interests.

In addition to the board's responsibilities as a governing body, individual board members are bound by their legal obligations: the duties of care, loyalty, and obedience. These duties serve in the courts as the test for their compliance if a board member's performance or decisions ever become a legal issue. Together, they comprise the board's fiduciary role.

Under well-established principles of nonprofit corporation law, a board member must meet these standards of conduct in carrying out his or her responsibilities. States typically have statutes adopting some variation of these duties which would be used in court to determine whether a board member acted improperly. These standards are usually described as the duty of care, the duty of loyalty, and the duty of obedience.

✓ Duty of Care	✓ Duty of Loyalty	✓ Duty of Obedience
The duty of care requires board members to actively participate in governance issues and to make sound and informed judgments. This duty is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances."	The duty of loyalty is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. When acting on behalf of the organization, board members must put the interests of the nonprofit before any personal or professional concerns and avoid potential conflicts of interest.	The duty of obedience requires that board members ensure that the organization complies with all applicable federal, state, and local laws and regulations, and that it remains committed to its established mission (e.g. charitable purpose).

Legal Questions?

California's Office of the Attorney General—For California regulatory information: www.oag.ca.gov/charities

IRS—For Federal Regulations and Tax Information: www.irs.gov/Charities-&-Non-Profits

Nonprofit Law Firms—For legal help, informative blogs, resources and publications. Two firms among many to try:
- The NEO Law Group: www.attorneyfornonprofits.com
- Adler & Colvin: www.adlercolvin.com

ROLES AND RESPONSIBILITIES

Clarifying Roles and Responsibilities

Responsibilities of nonprofit boards are of two fundamental types: governance and management support. On one hand, the board, acting in its legal capacity governs the organization. Additionally, board members—as individual volunteers—provide support to the staff in areas of management.

Governing Role

As discussed in Part 1: The board's primary responsibility is to govern the corporation. In the board's governing role, some responsibilities include:

- ✓ Ensuring mission and purpose; that overall strategies, policies and priorities are in place
- ✓ Ensuring organizational performance and impact.
- ✓ Ensuring compliance with laws and regulations and fulfillment of contractual obligations.
- ✓ Fiduciary oversight, safeguarding assets from misuse, and ensuring maximum use of resources.
- ✓ Selecting/monitoring/evaluating/terminating the executive director/CEO.
- ✓ Ensure that the board is well run with effective governance practices and processes in place.

These governing responsibilities are performed by the board as a body or group: for example, while the board hires and evaluates the executive director and the board chair might coordinate these activities, he or she does not have any authority outside the collective.

Board members only have authority when they act together. No individual board member—regardless of whether he or she is an officer—has authority outside of the collective governing process.

Management Support Role

Individual board members are also a valuable resource in the form of management support to the organization. In their management support role board members provide expertise, thought-partnership, access to resources, and ambassadorship. These efforts provide "added value" to the organization. Some responsibilities could include:

- ✓ Fundraising: Contributing to the organization's fundraising success as appropriate to the individual (such as making a financial contribution, volunteering at fundraising events, making business contacts for the organization, soliciting cash and non-cash contributions, etc.)
- ✓ Speaking engagements: Acting as ambassadors to the community on behalf of the organization and its clients
- ✓ Attending and volunteering at events
- ✓ Consultation or advising staff in areas of expertise, providing technical assistance
- ✓ Providing thought-partnership top the CEO and staff, acting as a sounding board.
- ✓ Participation on organizational committees

On the outside looking in, or on the inside looking out?
When acting in its governing role, the board represents the interests of the community. It asks: Is this organization using public and private resources to benefit the community and the public? In a sense, the board stands in the community, looking through the door into the organization. But at the same time, board members also represent the organization's interests to the community-acting as ambassadors to the community.

Who's in charge? Who's in charge now?
In organizations with paid staff, there are other times when board members act as individual volunteers to support or help the staff.

Boards and staff often get confused over these differences. For example, in many boards there is tension over whether and how the board should be involved with fundraising. This tension can be cleared up through the chart below: In its governing role, the board-acting as a body is responsible for seeing that there is a realistic plan for bringing in the funds the organization will need, and for monitoring progress on the plan.

But in the support role, board members as individuals also help carry out that plan. In this role, they often act with direction from staff. For example, staff might generate a list of people who need to be called for an upcoming event, and distribute those names among the board members who have volunteered to do so. In this kind of work, the staff organizes and is responsible for the work, and delegates it to board members acting as individual volunteers.

When there is ambiguity or role confusion, try distinguishing between the board's governing role and board members' supporting role in discussions. This simple approach, based on a deeper understanding of governance, can often clear-up confusing and frustrating discussions.

BOARD ROLES & RESPONSIBILITIES

GOVERNANCE Legally Mandated	MANAGEMENT SUPPORT Value Add
Purpose: The board acts to *govern* the organization	**Purpose**: Individual board members act to provide *management support* to the organization
Perspective: Representing interests of community and the public *Outside* looking in.	**Perspective:** Representing interests of organization to the public *Inside* looking out
Process for action: The board acts as a *collective* body	**Process for action:** Board members provide support to staff as *individual volunteers*
Type of Responsibility: Governance fulfills a legal responsibility to the community therefore is a mandated function. Board has authority.	**Type of Responsibility:** The level and type of support expected from individual board members is at the discretion of the CEO, not legally mandated, and dependent on specific organizational needs. ED CEO/staff have authority.
Role: Exercise duties of care, loyalty and obedience	**Role:** At the CEO's invitation, provide expertise, thought-partnership, access to resources, ambassadorship
Example Activities • Hire, evaluate, terminate (as appropriate) CEO • Monitor finances, approve budget, ensure financial and programmatic sustainability • Board development, management and governance effectiveness • Manage the audit	**Example Activities** • Fundraising activities • Speaking engagements • Attending events • Consultation/advising staff on technical issues • Participate on organizational committees

The CompassPoint framework for Governance and Support was first developed by Jan Masaoka and Mike Allison in the article *Why Boards Don't Govern*; it has been updated and adapted for this course.

PART 2

BOARD STRUCTURES AND PRACTICES

BOARD STRUCTURES AND PRACTICES

WHAT ARE YOUR HOT TOPICS?

What are the three most important questions your board needs to answer this year? These questions are the basis for:
- Board meeting themes
- How you build agendas
- Who you recruit
- Structures
- Practices

Discussion of hot topics also ensures that board meetings are engaging and focused on the "right" questions at the "right" time.

_____

_____

_____

1. Board Committees & Task Forces

Committees and task forces are ways to structure the work of the board. As the needs and strategies of the organization change so too should its board structures—form should always follow function!

Most boards choose to utilize committees because smaller groups can work more efficiently. Most boards also try to limit the number of committees so that individual workloads can be kept manageable. If board members sit on two or three committees, their time is spread too thin for the committees to be effective. Committees can play a helpful role in building teamwork among larger boards. While they require more administrative management from the staff and committee chairs, they also spread out tasks and expertise efficiently.

Some boards choose not to have committees at all. In some cases, individual board members working directly with staff can be more productive. For example, the treasurer may work directly with the CFO to review financial affairs. When a task is proposed at a meeting, an individual board member takes on the responsibility, involving one or two other board members on an ad hoc basis as necessary. The advantage of assigning responsibilities to individuals rather than to committees is that fewer meetings need to be held and work can be done quickly.

Purpose of Committees: Governance or Support?

Each committee should clarify if the purpose is primarily governance, and therefore reports to the board, or management and therefore reports to the CEO. Because the role of a committee is to prepare recommendations for the board or for the staff—depending on the purpose—clarifying whether the committee is board-led or staff-led is necessary to ensure clear lines of authority and ultimate decision making.

Board committees can be comprised only of board and staff members. But an organization can choose to include outside members. The board should constitute its committees and task forces with members who are best suited for the work, this might be staff, board, volunteers, partners and others from the community. Inviting non-board and non-staff onto a committee is a smart strategy to engage talent and cultivate potential board members.

Ensuring Effective Committees

Two of the keys to successful committees include an effective chairperson willing and able to take the leadership role and follows a plan that outline's the group's responsibilities and timeline for accomplishing all activities.

Each committee should have a work plan that outlines the specific responsibilities that it commits to fulfill during the year—with suggested time frame. This agenda should be informed by the strategies of the organization and set by the committee as part of its yearly planning.

Task Forces

While board committees tend to be ongoing structures, task forces—or ad hoc committees— are formed as needed to address a particular issue or event and then disbanded when the work of the task force has been completed. The advantage of using task forces is that they are responsive to timely issues and provide the organization with flexibility to its set structures. They are also less likely to become irrelevant like some committees can.

Considerations for Deciding the Right Structure

- ✓ Do our committees have articulated charters and work plans?
- ✓ Is it clear if committees report to the board or to the executive, how decisions are made, and who has ultimate authority?
- ✓ Does the work of the committee provide "value-add" to the organization?
- ✓ When does it make sense to include non-staff and non-board members on committees (e.g. extra set of hands, thought partnership, grooming new board members, preventing board and staff burnout)
- ✓ Have we carefully matched individuals' strengths, talents and interests to their committee assignments?
- ✓ Are we careful to ensure that the work of committees is not redundant of either the work of the full board of the work of the staff?

Use the Re-set Button!

Annually assess structures to ensure they are still relevant and productive. Revise or disband as needed.

Sample Committee Structure

Committees are standing committees and regularly meet.

Italics indicate task forces which are not standing committees; once the work of the task force is complete, the group disbands.

GOVERNANCE		MANAGEMENT SUPPORT	
Board Committees		Working Groups	
Board Led Executive Director Partnership Staff Support		CEO/Staff Led Individual Board Volunteers Community Members	
Governance Committee	*CEO Search Task Force*	*Conference Planning Task Force*	Program Evaluation Committee
Audit Committee	Executive Committee*	Fundraising Committee	*Volunteer Recruitment Task Force*
HYBRIDS:			
	Finance Committee	Strategy Committee	

Guidelines for Advisory Committees (e.g. advisory boards)

To avoid confusion with the board of directors, do not call an advisory committee a "board." Just like all committees, an advisory committee should have a written description of the responsibilities and activities. Establish a formal relationship between the advisory committee and the board. Articulate the differences between the duties, roles and responsibilities of the governing board of directors and the advisory committee.

EXERCISE:

In pairs or organizational teams: Refer to your Hot Topics and following the governance and management support framework, what (not who) work needs to be managed and coordinated that cannot be done using the existing staff or full board structures? Complete this chart first and then draw your proposed new structure on the following page.

Need Area	Governance or Mgmt	Who Leads	Who Participates
Ex. Raise money from individual donors *Ex. Update governance handbook*	*Mgmt* *Governance*	*Development Director* *Chair*	*CEO, DD, Board member Adele and Community Volunteer Miguel* *CEO and 1 other board member*

DESIGN YOUR NEW STRUCTURE

Take the information in the chart on the previous page and interpret that into a structure. Using any kind of shapes (circles, squares, arrows) or formats (Venn diagram, flow chart, org chart). Visually draw your proposed new structure.

Sample Board Committee Description

Fund Development Committee

Purpose of the Committee:
As a committee of the Board of Directors, helps the board carry out its due diligence function related to assuring fiscal health through philanthropy and fund development. Partners with staff to institutionalize the philanthropic process within the board and its individual members, assuring a donor-centered organization.

- **Reports to:** Board of Directors and takes direction from the institution's strategic plan.
- **Staff to the Committee:** Development Director (or executive director if there is no development officer).
- **Committee membership and operations:** Members include both Board and non-Board members. All committee work is done in partnership with and through the leadership and enabling of assigned staff. The CEO makes all staff assignments. The committee does not usurp the authority of the Board, and neither directs nor oversees staff.
- **Frequency of meetings:** As necessary, estimated at six times per year.

Scope of Work for the Fund Development Committee

- Partner with the Governance Committee to assure appropriate articulation of roles and performance expectations in fund development (e.g., for Fund Development Committee, Board, individual board members).
- Devise and recommend philanthropy and fund development policies and recommend to the board for action, including any limitation policies.
- Help nurture a culture of philanthropy throughout the organization, and assure that all donors of time and money are respected and honored.
- Assure that the board and individual board members are adequately educated about the basic principles and best practices in fund development, including the design of a donor-centered organization.
- Through the fund development planning process: help establish the charitable contributions goals for the annual budget; devise the annual fund development plan for action by the Board; and recommend results and benchmarks for action by the Board.
- Review results and evaluate return on investment (ROI) compared to the plan. Identify trends and implications and engage the Board in strategic dialogue and decision-making regarding philanthropy and fund development.
- Help the Board articulate the case for philanthropic support directed at specific audiences.
- Establish task forces to carry out specific fund development activities. Monitor task force performance.

2. Board Meetings

Board Meeting Packets

To ensure full participation, executive directors should prepare board packets and send prior to board meetings. A thoughtful packet not only provides the board with the information it needs for the meeting, but increases confidence in the staff:

- ✓ **Background Information:** Board members need information that will set context for the discussion planned for the board meeting. If approval of a new program or a new budget is on the agenda, a clear statement of the proposal must be in the packet, along with discussion questions (see inquiry based agendas in part 1).

- ✓ **Ample Time**: Board members need enough time to read the packet. At least one week in advance is common.

- ✓ **Logistical Information**: Critical, but often overlooked, the packet should include the meeting location, directions to the meeting, conference call line or virtual meeting instructions (when appropriate), cell phone numbers for last minute needs, and an annotated agenda.

- ✓ **Updates**: Brief and usable updates on priority matters, especially financial status. In financial information, board members need to be able to tell easily (either from the statements or from a cover memo) whether the organization is on budget, is financially sound: in short, "should we be worried?" Other FYI items such as funding updates, program updates, special news about staff or the board should be included in the report so that the meeting time can be allocated for discussion, not information transmittal.

> **WATCH OUT!**
> **Precious Real-Estate**
>
> Do not repeat in board meetings information that was sent in the board packet.
>
> Do in board meetings what you can only do together. Meetings are for governance, small groups or individual action is for management support.

Board Meeting Minutes

The minutes from a board meeting are the permanent record of that meeting. They provide information about when the meeting occurred and the actions taken. Typically, the board secretary writes the minutes, but often a staff member can play that role. Some organizations follow strict rules regarding the format, while others may be more informal. Regardless of how the minutes are written and presented, the elements included should be carefully considered.

Minutes should include: While content can vary based on the organization, the basic elements of good minutes include:

- name of the organization
- date and time of meeting
- board members in attendance, excused, and absent
- existence of a quorum
- motions made and by whom
- brief account of any debate
- voting results
- names of abstainers and dissenters
- reports and documents introduced
- future action steps
- time meeting ends
- signature of secretary and chair

How much detail is needed?

The minutes are not a transcript, nor should they try to be a verbatim account of the meeting. They should be simply a record of the decisions made and the action taken. When there is a debate or discussion to be recorded, only the major points for and against the issue at hand should be included. It is important for members to be able to have meaningful discussions without being concerned about individual liability; therefore, names or direct quotations should not be recorded in relation to the debate.

Enough information should be provided for minutes to be a useful resource. Someone looking at the minutes should be able to understand what decisions were made and the reasons why. Skeletal minutes that only include the motions and whether they passed do not provide an adequate record.

Legal considerations

Minutes are a necessary legal document, but they are also a practical means of conveying information about what action was taken at a meeting. As a legal record they can be used in court if questions of legal liability around a program or policy arise; therefore, they should be an accurate reflection of what occurred at a meeting.

If minutes provide the right information, they can be helpful to the organization during a legal review. Any actions or questions around a specific legal issue should be included, with appropriate detail provided. Issues such as a conflict of interest should be noted along with the action that board member took. Individual board members who disagree with a board decision and are concerned about personal liability should have their dissent noted in the minutes.

After the meeting

After the minutes are written, they should be circulated to the board prior to the next board meeting. Members should then review them for any mistakes or missing information. If minor corrections can be made prior to the next meeting, then approval of the minutes can be part of the consent agenda. Otherwise, corrections should be addressed at the next meeting, and any changes should be voted on. The minutes are then approved, signed by the secretary and the chair, and archived. The archives of minutes should be organized and easy to locate.

Running the Meeting

Shared Responsibility

There are various roles needed in any well-run meeting. It is ineffective for one person to perform all roles. Consider rotating responsibility so that more individuals are "holding" the meeting's goals:

- ✓ **Discussion Leaders:** Those identified ahead of time to lead a discussion. This is a particularly useful role when using an inquiry based agenda.

- ✓ **Timekeeper**: Helps keep the group on-track. If an item is going over time, the timekeeper will check with the group to decide whether to adjust the remainder of the agenda or utilize a "parking lot" for items that need to be returned to at a later date.

- ✓ **Visual Recorder**: Meeting participants can lose track of what has been said in a discussion and how the group's comments are (hopefully) building toward conclusions. There is always someone taking minutes and while these provide the legal record, they aren't designed to support the progress of discussion. In addition, have someone chart

or use a white board of the ongoing comments where everyone can see. Use each speaker's words as much as possible.

✓ **Minute Taker**: Most boards require the secretary be responsible for taking the official minutes, but this could also be a staff person assigned to the task, such as the executive director's assistant.

Engaging Everyone: 1-2-4 All Format

When a group is large (e.g. eight or more members) it is difficult to hold a sustained conversation where everyone is able to participate and contribute. 1-2-4 All is a simple process that gives everyone a chance to share his/her thoughts while maintaining an efficient use of meeting time.

✓ 1—Ask everyone to take a moment for individual reflection and write their comment or question on an index card.
✓ 2—Turn to someone and compare notes.
✓ 4—Find another pair and compare notes again.
✓ All—Each group of 4 shares the highlights with the full group, comments and questions are then visually recorded.

WATCH OUT!
The Five Dysfunctions of a Team

1. **Absence of Trust**: Unwillingness among team members to be vulnerable within the group. Team members who are not genuinely open with one another about their mistakes and weaknesses make it impossible to build a foundation of trust.

2. **Fear of Conflict:** The failure to build trust is damaging because it sets the tone for the second dysfunction, the fear of conflict. Teams that lack trust are incapable of engaging in unfiltered and passionate debate of ideas. Instead they resort to veiled discussions and guarded comments.

3. **Lack of Commitment:** Without team members having aired their opinions in the course of passionate and healthy debate, team members rarely, if ever, buy-in and commit to decisions, though they may feign agreement during meetings.

4. **Avoidance of Accountability:** Because of the lack of commitment and buy-in, team members develop an avoidance of accountability. Without committing to a clear action plan, even the most focused and driven people hesitate to call their peers on actions and behaviors that seem counterproductive to the good of the team.

5. **Inattention to Results:** Failure to hold one another accountable creates an environment where this dysfunction thrives. Inattention to results occurs when team members put their individual needs above the collective goals of the group.

Excerpted from the Five Dysfunctions of a Team by Patrick Lencioni. Jossey Bass, 2002.

Inquiry Based Agendas

✓ **Ban Report Outs**: During board meetings replace verbal "report-outs" with questions on the agenda to provoke discussion. To help this shift from information transmittal and oversight to inquiry and discussion, design agendas with questions posed by topic area. If there are no relevant questions, then the information is included in the board packet but is not reviewed in the meeting. This reinforces preparation and makes time for more meaningful discussion.

✓ **Themed Board Meetings**: Identify the 1-3 most important questions that your board must answer this year and use those "hot topics" to create themes for each board meeting. This will help draft meaningful questions for the agenda and signal to the group the importance of the discussion.

✓ **Consent Agendas:** To ensure more time for robust discussion, adopt a consent agenda format to handle uncontested, routine business that does not require discussion. Typical items in a consent agenda: acceptance of minutes, final approval of items already vetted, and acceptance of routine reports. Such items are grouped into one agenda item and the entire set is approved in one motion.

> **WATCH OUT!**
> **Consent Agendas**
>
> Although consent agendas are a good efficiency mechanism, be careful that important items that really do warrant discussion are not pushed through without proper vetting. To ensure that items are indeed appropriate for the consent agenda, provide sufficient background materials in the board packet that is distributed ahead of time. Allow members to request that an item be pulled out of the consent packet if they feel a discussion is necessary.

Board Retreats

Retreats can accomplish many important objectives. They can create a relaxed atmosphere that fosters relationship building, helps equalize feelings of status, allows the time for people to think through possibilities, and brings out the best in the groups' imagination. Creative thinkers often need more spaciousness to explore and engage in generative discussions.

Retreats or special meetings can help boards refocus on the priorities of the organization or dig into a special project. Working in a different meeting environment can provide the relaxing and fun atmosphere that encourages group interaction and builds trust.

Don't underestimate the power of socializing, relationship building and fun!

EXAMPLE Board of Directors Meeting Agenda*

Date: XX   Time: XX
Location: XX   Dial-in Number: xxx-xxx-xxxx

Meeting Objectives:

At the end of this meeting the board will have:
- Deepened our understanding of our current financial health.
- Engaged in a generative conversation about the relationship between artistic expression and our violence prevention programming.
- Clarity about the newly adopted fund development plan and each member will understand her/his role in the plan's implementation.
- Taken voted on the consent agenda.

Time	Topics & Discussion Framing**	Anticipated Action	Discussion Leads
5 mins	**Welcome & Agenda Review** • Ice-breaker: Share an experience you had since our last meeting that connected your passion to our work here.	n/a	Chair
1 hour	**Hot Topic--Artistic expression and violence prevention programming. Discussion questions:** • What is the relationship between arts and keeping kids safe? • Is an arts program aligned with who we are? • How will this impact our other programs? • Why arts? Why not sports, science or nature? Are there other kinds of programs that would be better? • Documents to review prior to meeting: See the enclosed article.	Form task force Bring more information to the board for further discussion.	Program Director & Student
15 mins	**Finance Committee Discussion:** • What does the board most need to understand about this proposed budget modification and our financial position? • What is our level of comfort with the amount of risk on this budget?	• Vote on budget modification	Treasurer and CFO

	• Documents to review prior to meeting: Financial statements and NPQ article on financial sustainability		
15 mins	**Fund Development Committee Discussion :** • What does the board most need to understand about this proposed fund development plan and our expectations? • What do we need to be set up for success? • Documents to review prior to meeting: Fund development plan and individual commitments chart	• Affirm individual work plans and identify support needs	Fund Dev Chair
15 mins	**Governance Items:** • Consent agenda (minutes, final evaluation plan document, officer slate for elections) • Does the board recruitment document reflect our current understanding of priorities and needs? • Documents to review prior to meeting: Recruitment priority document	• Vote on budget modification • Revise recruitment priorities for governance committee to continue its work	Vice chair
10 minutes	**Adjourn** • Affirm action items/follow-up • Confirm next meeting date/time • Alert board to upcoming calendar items		Chair

* Agendas to be customized per organizational work plan and as needed to reflect organizational needs.

** Discussion Items: Committee reports should not be read in the meeting. Information should be included in the board packet and reviewed in advance. Discussion leads are to ensure that these items include guiding questions, framing context, reference materials if needed, and any action required by the board.

EXERCISE: AGENDA REDUX

3. Composition and Recruitment

Board recruitment is as much about knowing *who* you want to recruit, as *how* to recruit. There is a tendency to recruit board members from among friends and those close to existing members; however this strategy often results in homogeneity of perspectives and has limited potential for sustained recruitment efforts. Balancing individual and collective goals means selecting team characteristics best suited to organizational priorities. It's important for a board to be comprised of a diversity of perspectives, voices, skills, and experience. Collectively the board should:

- ✓ Have values that align to the mission
- ✓ Have passion, skills, experience, and interests that can be mobilized to help the organization achieve its goals
- ✓ Reflect the constituency of the organization (e.g. geographic, ethnicity, age, gender, volunteers, and client base, etc)

To ensure that you have a recruitment and selection process in place that will help you achieve your board's composition goals, here are a few suggested strategies:

- ✓ Establish a recruitment committee or designated lead so that recruitment is ongoing versus episodic. The committee is responsible for coordinating recruitment efforts and orienting new members. Always have a queue of potential candidates that you are considering and cultivating.
- ✓ Job one of the committee is to lead the board in a discussion to identify what kind of members the organization needs, identify strengths and gaps, and then set recruitment goals.
- ✓ To help identify people outside members' immediate circles, try some of these tactics:
  - Post a "Great Board Member Wanted" ad on your lobby bulletin board, in your newsletter, in the neighborhood newspaper, or in the alumni newsletter of a local college. Also post on free websites that match people seeking boards to join with nonprofits seeking board members.[1]
  - Recruit from your current supporters. Hands-on volunteers bring both demonstrated commitment and an intimate knowledge of the organization. Clients have benefited from your services and likely have an emotional connection and investment in what you do.

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[1] BoardNet USA, Local Volunteer Centers, Bridgestar.org.

- Partnerships, community leaders, businesses: Tap into the existing network of entities in your community: schools, churches/temples/synagogues, corporations, and local business.

Behavioral Characteristics of Good Board Members

Balancing individual and collective goals means selecting team characteristics best suited to the work that needs to get done, rather than attempting to reach some generic ideal. This also helps avoid tokenism which can occur when individuals are recruited for their race, ethnicity or gender, but not for their ability to be good board members. In addition to the social and resource connections board members might bring, they must also possess these characteristics:

- Excellent listening skills
- Leadership abilities (see part 2)
- Integrity and high ethical standards
- Ability to practice loyal opposition
- Facilitation skills
- Relationship building skills
- Genuine interest, pleasure and enthusiasm in board work

LOYAL OPPOSITION

Every strong leader needs a sounding board, an outside mirror that will help in monitoring the increasingly unpredictable environment. Reflection and questioning, reframing and reassessing are key responsibilities of the governance function. Therefore, a board's performance of that function can challenge the leader's vision, ask whether it is in alignment with the environment, assess the risks implicit in it, and obtain assurances that management is implementing it effectively. A board can also confront the leader with different interpretations of the script. The story line will grow stronger and more compelling as the leader defends the vision and adjusts it based on the meta-level critique of the board of directors.

Excerpted from *Loyal Opposition* by Patricia Bradshaw: NPQ's special winter 2012 edition: "Emerging Forms of Nonprofit Governance."

Questions for Current Board Members

⇒ What is the contribution that each board member personally wants to make to the mission?
⇒ What are our top talents/strengths as a team?
⇒ How do we communicate?
⇒ How do we set direction and make decisions?
⇒ How do we overcome obstacles?
⇒ How do we build and maintain relationships?
⇒ How do we recognize each other and celebrate success?
⇒ What is our board culture?

Questions for 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 advisory committee?
⇒ What kind of interviewing/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?

Questions to Ask Board Candidates

⇒ What interests you about our organization?
⇒ 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?

Questions a Board Should Be Prepared to Answer

⇒ Why are you interested in me as a board member?
⇒ What role do you see me playing on your board?
⇒ What are your expectations of board members? What commitments must I make?

⇒ What is unique about your board? About your organization?
⇒ What does this board value in the way it works together? How does it function collectively?
⇒ How do the board and staff work together?
⇒ Are there particular discussions this board has difficulty handling?
⇒ What are the major issues this board is facing? How are you addressing them now? If I were to join the board, how could I help?

Discussion:

- **Return to your Hot Topics and newly proposed structure.**
- **Given these questions, what are your recruitment priorities—what skills, interests, knowledge and experience do you need on your board to help your organization meet its current goals?**

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4. Continuous Learning and Assessment

It's important for boards to establish a culture of ongoing learning so that they can support an organizations' drive for improvement and excellence. Boards need to:

- ✓ Understand and engage in conversations of organizational performance
- ✓ Ensure evaluation of programs and services (intended impact)
- ✓ Assess their own performance and contribution to the organization
- ✓ Help integrate learnings back into the organization to support a culture of continuous learning and improvement

Organizational Performance

What makes a good nonprofit a great nonprofit—that is, one which achieves tangible, impactful change – lies in the organization's ability to answer the question, "How do we effectively deliver on our mission and make a distinctive impact, relative to our resources?" Measuring impact in the nonprofit sector, however, is not as straightforward as it is for our for-profit counterparts. In the corporate world, financial results are a legitimate performance measure, but in the nonprofit world, performance must be assessed relative to mission. Nonprofits face increasing pressures from external stakeholders to demonstrate accountability and program effectiveness. The outside world—funders, partners, government agencies—want measurable outcomes so they can assess the impact of the resources (dollars, personnel, program development) they allocate to a nonprofit. By developing a systematic and thoughtful framework for measuring your organization's mission impact, not only would you increase external stakeholders' confidence in your ability to deliver on your mission, but you could communicate in more sophisticated and effective ways about the work you do.

How do you know whether you are fulfilling your mission?

Our organizations are driven by the need and desire to affect some social change, whether it is by advocating for legislation to curb greenhouse emissions, representing immigrant women who are victims of trafficking or teaching performance and visual arts to children. In measuring impact, therefore, an organization is essentially answering this critical question: what change occurred as a result of the work we do? It is only in answering this question that an organization will know whether it has been effective in delivering its services and programs.

Culture of Performance

The explicit and unspoken behaviors and cultural values of an organization can get in the way of strategic thinking. Resistance to collecting data ("we don't have any data" or "our time should be spent serving the community, not crunching numbers") and to evaluating individual and

organizational effectiveness ("I don't want to evaluate my colleagues' performance" or "aren't we effective enough if we're out there doing the work?") can make it difficult for the very strategic thinking that an organization needs to take root if it endeavors to bring about tangible social change. But by demonstrating how data analysis and performance evaluation—the cornerstones of impact measurement—are critical to assessing your organization's mission impact, you can create a culture of performance that undergirds everything you do.

Board Assessment

Just as the board monitors and assesses organizational impact and the work of the ED, the board must also turn its attention to its own performance and accomplishments. An annual board self-assessment is a critical governance practice and it has several important benefits:

- ✓ Determining the criteria for the assessment is a good mechanism by which the board can develop its values and set performance standards for itself.
- ✓ By conducting an anonymous survey of all board members, those who hesitate to speak up can share their opinions candidly
- ✓ Assessments provide feedback to the board which then informs board development needs and recruitment priorities.
- ✓ Assessments help the board and the executive director understand how strong the governance partnership is; what's working and what improvements need to be made.

5. New Member Orientation

A new board member needs a guide to the role and the organization, and long-time board members need an easy way to keep reference materials. One convenient way is to provide each new board member with a "Board Handbook" either in a binder or on a remote shared drive and distribute (or flag) updated sections to all members each year. Along with the board handbook, hold an orientation session for new board members. Include a tour of the site/offices, participation in an event or program activity to get to know the work of the agency better, and introductions to staff (e.g. schedule a brown-bag get to know you lunch).

Sample Table of Contents for a Board Handbook

1. A welcome letter from the board chair and the executive director
2. Corporate and historical documents:
   - description of programs and constituencies;
   - annual report;
   - bylaws and amendments;
   - articles of incorporation;
   - history of the organization; collateral and other descriptive materials
   - strategic and annual plans
3. Rosters:
   - Board member roster, including bios and contact information
   - List of committees and membership
   - Staff member roster, including bios and contact information
   - Organization chart
4. Calendar of meetings for upcoming year and special events
5. Governing responsibilities:
   - Overview of governance and legal obligations
   - Board member agreement and/or job description
   - Conflict of interest policy
   - Whistleblower policy
6. Financial and funding information:
   - Current budget
   - Current financial statements
   - Audit report from previous year
   - Copy of insurance policy certificate for D&O insurance
   - List of funders and individual contributors
7. This workshop manual

SAMPLE ONBOARDING CHECKLIST

Upon approval of a new board member the recruitment work group ensures that the following onboarding activities are scheduled and completed:

☐   Send welcome packet which includes:
  - Welcome letter with a card from the kids/clients/staff
  - Resumes/bios of board members with professional affiliations, strengths, and expertise of current board members
  - Board structure/chart of board member roles and committees/groups within the board
  - Staff org chart
  - Definition of key terms and acronyms regularly used in the organization
  - Board communication and working agreements
  - Board policy handbook
  - Calendar of upcoming meeting dates and events
  - Financial statements and current budget
  - Agreement and disclosure forms (to be returned after signature)

☐   Assign a board buddy: A longer tenured board member to help acquaint the new member, check-in periodically, debrief meetings as need within the first 6 months to a year

☐   Meeting with chair and/or board buddy to orient new member to current work/goals of the organization and discuss interest/fit for committees/working groups.

☐   Assign new board member to committee or working group (if appropriate)

☐   Schedule site visit: See programs in action; meet key staff, tour site(s).

6. Executive Director Evaluation

Because the executive director is so central to the success or failure of an organization, evaluation of the executive director by the board is an important component of the board's oversight and governance responsibilities.

Too often evaluations (and job descriptions) are undertaken only when the board has become unhappy with its chief executive. But an annual evaluation (along with ongoing informal feedback) helps the executive director understand management areas that need improvement, as well as operational areas where the board is insufficiently informed. A written evaluation also serves to document the executive director's accomplishments, as well as unsatisfactory performance. A task force or committee of the board (often the board officers or the governance committee) can coordinate the evaluation process and share the results with the entire board and the ED.

Because the executive director acts both directly and indirectly through others to manage the organization, evaluating the executive director's performance is inevitably linked to evaluating the agency's performance as a whole. As a result, many boards incorporate evaluation of the executive director into the annual review of organizational performance and goal setting for the coming year.

A formal annual assessment provides a straightforward way for board members to provide feedback to the executive director and for the director to be aware of criteria that will be used in this evaluation.

An annual assessment survey has three noteworthy shortcomings. First, it is based on the perceptions of board members, who frequently have very limited views of the executive director's performance. Weak executives can hide performance problems from the board much more easily than from staff, clients, or funders. Second, the quantitative nature of the questionnaire tends to attribute the same level of importance to all activities, thereby allowing success with smaller tasks to compensate for a larger failure.   For example, if an executive director performs wonderful program and community work but has incurred a huge deficit, the problem will emerge only as one or two negative "grades" but will not affect the overall score. Third, because the executive director's performance is often not visible to board members, the feedback is incomplete. To help mitigate this problem, the board should invite staff and potentially others to provide input.

Because of these shortcomings, use the annual assessment not as the sole evaluation, but as a starting point for a discussion on performance measurement. Boards need to discuss their sense of where the director and the agency are succeeding and which areas need more attention.

Regardless of the evaluation process used, remember that executive directors need feedback all year round. Like any employee, executive directors need acknowledgment for good performance as well as developmental feedback for areas of weakness.

Sample board of directors and executive director assessment templates are in the board toolkit.

HIGH PERFORMING BOARD PRACTICES

High performing boards regularly assess their own effectiveness. Consider scheduling an annual "governance check-up" by bringing these questions to your next board meeting. Then incorporate these questions into an annual board assessment.

Conduct a Governance Check-up

✓ Do we have inquiry based agendas that foster creativity and generative discussions?

✓ Are our meetings engaging and focused on the "right" topics?

✓ Do we have a system in place to continuously cultivate and recruit new members?

✓ Do we regularly assess the effectiveness of our committee structures?

✓ Do we have descriptions for officer roles and committee charters?

✓ Do we orient new members?

✓ Do we have and enforce term limits?

✓ Do we build social time into our yearly calendar?

✓ Do we regularly evaluate the ED?

✓ Do we understand our governance role and legal obligations?

✓ Do we have a conflict of interest policy; do we regularly disclose potential conflicts?

Mark the items that your board needs to adopt or improve.

What can <u>you</u> do to initiate a conversation about the areas that need to be addressed?

NEXT STEPS

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SUGGESTED READINGS AND RESOURCES

Publications

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

Beyond Financial Oversight: Expanding the Board's Role in the Pursuit of Sustainability, by Jeanne Bell, CEO of CompassPoint (Nonprofit Quarterly Spring 2011)

Daring to Lead 2011: A National Study of Nonprofit Executive Leadership by Marla Cornelius, Rick Moyers, and Jeanne Bell (CompassPoint 2011). (download at: www.daringtolead.org)

UnderDeveloped: A National Study of Challenges Facing Nonprofit Fundraising by Jeanne Bell and Marla Cornelius, (CompassPoint 2013). (download at: www.compasspoint.org)

Strategic Fund Development: Building Profitable Relationships that Last third edition, by Simone Joyaux, CFRE. (John Wiley & Sons, 2011).

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).

California Association of Nonprofits (CalNonprofits) is a policy and advocacy organization serving California nonprofits (www.canonprofits.org).

CompassPoint Nonprofit Services has blogs, research reports, educational programs and archived articles from the Board Café available for free (www.compasspoint.org).

Independent Sector is a forum for charities, foundations, and corporate giving programs. It has resources and information regarding legislation, policy and current issues facing the sector (www.independentsector.org)

The Nonprofit Quarterly Special board issue is:
http://www.nonprofitquarterly.org/winter2012.html
(www.nonprofit quarterly.org)

The Nonprofit Risk Management Center helps nonprofit leaders become risk aware and provides tools and resources to help leaders identify and appreciate critical risks and take action (www.nonprofitrisk.org).