From Good to Great Governance

Bob Harris, CAE

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Great boards don't just happen – they are developed and nourished. These articles and resources are built upon common challenges of associations and chambers of commerce.

There are varied methods to apply the resources, including use in a leadership manual, discussing at the board table, using as an informative article or adapting to your own needs. (OK to copy, adapt, edit.)

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Identifying the Board's Values

Bob Harris, CAE

Every board has a set of values whether they know them or not. Some organizations add a list of values to complement their mission and vision statements. The three statements make up the "brand platform."

From experience I can identify the values by listening to board discussions for a few minutes. They may not be written but they become clear to me.

If values are documented, directors should be familiar with them. They should frame the discussions and decision making.

If the values have not been documented, consider this brief exercise with the leadership.

Identify Values

Set aside 15 to 20 minutes to ask directors what values they most respect when it comes to governance. They are likely to throw out concepts such as "timely" and "transparency."

Make a list on a flip chart or pad of all the values they suggest. The intent is not to reach consensus but to build the list and understanding. Let the ideas flow – it will be revealing.

In a meeting with the Leadership Academy at the Georgia Realtors®, the presidents and others made a list of more than a dozen desired values for directors.

> **Mission Driven –** Understanding that the purpose is to work as a team to advance the mission statement.
>
> **Accessible** – Members have access to the director.
>
> **Timely** – Demonstrating a respect for time, including starting and ending meetings as scheduled; postpone unneeded meetings.
>
> **Selfless** – Giving of themselves to advance the organization; not focused on personal interests.

Personal Growth – A desire for continuous improvement.
Diversity – Respect for differences in ideas, people, models and an effort to be inclusive.

Transparent – Respect for openness, avoiding a culture of secrecy.

Integrity – Desire to comply with all laws and to govern with honor.

Visionary – Able to think beyond one's term of office; identifying what's best as the organization and environment transform and evolve.

Open-Minded – Impartial in listening to and discussing ideas.

Structure – Respect for organizational structure, hierarchy and lines of authority, especially the board – staff partnership.

Confidentiality – A board treats discussions and documents with confidentiality.

Accountable – Follow through on commitments and deliver value to members.

Purposeful – A board that works towards meaningful outcomes.

Stewardship – Desire to be a good steward in the organization; a model of excellence.

Heritage – Respect for the past and culture of the organization.

Member-Driven – Consideration for the members at all times.

Prioritize the Values

After directors have offered what they believe are the primary principles applicable to governance, ask them to prioritize.

Put an asterisk next to each value that resonates with a majority of the board. Most boards are able to narrow down the list to just four or five guiding principles. Keep the final list in front of directors as a reminder of the principles which should frame discussions and decisions.

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Note: Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.

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Reverse Engineer the President's Year

Bob Harris, CAE

I met an elected president who was eager to lead. He had a lofty presidential agenda to achieve. When I checked in with him a year later, he was frustrated that what he set out to do was not completed as he had hoped.

Every chief elected officer wants to have a successful year. Their ambitions are expressed in installation speeches and inaugural president's messages.

Not all presidential initiatives come to fruition. Factors such as lack of support, unexpected distractions, and too much to do with too little resources will be roadblocks.

One way to approach success is through "Reverse Engineering."

The concept is a process in which a system, product or outcome is analyzed backwards to identify the steps needed for the desired result. It is often applied to manufacturing or software development – but works for associations, too.

Consider this example. The elected president announces, "The association will pass a government regulation to protect the profession." Chances of success are enhanced by analyzing the steps and working backwards.

One way to frame reverse engineering is to use the criteria in the national Baldrige Award. Nearly every US state has a similar quality model promoting organizational excellence.

Organizational Elements

The Baldrige criteria includes seven elements.

1. **Leadership:** How the board and staff leads the organization and the community.

2. **Strategy:** How the organization develops and implements a strategic plan.

3. **Customers:** How the organization builds and maintains relationships with members. Factors might include satisfaction levels, market share, retention rate, and value for dues investment.

4. **Measurement:** How the organization uses data to support key processes and manage performance. Nearly everything in an association can be measured and reported with dashboards.

5. **Workforce:** How the organization empowers and involves its paid workforce. Factors may include sufficient investment in professional development and longevity of staff.

6. **Operations:** How the association develops, manages and improves processes and procedures. Associations often document activities in manuals, for instance leadership, policies, communications and crisis management manuals.

7. **Results:** Whether the association has significant results, for example, improving safety, reducing unemployment, enhancing the economy or passing the new law the elected president announced.

Reverse Engineer the Goal

In the example of the president intending to pass a regulation to protect the profession, aligning the Baldrige elements will advance success. Here are the steps in reverse order:

Results – Even though this is the seventh criteria in Baldrige, start with and describe the vision of success. For example, the outcome for the elected president who announced the goal of passing government regulation to protect the profession. Frame a clear vision in which others can support.

Operations – The sixth criteria focuses on operations. Do we have the operations to support it? It may take a letter writing campaign, group visit to the capitol, or development of a white paper.

Workforce – The fifth criteria is the workforce needed to support the efforts. Lobbying is often outsourced. Staff involvement is important for a comprehensive approach.

Measurement – The fourth criteria is to measure the interim steps while working towards the goal. Metrics may include increasing contacts with lawmakers, measuring public opinion and raising political support.

Membership – The third item in Baldrige is member involvement. Engage the membership through grassroots and capitol visits are logical next step.

Strategy – The second to last criteria is to develop a strategic plan to carry out the goal. Dealing with government regulation often takes more than a year's work.

Leadership – Finally, get the buy-in of leaders. They should agree on a position, rationale and consistent messaging for a unified approach.

"Reverse engineering is an easy process. If one doesn't have the vision for success, it rarely happens," said Bill Pawlucy, CAE and former Malcolm Baldrige National Examiner.

Summary

Often goals are announced but fall short. Possibly the elements were not identified and aligned. Perhaps success was not envisioned in the beginning. Use the Baldrige model to reverse engineer and set a plan for success.

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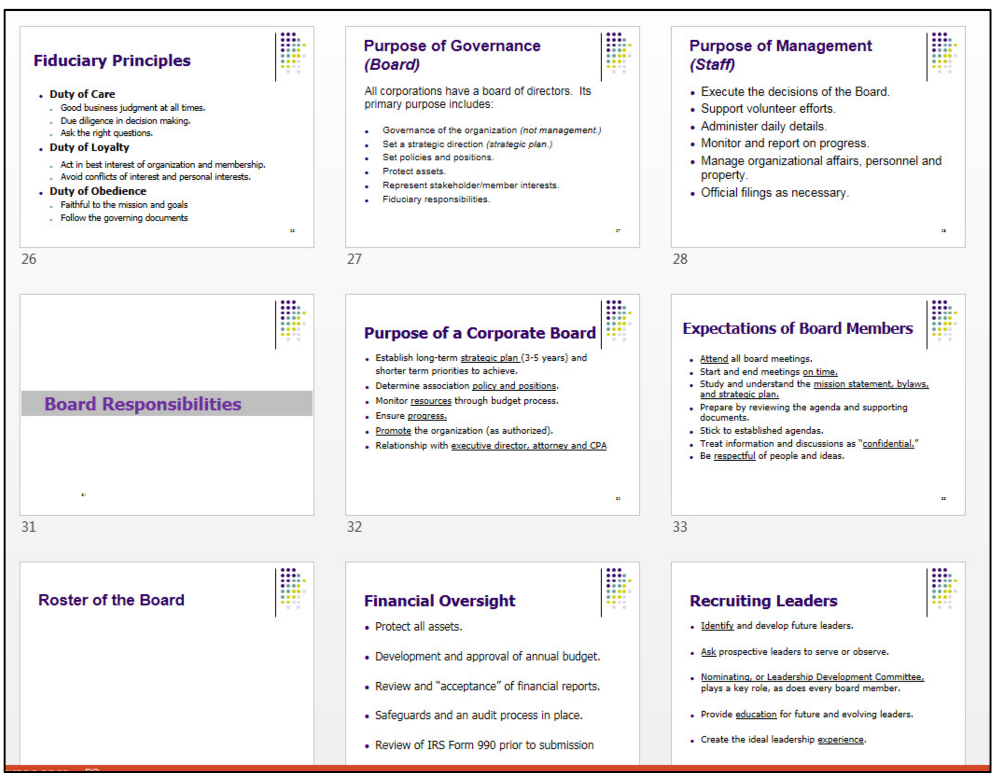
Note: Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.



Access the free board orientation PowerPoint at www.nonprofitcnet.com

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Keep Board Meetings Focused

Bob Harris, CAE

Many factors detract from good board meetings. They range from a poor setup to an ill-designed agenda. Some executives have described their board as having ADHD - attention-deficit/hyperactivity disorder.

Association and chamber executives attending the US Chamber Foundation's Institute for Organization Management offered suggestions how to keep the board focused.

Consent Agenda – Distribute reports in advance of the meeting with the agenda notice. If directors prepare by reading the reports in advance (it is their fiduciary duty of care), then a motion can be made to "Accept the reports as provided." Controversial items in reports can be moved to the regular business if needed. Using a consent agenda provides more time for priority issues.

Respect Time – Everyone's time is a valuable. Demonstrate respect for time by ensuring that meetings are called for good reason --- postpone if there is no reason to convene. If an important issue arises between meetings use on-line meetings or delegate authority to an executive committee. Start and end meetings on time.

Board Development – Plan an annual orientation for the board. Design it as a "refresh and blend" to update directors on priorities and budget while giving new directors a chance to blend into the governance team.

Set Ground Rules – Agree upon general ground rules for the board. These might include insisting on accountability for commitments, professionalism in association dealings, confidentiality, respect amongst volunteers and staff, timely responses, and acting as a role model.

We are in the Weeds – Conversations may drop from the level of governance to tactics. Directors and staff should recognize the descent in conversations by posing, "Is this governance or are we doing committee work?"

Craft the Agenda – Design a meeting agenda to achieve results. If reports and updates dominate, move them to the "consent agenda" to make room for meaningful discussions. Have a process for adding items in advance of meetings. Eliminate the usual call for "new business" at the end of the meeting.

Timed Agenda – Add time markers to the agenda. For instance, financial report – ten minutes; legislative action – 30 minutes. Time indicators should frame the length and depth of discussions.

Leadership Development – Provide training to directors so they understand their responsibilities. Ask them to sign a commitment form acknowledging they will work to advance the mission and goals, serve the members and read the governing documents, for example.

Room Setup – The room, board table and seating make an impact. An open-U with the chief elected officer at the closed end of the table works best. Be sure there is access to adjust the room temperature and enough space for food and beverage. Consider whether providing a meal is a distraction due to waiter service, a buffet line or eating.

Digital or Paper – Directors are transitioning from printed notebooks and paper to displaying reports on their tablets. Project reports on a central screen to keep directors focused on the discussion.

Mission Focused – The mission statement should be familiar to the board. Keep it on the agenda and post it on the meeting room wall. Start meetings with a mission-moment, reminding directors how the work of the association has had significant impact. A frequent refrain might be, “Does this discussion advance our mission?”

Call-Ins – Meetings require a quorum. Instead of in-person attendance, calling in may be convenient but callers can be a distraction with background noises or dropping off the call. Set protocols for directors on the phone and promote in-person attendance to maximize understanding and engagement.

Guest Attendance – Some guests are included because they are identified in the bylaws, often called ex-officio members. Other guests are drop-ins wondering what the board is doing. Guests can be a distraction and change the dynamics of board discussion.

Minute Taking – Don’t let the board secretary try to record every statement made. In most cases the advice is “brief is better.” Follow a template rather than making the minutes look like a newsletter with interesting details. Ask legal counsel whether or not they suggest recording the names of the motion maker and seconder.

Rely on the Roadmap – The strategic plan is the roadmap. Keep it on the board table. If new projects are suggested, check them against the plan to see if adjustments must be made.

Assessment – Take a few minutes before adjournment to ask directors if they think the meeting was effective and how it can be improved. Directors might suggest less paper, shorter or fewer meetings, changes in room set up and location, time of day, etc.

A board should not act as if it has attention deficit, hyper activity disorder, ADHD. Discuss ways to improve focus and reduce distractions.

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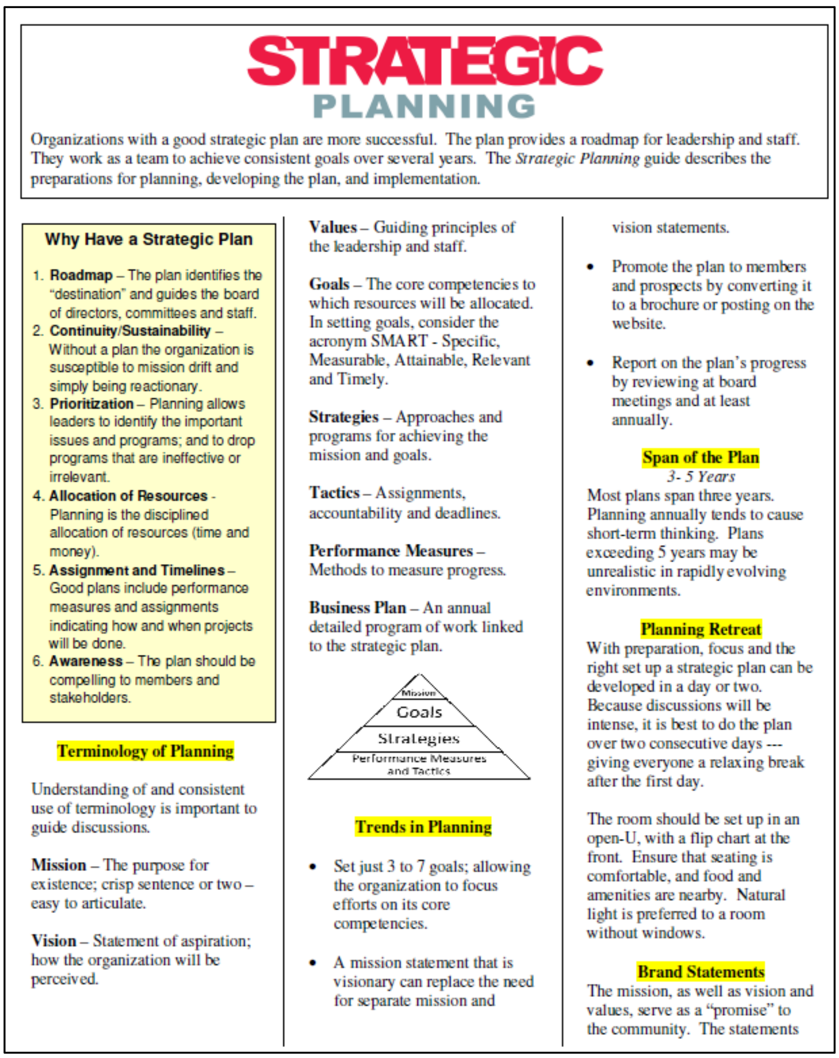

STRATEGIC PLANNING

Organizations with a good strategic plan are more successful. The plan provides a roadmap for leadership and staff. They work as a team to achieve consistent goals over several years. The *Strategic Planning* guide describes the preparations for planning, developing the plan, and implementation.

Why Have a Strategic Plan

1. **Roadmap** – The plan identifies the "destination" and guides the board of directors, committees and staff.
2. **Continuity/Sustainability** – Without a plan the organization is susceptible to mission drift and simply being reactionary.
3. **Prioritization** – Planning allows leaders to identify the important issues and programs; and to drop programs that are ineffective or irrelevant.
4. **Allocation of Resources** - Planning is the disciplined allocation of resources (time and money).
5. **Assignment and Timelines** – Good plans include performance measures and assignments indicating how and when projects will be done.
6. **Awareness** – The plan should be compelling to members and stakeholders.

Terminology of Planning

Understanding of and consistent use of terminology is important to guide discussions.

Mission – The purpose for existence; crisp sentence or two – easy to articulate.

Vision – Statement of aspiration; how the organization will be perceived.

Values – Guiding principles of the leadership and staff.

Goals – The core competencies to which resources will be allocated. In setting goals, consider the acronym SMART - Specific, Measurable, Attainable, Relevant and Timely.

Strategies – Approaches and programs for achieving the mission and goals.

Tactics – Assignments, accountability and deadlines.

Performance Measures – Methods to measure progress.

Business Plan – An annual detailed program of work linked to the strategic plan.

Mission
Goals
Strategies
Performance Measures and Tactics

Trends in Planning

- Set just 3 to 7 goals; allowing the organization to focus efforts on its core competencies.
- A mission statement that is visionary can replace the need for separate mission and vision statements.
- Promote the plan to members and prospects by converting it to a brochure or posting on the website.
- Report on the plan's progress by reviewing at board meetings and at least annually.

Span of the Plan

3- 5 Years

Most plans span three years. Planning annually tends to cause short-term thinking. Plans exceeding 5 years may be unrealistic in rapidly evolving environments.

Planning Retreat

With preparation, focus and the right set up a strategic plan can be developed in a day or two. Because discussions will be intense, it is best to do the plan over two consecutive days --- giving everyone a relaxing break after the first day.

The room should be set up in an open-U, with a flip chart at the front. Ensure that seating is comfortable, and food and amenities are nearby. Natural light is preferred to a room without windows.

Brand Statements

The mission, as well as vision and values, serve as a "promise" to the community. The statements

Access the free two-page guide to strategic planning at www.nonprofitcnet.com

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What We Call the Association Staff

Bob Harris, CAE and Ellen Miller

Ever sat in a board meeting and heard the various ways the board of directors refers to the association staff? Some phrases seem demeaning:

> "Headquarters will finish the job."
>
> "We have a secretary for that."
>
> "The management group does that for us."

I've heard all variations tossed on the board table. Sometimes I sense the board of directors feels superior to the staff, doesn't understand the relationship, or dismisses the respect they have earned.

Whether it is a staff of one or a team, they have the unique skills and the education to manage a not-for-profit, exempt organization. Staff are integral to the success of an organization. Many are experts in governance, event planning, membership service and marketing.

Demeaning comments by a board of directors percolate to the staff. They are quick to sense disrespect.

Titles Have Evolved

As associations have established themselves and become essential to their communities references to staff have changed. Long ago many associations were considered clubs and the administrator was the "club secretary." They were seldom invited into the board meeting.

As associations grew in stature the club secretary became the "executive secretary." Through the years the title transitioned to "executive director" and "executive vice president."

Today's boards realize an executive is integral to success. The executive director is charged with managing the association in accordance with the direction of the board of directors. They should be respected by internal and external audiences as a spokesperson for the organization.

To elevate the stature of chief staffer, boards have assigned the title of president/or CEO and some have added CEO after the title of executive director to make the position akin to the for-profit community. These boards know that the executive is the institutional knowledge and should have the responsibility of CEO and president. In this case the chief *elected* officer holds the title of chairman of the board (most frequently used in chambers of commerce.)

Board Staff Partnership

It takes a partnership to advance the mission and goals. Working together the board and staff produce results for the community they represent.

The board's role is to govern. They make governance decisions that represent membership interests, as prescribe by corporate law.

If the board will set the destination then the staff will work to implement the most efficient ways to reach that destination. A board develops a strategic plan so committees and staff can advance the plan.

The role of the staff is to manage. They best know the history, resources and strengths of the organization to advance the mission and goals.

Leaders should pay particular attention to the use of the word staff, especially if the profession is hierarchical and staff in the profession mean less than the professionals it represents. Given the partnership between board volunteers and association professionals, one legal Bar association has replaced the word staff with "internal team" to cast a spotlight on the importance of the partnership, clarifying that the staff team does not work directly for volunteers --- rather they work in partnership with volunteers.

Culture of Respect

A culture of respect among all components of the workforce is a priority. With the transition of board members, it may require an annual discussion to blend the team.

Recognize signs of disrespect. They may be evidenced in receiving the recommendation of a committee and dismissing their work. Or distrust among board members. Breaches of confidentiality would fit in this category.

Another example is disregard for a category of type of member. Since the theme of this article is developing respect in the association team, avoid statements such as, "Let the staff finish the project for us."

The better phrases to describe staff include:

- ✓ Management Team
- ✓ Support Team
- ✓ Professional Staff
- ✓ Internal Team
- ✓ CEO and President

Boards should realize the importance of staff and their partnership in achieving desired results.

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Note: Ellen M. Miller-Sharp is the Executive Director/CEO of the San Diego County Bar Association. Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com

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Conveying the Role of the Board

Bob Harris, CAE

"Welcome to the board, your role is to govern."

Not all directors know the meaning of governance. Some join the board with experience in their own work settings --- making administrative or tactical decisions each day. This is *not* governance.

Through board development directors will better understand their governance roles.

Too many boards are quick to fall to tactical and management discussions. This is evidenced in discussions that quickly tumble from strategic to tactical. For example, a discussion about increasing the profit potential of the annual conference. Discussion begins with the venue and budget but is distracted when a director asks, "Will the banquet include a choice of three entrees?"

"These phrases should be mantras in the boardroom."

Strategy is characterized as long-term and visionary. Tactical discussions are low level, usually the responsibility of committees or staff. Seldom are they appropriate at the board table.

Bill Pawlucy, CAE, an international governance consultant based in South Carolina instructs: "The board has a fiduciary role to govern and it is responsible for advancing the strategic plan and the budget. These two documents serve as roadmaps. The board will decide the destination and the staff will manage the details."

These phrases should be mantras in the boardroom.

Nose In, Hands Off

An international phrase to position governance: "Nose in, hands off" suggests directors should focus their efforts on the agenda, board duties and general oversight. Hands off reminds them to leave the tactics to committees and staff. "Nose in" is NOT an invitation to micromanage.

There are related phrases. "Nose to the grindstone," would remind directors they are accountable for certain duties. "Hands off" will remind directors to avoid fraternization with staff.

Trust but Verify

The phrase “trust but verify” was made famous by President Reagan after the signing of a treaty with Mikhail Gorbachev. The Russian leader quipped, "You repeat that at every meeting," to which Reagan replied, "I like it."

Application at the board table suggests that directors ask the appropriate questions and trust the answers. For example, “Do we have conference cancellation insurance?” demonstrates duty of care. But there isn’t a need during the meeting to ask how much it costs and what is the name of the insurer. Clarification and additional questions can be asked after the meeting to “verify.”

Board Governs, Staff Manage

This phrase balances the partnership of the board and staff team. Directors should focus on governance. Staff are responsible for management and administration. Add it as a footer at the bottom of agendas. Print it on bookmarks to include in board packets.

Fiduciary Role

Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members should exercise reasonable care in all decision making, without placing the organization under unnecessary risk. Be sure directors understand they are fiduciaries on behalf of stakeholders and should comply with the duties of care, loyalty and obedience.

We are in the Weeds

Empower directors and staff to recognize when discussions have fallen to tactical levels. Everyone at the board table should feel empowered to offer, “This discussion feels like we are in the weeds.” Also remind directors, “Boards don’t do committee work at the board table.”

The Brain of the Organization

According to corporate governance consultant Badri Meouchi with Tamayyaz based in Lebanon, “In so many ways the board acts very much like the brain. It thinks, debates with itself and decides on the strategic direction, and then puts in motion the acts that have to happen for that strategy to be executed.”

The brain does not walk, it gives instructions to the legs for them to do the walking, and it also monitors how and where we walk. If a big ditch is sighted by the brain, it instructs the legs accordingly so as to avoid it.

In summary, no matter how it is conveyed, the board has to understand its legal and essential role in governance. Discussions should be deliberate, produce results and avoid micromanagement.

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Note: Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.

Access the free toolkits at www.nonprofitcnet.com

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Strategic or Tactical Board?

Bob Harris, CAE

The board meets for the purpose of governance. *Governance* is described by most state corporate statutes as adherence to policies or governing documents and the continuous monitoring of their implementation. The principal duties of a board include advancing the mission, protecting assets and serving the membership.

To govern the board should be *strategic*. Strategy is defined as a method or plan chosen to bring about a desired future, such as achieving a goal or solutions to a problem. Strategy can be characterized as thinking at a higher level and for the longer-term.

A problem occurs when a board is characterized as *tactical*. Tactical can be defined as lower level work that should be carried out by committees and staff.

Strategy and desired outcomes is set by the board so that staff and committees can align resources and achieve the results.

The problem is when a board falls below strategy and becomes tactical. It is sometimes masked by the enthusiasm of the discussion. For example, in a discussion about a problem, the conversation drops to tactics: "Who will staff the registration desk?" "Will we provide coffee?" "Should we select a new theme?"

Avoiding the Weeds

Board members should want to focus their efforts on visionary discussions. This requires more strategy than tactics.

Meetings focused on tactical thinking require more time. They produce less significant results. Directors become frustrated if time is wasted discussing the details of implementation and application.

Techniques to increase opportunity for strategy and less tactics include:

- ❑ **Consent Agenda -** The consent agenda is single entry on the primary agenda that packages items the board should read but require no action or discussion, for instance staff and officer updates. Use of a consent agenda can save 30 to 60 minutes, redirecting the time for substantive issues. It requires discipline to submit timely reports and hold the directors accountable for coming prepared by reading the reports. The chief elected officer should enforce accountability among directors.

- **Agenda Design** – Asked why the agenda is in its current form and the usual answer is, “It’s always looked like this.” There are ways to design an agenda that advances the work and supports strategic discussions. Consider adding the goals from the strategic plan right on the agenda, and include the mission at the bottom. Add time indicators so directors know what’s expected with each item and when to move on. Or break the agenda into sections, for instance: I. Association Business, 2. Strategic Decisions, 3. Visionary Thinking. Remove “New Business” from the agenda by asking directors to submit ideas in advance according to policy or precedent.

- **Room Set Up** – There are room set-ups that facilitate meaningful discussions. The most common is an open U so each person feels equal; able to hear and see each other. The room environment should be comfortable. A cold, tight, dark room will not enhance outcomes.

- **All Eyes on the Screen** – Some boards distribute reams of paper in the form of reports and information. Consider less paper by giving directors access to the information on a screen. Project the report being discussed on a central screen so all board members are focused on the correct document. Directors will bring their own computers to have documents at their fingertips.

- **Dashboards** – Dashboards are graphic representation of reports and data. Improve understanding and save time by transforming a 10 minute update on membership, for instance, into a single graphic in the form of a thermometer or gauge. Use the same dashboards so directors recognize trends and gaps. Ask the board to select up to a dozen dashboards it would like to review at each meeting.

- **Knowledge Based Discussions** – Encourage the board to base discussions and decisions on facts. Too often discussions are moved by passion or group think. Group think is the practice of approaching problems or issues as matters that are best dealt with by consensus of a group rather than by individuals acting independently. Directors should ask tough questions before making decisions, exercising duty of care and fiduciary duties. Use external benchmarks to compare data from similar organizations.

- **We’re in the Weeds** – One of the most powerful comments at the board table is, “We’re in the weeds.” If conversations appear to fall below governance, directors and staff should recognize the problem and pose the statement.

Nobody wants to conclude a meeting wondering if anything was achieved. Involve the officers in the design of meetings that advance the mission and goals without dropping into tactics. Orient the directors to their roles in governance and the distinction between strategy and tactics.

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COMMITTEE RESPONSIBILITIES

Committees are an integral part of successful organizations. Their purposes include: supplementing the work of the board and staff; engaging members; and developing leaders. The *Committee Responsibilities* guide clarifies responsibilities, authority, recommendations, smart practices, trends and risk avoidance.

Types of Committees

Standing Committees are identified in the bylaws and serve the duration of the year.

Subcommittees divide work amongst subgroups.

Task Forces and **Ad Hoc Committees** are appointed for a specific purpose. The committee disbands after completing the assignment. Because volunteers have limited time, consider using task forces or **Quick Action Teams** (similar to task forces but even shorter duration.)

Councils, Think Tanks, Brain-Trusts, Strike-Forces and Special Interest Groups are other committee names, often created to engage persons with similar interests, such as practice specialty, geography or ethnicity.

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Chairs and Liaisons

Every committee needs leadership.

The **chair** should have the best understanding of the purpose of the committee and the immediate tasks. He or she sets the tone for achieving results and engaging volunteers. The chair should be able to communicate a clear vision and desired outcomes.

Use a **vice-chair** or **co-chair** for sustainability. The position supports the chair and may become next year's leader.

Committee liaisons serve as an advocate and champion. A board liaison is the communication channel between the committee and board. The staff liaison is a link to management and resources.

Alignment in the Organization

Committees have a "fit" within the organization. Each has an explicit purpose often identified in the **governing documents** (bylaws, policies or committee purpose statements.)

Efforts of the committee should align with the organization's structure, strategic goals and resources. An org-chart will depict hierarchy and the relationship to the board and staff.

Trends in Committees

- There are no "sacred cows." Is the committee necessary?
- Elimination of standing committees in favor of task forces.
- Committees are all aligned with the organization's strategic goals.
- Technology use, on-line meetings and committee web portals.
- No silos. Committees should interface with other committees to collaborate.

Outcomes and Recommendations

Committees should produce ***results***. For example, instance, creating new educational content, programs, publications, fund raising, a robust special interest section or enhancements in the organization.

Most efforts by a committee will require approval by the board. *Recommendations* should be in the form of a motion or resolution. A request to the board should be explicitly clear so that directors understand and approve.

When setting committee goals, be realistic about what can be achieved. Break projects into monthly or quarterly steps.

Committee Resources

Resources take the form of time and money:

Finances – The annual budget may have allocations for committees.

Time – Consider the value of a committee meeting by multiplying the # of persons involved x the length of the meeting x $50 hour wage/vale (minimum).

Information – "Read to Lead." Know the mission, bylaws, policies, strategic plan, budget and organizational chart.

"Some committees keep minutes and waste hours."

Access the free two-page guide to Committee Responsibilities at www.nonprofitcnet.com

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Managing the "Rainy Day" Fund

Bob Harris, CAE

Some associations are sitting on considerable reserves, a combination of savings and property. Ask why they have amassed the assets one might hear, "It is our rainy day fund."

The purpose of the savings is described with varied perspective: "The leaders before us saved the money and it is our job to protect it." "We shouldn't spend it in case we have a crisis." Or, "We don't give it much thought, it's just there."

An organization's reserves are part of its strength. Leaving excessive funds untouched may not be the wisest decision. Strong reserves do build confidence and support sustainability.

Reserves are intended to benefit the membership and advance the mission. When an expenditure is essential, I've heard boards tell the executive director, "We can't afford that, it's not in the budget," although the savings were flush.

Building Reserves

Prudent boards find ways to add to savings each year. A common benchmark for reserves is an amount equal to fifty percent of the annual income. Some associations have policies prescribing a minimum and maximum for savings in relation to the budget.

Several factors affect savings, including environmental challenges, indemnification expectations, government regulation and whether or not an office is rented or owned. A board should consider the reserves in relation to the strategic plan.

Strategic Use of Reserves

Richard Vincent, Executive Vice President at AGC of Kentucky describes this scenario to facilitate wise use of savings.

During our recent strategic planning session our board of directors adopted a goal of building upon the strengths of our organization to create a showcase chapter. One of the strategies identified to accomplish this goal was to determine how best to utilize our reserves.

We already had a well-defined investment account policy that has served the association very well. This, coupled with consistent fiscal discipline, established a solid financial foundation for our organization. With this foundation in place we sought to develop parameters for what became our “Strategic Reinvestment Initiative”. This initiative would allow us to leverage reserves for the benefit of member firms and the industry we serve.

When considering this action our paramount concern was the preservation of long-term financial security. The primary points of consideration were:

- Ensuring good financial stewardship of the association’s resources by recommending a responsible, sustainable policy for Board consideration.

- Consideration of the current and future needs of the association to maintain a competitive market presence and deliver impactful member services/industry accomplishments.

- Adherence to the vision of protecting our member’s equity in the organization while capitalizing on opportunities to provide them with a return on their investment.

- Maintaining resources and flexibility for current and future Boards.

In setting out to create guidelines that would meet the expectations above we also kept in mind the overall goals of the policy. Specifically, the current and future funding of strategic plan initiatives and other opportunities that deliver value to our constituency.

Strategic Reinvestment Initiative Policy

Annually AGC of Kentucky will reinvest 4 percent of the long-term investment account balance into specific activities identified as priority in our strategic plan. An additional 2 percent may be utilized under certain circumstances but will automatically sunset the following year. The percentages, determined through consultation with our financial advisors, are based upon the three year rolling average account balance. In order to be automatically reauthorized the account must meet minimum balance requirements.

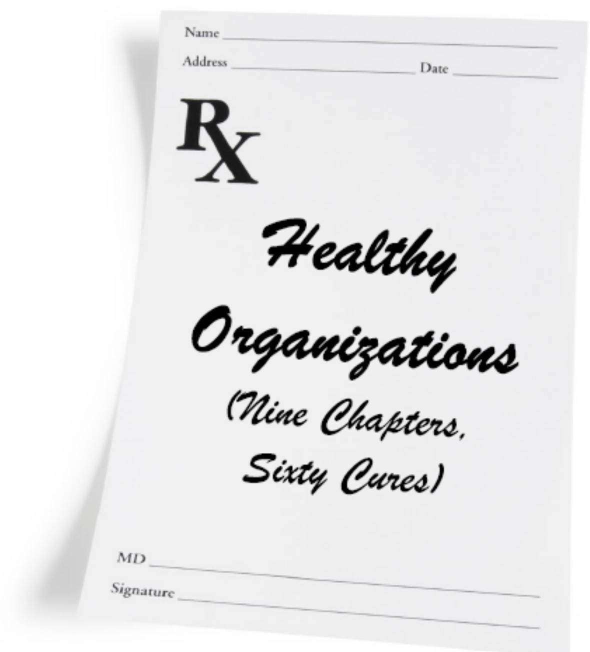
Without implementation of this initiative, aligning financial resources to fund strategic plan goals would have forced tough decisions. With the launching of this policy we are able to demonstrate to members that our reserves are being reinvested to address current industry issues while maintaining safeguards for the future.

In summary, the amount of reserves and their use is a strategic decision. When the board meets and leaves savings untouched they are making an unstated decision.

It is worth noting that through IRS Form 990, members and stakeholders have access to know how the board is building or using reserves. (Be sure to rely on professionals for advice regarding savings, policies and expenditures.)

# # #

Note: Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.



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Access the free *Prescription for Healthy Organizations* at www.nonprofitcnet.com

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Bullies in the Boardroom

Ricki Garrett, PhD and Bob Harris, CAE

Joining a board should be an honor. It is an opportunity to use leadership skills and tact to advance a shared mission. The boardroom environment should be a place of respect among peers.

Yet some associations deal with the "boardroom bully."

There is no phenomenon more damaging, disruptive and counter-productive to associations than that of a director who takes on the role of bully. It is disruptive and hurtful. Directors or staff may resign stating, "This is not why I got involved in this association."

Despite the best efforts to educate boards about good governance and to anticipate problems, bullying can cause damage to the organization as well as the volunteer leaders and professional staff.

> "Emphasize to board members, particularly the board chair, the necessity for boards to police themselves, and for the board to intervene in cases of rogue behavior."

Association boards are difficult to manage under the best of circumstances. To advance the important work that they do it is imperative to understand what causes bullies and how best to deal with them. The behavior may appear suddenly, quickly causing harm to the board culture and desired outcomes.

Though rogue behavior seems to appear out of nowhere, there are some specific causes, and pro-active steps can be taken to ward off the damaging effects. The causes are often as complicated as the human psyche, but, essentially, they can be condensed into the following:

Self-Interests - Putting one's needs or desires above that of the organization. Although most directors have an understanding that their power is jointly shared with the other members of the team and that a board only speaks through appropriate channels, some directors allow their personal desires, jealousies, and agendas to dictate their behavior. Oftentimes, it is only one or two board members who are behaving badly, but unfortunately, they are often able to bully other directors into submission or convince them that they are acting in the best interest of the board.

Role Clarity - Blurring of lines between governance and management. Either out of some need to micromanage the organization or a lack of knowledge about the differing roles of board and staff, board members begin to interfere in the day-to-day management of the association. Micromanagement might include personally directing the executive director or staff, making decisions outside of the board, and holding improper meetings with select board members. This behavior undermines and interferes with the work of board, committees and staff.

Accountability - Failure to police their own bad behaviors. Because board members either lack the self-confidence or the expertise to reign in wayward colleagues, executive directors are often left to try to counter the board behavior, further putting themselves and the association at risk. Board members must understand their role as trustees and act as a unit. When board members act outside of that role, fellow board members must be responsible for addressing the problem and for supporting the executive director.

Bullying Solutions

To achieve good governance, a respectful environment, and role clarity, it is important for board members to adopt processes to decrease the likelihood of rogue board behaviors.

The following steps should be considered:

- Emphasize the qualifications and characteristics of good board members and put measures in place to assure that the most highly qualified of candidates be selected.

- Provide orientation at the beginning of the term as well as at intervals throughout their tenure. Board members should be taught the principles of good board behavior, the difference between governance and management, the distinct responsibilities of board and staff, and the importance of treating each other with respect.

- Emphasize to board members, particularly the board chair, the necessity for boards to police themselves, and for the board to intervene in cases of rogue behavior.

- Expect that the governing documents of the association be followed and that fiduciary roles are understood and observed.

- Emphasize that the executive director works for the board and is answerable to the board itself, not to individual board members, and the importance of supporting the executive director against rogue board behavior.

No board is perfect and no executive director is immune to the vagaries of board behavior. The effectiveness of associations depends upon the highest level of trusteeship from directors who understand their roles and are willing to take a stand against behaviors that threaten their efforts.

# # #

Ricki Garrett, PhD, is the Executive Director of the Mississippi Speech-Language-Hearing Association and a speaker/trainer. She can be contacted at rickigarrett4@gmail.com or 601 940 6383. Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.

BOARD RESPONSIBILITIES©

Serving on the Board of Directors is a rewarding and important responsibility. This guide informs leaders of the unique aspects associated with governing a volunteer, membership organization.

BOARDS GOVERN STAFF MANAGE

Govern More - Manage Less!

Governance: Volunteer leaders are responsible for the direction of the organization. The board governs, develops policy and sets a course. The mission statement should frame all discussions. Purposes of a board of directors:

- Governance
- Policy & Position Development
- Visionary – Future Focus
- Fiduciary

Management: Staff are responsible for administration of the organization. Staff *partner* with the board to advance goals and strategies, while taking care of the daily administrative needs unique to nonprofit organizations.

Unique Terminology

Not-for-Profit refers to the legal corporate status of the organization. (It does not imply an exemption from paying or collecting *state sales tax*.) **Nonprofit** is the casual reference to Not-for-Profit

Exempt Organization is a reference to the IRS designation exempting the organization from paying most federal income tax (with exception of **UBIT - Unrelated Business Income Tax**.) The most common exempt designations:

IRS 501(c)(3) often refers to organizations with a religious, charitable, scientific or educational purpose.

IRS 501(c)(6) refers to trade associations, business leagues and professional societies.

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Board Responsibilities

1. Determine and advance the organization's mission and purposes.
2. Select the chief paid executive *(not staff)* as well as CPA and attorney.
3. Support the chief executive and assess performance in the organization (i.e. budget, goal achievements, etc.)
4. Conduct organizational planning.
5. Ensure adequate resources (funds, time, volunteers, staff, etc.)
6. Resource and financial oversight.
7. Determine, monitor and enhance programs and services.
8. Promote the organization.
9. Ensure legal and ethical integrity and maintain accountability.
10. Develop future leaders.

(Adapted from Ten Responsibilities of Nonprofit Boards www.BoardSource.org.*)*

Good Governance

Scrutiny has increased on nonprofits from media, government and members. More recently the IRS has focused on organization governance and policies. Boards are expected to be accountable, independent and transparent.

Policy questions in IRS Form 990 include:

- Audit and Audit Committee
- Whistleblower
- Compensation
- Document Destruction
- Conflict of Interest
- Public Records
- Board and Committee Minutes

Insurance and Volunteer Immunity

State and federal governments afford certain protection to volunteer leaders. While the volunteer may have some protection, the organization is still open to legal suits. Insurance coverages add further protection for volunteers and organization, include:

Directors and Officers (D&O) Liability may cover legal defense for employment, copyright, and antitrust claims, for instance.

General Liability insurance covers property damages and injuries relating to the organization.

Fidelity Bond covers losses resulting from fraudulent or dishonest acts committed by an employee.

Meeting Cancellation covers the loss of revenue due to a cancellation, curtailment, postponement because of weather, strikes, etc.

(Contact legal and insurance counselors for assistance.)

Legal Principles

Duty of Care requires leaders to use reasonable care and good judgement in making their decisions on behalf of the interests of the organization.

Duty of Loyalty requires leaders to be faithful to the organization, avoiding conflicts of interest.

Duty of Obedience requires leaders to comply with governing documents (i.e. bylaws, articles of incorporation, policies, etc.)

Board Tools

Documents available to leaders, often in a ***Leadership Manual*** or board portal.

- Statement of Purpose (Mission)
- Articles of Incorporation
- Bylaws
- Policy Manual
- Strategic Plan
- Financial Statement - Budget
- Meeting Minutes
- Organizational Charts
- IRS Form 990

Treat board discussions and documents with *confidentiality*.

#1 lie --- "You won't have to do anything when you get on the board!"

Order form attached for the two-page laminated *Guide to Board Responsibilities©*.