

# Effective Board Leadership

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*Building Effective Nonprofit Boards*

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## BoardSource Ten Basic Board Responsibilities

1. **Determine mission and purpose.** It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
2. **Select the chief executive.** Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
3. **Support and evaluate the chief executive.** The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.
4. **Ensure effective planning.** Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
5. **Monitor, and strengthen programs and services.** The board's responsibility is to determine which programs are consistent with the organization's mission and monitor their effectiveness.
6. **Ensure adequate financial resources.** One of the board's foremost responsibilities is to secure adequate resources for the organization to fulfill its mission.
7. **Protect assets and provide proper financial oversight.** The board must assist in developing the annual budget and ensuring that proper financial controls are in place.
8. **Build a competent board.** All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance.
9. **Ensure legal and ethical integrity.** The board is ultimately responsible for adherence to legal standards and ethical norms.
10. **Enhance the organization's public standing.** The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

### **References**

Richard T. Ingram, [\*Ten Basic Responsibilities of Nonprofit Boards, Second Edition\*](#) (BoardSource 2009).

## Board Roles

### Establish Strategic Direction

- Develop and maintain focus on mission
- Establish vision of what the organization intends to be like at some point in the future (3-5 years)
- Approve strategic goals
- Articulate the values or principles by which the organization will operate

### Ensure Resources

- On an ongoing basis, identify the resources needed:
  - Financial resources
  - Chief staff officer
  - Information and knowledge
  - An effective board
  - Visibility, support, and credibility in the community
- Establish policies for how these resources will be acquired
- Determine how board members will participate in resource development, especially in fundraising

### Provide Oversight/Accountability

- Program
  - Monitoring (Are we doing what we planned to do in a timely manner?)
  - Evaluating (Are our programs effective in serving our mission?)
- Finances
  - Establish budget guidelines
  - Oversee financial management (Ensure that the necessary financial policies are in place; on a regular basis review financial statements, understand what they say and ask questions when things are not clear; arrange for audit and review audit report)
- Legal and Ethical Operations
  - Ensure compliance with legal requirements, including with the organization's bylaws
  - Safeguard the organization's values / philosophy
  - Avoid conflicts of interest
  - Hold everyone associated with the organization accountable (the CEO who in turn must hold the staff accountable, the board itself, and each individual member of the organization)

## **KEY FINANCIAL QUESTIONS BOARDS SHOULD ASK**

1. Have we run a gain or loss?
2. Are our key sources of income rising or falling?
3. Do we have a diversity of funding sources? Is it a healthy mix of public and private support?
4. Are our key expenses, especially salaries and benefits, under control?
5. Do we have sufficient reserves? Are they wisely invested?
6. Is our cash flow projected to be adequate?
7. Where are we compared with budget?
8. Is our financial plan consistent with our strategic plan?
9. Are we filing all needed reporting documents on a timely basis?
10. Are we fulfilling all of our legal obligations?

## **Roles and Responsibilities of Individual Board Members**

Members of nonprofit boards serve their organizations in a variety of roles. They function as members of the governing body, as organizational ambassadors, and sometimes as volunteers in some aspect of the organization's work. When board members fail to recognize that these are different roles which require different behaviors, misunderstandings and conflicts sometimes result.

### **Members of the Governing Body**

The role of individual board members is to be participants in the organization's governance structure. When accepting board membership, they become a part of a group that is vested with the authority to make decisions on behalf of the organization, a group that is also held accountable for the effects of these decisions. This means that they accept certain duties and agree to undertake responsibilities inherent in the position of board member. In order to participate in setting organizational direction, ensure that the organization has the necessary resources, and provide oversight of the organization's life and work; they must attend board meetings, read board materials, stay informed about the issues facing the organization, and from time to time accept responsibility for undertaking special board assignments. By developing board member job descriptions, boards can assist their members in understanding what is expected of them.

Authority and power are vested in the board as a whole. Individually, board members carry no special authority or power, except as specifically requested by the board to carry out certain functions. An organization's bylaws will usually spell out the authority vested in each board office. For example, the board chair is usually authorized to call board meetings and to serve as the voice of the board in relation to the chief executive.

Even though the corporate structure in general protects individual board members from liability for organizational decisions, they are expected to act in accordance with certain legal standards. These standards are commonly known as the duties of care, loyalty, and obedience.

### **Duty of Care**

Known as the business judgment rule, the duty of care is defined as care that an ordinarily prudent person would exercise in a like position and under similar circumstances. This means that each board member is expected to stay informed and to ask questions. Reading minutes and background materials for proposed decisions, asking questions when clarification is needed, and participating in board deliberations are examples of how to discharge the duty of care.

### **Duty of Loyalty**

To be loyal means to be faithful to the organization. When making decisions, the board member must show undivided allegiance to the organization's welfare. The prospect of personal gain or gain for another party with which the board member is affiliated must not enter into the decision. Wise board members disclose potential conflicts of interest and refrain from participating in the board's discussion and voting on the matter in question. All boards should have conflict-of-interest policies that cover likely conflict situations, such as business dealings and nepotism.

### **Duty of Obedience**

Board members are duty bound to be faithful to the organization's mission. This means that all potential board members are required to support the mission and that no action should be taken that is inconsistent with the mission. This duty is based on the right of the organization's supporters to know the purpose for which their contributions will be used.

### **Ambassadors for the Organization**

As ambassadors, board members represent the board outside the boardroom. At times they may be asked to take on specific tasks, such as recruiting a new board member or soliciting support for an issue. At other times they simply stand prepared to inform others about the organization and to advocate for its issues and its opportunities. Being an ambassador also means bringing information back to the organization that might be relevant for its current or future actions. Such information may include feedback about the organization's work or about new and emerging opportunities or threats.

Being an ambassador does not include expressing personal opinions as though they represent organizational positions or making commitments on its behalf. The role of official spokesperson requires special authorization. The chief executive is usually expected to serve as spokesperson and may delegate specific representation responsibilities to other staff. The board chair often serves as spokesperson, either in partnership with the chief executive or alone. All Board members need to be informed of what to do if approached by representatives of the media concerning anything related to the organization or the board.

From BoardSource's Nonprofit Governance: Steering Your Organization with Authority and Accountability (2000)

## The Source: Twelve Principles of Governance That Power Exceptional Boards

**Exceptional boards add significant value. They make a discernible difference to organization's advance on mission.** The twelve principles of governance that power exceptional boards enables nonprofit boards to operate at the highest and best use of their collective capacity. These principles offer boards a vision of what is possible and a way to add lasting value to the organizations they lead.

**Principle 1: Constructive Partnership.** Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent. The board is a powerful force supporting the organization, while the CEO sees the board as a strategic asset.

**Principle 2: Mission Driven.** Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values. An exceptional board sees creating and upholding the mission, not as an exercise to be done once but statements of crucial importance to be drilled down and folded into deliberations. The mission is integrated into fund raising, meetings and decision-making.

**Principle 3: Strategic Thinking.** Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization's direction. This thinking is not periodic; rather it is part of the ongoing work of the board.

**Principle 4: Culture Of Inquiry.** Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision-making. Board members will seek more information, question assumptions, and challenge conclusions while drawing upon multiple sources and perspectives.

**Principle 5: Independent-Mindedness.** Exceptional boards are independent-minded. When making decisions, board members put the interests of the organization above all else. They apply rigorous conflict of interest procedures and avoid undue influence based on loyalty, seniority, position or reputation.

**Principle 6: Ethos of Transparency.** Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results. Making available the IRS Form 990, having firmly established donor relation standards and instituting a Whistleblower Policy are all examples of needed transparency.

**Principle 7: Compliance with Integrity.** Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight. Some mechanisms available include: vigorous oversight, Code of Ethics, use of independent audits and review of executive compensation.

**Principle 8: Sustaining Resources.** Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence. A budget tied to the strategic plan, a solid infrastructure including focus on human resources, technology, and facilities, and active engagement in fundraising will help contribute to success.

**Principle 9: Results-Oriented.** Exceptional boards are results-oriented. They measure the organization's advancement towards mission and evaluate the performance of major programs and services. Consideration of the efficiency and impact of programs will be considered, including program evaluation and a review of the financial ratios.

**Principle 10: Intentional Board Practices.** Exceptional boards intentionally structure themselves to fulfill essential governance duties and to support organizational priorities. Evaluation of board size and structure, committees and task forces and the use of consent agendas are all intentional considerations.

**Principle 11: Continuous Learning.** Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performance and assessing the value they add to the organization. This learning is about the organization and industry and includes board orientation and self-assessment and extends beyond the boardroom.

**Principle 12: Revitalization.** Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness. They understand the importance of fresh perspectives and the risk of closed groups. They review board composition, term limits, and diversity and implement recruitment strategies as a result.

<b>BOARD MEETING EVALUATION</b>	<b>O.K.</b>	<b>Need to Improve</b>	<b>Suggestions for Improvement</b>
1. The agenda was clear, supported by the necessary documents, and circulated prior to the meeting.			
2. All board members were prepared to discuss materials sent in advance.			
3. Reports were clear and contained needed information.			
4. We focused on strategically important issues and avoided getting into administrative/management details.			
5. A diversity of opinions was expressed and issues were dealt with in a respectful manner.			
6. The chair guided the meeting effectively and members participated responsibly.			
7. We made decisions, identified next steps and assigned responsibility.			
8. All board members were present.			
9. The meeting began and ended on time.			
10. The meeting room was conducive to work.			

**BETTER BOARD MEETINGS**

The issues we covered today were:

Less Important      1      2      3      4      5      Essential

The materials provided were:

Not helpful      1      2      3      4      5      Indispensable

Today's discussion concerned primarily:

Operations      1      2      3      4      5      Policy and Strategy

What might we have done differently to improve our meeting today?

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What was the most valuable contribution we made to the organization's welfare today?

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Did we use the time allotted for the meeting wisely?

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In light of today's meeting, what are the most important topics we should address at our next meeting?

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Adapted from *How to Help Your Board Govern More and Manage Less* by Richard Chait (BoardSource).