

Meeting the Challenge: An Orientation to Nonprofit Board Service

PRINCIPLES OF NONPROFIT GOVERNANCE

There is no one model for how a board should operate. As an organization and its environment change, the board's operating style may need to change along with it. So instead of formulas for success, board members must rely on broad principles, developed over time and seasoned by experience. The personal insights you will hear in this video are intended to provoke your thinking about your own board and circumstances. Ask yourself how your organization addresses each area of responsibility.

Mission

One of a board's primary responsibilities is to create a mission statement that articulates the organization's reason for being, and then to review that statement regularly to be sure that plans and programs flow from the mission. In this video Kay Sprinkel Grace, an organizational consultant, talks about how a mission statement defines the purpose of the organization and communicates its values. She emphasizes that reviewing the mission statement can be energizing for the board because it is an opportunity to reflect on whether the organization is achieving what it set out to achieve. By looking at the environment, a board can then determine whether a modification in mission focus is necessary to meet changing needs. A clear expression of mission is essential for planning, board and staff decision making, generating resources, and organizational assessment. In fact, a strong grasp of and commitment to the mission is a prerequisite for all the other responsibilities of nonprofit boards.

Mission: Key Responsibilities

- Ensure that your organization has a clear, succinct written mission statement that expresses its core values and reason for being.
- Revisit the mission statement annually in light of internal and external change, and revise it if necessary.
- Ask other similar organizations for copies of their mission statements and compare how they describe their vision and values.
- Seek internal and external feedback — from staff and from members or constituents — about the organization's mission.
- Make the organization's mission widely known by promoting it in the community.

Discussion Questions

1. How long has it been since our board reviewed and refreshed the mission of the organization and balanced it against day-to-day operating realities?
2. Who else should we include in discussions of mission and vision?
3. How do individual board members prepare themselves for their work on mission and vision?
4. How do we as board members maintain our connection and commitment to the mission?
5. Can everyone on our board clearly state our organization's mission?
6. What are the core values of this organization?
7. How are these values expressed in how we function?
8. Do the outcomes of each of our programs contribute to the achievement of our mission? If not, what needs to be done?

Oversight

The second area of board responsibility is oversight: establishing appropriate checks and balances to ensure that the organization is well managed and its mission is carried out. In other words, the buck stops with the board. Most board members know that oversight includes highly significant ethical and fiduciary obligations. But oversight is also connected to the board's relationship with the staff, especially with the chief executive. In today's climate, oversight is especially crucial as the actions and activities of nonprofit organizations and their boards are subject to intense public scrutiny.

In the video, experienced board members from different types of organizations share their perceptions of the oversight role. On ethics and accountability, Alice Korngold of the Business Volunteerism Council and Mark Light of the Victoria Theatre Association raise issues that may seem self-evident but in fact are often overlooked. Board members, they say, must be well informed about the organization, study and understand financial information, and — most of all — ask tough questions. Openness and honesty are essential at all times, but especially in the board's relationship with the chief executive.

Ramona Edelin of the National Urban Coalition talks about the need to avoid conflict of interest, or even the appearance of conflict. Board members often come from the same field as the organizations they serve—and for that reason they are well equipped to be knowledgeable volunteers. But no board member should participate in a discussion or vote on an issue when he or she has the potential to derive personal gain from the situation.

A major challenge in nonprofit organizations is deciding where governance ends and management begins — and where the distinction is blurred. Finding a balance is easier when board and staff have a sense of shared vision and common purpose, enjoy cordial but frank communication, and understand and respect one another's roles. The board chair provides the key leadership when it comes to board-staff relationships.

Evaluation — a valuable oversight process — can be easy to understand in theory but difficult to put into practice. One board responsibility is evaluating the chief executive. Ramona Edelin reminds viewers that evaluation should be a positive learning experience for both the board and the executive. It is most productive, says Mark Light, when success is measured against clear goals.

Board self-evaluation is essential, too. This ongoing process, Alice Korngold suggests, promotes an active, engaged, and knowledgeable board and helps each member bring his or her full value to the table. In addition, periodic retreats with an outside facilitator allow the board to step back and think about how it functions as a group and how to strengthen its effectiveness.

Oversight: Key Responsibilities

- Engage in regular organizational planning as an integral part of effective leadership and management.
- Adopt and regularly review an organizational code of ethics and conflict of interest policy for board and staff.
- Understand and respect the relationship between board and staff.

- Select the chief executive carefully, and provide a clear description of duties and relationships.
- Support and strengthen the chief executive and the board-executive relationship through a regular performance evaluation.
- Make board self-assessment a routine part of the board's work.

Discussion Questions

1. Is our organization committed to planning as an essential part of effective leadership and management?
2. Do we use our plans to evaluate progress and outcomes?
3. Does our organization have an up-to-date code of ethics and conflict of interest policy?
4. How do we distinguish between board responsibilities and those of the chief executive or staff? What are the areas in which our responsibilities overlap?
5. What indicators and processes do we use to find out whether our board is doing its job?
6. Do we regularly evaluate the chief executive's performance? our own performance as a board and as individual board members? What evaluation processes do we use?
7. Do board members have a clear written statement of their duties and responsibilities? Does the chief executive have a job description?
8. Is the board aware of the chief executive's salary and how it's determined? If not, why not?
9. Does the board regularly review the organization's Form 990, which is a public document?

Resources

One of the most challenging areas of board service is resource development: ensuring that the organization has the financial and human resources it needs to fulfill its mission. For many organizations, the board's most significant contribution in this area is fund-raising. Boards see to it that fund-raising strategies are in place, and that board members contribute their time, skills, and influence to raising money. Individual board members should also show their commitment to the organization by making a personal annual financial contribution. Of course, boards should also be concerned with human resources. They need to cultivate board members with skills in marketing, strategic planning, legal, and financial management — expertise that can help secure firm financial footing for the organization and provide sound counsel.

In the video, a funder and a nonprofit chief executive talk about developing and managing resources. Skip Rhodes, vice-president of corporate giving at the Chevron Corporation, explains why every board member must make a financial contribution. When the board shows 100 percent support, funders know that the organization has broad and enthusiastic backing for its programs. Rhodes says that he agrees to join a board only when he knows he can participate fully by making a financial contribution.

Jan Masaoka, executive director of the Support Center for Nonprofit Management, says boards should watch over an organization's resources as they would their own. This doesn't mean everyone needs to be an expert, but they must be diligent about reviewing financial reports, and they should listen to those board members who are highly experienced in finance or seek the counsel of financial experts.

Resources: Key Responsibilities

- Formulate a fund-raising strategy, including a case statement that expresses the rationale for financial support.
- Expect each board member to make an annual contribution to the organization according to his or her means, and take an active role in raising money.
- Cultivate board members with expertise in finance.
- Approve and monitor the annual operating budget.
- Review regular financial reports from staff.
- Require an annual audit by an independent accountant.

Discussion Questions

1. How do we educate board members about the organization's fund-raising strategy?
2. Does every board member make an annual contribution to the organization?
3. To what extent do board members actively ask others to provide financial support?
4. Are there obvious areas of strength and weakness in our board's fund-raising performance?
5. Do we have adequate financial expertise among board members?
6. Does the board receive regular, complete financial reports? Are the reports clear and easy to understand?
7. What questions do we bring to our review of financial documents?
8. What internal controls are in place to guard against potential fraud and abuse?
9. Are our investment policies consistent with our values, financial situation, and long-term goals?

Outreach

Every board should be an articulate voice for the organization's mission, values, and programs. Board members provide connections to the community in which the organization operates, and by making use of those connections they make the organization stronger and able to survive change. Board outreach takes a number of forms: Board members serve as community ambassadors; recruit new board members, volunteers, and donors; meet with elected officials and testify before legislatures; and expand the organization's circle of influence.

In the video, executive director Francine Cary and board member Sondra Raspberry of the Humanities Council of Washington, D.C., talk about how the council's board initiates and participates in programs that bring the humanities to different parts of the community. For this organization, an "active" board means having board members who are closely involved in community outreach, helping to bring programs to audiences not traditionally served by cultural institutions. Cary and Raspberry describe two types of outreach: reaching broad audiences and reaching potential donors. Both efforts require strong board commitment and a well-articulated strategy.

Outreach: Key Responsibilities

- Listen to the needs and interests of current and potential stakeholders.
- Be active community ambassadors, promoting the organization's mission, service, and achievements as well as bringing community perspectives to the attention of the board and staff.
- Ensure that the organization has a marketing and public relations strategy to support outreach.
- Seek out key leaders in business, government, education, and the media to inform them about the organization.
- Develop policies that support and encourage outreach activities.

Discussion Questions

1. Do our community stakeholders know and understand our mission?
2. How does the board support our outreach activities? How can this be expanded?
3. To what extent is our organization well known to business, government, education, and media leaders? Do we actively pursue and develop those relationships?
4. How could more effective outreach enhance our fund-raising capabilities?
5. How does the board, its members, and the staff work together in the area of community outreach? How can we strengthen this partnership?