

Best Practices for Board Members: “Basics to Best” in 90 Minutes

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Presentation Outline

- I. Introduction**
- II. Diversity in Governance in the Nonprofit Sector**
- III. Foundations of Nonprofit Board Governance**
- IV. Best Practice Highlights – Habits of Outstanding Boards**
- V. A Few Pitfalls to Avoid**
- VI. Applications/Discussion**

I. INTRODUCTION

Basics to Best in 90 Minutes

- **Two Goals:**
 - Cover the **Basics** for those new to governance responsibilities
 - Highlight **Best Practices** for those who know the basics
- **Closing the Gap**
 - Foundational principles that always bear reinforcement
 - Wisdom and advice from some of the many excellent resources available to nonprofit sector organizations
 - Practical features and actions to consider
 - Discussion and sharing of experience

Audience Poll

- **Show of hands:**
 - Those who have served on a nonprofit Board?
 - Those who are accountable to a Board?
 - Those who provide staff support to a Board?
- **In dyads or trios, then samples from the group:**
 - What do you find most difficult or frustrating about the Boards you are most familiar with?

II. DIVERSITY IN GOVERNANCE IN THE NONPROFIT SECTOR

Opinions about Board Effectiveness

- **Expert sources point to considerable opportunity for nonprofit Boards to achieve greater effectiveness....**
- **(A polite way of saying....) Most sources assert that a great many nonprofit Boards are significantly sub-optimized, and some are actually dysfunctional.**
- **This is a reasonable possibility, because:**
 - Nonprofit Boards are volunteer service, competing for attention in the life of busy people.
 - Staff support for the Board from the nonprofit organization is variable in amount and quality.
 - It takes time to develop a strong and effective Board.

The Nonprofit Sector is Huge and Diverse

“All told, roughly 1.6 million nonprofits employed 10 percent of the domestic work force in 2010 and accounted for 5 percent of G.D.P.

Nonprofits are all exempt from corporate taxes. But aside from that, they are an extremely varied group. Most are charities, for which donations are tax-deductible.

These include organizations as diverse as the Little Sisters of the Poor, Harvard University and the Memorial Sloan-Kettering Cancer Center.” (NYT 3-8-14)

Size is a Factor in Governance

- **Large nonprofit corporations such as hospitals, universities:**
 - Tend to have sophisticated governance structures and practices
 - And often have attentively-developed mission/sponsorship functions in religiously-sponsored systems.
- **Small, community, grassroots nonprofits, including religious:**
 - Often under-developed and under-resourced governance structures, with Board members and staff who are unevenly prepared for the tasks of governance.
 - Very often carried on the efforts of very heroic and committed Board members

Functionality

- **Functionality of Boards along a spectrum**
 1. High performing, exceptional
 2. Sufficiently effective in necessary ways
 3. No noticeable impact one way or the other
 4. Dysfunctional and damaging
- **Degree of functionality is not necessarily a function of organization age, maturity, or size: small/new Boards can be exceptional or dysfunctional, and large/mature Boards can be exceptional or dysfunctional, and everything in between.**

Life Cycles

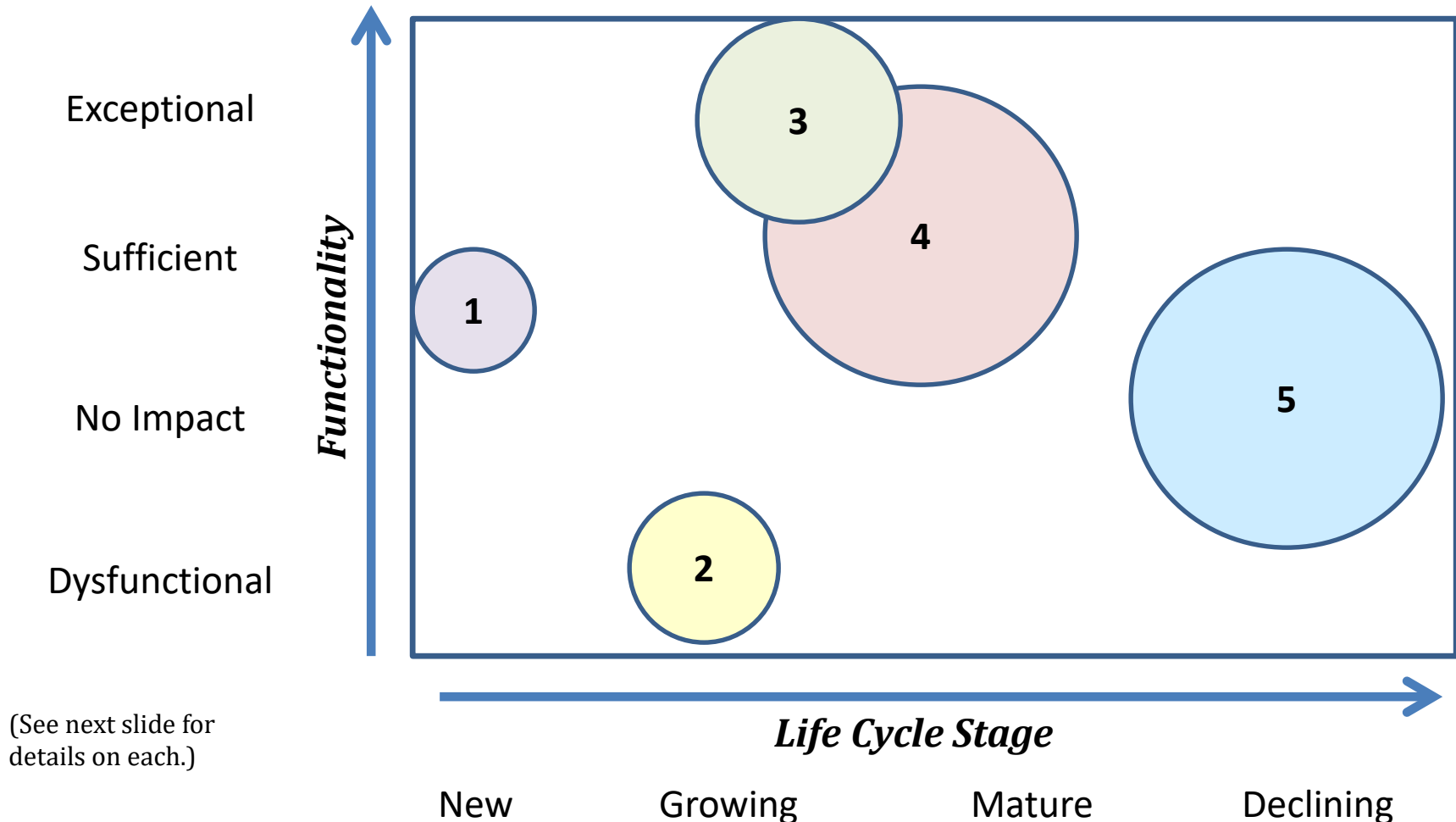
- **Life Cycle of Boards and Their Organizations:**
 1. New, beginning stages – founder era
 2. Growth, development over time –professional management
 3. Mature and stable functioning – consolidation
 4. Decline – gradually (or suddenly) less vibrant and sustainable
- **“Evolution and Revolution as Organizations Grow” - HBR classic by L. Greiner, reminds us that movement through life cycle is not a smooth line, but a series of smooth runs interrupted by turbulence at points of change.**

Special Note – “Following” and “Leading” Boards*

- **Depending on the life cycle of a nonprofit organization:**
 - The Board might be a “following” Board, gathered around and deferential to a founder who carries the main load of both leadership and governance.
 - Alternatively, a “leading” Board might be itself the founder entity, intimately engaged in governing and running the nonprofit, struggling to cede authority to staff once they are hired.

* From: “**Boards Matter: Board Building Tools for the Busy Social Justice Executive**”, by the Management Assistance Group
<http://managementassistance.org/ht/display/ContentDetails/i/432>

Mapping the Size, Functionality, Life Cycle Helps Focus Board Develop't Priorities



(See next slide for details on each.)

Reference for numbers on previous slide chart:

1 – Small Board, newly formed, doing a reasonable job – Focus: strengthening in governance structures, probably grow size of board

2 – Small Board, orgz growing past founder stage, entering conflict and some disarray – Focus: leadership needed, re-grounding, and discipline

3 – Moderate sized Board, established organization, highly effective – Focus: attend to long term sustainability and succession

4 – Large Board, mature organization, quite effective – Focus: move from good to great in performance and legacy

5 – Large Board, ossified, no longer on cutting edge – Focus: address completion, merger, rejuvenation, or other strategy.

III. FOUNDATIONS OF NONPROFIT BOARD GOVERNANCE

Core Board Function = Governance

- **Legal Obligations:**
 - The Duty of Care
 - Attendance, being well-informed, responsible delegation, thorough and documented decisions
 - The Duty of Loyalty
 - No conflict of interest, full disclosure
 - The Duty of Obedience
 - Further the mission, observe foundational documents, comply with laws, ensure use of assets for mission

Core Board Function = Governance

- **Major arenas for Board Functioning**
 - Fiduciary
 - Accountability, discipline, prudence, risk management, sustainability, internal controls, oversight, good faith
 - Ask *“What could go wrong?”*
 - Strategic
 - Positioning, value proposition, SWOT assessments, long range planning, direction setting, orgz performance
 - Ask *“What’s the plan?”*
 - Generative
 - Sense-making, discernment, learning, visioning
 - Ask *“What’s the right question?”*

Advice to a Board Member*:

- **Make the time**
- **Become a learner**
- **Respect the staff**
- **See the big picture**
- **Have courage**
- **Keep issues on the table, not under it**
- **Be prepared to lead**
- **Say thank you, and say good-bye when the term is up**

*Per Maureen Robinson, author of **Nonprofit Boards that Work**

Board Core Responsibilities

- 1. Assuring that the organization maintains its institutional integrity, advances its mission, focuses on its most important activities.**
 - Set direction, plans, goals; make and review policy
- 2. Safeguarding the financial soundness and integrity of the organization and adequacy of resources.**
 - Approve and review budgets, audits, reports, controls
- 3. Assuring a stable and diverse funding base to achieve organizational goals.**
 - Fundraising and friend-raising in support of staff

Board Core Responsibilities, cont'd

4. Assuring that the organization is well led and managed soundly.

- Hire and evaluate the chief administrator, set and review personnel policies

5. Assuring that the Board is well-constituted, equipped, and prepared to carry out its duties

- Assure recruitment, turnover, committees, and Board development

6. Advancing the organization's work and credibility with key constituencies.

- Interpret, act as ambassador and advocate for the organization, introduce staff to key individuals and institutions

And also...

- **See the forest, not the trees; observe the constellations, not the stars!**
 - Keep focus on what is most important, away from the pull of daily operations, bring “pattern recognition” skills.
- **Ask tough questions**
 - The Board is the most honest and supportive critic of the organization, identifying complacencies or out-lived orthodoxies.
- **Provide stability for the long haul**
 - Boards build towards the sustainable future of the organization.
- **Help the staff and executive make difficult decisions**
 - Provide affirmation and feedback to the chief executive, and help staff determine priorities and boundaries to support them and the mission.

Sturdy Structures of Support

- **Strong Board Chair in partnership with Chief Administrator**
- **Well-managed meetings: agendas, pre-work, engagement, accomplishments**
- **Effective working committees as appropriate to the organization, both Standing Committees and Ad Hoc Committees**
 - For example: Executive Committee; Finance; Personnel; Nominating/Governance/Board Development; Mission and Program; Fund Development; Marketing; Strategic Planning; Facilities and Land Use; Annual Fundraising Event Committee; Search Committee, etc.
- **Appropriate Board composition representing or connecting to important and diverse constituencies and skill sets.**

First Order of Business: the Basics

- **The next section of the presentation will examine the features of outstanding Boards....but all of these behaviors rest on the fundamentals.**
- **If you do nothing else, get the fundamentals right:**
 - Clarity about Board role in documents like Bylaws
 - A committed and effective Board Chair in a collaborative relationship with the organization leadership
 - Enough Board members with the right abilities and connections
 - Discipline about meetings, agendas, and committee work

IV. BEST PRACTICE HIGHLIGHTS – HABITS OF OUTSTANDING BOARDS

Engaged with Essentials

- **Constructive partnership with the chief administrator**
 - Develop a culture where it is permissible for the chief administrator to share bad news, and where a succession planning topic doesn't have to mean a performance conversation
- **Mission driven as an integrated, crucial, compelling reality**
 - Know, discuss, and make decisions in accord with vision, mission, and core values; walk the talk
- **Strategic thinking as ongoing work of the Board.**
 - In five years, what will key constituents consider this Board's most important legacy?

Thoughtful and Open

- **Culture of inquiry, respect, constructive debate**
 - Seek information from multiple perspectives, challenge group think, encourage generative discussion
- **Independent-minded thinking, putting organization first**
 - Be attentive to and avoid situations in which conflicting interest might come into play
- **Transparency as an ethos for the benefit of all stakeholders**
 - Careful management of what must be confidential, what can be transparent; maintenance of trust and accountability

Meeting High Standards

- **Sound financial management and oversight practices**
 - Providing timely and accurate financial reports, means for confidential identification of impropriety, and appropriate policies for its size and complexity
- **Public access and openness of information**
 - Annual statements and meaningful communications to its stakeholders, including accountable relationships with donors.
- **Professionalism and respect in all relationships**
 - Procedures and behaviors that honor the dignity of staff, publics, and other stakeholders of the nonprofit entity.

Accountable to All Stakeholders

- **Compliance with integrity through oversight mechanisms**
 - Understand risks, uphold shared values and clearly articulated standards of accountability
- **Sustainability through plans, infrastructure, and resources**
 - Realistic plans based on efficient operations and a sustainable mix of revenue sources
- **Results-oriented and focused on impact**
 - Monitor progress and evaluate success against key indicators of organizational performance

Disciplined and Self-Renewing

- **Intentional Board structures and practices to support priorities**
 - Effective meetings with relevant agendas, appropriate size and renewal of Board members and committees
- **Continuous learning about the organization and sector**
 - Opportunities for Board members to learn culture and history of the organization, multiple perspectives in the relevant environment, regular self-assessment
- **Revitalization through planned turnover and diversity**
 - Inclusive and energized Board relationships, recruitment, term limits, and change.

5 Best Practices to Consider:

(1) Proactive and Ongoing Learning

- **Annual Board retreat to focus on the core mission and vision of the organization and the contemporary challenges it faces in its sector.**
- **Inclusion of short “stories” at each Board meeting, presented by a staff member and/or clients served, about the work of the organization with a specific case or person or project.**
- **Similar practice: annual Board “field trips” for personal contact with the organization’s mission and clients.**
- **Regular distribution of articles to Board members on matters of importance in the sector served by the organization.**

5 Best Practices to Consider:

(2) Understand Your Board's Potential

- **Ensure that Board members really get to know each other and the executive staff – not just name and current title, but affiliations and networks such as:**
 - Professional societies
 - Other Board service
 - University alum status
 - Business connections
 - Religious/social organizations and networks
 - Civic and political memberships

5 Best Practices to Consider:

(3) Optimize Your Board Networks

- Use “2 degrees of separation” activities to learn more about the personal networks of Board members and how they can help the organization connect with key people, such as:

Introduce us to local foundation head Ms. “X”;

recruit “Y” business sponsors for our annual event;

help us locate “Z” pro bono professionals for special assistance, etc.

1. Put the names or types of organizations represented by X, Y, and Z at the top of flip chart pages or handouts.
2. Ask Board members to think about who they know personally on these lists (“1 degree of separation), then ALSO...
3. Ask Board members to think about people they know **who in turn know these target individuals** well enough to get a phone call or email returned (the “2nd degree”)
4. The “trust horizon” in social networks does not extend past 2 degrees.

5 Best Practices to Consider:

(4) Ongoing Succession Planning

- **Establish a standing committee for Succession Planning or incorporate this responsibility into an existing Committee such as the Executive Committee or the Personnel Committee.**
 - Ensure that emergency backups for all critical roles are identified at all times
 - Monitor leadership development planning for internal “high potentials” and preparation for eventual planned replacements
 - Maintain an open dialogue with the chief executive about preparation for succession, especially when things are going well.
 - Applies to key management positions and to key Board roles.

5 Best Practices to Consider:

(5) Assessment and Training from Experts

- **Contract with an outside group to administer an organizational assessment for Board and Executive review.**
- **Capable tools exist that can diagnose the strengths and weaknesses of the Board and organization, and can generate an agenda for improvement over time.**
- **External experts can provide Board training on a periodic basis, often the best way to ensure that attention to the importance of the Board's role stays top of mind.**

V. A FEW PITFALLS TO AVOID

Overstepping or Ignoring Boundaries

- **Board members should respect the responsibility of the chief administrator to manage the operations and staff of the organization, while accountable to the Board. They should not micromanage.**
- **Board members should protect the confidentiality of information to which Boards are privy, and speak with one voice in public venues or statements.**
- **Board members should not shrink from the full role that they are authorized to hold. They should stand at the boundary they are meant to govern, without overstepping it.**
- **Legal and fiduciary obligations should be diligently observed.**

Complacency and Group Think

- **Boards are specifically responsible to ask questions, monitor performance, test assumptions, and in many other ways protect the organization from cozy or uncritical support.**
- **Friendships, personal and professional relationships are normal and good among Board members and executives, but the Board member must also have the skill and maturity to provide constructive challenge when needed.**
- **Success over time can be taken for granted; passionately held missions can block clear views of changing situations. Board practices should create periodic opportunities to check assumptions and look for the unexpected.**

Proceduralism / Routine

- **Boards, especially Chairs and Chief Administrators, should ensure that Board deliberations are substantive, in addition to ensuring necessary reviews.**
- **Chief Executives should avoid sending Board members reams of poorly-organized data or overly-detailed reports that can bury the significant in the routine.**
- **Board members should keep their attention on the things that matter, and should be willing to ask questions even if they seem naïve, in order to assure clarity.***

* Religious are particularly good at this, since they are generally not ego-invested in the notion that they should be experts in every aspect of the Board's work.

A Sampling of Resource Links

BoardSource

- www.boardsource.org

Pennsylvania Association of Nonprofit Organizations (PANO)

- <http://www.pano.org/>

Management Assistance Group

- <http://www.managementassistance.org/>

Nonprofit Center at La Salle University

- <http://www.lasallenonprofitcenter.org/>

Blue Avocado – Internet Magazine for nonprofits

- <http://www.blueavocado.org/> E Magazine for Nonprofits

Compasspoint Nonprofit Consulting

- <http://www.compasspoint.org/home>

Nonprofit Alliance at Kellogg Community College

- <http://www.nonprofitalliance.org/resources?cat=4>

Executive Evaluation Process/Form

- <http://www.guerinconsulting.com/attachments/evaluation.pdf>