

Rhode Island Foundation

Capacity-Building Project | 2013 – 2014

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Really tough talk about governance and boards

How you can ensure good corporate governance and an effective board with scandals all around

An important rant for you to read

Now is the time to be afraid of inadequate governance. Actually, the time is long past.

Yes, there are far too many scandals... Scandals in the for-profit and nonprofit sectors too often occupy the headlines.

But scandals, well those may be perpetrated by “evil” people, right? Most of us aren’t “evil,” neither as individuals nor organizations.

Unfortunately, there’s lots more inadequate corporate governance than there is evil corporate governance. One of my favorite *Harvard Business Review* articles talks about governance as a “rare and unnatural act.”

And given my 30+ years experience in corporate governance... I’m telling you that even the boards (and individuals) that claim significant experience, expertise and sophistication... Well, my response is “not so much.”

Cast your eye outward. What do you see? I see Enron, Adelphia, WorldCom and Tyco. I see the new one, BP. And how about the American Red Cross back at 9/11? And the Smithsonian, and Princeton, ACORN, and more. How about Roger Williams Medical Center and Roger Williams University right here in little Rhody?

All failures of governance, no matter what else happened, too.

Really, there’s no excuse.

What do you think your donors and prospective donors think of this? What do you think your clients think? These scandals affect the credibility of nonprofits, even the good governance ones. And you may never even know this. Rest assured, donors and clients may just leave without telling you why.

And what about government?

What does government do in response? Things like Sarbanes-Oxley and the new IRS 990 with its governance questions? And how about those aggressive attorneys general and state charity divisions?

An effective board should be at the heart of your organization. Maybe your board is really good and might benefit from some tiny tweaks. Maybe your organization is evolving and the board needs some help evolving, too. And, honestly, some boards are pretty dysfunctional.

No matter where your board is, a health check up is a good thing. Even if your board seems to function well, a health check up is useful to convince all those others... You know, your donors and the foundations, the state attorney general and the IRS. (Yes, they really are watching!)

So what’s the big secret? What does the body of knowledge (research and expertise) tell us? What are the standards your board should aspire to? And who is responsible for making all this happen?

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Visit www.simonejoyaux.com for more resources

Click on Resources and visit the Free Download Library for dozens of PDFs related to governance, fund development, planning, and more. There you'll find:

- Sample job descriptions for the chief executive (e.g., executive director / managing director/ whatever you call that position) and for the chief development officer.
- Performance appraisal tool for the chief executive
- Performance appraisal tool for the individual board member
- And lots more!
- Visit the various websites in “other links.”

Resources to help develop your expertise and skills in governance and organizational development

Attend workshops and conferences: For example:

- AFP (Association of Fundraising Professionals). For Rhode Island, see www.afpri.org. For other chapters, visit www.afpnet.org. This professional association and its chapters provide training and resources about all areas of the sector, not just fundraising.
- TSNE (Third Sector New England – located in Boston), www.tsne.org
- TDC, Boston, www.tdcorp.org

Read regularly:

- *The Chronicle of Philanthropy* regularly, www.philanthropy.com
- *The Nonprofit Quarterly*, www.nonprofitquarterly.org
- *Stanford Social Innovation Review*, www.ssireview.org
- Free e-newsletters: Ahern Communications, www.aherncomm.com and Joyaux Associates, www.simonejoyaux.com
- Read Joyaux weekly blog on homepage. Subscribe to the feed.

For other free downloadable resources and web links related to the nonprofit sector and to social justice / social change philanthropy, visit www.simonejoyaux.com.

Books and articles about governance (and organizational development, which affects governance)

Block, Peter. *Stewardship: Choosing Service Over Self-Interest*.

Carver, John. *Boards That Make A Difference: A New Design for Leadership on Nonprofit and Public Organizations*. See also *The Policy Governance Fieldbook*, Caroline Oliver, General Editor.

Chait, Richard P., William P. Ryan, and Barbara E. Taylor. *Governance as Leadership: Reframing the Work of Nonprofit Boards*.

Collins, James C. and Jerry I. Porras. *Built to Last*. Also see Collins' *Good to Great* and *Good to Great and the Social Sector*.

Conger, Jay A., David Finegold and Edward E. Lawler III. "Appraising Boardroom Performance," *Harvard Business Review*, January - February 1998.

Dayton, Kenneth N. *Governance is Governance*, an occasional paper from the Independent Sector.

De Geus, Arie. "The Living Company," *Harvard Business Review*, March-April 1997.

DePree, Max. *Leadership is an Art*.

Ellinor, Linda and Glenna Gerard. *Dialogue: Rediscover the Transforming Power of Conversation*.

Gardner, John W. *Building Community*. Independent Sector, Washington, D.C.

Grace, Kay Sprinkel. *The Ultimate Board Member's Book: A 1-Hour Guide to Understanding and Fulfilling Your Role and Responsibilities*.

Heifetz, Ronald A. and Donald L. Laurie. "The Work of Leadership," *Harvard Business Review*, January-February 1997.

Herzlinger, Regina E. “Effective Oversight: A Guide for Nonprofit Directors,” *Harvard Business Review*, July-August 1994.

Jackson, Peggy M. and Toni E. Fogarty. *Sarbanes-Oxley for Nonprofits: A Guide to Building Competitive Advantage*. John Wiley & Sons, 2005.

Joyaux, Simone P. *Strategic Fund Development: Building Profitable Relationships That Last*, 2nd edition

McFarlan, F. Warren. “Working on Nonprofit Boards: Don’t Assume the Shoe Fits,” *Harvard Business Review*. November-December 1999.

Nadler, D.A. “Building Better Boards,” *Harvard Business Review*. May 2004.

O’Toole and Benis “What’s Needed Next: A Culture of Candor,” *Harvard Business Review*, June 2009.

Pottruck, David S. and Terry Pearce. *Clicks and Mortar: Passion-Driven Growth in an Internet-Driven World*.

Robinson, Andy. *Great Boards for Small Groups: A 1-Hour Guide to Governing a Growing Nonprofit*.

Senge, Peter M. *The Fifth Discipline: The Art and Practice of a Learning Organization*. See also *The Fifth Discipline Fieldbook*, Doubleday.

Sonnenfeld, Jeffrey A., “What Makes Great Boards Great, *Harvard Business Review*, September 2002

Taylor, Barbara E., Richard P. Chait, Thomas P. Holland. “The New Work of the Nonprofit Board,” *Harvard Business Review*, September-October 1996.

A. Setting the context: Accountability. Transparency. Governance.

How important is really good governance? Think about these things:

- Operating in a post-scandal world
- Government frustration – federal, state, local
- Image and reputation to donors, prospects, volunteers, policy-makers, community influencers
- Credibility of the sector itself
- Increasing number of nonprofits – so many choices for those who are choosing
- Access to information – hence increased expectations

When it comes to governance, most corporations are about the same – including yours and Enron. Be afraid! Look at the for-profit and nonprofit scandals. Watch government response.

1. Body of knowledge

- a. Corporate governance – whether for-profit or nonprofit – is a well-documented field with clearly defined best practice. Not much is “subject to personal opinion.” Personal opinion doesn’t matter; professional opinion does. Just because people serve on boards does not mean these individuals know what good governance is or how to do it.
- b. Corporate governance means the group of volunteers typically called a board. Management means staff at all levels. But it’s more complicated than that. While there are rules, there is also judgment – and that comes from experience and the body of knowledge.

2. Governance expertise

- a. Too many key staff do not understand governance and organizational development. Staff often are reluctant to assume responsibility for having the knowledge and enabling the board.
- b. Staff – especially the CEO and chief development officer – have the most power. Staff choose to exercise their power well, or not. Some staff don’t want effective governance.
- c. The leader of the organization (and that’s the chief staff person) needs to be an expert in governance. (And the chief development officer better be an expert too. Why? Because this individual works so closely with board members and a committee. In fact, any senior person who staffs a committee ought to know enough about governance to enable this to happen well.)
 - In partnership with the board chair, the CEO leads and guides the organization’s board as it carries out its governance responsibilities. (I call this process of leadership and guidance “enabling”. See handout page 13.)

Boards add value beyond money and access. And boards cause stress, too.

3. B. What is corporate governance? What does it mean to be a board?

Being a board isn't easy. It's not just a bunch of great people who love your mission, attend meetings, serve on committees, set some policies, and maybe give a gift or sometimes help fundraise.

As a group, the board is legally and morally accountable for the health and effectiveness of the organization. What a board does together is different than what individual board members do. Individual members have no authority in governance because governance is a collective act.

1. Concept of the **collective and authority of the group**. Distinction between the board and the individual board member. Distinction between a board member doing governance or doing management.
 - a) See *Basic principles of governance* on page 14.
 - b) Defining the role of the board. See handout, page 15.
 - c) Governance only happens when the board is together.
 - d) **Operationalizing the role of the board** at board meetings, the only time that governance happens. See sample due diligence outline on pages 39 – 42.
 - e) Governance is the process of **due diligence**. But so is management.
2. Distinction between governance and **management**.
 - a) See job description of CEO at www.simonejoyaux.com. Click on Resources and visit the Free Library, located in the left hand navigation bar.
 - b) Relationship of the board (and its committees and individual members) with the CEO. And what about other staff?
3. Understanding **what makes groups effective** – or ineffective!
4. Articulating **scope of authority and limitations** of the board.
 - a) Handout page 15: *Role of the board*
 - b) Handout page 30: *Performance expectations of the individual board member*.
 - c) See John Carver's great work related to limitations policies for the board, board members, committees, and the CEO.
5. Setting **standards** and adhering to them
 - a) Handout pages 18 – 23: *Governance self-assessment*
 - b) Handout pages 16 – 17: *Policy related to board operations*
6. Recognizing that no single board member – including officers – has more authority or privilege than any other. (And that includes the **board chair**! Beware of rogue board chairs, a too-common experience. Ask me about Massachusetts Keith and Rhode Island Ralph.)
7. Operating as an **advisory body** rather than a governing board with full authority. (For example, town manager may have final authority over the town-owned library. Or there's an advisory board for a particular program within a larger institution.)

C. Recruiting the best board members for your organization

How do you develop the best board for your organization? It's an intentional, time consuming, and ongoing process.

1. What makes an **effective board member** – and how does individual effectiveness support (or hinder) group effectiveness? For example, how about **bomb-throwing** board members? What's good or bad, when and why?
2. Articulating **board and board member roles and limitations**, and formalizing as policy – as noted in the steps above.
 - a) Handout page 30: *Performance expectations of the individual board member*.
 - b) Operating as part of the group for corporate governance – or acting as a volunteer reporting to management.
3. Talking a lot about **diversity** in your organization, defining what it means, and recruiting accordingly. Governance is not just about getting affluent and socially / corporately influential people on your board!
4. Remembering that boards and board members do not exist to primarily to perform **fundraising** – but fundraising is part of the role of the board and its individual board members.
5. Defining the appropriate **composition for the board**, based on items #1 – 4 above.
 - a) Handout page 33: *Policy related to composition of the board*
 - b) And if you're not a self-elected board, then you have to get your appointing bodies to support your decisions and appoint the kind of people you need.
6. Identifying the **behaviors** expected of all board members, selecting the **composite of skills** required within the board, and envisioning the **diversity screens and networks** that add value.
 - a) Handout page 33: *Policy related to board composition*
 - b) Review incumbents and identify gaps.
 - c) Handout pages 34 – 35: *Inventory tool*
7. **Identifying qualified candidates** who meet your organization's needs / gaps by talking with staff, committees, board members – and also talking with targeted referral sources.
 - a) Using referral sources
 - b) Electing someone that no one in the organization knows.
8. Conducting the **screening interview**.
 - a) Don't get trapped into inviting them without screening first!
 - b) Use the screening interview to secure the promise of proper behavior – and permission to confront performance issues in the future. Secure candidate commitment prior to nomination.
 - c) Handout pages 36 – 38: *Recruitment process and screening interview*
9. Expanded **role of the governance committee** (Don't call it the nominating committee. Change the name and send a message that this is not business as usual.)
 - Handout pages 31 – 32: *Scope of work for the Governance Committee*
10. **Releasing non-performers or problem people.**

- a) Being proactive about this – why does it matter?
- b) Enhancing attrition or thank and release.

D. Organizing and supporting the board

Now that you've got the best people, what's next? How can you create a shared vision of effective governance and enable the board to be all it can be?

1. Confirming the body of knowledge that constitutes **effective governance**.
 - See all these handouts.
2. Establishing the **appropriate committees / task forces**: which ones do you need?
 - a) Distinguishing between the board's role and that of its committees or task forces
 - b) Distinguishing between governance committees and management committees
 - c) Limiting the number of standing committees – and using ad hoc task forces
 - d) Engaging non-board members as well as board members on all committees / task forces
 - e) Respecting roles, e.g., committee chair and staff
 - f) Effectively enabling committees to perform
 - g) And, exploring whether or not to have an **executive committee**. (Many are joining my worldwide mission to destroy all executive committees!)
 - h) Handout pages 24 – 25: *Committee operations*
 - i) P.S. don't list committees in your bylaws – only the one involved in the elections process.
3. Conducting an annual **orientation** for newly elected board members. And reminding the incumbents about their roles and the organization's issues as well.
 - a) Reviewing roles, performance expectations, and critical policies.
 - b) Reviewing financing and financial reporting, philanthropy and fund development.
 - c) Presenting the strategic plan / direction.
 - d) Reviewing board organization (including committees), and meeting format.
 - e) Explaining the role of management, and its coordination with and distinction from governance (the board).
 - f) What else?
4. It's all about knowing best practice and the body of knowledge in governance and organizational development. And then you have to **enable** well.
 - a) Enabling is a staff function. And the effectiveness of a board really depends upon the CEO. See handout on *enabling*, page 13.
 - b) The board should consider the degree to which a candidate for the CEO position knows best practice and body of knowledge as noted above – and is an effective enabler.
 - c) Governance expertise and enabling should be part of the annual performance appraisal of your CEO.
 - d) P.S. Development officers must be knowledgeable about governance and must be effective enablers also.

E. Ensuring effective board meetings

Remember, the board only exists as a group – which means that it only exists when it is meeting (whether face-to-face or virtual).

So board meetings are the most important moments in the board's life because that's the only time that corporate governance is done.

1. What's your organization's culture, e.g., personality?
 - a) Culture of candor, congeniality?
 - b) When is questioning good or not-so-good or even bad?
 - c) What does dysfunctional politeness look like?
 - d) How about bomb-throwing board members? How do you feel?
2. Designing **board meeting agendas** based on the Due Diligence Plan.
 - See sample due diligence outline on pages 39 – 42.
3. Providing – in advance – **appropriate information**, translated into trends and implications.
4. **Managing meetings** well. (This is all about organizational development, including group dynamics.)
 - For more information about organizational development, see Chapter 2 of *Strategic Fund Development: Building Profitable Relationships That Last* and the monograph entitled *Choosing Your Road* on Joyaux' website in the Resources Section / Free Library / Fund Development. Watch for the 3rd edition of *Strategic Fund Development*, available in spring 2011.)
4. Engaging in **conversation** and asking the essential questions. Reducing reports.

See *Conversation is a core business practice*, posted in Resources | Free Download Library at www.simonejoyaux.com. (This handouts was provided at the June 2010 Kick-Off of the RIF Arts Capacity Building Project.) For more about conversation and questions, see *Keep Your Donors: The Guide to Better Communications and Stronger Relationships* and the new third edition of *Strategic Fund Development*.

 - a) Conversation is a core business practice. Discussion is different than dialogue.
 - b) Disagreement and even conflict are good – as long as you're fighting the right fights.
 - c) Stimulate conversation by challenging assumptions (yours and others), asking the essential strategic questions, and then really pushing with the cage-rattling questions.
 - d) What does consensus decision-making really mean? And how about voting, unanimity or not?
 - e) See the strategic questions for building an effective board, located in Resources | Free Download Library at www.simonejoyaux.com.
7. See *Tips to improve your board's operations* at www.simonejoyaux.com, Resources | Free Download Library.
8. P.S. Roberts' Rules of Order are not that big a deal...really.

F. Improving your board through evaluation

Too few boards evaluate themselves. That's a shame. Regular health check-ups are good for everyone and everything. The board sets standards of excellence for the board, committees, and the individual as a board member. Then the board compares its performance to the standards.

1. Defining what constitutes good **evaluation**.
 - a) Clearly articulated standards articulated as policies, process and protocol.
 - b) Organizational commitment to and definition of process and protocol to compare performance to standards.
 - c) High levels of participation in evaluation processes combined with adequate frequency of evaluation.
 - d) Communicating standards and evaluation processes and protocols in advance.
1. Evaluation **strategies**
 - a) Try a quick evaluation at the end of board and committee meetings.
 - b) Conduct a governance self-assessment annually, or at least every couple years. See *governance self-assessment* on pages 18 – 23. Compare results from year to year.
 - c) Evaluate individual Board member performance annually. You have to invent one – and it's based on the performance expectations adopted as board policy and articulated prior to the nomination. See sample at www.simonejoyaux.com. Click on Resources and visit the Free Download Library.
 - But the way, self-appraisal isn't good enough. Research shows that those who actually have performance issues appraise themselves as good performers.
 - And don't keep people "until their term expires." Who wants to wait that long? Provide feedback. Expect improvement. Enforce consequences.
2. Follow-up of evaluation process.
 - a) Analyze and talk about findings and implications.
 - b) Outline requisite improvements and change process to assure improvements.
 - c) Monitor progress of change.
 - d) Hold people and groups accountable. Define and enforce consequences for non-adherence to standards – including thanking and releasing board members who are not meeting performance responsibilities.

A little aside: Compare your organization's bylaws to *Simone's best bylaws*, posted in Resources | Free Download Library at www.simonejoyaux.com. Too many bylaws are too complicated. (Lawyer involvement maybe?) Too many bylaws include too much detail, detail that should be in separate policies.

G. Nature of privilege and power within boards

Too few boards (and organizations and other groups, too) explore privilege and power – in their fund development or in their boards.

The world – and that means our countries, communities, and organizations – foster power that is most often practiced as influence. And that influence is most often based on privilege, e.g., race/ethnicity, gender, class, sexual orientation, and socioeconomics.

Privilege produces power. Power can produce abuse and social injustice.

Our general approach to governance (and to fund development) is too often about traditional power. Think about it: controlling board chair, uncontrolled executive committees; major gifts and major donors. What else?

Too few people and organizations and communities acknowledge and then talk about this.

Keep this in mind:

- Corporate governance is a collective act so there is no hierarchy within the board. Everyone is equal.
- Boards are accountable to censure rogue board chairs and rogue committees and rogue board members. Quit complaining about political realities and assume your moral and ethical (and legal) accountability.

Join my worldwide mission to destroy all executive committees. Join all the others who are signing up. Be a leader.

But wait. Step back. This isn't body of knowledge – not yet!

Begin by questioning the status quo. Challenge the apparently commonly held assumption and practice that organizations should have an executive committee.

What strategic (and cage-rattling) questions would you ask about executive committees? How will engage your full board in this conversation?

Who will raise this issue? Who has the authority to raise this issue?

Who gets to decide the answer for your organization?

H. In summary, what is good corporate governance?

Joyaux thoughts:

1. Body of knowledge + best practice + questioning assumptions + personalization = effective boards. Beware of models that are rigid recipes.
2. Choosing to be effective despite “political realities.”
3. Equity of power
4. Health group dynamics / cohesion, without groupthink or the Abilene paradox
5. Commitment to and understanding of group process
6. Avoidance of functional silos
7. Eliminate concept of “representation” or loyalty to appointing bodies
8. No rogue behavior – or censure the rogues and release them if necessary
9. Shared values, norms and guidelines
10. Accountability, transparency, consequences, enforcement
11. Ongoing conversation with the full group
12. Strategic conversation, essential and cage-rattling questions, and appropriate participatory decision-making
13. Good judgments – because policies, systems, and protocols don’t make good governance

Joyaux' concept of enabling

Staff responsibility towards volunteers – and also applicable in the employment situation

Enabling functions

1. Transmit the organization's values.
2. Engage volunteers in the meaning of your organization.
3. Respect and use the skills, expertise, experience and insights of volunteers.
4. Provide direction and resources, remove barriers and help develop skills.
5. Articulate expectations and clarify roles and relationships.
6. Communicate (which includes helping people transform information into knowledge and learning).
7. Encourage people to question organizational assumptions and ask strategic questions.
8. Ensure quality decision-making.
9. Anticipate conflicts and facilitate resolution.
10. Engage volunteers in process as well as tasks.
11. Encourage volunteers to use their power, practice their authority, and accept their responsibility.
12. Model behavior.
13. Coach people to succeed.
14. Manage.
15. Enhance attrition.
16. Monitor, evaluate, and enhance enabling.
17. Create opportunities / strategies to buy more time to think things through. (Cohort 14, Masters in Philanthropy and Development Program, Saint Mary's University, MN)

Enablers have the right attitude. Enablers:

- respect and trust others;
- are trustworthy themselves;
- are comfortable with diversity and complexity;
- welcome divergent opinions;
- are flexible and comfortable with change;
- commit to process as well as outcome;
- appreciate conversation and disagreement;
- share responsibility for success;
- acknowledge responsibility for failure;
- balance personal ego with egos of others ;
- persevere; and,
- are patient.

Enablers possess essential skills. Enablers are:

- organizational development specialists
- proficient teachers and learners
- effective communicators (listening, informing and helping to transform information into knowledge);
- critical thinkers (anticipating problems, identifying solutions, and redirecting volunteer energies);
- strategists (analyzing situations, identifying barriers and opportunities, capitalizing on strengths, and ensuring action and results);
- comfortable with conflict and resolve conflict through shared power with as many individuals as possible;
- effective motivators and can focus and manage people well.

[For more information about enabling, see Joyaux' book *Strategic Fund Development: Building Profitable Relationships That Last*, 3rd edition scheduled for publication in spring 2011.]

Basic principles of governance

Definitions

- Governance is the process whereby a group of individuals works as a collective to assure the legal and moral health of an organization.
- Governance is the process of due diligence whereby the board, as a collective, assures the legal and moral health of an organization.
- A board is the body that carries out the governance process to assure that an organization fulfills its legal and moral obligations to its constituencies.
- A board is legally and morally accountable for the health of the organization and the fulfillment of the organization's mission.

Basic principles

1. The board is a collective and only has authority as a group. The board is responsible for governance.
2. The board exists to gather together, talk about information vital to organizational health, and take action. This all happens together, as a group, through group dialogue, at board meetings.
 - a. An effective board understands this and so it establishes policies and procedures for conducting effective board meetings.
 - b. An effective board focuses on strategic issues rather than routine matters.
3. The board focuses on ends (e.g., results) and management focuses on the means to achieve the ends established by the board. (And of course the board establishes these ends through dialogue with management, as staff are the experts in the work of the organization.)
4. There is a different between governance and management – but there are also similarities and overlaps. The distinction is one of judgment and organizational evolution.
5. A board is responsible for various functions – and the board should be composed of individuals who have the skills and experience to help the board carry out these functions.
6. There is a difference between a board and an individual board member – and this difference must be made clear prior to nominating an individual for board service.
7. The board has a written job description for itself, accompanied by written performance expectations common to all board members. The board enforces both.
8. An effective board regularly monitors its own performance in governance – and assures that individual board member performance is evaluated annually.

It takes a lot of work and time and attention to develop a board. The executive director of the organization is principally responsible for providing the leadership and the knowledge. And if you are fortunate, you will recruit a few board members who are experienced in not-for-profit governance.

Role of the Board of Directors

Role of the Board¹

The Board of Directors is legally and morally (ethically) accountable for the health and effectiveness of the XYZ Organization. The Board ensures that the organization achieves its mission in an ethical, transparent, accountable, and prudent manner.

The Board's job is governance, the ongoing process of due diligence whereby the Board operates as a collective to assure corporate health and effectiveness. Specifically, the Board is accountable for the functions described below. The Board operates in a manner outlined in its policies.

The Board works in partnership with its CEO as articulated in various policies. The CEO provides leadership and support, enabling the Board to carry out its governance responsibility.

Board Functions | Scope of Authority

All of this is accomplished as a group – at board meetings – through review of information, strategic questioning, dialogue, and decision-making.

1. Articulate **values and mission**, and set **standards, controls, and policies**. Ensure that all the organization's programs, activities, and operations adhere to these policies.
2. Ensure that the organization is **relevant** to the community through processes that monitor the external environment and **define vision, direction, and strategy**.
3. Define and monitor key **areas of performance** compared to short- and long-range strategy / plans, assess **results**, and assure that steps are taken for continuous quality improvement in all areas.
4. Ensure that the **financial structure** is adequate for current priorities, long-range strategy, sustainability, and intergenerational equity.
5. Ensure that adequate **risk management** is in place, e.g., safety and security, insurance, data back up, CEO succession, etc.
6. Determine eligibility for **Board membership**, assure proper recruitment of candidates, elect members and officers, and assure proper orientation and mentoring of Board members.
7. Define and enforce **parameters of the Board's work** including its committees / task forces and the role and performance of the **individual Board member**. Assess effectiveness.
8. Hire the organization's **chief executive officer**. Appraise his/her performance and set compensation; reward competence, or if necessary, replace the individual.
9. Ensure **compliance with relevant laws and regulations** affecting the organization.
10. Ensure **effectiveness of management**, without intruding in management's role and authority.

¹ Inspired by Ken Dayton *Governance is Governance*, an Independent Sector monograph, www.independentsector.org

Policy Related to Board Operations

The Board of Directors is responsible for the governance of the independent nonprofit corporation known as ABC Agency. The Board's scope of responsibility – also called functions – is articulated in a separate policy called "Role of the Board of Directors."

The Board carries out its functions by focusing on strategic direction and governance rather than management and operations. The Board clearly distinguishes between governance and management, and appropriately defines the scopes of authority and limitations.

1. The Board recognizes itself as a collective and understands that it only has authority as a group.
 - a. The Board is accountable to the general public and the agency's specific constituencies, for competent, prudent and ethical accomplishments of its responsibilities. The Board does not allow any officer, individual or committee to interfere in this authority or accountability.
 - b. The individual Board members understand their role within the collective and fulfill their specific performance expectations as outlined in relevant policies, and agreed to prior to nomination.
2. The Board understands that it only carries out governance while together meeting, whether virtual or in person.
 - The Board carries out governance by gathering together to talk about strategic information and making strategic decisions. Strategic information focuses on trends and implications vital to assuring the agency's legal and moral health and effectiveness. The Board uses a clearly articulated due diligence process to accomplish its work. [See sample due diligence outlines developed by Joyaux.]
3. The Board focuses its attention on the agency's impact and results over the long term. The Board delegates to management the decision-making and implementation to achieve impact and results.
4. The Board governs the agency through its dialogue, decision-making and policies. In particular, policies articulate values and define scopes of authority and limitations, typically addressing the following areas:
 - a. The agency's mission, and desired results (also called outcomes), and strategy to achieve results.
 - b. Guidelines, boundaries and limitations of prudence and ethics to be observed by staff, Board, Board members, and committees.
 - a. Board, officer, and committee roles and responsibilities.
 - b. Board – Staff relationship.
5. Through reports and other appropriate means, management keeps the Board and its committees informed and appropriately knowledgeable about the health and effectiveness of the agency and its operations.
6. The Board assures that all activities and decisions adhere to the values, mission, policies, and laws and regulations pertaining to the agency.
7. The Board establishes its own guidelines, boundaries and policies so that it governs ethically, transparently, and prudently, focused on its own excellence and that of the agency. Recognizing the risk of intruding in management and violating the concept of the Board as collective, the Board enforces limitations as necessary.
 - a. The Board holds itself accountable for quality performance by:
 - establishing group governance standards, comparing performance to standards, and making changes as necessary; and,
 - monitoring its own policies and performances regularly.
 - b. The Board holds its individual members accountable for quality performance by:
 - articulating acceptable and unacceptable behaviors;

- establishing performance expectations;
- comparing behavior and performance to established standards;
- providing feedback to individuals; and,
- thanking and releasing as necessary to assure the integrity of the Board.

8. Executive Session:

- The Board Chair and the Board itself may convene an Executive Session. A Board member may also request an Executive Session by contacting the Board Chair in advance, and specifying the reason for such a session. Executive Sessions are only used rarely, and most typically for personnel issues, high-risk negotiations, and litigation.
- The Board determines whom to recuse from the Executive Session.

9. Agenda Control:

- The Board determines its own agenda. The Board only addresses those issues that fall within its scope of authority. The Board uses its various policies and its due diligence process to guide agenda content.
- The Board assigns the responsibility of agenda development to the Board Chair and Chief Executive Officer. Any Board member, with a majority agreeing, can add or delete business from the agenda.
- Material related to the agenda is provided to the Board members with adequate time for preparation prior to the meeting. In special circumstances, items may be brought before the Board with little or no advance notice. In keeping with the Board's authority, the Board determines whether or not to address this and any other item.

10. Orientation

- Annually, shortly after the election of officers and welcoming of new Board members, the agency conducts a formal orientation. All Board members – both incumbents and new – may participate.
- The orientation presents basic information about agency its values, mission, operations, financing and governance. The status of the agency presented with candor and adequate documentation.
- As appropriate, the agency provides development and mentoring opportunities to support Board members.

11. Governance appraisal

- As necessary, the Board adopts standards and policies to assure the high quality performance and integrity of its own work.
- In accordance with policies and procedures, the agency's Governance Committee appraises the performance of the Board and its committees, on a regular basis. The same is done for individual Board member performance.

[Developed by Simone P. Joyaux, ACFRE • Inspired by and – in some sections – adapted from John Carver, *Boards That Make A Difference*, Jossey Bass Publishers.]

Your opinion is crucial!

How effective is governance at XX Organization? Share your ideas. Thanks.

Please return your completed survey to ___ via snail mail or fax to ___.

This survey asks you to assess your organization's performance in corporate governance, the work of the board. These standards are based the body of knowledge / best practice, and extensive consulting experience. Your answers, combined with others, will be provided to the Board for discussion and action. You will receive a copy of this survey – with responses dropped in but not attributed. Please be candid. And if there's something you do not want included in the summary, please so note. But remember, candor is best – and talking together about the findings is best.

Terminology: This assessment uses the term "CEO/chief executive officer" for your chief staff person, no matter his/her title in your organization. This assessment also uses the term "board of directors," for the governing board. Your organization may use the term "board of trustees" or something else. "Organization" and "agency" are used interchangeably.

Information about you, the person completing this survey:

☐ Staff member ☐ Board member (specify # of years serving on the board ___)

Section I: Your role as a Board member

1. When you were asked to serve, to what extent were the following presented to you?

	To a very great extent	To a great extent	To a little extent	To a very little extent	No opinion
a. Expectations of the Board and you as a Board member.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Overview of the organization and its opportunities and challenges.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Specific skill(s) and expertise you are expected to use on behalf of the organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. How satisfied are you with the following?

	To a very great extent	To a great extent	To a little extent	To a very little extent	No opinion
a. Level of information, support and guidance to do your job as a Board and Board member.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Ability of the agency to use your skills and expertise.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Ability of the agency to engage your interest.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. How would you rate the Board's overall performance on a scale of 1 - 5 with 5 being high?

1 2 3 4 5

4. What are the 3 most important things the Board of the organization does? (Is there any difference between what your currently Board does and what you think it should do?)

5. What are the 3 most important things that a Board member of the organization does? ((Is there any difference between what your Board members currently do and what you think they should do?)

6. What are your top 3 areas of concern regarding Board effectiveness?

Section II: Assessing the Board of Directors

Please respond by checking in the appropriate column. “Yes,” the organization meets the standard. “Needs improvement” to meet the standard well. “No,” doesn’t meet the standard. And, “don’t know” if you meet the standard.

1. Composition of the Board of Directors

	Y e s	N e d s I m p r o v e m e n t	N o	D o n ' t K n o w
a. Leadership (board and staff) understands that deep diversity contributes to organizational success, and is committed to achieving diversity.	■	■	■	■
b. Recruitment process considers issues of diversity, e.g. gender, generation, sexual orientation, ethnicity, socioeconomics, skills, etc. when identifying candidates for Board membership.	■	■	■	■
c. Board composition reflects the organization’s constituencies, coupled with the skills and knowledges necessary to do governance.	■	■	■	■
d. Bylaws limit tenure and ensure rotation of Board members, and the Board enforces these.	■	■	■	■
e. Written recruitment policies and procedures – used and reviewed regularly – include:				
• assessment of boardroom expertise and identification of gaps	■	■	■	■
• personal interview process to screen candidates	■	■	■	■
• performance assessment of incumbents	■	■	■	■

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|---|---|---|---|---|
| f. Board discusses the types of behaviors that contribute to group effectiveness, seeks individuals who behave accordingly, and avoids individuals whose behaviors negatively affect the group. | ■ | ■ | ■ | ■ |
| g. Board member qualifications and performance expectations are clearly articulated, orally and in writing, and are enforced. | ■ | ■ | ■ | ■ |
| h. The Board is of sufficient size to assure adequate diversity, expertise, and quality conversation to fulfill its obligations. | ■ | ■ | ■ | ■ |

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2. Selection, recruitment and evaluation of Board members

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| a. Recruitment process ensures balance of experienced individuals to guarantee continuity and new members to encourage new ideas. | ■ | ■ | ■ | ■ |
| b. Candidates are personally interviewed and their adherence to performance expectations is secured before nomination to the Board. | ■ | ■ | ■ | ■ |
| c. In addition to general expectations of Board membership, each candidate under consideration is asked to use a specific skill/expertise on behalf of the organization. | ■ | ■ | ■ | ■ |
| d. Recruitment process regularly identifies and cultivates candidates for future consideration. | ■ | ■ | ■ | ■ |
| e. Recruitment process solicits candidate suggestions from staff, committees, Board members. | ■ | ■ | ■ | ■ |
| f. The organization's chief executive officer (CEO) participates in Board member recruitment, development, and evaluation. | ■ | ■ | ■ | ■ |
| g. Regular performance evaluation of Board members distinguishes between those who should be invited to continue service and those who should be thanked and released. | ■ | ■ | ■ | ■ |

3. Orientation and development of the Board

- | | | | | |
|---|---|---|---|---|
| a. An orientation is conducted annually for newly elected Board members. | ■ | ■ | ■ | ■ |
| b. Board orientation and supporting information includes review of such items as: distinctions between for-profit and nonprofit sectors; roles, responsibilities, limitations of staff/Board; mission and services; committee operations; strategic opportunities and challenges. | ■ | ■ | ■ | ■ |
| c. An intentional process ensures that new members feel welcome and fully integrated into the Board immediately. | ■ | ■ | ■ | ■ |
| d. Board and staff acknowledge that differences (e.g., ethnicity / race, class, gender, sexual orientation, and so forth) contribute to privilege and may produce power dynamics that affect group effectiveness. This issue is addressed. | ■ | ■ | ■ | ■ |
| e. Board and staff acquire cultural competence, e.g., learning new skills to communicate and work effectively across differences such as gender, socioeconomic, class, etc. | ■ | ■ | ■ | ■ |
| f. Education/training opportunities are provided to build Board member skills and knowledge. | ■ | ■ | ■ | ■ |

4. Board monitoring of organizational health

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|---|---|---|---|---|
| a. The Board effectively inquires into major performance deficiencies. | ■ | ■ | ■ | ■ |
| b. Board talks about short- and long-term challenges and opportunities facing the organization. | ■ | ■ | ■ | ■ |
| c. Strategic conversation by the Board proposes changes in organizational direction as needed. | ■ | ■ | ■ | ■ |
| d. The Board ensures that there is: | | | | |
| • consistency between priorities and resource allocation | ■ | ■ | ■ | ■ |
| • sufficient resources for the future | ■ | ■ | ■ | ■ |
| • sustainability for the organization | ■ | ■ | ■ | ■ |
| e. Regular strategic planning tests mission and defines direction. Plan includes: goals, strategies, measures; monitoring progress; financial commentary; timeframes; accountabilities. | ■ | ■ | ■ | ■ |
| f. Board understands the financing of the sector, its complexities and conflicts. | ■ | ■ | ■ | ■ |
| g. Board ensures appropriate balance between investment in mission/program and infrastructure. | ■ | ■ | ■ | ■ |

5. Board operations

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|---|---|---|---|---|
| a. Board members understand the agency's values, mission, and vision, and behave accordingly. | ■ | ■ | ■ | ■ |
| b. Board members understand distinctions between for-profit and nonprofit sectors and the concepts of nonprofit charitable organizations. | ■ | ■ | ■ | ■ |
| c. Board understands that corporate governance is a collective act and only happens when the Board is together, hence the stringent requirement for attendance, preparation, and participation. | ■ | ■ | ■ | ■ |
| d. Board officers – including the Board Chair – understand that they have no more authority than any other Board member, and behave accordingly. | ■ | ■ | ■ | ■ |
| e. Board members understand that conversation is a core business practice and foster group dialogue, diverse opinions, candor, and participation by all. | ■ | ■ | ■ | ■ |
| f. The Board is comfortable with questioning, disagreement, and conflict – understanding that this produces new thinking and learning. | ■ | ■ | ■ | ■ |
| g. Policies define scope of authority and limitations in various areas, for example: | | | | |
| • role of the Board of Directors | ■ | ■ | ■ | ■ |
| • performance expectations of the individual as a Board member | ■ | ■ | ■ | ■ |
| • role of officers | ■ | ■ | ■ | ■ |
| • committee roles and operations | ■ | ■ | ■ | ■ |
| • conflict of interest / code of conduct | ■ | ■ | ■ | ■ |
| • chief executive officer (CEO) | ■ | ■ | ■ | ■ |
| h. Board holds itself, its officers, committees, and individual members accountable to honor commitments and respect limitations of authority. | ■ | ■ | ■ | ■ |
| i. Communication regarding Board business is appropriately frequent, timely, and informative. | ■ | ■ | ■ | ■ |
| j. Staff appropriately enables the Board, its committees and members to fulfill governance obligations and avoid management. | ■ | ■ | ■ | ■ |
| k. Board distinguishes between management and governance and discusses and resolves any such conflicts in partnership with the CEO. | ■ | ■ | ■ | ■ |
| l. Board doesn't allow any single entity individual or entity to limit Board's authority. | ■ | ■ | ■ | ■ |
| m. Board members know the difference between Board membership and working as a volunteer within the organization, and behave accordingly. | ■ | ■ | ■ | ■ |
| n. Each individual member contributes to effective group performance. | ■ | ■ | ■ | ■ |

6. Board / CEO Relations

- | | | | | |
|---|---|---|---|---|
| a. Board understands and respects its equal partnership with the CEO. | ■ | ■ | ■ | ■ |
| b. Board has a process to assess the CEO and does so annually. | ■ | ■ | ■ | ■ |

- c. Board recognizes that the CEO serves as the organization's chief spokesperson.
- d. Board has an appropriate level of involvement in CEO succession.
- e. Board holds CEO accountable to serve as the primary resource for understanding and promoting good governance, and effectively enabling the Board to fulfill its governance obligations.

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7. Board meetings

- a. CEO – providing guidance to the Board chair – knows how to translate the Board's job description into due diligence activities carried out at Board meetings.
- b. Together, Board chair and CEO prepare agendas that reflect the agency's priorities, fulfill due diligence requirements, and engage the board in its appropriate functions.
- c. Well-organized Board meetings focus on priority issues and handle routine matters quickly.
 - d. Board engages in substantive strategic conversation and decision-making at meetings, rather than focusing on reports.
- e. Board meetings occur on a regular schedule – and frequently enough – to ensure group cohesion, continuity, and strategic conversation that produce learning and change.
- f. Board members receive relevant information in advance, translated into trends and implications.
- g. Board members share accountability for group process and help intervene if inappropriate behavior disrupts work.
- h. At least 2/3 of the seated Board members attend each Board meeting.
- i. Board members are well prepared for each meeting, focus on strategic issues, and contribute meaningful questions and comments to Board conversation.
- j. Board chair facilitates candid dialogue and manages group process effectively.
- k. Concise, accurate minutes are distributed in a timely fashion after each meeting.

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8. Committee or task force operations

- a. Board understands distinction between governance committees – which report to the Board and help the Board do its work – and management committees, which are established by and report to the CEO.
- b. Strategic plan and organizational issues and priorities guide committee and task force work.
- c. Responsibilities of committees/task forces are clearly articulated.

■	■	■	■
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| d. | A Board member chairs all governance committees and task forces. | ■ | ■ | ■ | ■ |
| e. | Board members and non-Board members serve on committees and task forces, including those that focus on governance, e.g., finance, audit, board development, etc. | ■ | ■ | ■ | ■ |
| f. | Committees / task forces engage the Board in strategic dialogue and decision-making instead of merely making recommendations. | ■ | ■ | ■ | ■ |
| g. | Chairs of committee / task force provide appropriate leadership by: | | | | |
| | • facilitating active participation from all members | ■ | ■ | ■ | ■ |
| | • monitoring activity through regular contact with members | ■ | ■ | ■ | ■ |
| h. | Board chair provides appropriate leadership to committee / task force chairs by: | | | | |
| | • presenting roles and limitations in partnership with the chief executive | ■ | ■ | ■ | ■ |
| | • monitoring activity through regular contact with chairs | ■ | ■ | ■ | ■ |
| i. | The Board decides whether an executive committee (or some other similar committee) adds sufficient value to compensate for potential disempowerment of the Board. | ■ | ■ | ■ | ■ |

9. Evaluation of the Board

- | | | | | |
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| a. Board regularly assesses its own performance and makes improvements as needed, for example: | | | | |
| • Board chair, CEO, and Governance Committee monitor Board processes | ■ | ■ | ■ | ■ |
| • Board and its leadership – staff, officers, and Governance Committee – stay current on governance standards promulgated by various sources, as well as legal and regulatory demands. | ■ | ■ | ■ | ■ |
| b. Relationships between Board, staff, and committees are clearly articulated and evaluated regularly. | ■ | ■ | ■ | ■ |
| c. Board's Governance Committee discusses attendance and performance with Board members who are absent or inactive – with the goal of enhancing performance, enhancing attrition, or thanking and releasing. | ■ | ■ | ■ | ■ |
| d. Board members are aware of activities and trends relevant to the organization (and beyond the organization's particular focus) and use this information to inform Board deliberations. | ■ | ■ | ■ | ■ |
| e. New leadership regularly emerges from the Board and its committees. | ■ | ■ | ■ | ■ |
| f. Board recognizes when change is necessary and stimulates it. | ■ | ■ | ■ | ■ |
| g. Board is sufficiently strong that meeting absence and/or resignation of any single Board member or officer has no impact on effectiveness. | ■ | ■ | ■ | ■ |
| h. Leadership succession is assured for officers and committee chairs. | ■ | ■ | ■ | ■ |

10. Philanthropy and fund development

- | | | | | |
|---|---|---|---|---|
| a. The organization operates its philanthropy fund development program: | | | | |
| • in accordance with the body of knowledge and best practice | ■ | ■ | ■ | ■ |
| • with a strong culture of philanthropy at the Board and staff levels | ■ | ■ | ■ | ■ |
| • in a donor-centered manner, increasing loyalty | ■ | ■ | ■ | ■ |
| b. Board and its individual members understand the organization's fund development strategy. | ■ | ■ | ■ | ■ |
| c. Policy clearly defines the individual Board member's responsibility in philanthropy and fund development, and non-adherence to this policy is addressed. | ■ | ■ | ■ | ■ |
| d. Each Board member understands his/her role in: | | | | |
| • identifying and cultivating donors and prospective donors | ■ | ■ | ■ | ■ |
| • giving an annual financial gift to the best of personal ability | ■ | ■ | ■ | ■ |
| • helping to raise funds through diverse means | ■ | ■ | ■ | ■ |
| e. A Board committee, partnering with staff, provides strategic leadership in fund development. | ■ | ■ | ■ | ■ |
| f. Board ensures the organization fulfills its accountability and reporting requirements to regulators and donors. | ■ | ■ | ■ | ■ |

- g. Board evaluates fund development through strategic dialogue about qualitative and quantitative metrics. ■ ■ ■ ■

➤ **Write any comments on the back. Please return by the due date on the front page. Thank.**

Providing your name is optional. _____



Simone P. Joyaux, ACFRE | www.simonejoyaux.com

Policy for Committee Operations

Introduction

The Board of Directors of XYZ Organization may choose to establish committees or task forces to help carry out the work of the Board. These entities serve at the pleasure of the Board and take direction from the Board.

Board committees / task forces exist to help the Board do its governance work. Typically, these entities examine due diligence issues (as established by the Board), discuss policies and their implications, and engage the Board in strategic dialogue.

In accordance with the concept of governance, the Board cannot delegate its legal or moral obligation to any other entity. Board committees and task forces shall not impinge upon the concept of the Board as a collective and shall not compromise the authority of the Board for strategic dialogue and decision-making.

To this end, the Board establishes the following policies related to committee and task force establishment, operations, authority, and composition.

Definitions and distinctions

This policy refers to the Board's governance committees and task forces only, the only scope of authority held by the Board. Board committees and task forces are established to help the Board do governance work, not to help management do its work. The Board recognizes that management may establish management committees and task forces, as it deems necessary.

XYZ Organization differentiates between committees and task forces. Committees generally operate over a longer term, e.g., at least one year. Task forces are ad hoc and are established to address a specific, narrow, and short-term issue. Task forces go in and out of business quickly.

As determined from time-to-time, the Board may establish standing committees specified in the bylaws, although the Board need not do so.

Establishment

1. The Board shall establish governance committees and task forces, as the Board deems necessary. Typically the Board Chair, in consultation with the chief executive officer, recommends establishment, although this is not a requirement.
2. The Board defines the role of its committees and task forces, approves the job description, and authorizes the scope of work.
3. Annually, following the Board's determination of institutional priorities for the new fiscal year, the Board Chair, in consultation with the chief executive officer, recommends committees and task forces to the Board for authorization, to help carry out priorities.
4. The Board may reauthorize committees and task forces from year to year. The Board may establish or decommission committees or task forces at any time.

Composition

1. A Board member shall chair all governance committees and task forces.
2. The appointment of chairs and members shall be reconsidered annually, shortly after the Board election, with attention paid to continuity, and advantageous skills and experience required by the scope of work.
3. The Board Chair, in consultation with the chief executive officer, appoints chairs.
4. The Board Chair, in consultation with the chief executive officer and committee / task force chair, appoints the members of all committees and task forces.
5. In order to expand XYZ Organization's reach and broaden horizons, committee and task force members shall include members of the Board as well as individuals who are not members of the XYZ Organization Board.
6. Chairs and committee and task force members may be re-appointed. However, every effort is made to avoid functional silos and capitalize upon diverse talents, so it is unlikely that individuals will serve multiple years in any single position within XYZ Organization.

Operations and limitations²

1. Committees shall operate in accordance with relevant laws and regulations, and in compliance with commonly accepted business and professional ethics and practices.
2. The primary mandate of all committees and task forces is to engage the Board in strategic dialogue about strategic issues facing XYZ Organization.
3. The role of the committee or task force chair is to facilitate the work of group. Also, the chair serves as liaison to the Board and staff. The chair shall represent the consensus of his/her committee or task force and not promote individual agendas or viewpoints.
4. The chief executive officer appoints a staff person to serve ex-officio on each committee or task force. This staff person participates in all committee or task force meetings. The staff person serves as liaison to management and assures that the committee and task force follows policies and is appropriately linked to all other committees and task forces and to XYZ Organization.
5. Committees shall keep the Board informed of activities.
6. No committee shall encumber funds or sign contracts on behalf of XYZ unless specifically so authorized by the Board, and within limits established by the Board.
7. Board committees may not speak or act for the Board except when formally given such authority for a specific and time-limited purpose. The Board must clearly state its intent and distinguish between assignments made to other entities including the Executive Director.
8. Committees / task forces do not advise or exercise authority over staff. Only the Board provides direction to the chief executive officer. Actions by the chief executive and other staff do not require committee approval.
9. A Board committee may be used to monitor performance in an area where the committee has helped to create policy, process and goals. In such cases, the committee or Board may decide to add new members during the monitoring process. This could enhance objectivity and reinforce the linkages between various parts of the Organization.

² Inspired by John Carver's work on limitation policies for staff and boards. See *Boards That Make a Difference*.

10. Staff may bring together volunteers – in a committee setting – to act as a “think-tank” or to offer perspective. In these situations, staff is not obligated to take the advice of such entities.



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[Portions of this document are quoted and adapted from John Carver, *Boards That Make A Difference*.]

Policy Related to Officer Responsibilities

General responsibilities (These officers are volunteers and are elected from the board.)

The officers of ABC Organization are: President³ (or Chair), Vice President (or Vice Chair), Secretary, Treasurer, and Immediate Past President (or Chair). No single individual may hold more than one officer position at a time.

Officers of the ABC Organization Board of Directors serve and report to the Board. Officers are confined by the Board's wishes, follow Board direction, and have no actual authority just as individual board members have no authority.

Officers are members of the Board and are subject to all the rights and responsibilities, performance expectations, behaviors and policies articulated for any other Board member.

The officers may meet as a group⁴ with the Executive Director / CEO to help facilitate and advance the work of the Board. If the officers meet as a group, they are bound by the Committee Limitations policy adopted by the Board.

The officers may not act in place of the Board unless they are specifically so delegated. And said delegation cannot in any way compromise the Board's authority and its legal and moral accountability for the health of the organization.

In the event that the Board term of the Immediate Past President expires at the end of his/her term as President, then s/he shall be invited to serve on the Board for one additional year, without affecting any numerical limits in the composition of the Board.

Chair (Presidential) succession: In cases of temporary absence, the succession is Vice President, Treasurer, and then Secretary. In the event that the elected President cannot fulfill his/her term, the Vice President shall become President. The Vice President position does not automatically succeed to the presidency. Any individual Board member is a candidate for any position.

Term limits: The term for each officer shall be the one-year period commencing with the date of the annual meeting of the Board of Directors. No single individual may be elected for more than 3 consecutive one-year terms in any single office.

Skills: The Governance Committee shall articulate the skills necessary for each officer position during the Committee's annual dialogue.

³ I recommend using the term “chair” and “vice chair.” The term “president” often refers to the CEO, the chief paid employee. To avoid confusion, “chair” is better.

⁴ Watch out for meeting of officers; this often takes on the mantle of an executive committee. And I'm on a worldwide mission to destroy all executive committees (or any other group that functions as an executive committee, no matter its name.)

President (or chair): In partnership with the Executive Director, the Board President assures the integrity of Board process including meeting effectiveness and the Board's adherence to its own rules. The President carries out the following specific functions.

Regarding Board meetings

- In partnership with the Executive Director:
 - Designs and manages Board meetings.
 - Presides at meetings of the Board and manages group dynamics.
 - Facilitates process whereby the Board asks strategic questions, speaks together candidly, and makes the best decisions for the organization.

Regarding accountability

- Personally follows up with Board members about participation and performance prior to referral to the Governance Committee.
- Works with the Board to assure that the Board fulfills its governance and due diligence functions.
- Focuses the Board's attention on its processes to assure optimum collective performance.
- Manages group process to assure optimum communication, information sharing, and best performance from all participants.

Regarding committees

- In partnership with the Executive Director:
 - Recommends committees and task forces and their annual scope of work to the Board of Directors.
 - Identifies and helps recruit committee and task force chairs and members.
 - In partnership with the Vice President:
 - Regularly follows up with committee and task force chairs to assure that the work is being done.
 - Serves ex-officio on Board committees and may attend as necessary, with deference to the committee chair's role.

Vice President (or vice chair)

1. The Vice President acts in the absence of the President. In partnership with the President, the Vice President follows up with committees and task force chairs to assure that the work is being done.
2. The Vice President may be recruited to chair a committee or task force. The Board or the President may assign other duties as deemed appropriate.

Secretary

1. In partnership with the Executive Director, the Secretary assures the integrity of Board documents, and is responsible for reporting on and noting any inconsistencies in Board actions.
2. Depending upon the availability of management, the Secretary may be expected to take minutes at all meetings of the Board, produce said minutes according to best practice, and provide an electronic document to the Executive Director for distribution. In the event that management assumes the responsibility of recording and producing minutes, the Secretary shall review the minutes for accuracy.

Treasurer

1. In partnership with the Executive Director, the Treasurer assures the integrity of the organization's financial systems. The Treasurer chairs the Finance Committee, and also serves as an authorized check signer⁵.
2. Duties of the Treasurer shall not conflict with the Executive Director's accountability or Board policies related to finances.

⁵ This often depends upon the size of the institution.

Another big thanks to John Carver.

Policy Re: Board / CEO⁶ Relationship

Employment of the CEO

The Board of Directors, at its discretion, may appoint an executive director for the ABC Organization. This individual shall serve as chief executive for the corporation, providing management and operational leadership for the corporation, and advice and guidance for the Board of Directors, including assistance with the governance process.

The CEO is a respected voice within the Board and shall be considered an ex officio member of the Board. S/he shall be an ex officio, [voting *or* nonvoting⁷ member] of the Board of Directors.

S/he shall be accountable for – and have the authority to – direct the day-to-day operations of ABC Organization’s affairs. The chief executive shall manage and direct all activities of the corporation within the limits and direction established by the Board of Directors. The chief executive shall have the power to hire and discharge employees and other services providers⁸.

Delegation to the CEO

To ensure optimum effectiveness of ABC Organization, the Board of Directors recognizes that its authority is limited to governance. The Board’s responsibility is generally confined to establishing broad, long-range policies and direction. The Board uses a due diligence outline⁹ to help focus attention on governance.

The Board delegates management and policy implementation to the CEO, and the CEO is authorized to act. However, it is assumed that the CEO always acts within acceptable boundaries of prudence and ethics, as articulated through Board policies and through commonly accepted understanding of best practice and caution.

Only the Board, by majority vote, has authority over the CEO. No other officer, committee, or individual Board member may direct or intervene in the decision-making, actions or authority of the CEO. It is recognized that the Board, its Board members and committees may request information from the CEO. However, these requests shall not compromise the authority of the CEO.

The CEO shall establish policies and procedures, make decisions, take action, and develop all activities to fulfill the mission of ABC Organization, within the policies and limitations established by the Board. At any time, the Board—and only the Board – may take back areas of the CEO’s authority. The Board and CEO shall discuss such action prior to the change. And until or unless the Board takes such action and informs the CEO, the Board supports the delegation to the CEO. Specifically:

⁶ The acronym *CEO* refers to the chief executive officer of the organization. This is an employment position. The position title may be executive director, CEO, managing director, etc. The board chair is NOT the chief executive of the organization.

⁷ The CEO may be a voting or nonvoting member of the Board of Directors. Some large institutions make their CEO, by virtue of position, a voting board member. This is a Board decision, and may be codified in the institution’s bylaws.

⁸ Exceptions to this would likely include the organization’s auditor and attorney, a consultant hired by the board to work on governance, and so forth.

⁹ See Joyaux *due diligence outline / process* that operationalizes / articulates how the board fulfills its role as a board. The due diligence process outlines what the board does at its board meetings – the only time that governance happens – to carry out its role. See Joyaux website for sample due diligence outline and board job description.

- All Board authority is delegated to staff through the CEO. The Board understands that this is one of the fundamental boundaries that must be carefully maintained¹⁰. The CEO serves as the Board's link to organizational operations and staffing. The Board holds the CEO accountable for effective staff performance.
- The CEO shall establish policies and procedures to assure continuity and effectiveness of the organization's operations. Operational policies and procedures must be known and available to all employees.
- The Board, its committees and officers shall not give instructions to employees or volunteers who report directly or indirectly to the CEO.
- The Board shall have no hiring, firing or appraisal authority over any ABC Organization employee other than the CEO.

Executive Limitation:

- The Executive Director shall not perform, allow to be performed, or cause to be performed any act which is unlawful or counter to regulations, does not meet commonly accepted business and professional ethics and practices, violates implicit or explicit specifications by donors, or conflicts with policies established by the Board.

Monitoring Executive Performance:

The Board shall monitor chief executive performance through the following activities:

- Executive Director job description that is reviewed in accordance with the ABC Organization's due diligence outline.
- Annual performance appraisal process.
- Role of the chief executive in organizational accomplishments and results.
- Internal reports and external reports and audits as stipulated by ABC Organization's due diligence outline.
- ABC Organization adherence to its Board-adopted policies, as implemented by the chief executive.

Developed by Simone P. Joyaux, ACFRE

Quoted from and adapted from John Carver, *Boards That Make A Difference*, Jossey Bass Publishers

¹⁰ This statement is not intended to conflict with legal and regulatory requirements such as the Whistle Blower requirement in Sarbanes-Oxley.

All boards need to develop a policy like this – adopt it and then enforce it. This document uses the terms “board member” and “board of directors,” referring to the governing group. Other organizations use other terms, e.g., trustee, governor, board of trustees, board of governors...whatever. The intent is the same.

Performance expectations of you, the individual as a board member

Each Board member of our organization affirms the expectations outlined here and strives to perform accordingly. We treat all Board members the same when it comes to these expectations.

These expectations are clearly articulated during the recruitment process. We accept the candidate as a nominee or appointee only after s/he has agreed to fulfill these expectations. And, by accepting nomination or appointment, the individual confirms that this board service is one of his / her top volunteer and giving commitments.

Specific performance expectations are:

1. Believe in and be an active advocate and ambassador for the values, mission and vision of the organization.
2. Work with fellow Board members to fulfill the obligations of Board membership as articulated in the job description of the Board of Directors, in these performance expectations, and in keeping with all other policies.
3. Act in a way that contributes to the effective operation of the Board – and work with fellow Board members and staff to assure that the Board functions well. This includes – but is not necessarily limited to:
 - a. Focus on good of the agency, independent of personal agenda, self-interest, or influence of others.
 - b. Maintain confidentiality of committee, board, and organization work unless authorized otherwise.
 - c. Support Board decisions once these are made.
 - d. Participate in appraisal of own performance and the performance of the Board and its committees.
 - e. Support the organization’s policies and procedures for conducting business.
4. Regularly attend Board and committee meetings. Prepare for these meetings by reviewing materials and bringing the materials to meetings. Use conversation as a core business practice, asking strategic questions and participating in dialogue.
5. Keep informed about the organization, its issues, and its connection to the community through active participation within the organization and conscientious connection outside the organization.
6. Help support the charitable contributions operation of the organization. Specifically:
 - a. Reach into diverse communities and help identify and cultivate relationships to support the organization as donors, volunteers, and advocates.
 - b. Give an annual financial contribution to the best of personal ability. Consider this agency one of your top 2 – 3 charitable commitments. If agency launches a capital program, give to that, too.
 - c. Participate in the fund development by taking on various tasks tailored to your comfort and skills.
7. As appropriate, use personal and professional contacts and expertise¹¹ to benefit the organization, without compromising ethics or trespassing on relationships.
8. Be available to serve as a committee or task force chair or member. Be a prepared and active participant.
9. Inform the Board of Directors of the organization of any potential conflicts of interest, whether real or perceived, and abide by the decision of the Board related to the situation.
10. Respect the authority of the chief executive officer and staff; and, adhere to the limitations of the Board, its committees and individual Board members.
11. Agree to step down from Board position if unable to fulfill these expectations.

¹¹ Each candidate is invited to join the Board in order to provide specific expertise to the governance process. The individual is informed of this need – and agrees – prior to nomination or appointment.

Scope of work for the Governance Committee *

* Often called the Nominating Committee. However, this expanded vision benefits from a new committee name. Consider: Governance Committee, Board Development Committee, Governance Committee, etc.

The Governance Committee leads processes that expand the traditional nominations process and nominating committee role. It is useful for the committee to have approximately 5 members; at least 2 of them should not board members.

Purpose of the Process

Monitor and facilitate healthy development and operation of the board, its committees, and the individual board members. To this end, the process helps build community relationships, recruit volunteers for roles within the organization, provide for development and training of volunteers, evaluate performance of the board and the board members.

Purpose of the Committee

Draft policies to support the process including: board and committee job descriptions and limitations. Lead and guide the process; encourage board understanding and participation. Monitor performance and facilitate change.

Scope of Authority

1. Policy Role

As necessary, review policies relative to board and committee jobs and limitations. Articulate performance expectations common to all board members. Recommend policies regarding operations of the board.

As requested by the board, develop alternatives for policy modification and present with their respective implications to the board for decision.

2. Cultivation

Work with board, staff and other appropriate committees to identify candidates for involvement in the organization and develop cultivation strategies to strengthen relationship with these individuals.

3. Identifying Organizational Needs

Work with board, staff and committees to identify volunteer needs and the requisite skills, personal qualities, and diversity screens. Create necessary support materials to communicate this information.

Develop a process for going out into the community to identify, interview, qualify, recruit and place individuals within the organization.

4. Assessment Role

Develop and carry out board and board member assessment processes. Draft an assessment tool for the board as a whole – a governance self-assessment – and create the mechanism for using it on a regular (perhaps every two years) with the board. Draft an assessment tool for evaluation of

incumbent board members, for use on an annual basis.

5. Recommend Committee Chairs

During its reviewing and interviewing processes, the Committee gets to know leadership volunteers. This Committee can then make annual recommendations to the board president concerning candidates for chairs for committees.

6. Board and Committee Orientation and Development

The Committee is responsible for designing an annual orientation for the full board (both new and incumbent), committee chairs and committee members. It is recommended that the board orientation be scheduled as the first meeting after the election. This allows new board members to feel welcome right away.

Committee chairs are not recruited until after the election. As soon as they are appointed and have recruited their committees, consider having an orientation when all the committee members get together to learn about the organization and its new goals. Remember, committees should always include non-board members.

As the year progresses, it may become apparent that additional development opportunities would be a good idea. Perhaps the board would like a workshop - at a regular board meeting - to discuss fund-raising. The Committee could recruit a presenter and plan this session. The Committee might also recommend that board members attend community workshops.

7. Annual Board Election Process

- a. Set the context: Review job descriptions, performance expectations of board members and traits of a useful trustee.
- b. Identify Needs: Given where the organization is at this point in time, identify the necessary skills and representation to help get you there. Review this list with the board to gain concurrence. Compare incumbents to requirements and identify any gaps. Prioritize this list and review with board.
- c. Evaluate: Evaluate incumbent directors based on performance assessment tool. Identify individuals who are not meeting expectations. If their terms are expiring, determine if you wish to renominate them or thank them for their contribution and release them. If you wish to renominate an individual whose performance has been weak, talk to them first. It is important you that you re-communicate expectations and find out why the individual has been unable to do this currently.
- d. Target and Interview: Target individuals to fill the gaps in skills and identify ways to access the individuals. Convene a meeting/interview with each candidate and a representative of the Committee. It is also best to include the executive director in the interview. Conduct the interview in accordance with the draft "script."
- e. Evaluate: With the full Committee, evaluate the results of the candidate interviews. Select those candidates for election to the board. Select the slate of officers.
- f. Invite and Confirm: Contact the candidates and confirm their willingness to serve, adhering to the specified performance expectations. Reiterate the responsibilities. Specify the term of election. Send a confirmation letter specifying the election date, date of the board orientation, and regular board meeting dates.
- g. Nominate and Elect: Present the slate of officers and board members for election. Elect.

Policy Related to Composition of the Board

The Board of Directors is accountable for the functions outlined in the *Policy Related to Role of the Board of Directors* and utilizes the *Due Diligence Plan* to guide work.

In order to do its work effectively, with the highest degree of knowledge and competency, the Board shall be intentionally composed to include the specifically identified knowledges, skills, and experience that are necessary to carry out the Board's role and the due diligence functions. These knowledges, skills, and experience will be brought together with due consideration for diversity and networks.

ABC Organizations's Governance Committee, in partnership with ABC Organization's Chief Executive Officer, provides leadership and facilitation to this process.

Any candidate for Board membership – whether through nomination and election or appointment – shall be endorsed through the Governance Committee process, and shall be approved by the Board.

1. Annually, said knowledges, skills, and experience are identified and articulated, based on the legal and moral responsibilities of governance, ABC Organization's values and mission, and contemporary organizational needs.
 - Knowledges, skills and experience include but are not limited to financial management, legal, fund development, governance, human resources (e.g., personnel management, conflict resolution, etc.), public relations /marketing, and [expertise in the topic of the organization, e.g., human service, environment, health, education, etc.]
2. The seated Board members shall be evaluated, determining which knowledges, skills, and experience are present within the Board and which ones are absent. ABC Organization shall clearly articulate the missing knowledges, skills, and experience that must be recruited for optimum Board composition, and seek candidates that fill these gaps.
3. The seated Board members shall be evaluated with due consideration to diversity – as articulated in ABC Organization's *Values* – and networks.
 - Diversity includes but is not limited to gender, ethnicity/race, age, socioeconomics, faith, sexual orientation, etc.
 - Networks include but are not limited to, business, social, government, civic, professional, etc.
4. Candidates shall be identified – using diversity screens and networks – who will bring the necessary knowledges, skills, and experience to the Board.
5. Once appropriate candidates are identified, as outlined above, screening interviews shall be conducted with each person – whether for Board membership or officer positions – to evaluate the candidate based on ABC Organization criteria.
6. Prior to nomination or appointment, each candidate shall be informed of and agree to abide by ABC Organization's values, mission and all policies, specifically those related to the Board and to the individual Board member.



ASSOCIATES

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This inventory tool is developed based on the policy (adopted by the board), which describes the composition of the board. This grid is reviewed annually and adjusted as necessary. Individuals are recruited for a particular skill / experience. Think deeply about skills and experiences, including volunteerism, working in the home, etc.

Remember that behaviors are as important as skills. Consider the behaviors described in Joyaux' *Typical Performance Expectations of the Individual Board Member* and also *Policy Related to Board Operations*.

Tool for Analysis of Board Composition:

Knowledge, Skills, Experience | Diversity and Networks

Name	Knowledge / Skills / Experience														
	L e g a l	Fi na nc e: B ud ge t, ov er si gh t	F i n a n c e : I n v e s t m e n t	F u n d D e v el op m en t: S pe ci al ev en ts	F u n d D e v el op m en t: Pe rs on al so lic ita ti on	F u n d D e v el op m en t: B o dy of kn o wl ed ge	S t r a t e g i c P l a n n i n g	H R : P e r s o n e l , e t c .	B u s i n e s s M a n a g e m e n t	E xp er ti se in ag en cy m is s io n/ se rv ic es	M ar ket in g/ C o m m u n i c a t i o n s	G o v e r n a n c e	N on pr of it M an ag e m en t	G e n e r a l i s t *	
1.															
2.															
3.															
4.															
5.															
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18.														
19.														
20.														
21.														

Does “generalist” make sense? Add value? Why or why not?

The optimum candidate(s) for board membership reflect the behaviors your organization expects + bring a particular skill(s) into the boardroom that assists with governance + reflect the diversity and networks that are important to your organization.

1. Identify the skill gaps and determine the priorities. (Use the gaps to identify candidates for board membership.)

2. Describe current diversity within the Board. (Diversity includes but is not limited to race/ethnicity, geography, age / generation, gender, socioeconomics, sexual orientation, physical challenge, etc.)

- **Identify the “gaps” in diversity that you believe are important. Identify sources / ways to increase overall diversity while considering the skill gaps.** (Use diversity screens to recruit candidates. You look for individuals with the skills and behaviors you need – and you look for these individuals within the diverse communities that you seek.)

3. Describe the networks / connections within the Board. (This includes but is not limited to business, social, civic, government, faith / secular, agency customers, etc.)

- **Identify the “gaps” in networks. Identify sources / ways to increase extend network while considering the skill gaps.**

Remember, search for the skills you need – using the diversity and networks screens. For example, you seek more financial expertise within your board but already have sufficient numbers of white women on the board.

Sample Recruitment Process and Procedures and Screening Interview

Introduction

This document summarizes the overall process and general procedures that the Agency uses to recruit Board members and officers, and to help identify committee members and other volunteers.

Process and procedures are endorsed by the Board of Directors, overseen by the Governance Committee and managed by the CEO. Process and procedures do not constitute policy and can be adjusted by the Governance Committee and CEO, as long as such adjustments are in keeping with Board-adopted policy.

Process and key dates [based on a board election in January]

- | | |
|-------------------------|--|
| Ongoing | <ul style="list-style-type: none"> • Governance Committee and Executive Director continuously identify prospective candidates. • Governance Committee reaches out to key referral sources to suggest possible candidates. |
| December | <ul style="list-style-type: none"> • Governance Committee: <ul style="list-style-type: none"> a) reviews / adjusts the desirable knowledges, skills, experiences, and diversity and networks as stipulated in <i>Bylaws</i> and <i>Board Composition Policy</i>; b) reviews term status of incumbents; c) reviews incumbents and identifies gaps; d) presents priorities to key constituencies (e.g., board, committees, staff, targeted referral sources) and invites suggestions. |
| January | <ul style="list-style-type: none"> • Governance Committee conducts appraisal of incumbent board members and: <ul style="list-style-type: none"> a) identifies those who are fulfilling their obligations and might be considered for an additional term; b) identifies those who need personal contact to discuss their performance. (And then a representative of the Governance Committee conducts this dialogue.) • The Governance Committee reminds Board members and staff to identify prospective candidates and provide those names to the Committee. • At a board meeting(s), the Governance Committee engages the Board in a discussion about prospective candidates. |
| July | <ul style="list-style-type: none"> • Governance Committee reviews all suggestions and prepares priority list of candidates for screening interviews. |
| August – October | <ul style="list-style-type: none"> • Governance Committee conducts screening interviews for Board membership. |
| November | <ul style="list-style-type: none"> • Governance Committee conducts interviews for officer positions. |
| January | <ul style="list-style-type: none"> • Annual meeting of the Board for the purpose of electing Board members and officers in accordance with <i>Bylaws</i> and other relevant policies. |

Screening interview for candidates you are considering for committee and Board membership

1. Members of Governance Committee reach out to candidates, inviting them to discuss possible engagement with the organization. Governance Committee members clearly explain that this is not a solicitation for money. You may be meeting with people who have never heard of your organization – and that’s just fine. This is a chance to inform and engage people in a conversation.
2. **Management sends background information to all candidates**, for their review prior to the screening interview.
 - a. Information would likely include:
 - i. Agency capabilities brochure
 - ii. List of Agency volunteer opportunities including committee membership, Board membership, and other volunteer activities.
 - iii. List of Agency committees, specifying purpose of committee, as stipulated on committee description
 - iv. *(Perhaps sent out in advance. Or more likely, sent out after the preliminary discussion, once the individual expresses interest in the organization.)* Relevant policies including Board and Board member roles and limitations, Board and committee operations.
3. **Key points to cover in the screening interview** include:
 - a. First **review Agency process and purpose of this meeting**.
 - i. The Agency regularly reaches out to individuals and conducts these “getting-to-know-each-other” interviews. The purpose of the interview is to determine if there is a good match between the individual’s interests and expertise, and the Agency’s needs. During the interview, do **not** guarantee a position – on the Board or committees/task forces.
 - ii. Reports from these “getting-to-know-each-other” interviews are discussed at subsequent Governance Committee meetings. Then a representative of the Governance Committee contacts the individual as a follow-up.
 - iii. The Agency appoints committee, Board and volunteer opportunities in January and February of each year.
 - b. **Engage the individual in discussion** because this is the way to find out if the individual is a good match with the Agency. For example, ask such questions as:
 - i. Why did you agree to meet with us today? What do you know about our Agency? Why are you interested in this Agency?
 - c. Review the agency’s **values, mission and services**. It is important that candidates for committees and board membership share your organization’s values.
 - i. Talk about how your agency lives its values – whether the value is about reproductive choice, diversity, activism, equity, or whatever. Listen to and watch the reaction of the candidate.
 - d. Talk about the major issues facing the Agency at this time. Share challenges and opportunities. Engage the person in a conversation about how they feel about these challenges and opportunities.
 - e. Talk about **how the agency uses volunteers**.

- i. Review list of **committees** and their purposes.
 - ii. Review relevant policies.
 - iii. Specify typical **meeting schedule** and frequency of committees and Board.
 - f. **Review knowledges, skills, experiences, and diversity and network needs** that the agency has decided it needs for the new year.
 - i. **Explain to the candidate which knowledges, skills, experiences, and diversity and networks s/he would be expected to use on behalf of the Agency as a volunteer.** (Do not specify a particular position at this time.)
 - ii. **Ask the candidate** whether she / he would use the skill that you need on the Agency's behalf. (The individual may not want to use the skill that the Agency needs – so it is unlikely that the individual will be recruited to board membership at this time.)
4. **Close the meeting with the following:**
- a. Ask the individual to think about the discussion.
 - b. Indicate that the Governance Committee will meet to review the results of all its discussions with individuals.
 - c. Indicate that you will contact the individual within a month to follow-up about his/her interest and a position within the Agency.
5. **Debrief with the Governance Committee and contact the individual within a month to invite to serve on a specific committee or the Board** for the year beginning in January.
- a. If the invitation is for Board membership, remind the individual that s/he must commit to the relevant policies before being nominated for election in January; and, must use the previously-discussed knowledges, skills, and experiences that the Agency has identified of value for its work.

Note:

- Diversity includes but is not limited to gender, ethnicity/race, age, socioeconomics, faith, sexual orientation, etc.
- Networks include but are not limited to business, social, government, civic, professional, etc.
- Make sure that your organization has clarified its values. See examples of values at www.simonejoyaux.com (Resources / Free Library / Miscellaneous. Also included is an overview of what values mean.

Understanding the board's obligation

Use a due diligence outline to ensure proper governance

There's never been a better time – because of public and government scrutiny

Concept of due diligence

Due diligence is the process whereby individuals and/or a group assure that an organization is healthy and effective. The dictionary defines *due diligence* as the care that a reasonable person (or group) exercises under the circumstances to avoid harm to other persons or their property.

In a corporation, due diligence is carried out by both employees (e.g., management¹²) and the board of directors.

Due diligence for your nonprofit organization

The chief executive¹³ and his / her staff are responsible for ongoing due diligence at the management level. The job description of the chief executive describes the scope of work. The board adopts policies that define the role and scope of authority of the board, the relationship between the board and its chief executive, and the limitations of the chief executive.

Due diligence by the board of directors¹⁴ is limited to the governance level. The board carefully carries out its scope of due diligence without trespassing on the scope of responsibility of the chief executive and staff in general.

The chief executive helps the board carry out due diligence at the governance level by providing information, analyzing trends and implications, and responding to critical questions posed by the board.

The board of directors may appoint committees and /or task forces to help carry out the due diligence function of governance. However, the board cannot (and should not) delegate its due diligence accountability to any other body, whether individual or a committee or task force.

Scheduling due diligence activities

The board carries out its due diligence functions at board meetings. (Governance only happens when the board is together at its meetings so that's where due diligence occurs.)

At the start of each fiscal year, it may be useful for the chief executive and board chair to draft a due diligence outline for review, adjustment and endorsement by the board. This outline schedules the due diligence activities throughout the board meetings of the fiscal year.

The board chair and chief executive officer use this outline to help develop board meeting agendas, institutionalize critical work, and anticipate issues.

The elements of the due diligence outline are pulled from the board's job description, which is adopted by the board.

¹² "Management" in this document refers to all staff, paid or volunteer, regardless of position. The term "management" is used to distinguish from governance, the board's work.

¹³ This document uses the term "chief executive officer" for the lead staff person. You may use "executive director" or "managing director" – or something else. Regardless of the term used, this is the chief staff person.

¹⁴ This document uses the term "board of directors." You may use the term "board of trustees" or something else. The point is, due diligence in governance is done by the governing board, whatever you call it.

Role of the Board earlier in this document. The due diligence outline conforms to the Board-adopted job description of the Board of Directors.

Due Diligence Outline: operationalizing Board's job description into what happens at Board meetings

Introduction

The Board of Directors of the XYZ Agency recognizes that it is legally and morally accountable for assuring the corporation's health – and due diligence is the process whereby the Board assures said health.

Accountability

The Board is accountable for due diligence and cannot delegate this responsibility to any individual or entity, not even a committee of the Board – although a committee can help the Board do this work.

The Board carries out due diligence as a group at its Board meetings. The board does this due diligence by reviewing critical information, discussing trends and implications, asking strategic and cage-rattling questions, and making decisions sometimes (but not always).

The CEO enables¹⁵ the Board to carry out its due diligence function by assuring effective communications, working with committees, and asking the Board if it is satisfied with the due diligence process.

In fact, management leads / does almost all of this due diligence as part of management work. Then management engages the Board (and appropriate committees and task forces) in fulfilling the Board's level of due diligence.

Individual Board Member role

In order for due diligence to occur, each individual Board member is expected to function as a critical part of the Board itself. Each Board member shall read the material provided, highlight strategic issues, and ask essential and cage-rattling questions to foster dialogue. The Board member shall bring copies of all relevant materials to each Board meeting and shall demand that the Board focus on due diligence.

Scope of due diligence

See Board role / job description. The general areas of due diligence include: Values and Mission; Standards, Controls and Policies; Fiscal; Board Operations; Legal, Regulatory and Risk; Personnel; and Program / Services.

The Board may choose to establish committees to help the Board carry out its work. While these committees cannot assume Board responsibility, the committees can play a supporting role, as does the Executive Director.

Use this outline to operationalize the Board's job description, showing the Board what it actually does at Board meetings. Sometimes Boards actually review this due diligence overview annually, to focus attention on what needs to happen, and the general timeframes thereof.

Preparing for Board meetings

Board meeting agendas are not mysterious. Board meetings exist to do governance, the Board's work. And doing governance means assuring the health and effectiveness of the corporation – which means due diligence.

If you're not doing due diligence – based on the Board's job description – at Board meetings, then something is wrong. Are you doing the wrong stuff or the right stuff at your meetings?

Use the due diligence outline to plan Board meeting well into the future. For example: Based on your fiscal year, what month do you review and adopt the budget? What month do you review and discuss the audit? Which month, annually, do you review the results of the chief executive's performance appraisal? And so forth.

Plot what has to happen when. Plot when you'll do the other stuff that has to be done to fulfill your due diligence obligation. Decide what you will do monthly. And then fill in as needed and when issues arise.

¹⁵ See concept of enabling in *Strategic Fund Development: Building Profitable Relationships That Last* by Simone P. Joyaux, ACFRE. Handout also located on Joyaux website.

<i>Special note: Whenever the statement “adopt” appears in the Board Meeting list – the assumption is that the Board reviews and participates in strategic questioning and dialogue as necessary, prior to action.</i>			
Area of due diligence	Board Meeting: report, analysis of trends and implications, strategic questioning & dialogue – and sometimes but not always, decision-making	Supporting accountability	Frequency on board meeting agenda
Values and Mission Standards, Controls and Policies (Board role, items #1, #2, and #3)			
1. Assure relevancy of mission & services.	1. Review community needs and organization’s response. 2. Review, and if necessary, update mission and vision. 3. Articulate and adopt overall strategic direction for the organization.	1&2. CEO 3. CEO & ad hoc Strat Pl Committee	1. Ongoing 2. Every 3-5 yrs. 3. Every 3-5 yrs.
2. Set standards, controls, & policies.	1. Review and discuss recommended standards, controls, and policies, e.g., in program, finance, fund development, etc.	1. CEO and various committees	1. As needed
3. Define and monitor key areas of performance and benchmarks, and evaluate results.	1. Define desired outcomes, outline criteria for success, establish benchmarks. 2. Measure results compared to standards and plans.	1&2. CEO and various committees	1 & 2. Annually, qtrly, as needed
4. Assure that activities adhere to mission, values, standards, controls, and policies.	1. Compare plans and performance to values and mission, standards, controls, and policies.	1. CEO	1. As needed
5. Assure that facilities adequately support program.	1. Establish parameters and plans. 2. Ensure adequacy of maintenance and improvements.	1&2. CEO and task force or committee.	1&2. Annually
Fiscal Health (Board role, item #4) This is usually the easiest due diligence item for boards to figure out.			
1. Ensure that financial structure is adequate for current priorities, long-range strategy, sustainability, and intergenerational equity.	1. Adopt budget and fund development plan. 2. Review financial performance compared to budget. 3. Monitor cash flow. 4. Review independent audit and management letter. 5. Review fund development results compared to plan. 6. Establish and monitor cash reserves and endowment.	1, 2, 3, 4, 6. CEO & Finance Committee 5. DOD ¹⁶ , CEO, Fund Dev Committee	1. Annually 2 & 3. Mthly/ qtrly 4. Annually 5 & 6. Qtrly and annually
Legal and Regulatory Risk Management (Board role, items #5 and #9)			
1. Assure that the organization complies with relevant laws and regulations.	1. Review report re: relevant laws and regulations, e.g., state and federal government filings etc. 2. Review reports re: compliance with contracts, gifts, and grants.	1. CEO, legal counsel 2. CEO & staff	1. Annually 2. Semi-annually
2. Assure adequate risk management.	1. Review risk management report (insurance, MIS, safety, etc.)	1. CEO, ad hoc task force perhaps	Semi-annually

¹⁶ The acronym “DOD” refers to the chief development officer. Some organizations use the acronym “CDO” for this position. If you do not have a DOD, your CEO serves as your DOD.

Area of due diligence		Board Meeting: report, analysis of trends and implications, strategic questioning & dialogue – and sometimes but not always, decision-making	Supporting accountability	Frequency on board mtg.agenda
Board Operations (Board role, items #6 and #7)				
1. Define and enforce parameters of Board's work.		1. Adopt expected behaviors, skills, roles, performance expectations, confidentiality, conflict of interest, scopes of authority, limitations, etc. Define processes for enforcement and consequences. 2. Adopt standards for good governance. 3. Conduct assessments and enforce continuous quality improvement.	1, 2&3: CEO and Governance Committee	1, 2&3: As needed but at least every 2-3 years.
2. Assure selection of best candidates for Board and committees – and optimum performance from all.		1. Conduct screening interviews. Prior to nomination, secure commitment to expectations and other standards and controls. 2. Conduct Board and committee assessments. 3. Conduct Board member assessment.	1, 2 & 3. CEO and Governance Com	1. Annually 2. Every 2yrs. 3. Annually
3. Assure strategic focus, supporting materials, and meaningful dialogue.		1. Review due diligence outline. 2. Evaluate effectiveness of Board meetings.	1&2: CEO, Board Chair and Gov Com	1 & 2. Ongoing
Personnel Management (Board role, items #8, #10, and #11)				
1. Assure that management is effective ¹⁷ without intruding in management's role and authority.		1. Observe effectiveness of due diligence executed by management including systems and processes to assure continuous quality improvement, efficiency and effectiveness of all areas of operation. 2. Observe effectiveness of Board and committee meetings, which are enabled by staff.	1, 2, 3, 4. CEO, all Board members, task forces, and committees	1, 2, 3, 4. Ongoing
2. Ask strategic questions and provide candid advice and perspective without compromising management's authority.		3. Discuss reports on resources required to achieve mission. 4. Review management reports re: process to recruit, develop & retain quality personnel; employee turnover rates; professional development; professional development; and qualifications for ED position.		
3. Assure that appropriate policies and procedures are in place to recruit and retain a quality CEO.		2. Adopt performance appraisal process/tool for ED. 3. Approve ED performance appraisal, establish performance objectives, and professional development targets. 4. Determine ED compensation. 5. Establish Search Committee, approve search process, and hire.	1&2. CEO & ad hoc personnel task force 3&4. Ad hoc personnel task force 5. Ad hoc personnel task force	1&2. As needed but at least every 2 years 3&4. Annually 4. As needed
5. Ensure personnel policies, procedures that comply with relevant laws, regs.		1. Adopt personnel policies.	1. CEO, legal counsel, personnel task force	1. At least every other year
6. Approve general compensation policies and practices.		1. Review and recommend policies. 2. Receive findings from compensation analysis.	1&2. CEO and ad hoc personnel task force	1. Every other year

¹⁷ "Management" refers to all the non-Board work. While the Board only hires / fires the CEO, the Board holds the CEO accountable for all management.

				2. Every 3 years
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