What Does the Board Really Do? Basic Roles and Responsibilities

About BoardSource

- Enables organizations to fulfill their missions by helping them build effective boards
- Resource for practical information, tools, and best practices, as well as training and leadership development for board members of nonprofit organizations
- Formerly the National Center for Nonprofit Boards
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Agenda

I. Introductions
II. Roles and Responsibilities of Individual Board Members
III. Three Roles of Nonprofit Boards
IV. Board-Chief Executive Partnership
Game Show

• From what language is the root word for “governance?”

a) Greek
b) Latin
c) German
d) English

From Greek word “kubernan,” to steer

To govern is to steer, to control, and to influence from a position of authority

Board Size

• Whatever is needed to facilitate both active participation and effective decision making
Game Show

• What is the average size of a nonprofit board?

a) 3  
b) 12  
c) 16  
d) 25

Generally want the board to be big enough to incorporate a diversity of perspectives and small enough to facilitate both active participation and effective decision making.

Game Show

• The executive director should not be:

a) Present at board meetings  
b) Allowed to speak at board meetings  
c) A voting board member  
d) An ex-officio member of the board

14% of EDs have a vote; 40% nonvoting
II. Roles and Responsibilities of Individual Board Members

Three “Hats”

• **Legal Hat = The 3 “D’s”**
  – Duty of Care
  – Duty of Loyalty
  – Duty of Obedience

• **Ambassador Hat** for the Organization

• **Volunteer Hat** for the Organization
Duty of Care

• A board member must exercise the same care that an ordinary, prudent person would exercise in a like position or under similar circumstances.
  – Using your best judgment
  – Actively participating, paying attention
  – Asking pertinent questions

Duty of Loyalty

• Act in good faith, be faithful to the organization, and pursue its best interests (e.g., put the interests of the organization above self-interest).
  – Avoiding conflicts of interest
  – Putting aside personal and professional interests
Duty of Obedience

- Act in accordance with the organization’s rules and policies, and in furtherance of its goals as stated in the mission statement, articles of incorporation and bylaws
- Comply with state and federal laws
- Not act outside the scope of corporate powers
  - Staying true to the organization’s mission
  - Obeying the law, both public and organizational

Ambassador for the Organization

- Secondary importance to governance
- But, strongly recommended since:
  - Board members are in a better position to do this than others (more authority / clout)
  - Organizational sustainability is critical
- Examples might include giving presentations about the cause / organization, educating elected officials, and writing newspaper editorials
Volunteer for the Organization

- Least important of board member responsibilities
- But, can help:
  - Board members understand the organization
  - Build a positive organizational culture
- Board members are merely volunteers in this role, NOT in charge, NOT possessing higher authority, NOT acting on behalf of the board

SUMMARY: Roles and Responsibilities of Individual Board Members

- Members of the governing body: duty of care, duty of loyalty, and duty of obedience
  - Having ultimate responsibility for the organization
  - Only during board meetings when developing policy and acting collectively
- Ambassadors for the organization
  - Represent organization externally
- Volunteers for the organization
  - When participating in all other organizational activities, NO special privileges
III. Three Roles of Nonprofit Boards


“*It comes in midnight gray, charcoal gray, slate gray, and gray.*"
### Governing Boards...

- Come in a variety of structures, compositions, etc., but are always where the proverbial “buck stops”:
  - Granted authority by state and supporters to represent public trust and ensure the organization carries out the purposes for which it was established in a responsible and accountable fashion
  - Where organization’s legal responsibilities rest

### Policy vs. Management

- Board’s role often described as “policy-making” while staff’s is “management”
- However, this is too simplistic:
  - A policy is a “guiding principle”
  - Staff are critical in shaping and implementing policies
Role and Responsibilities of Nonprofit Boards

**Strategy**
- Determine mission and purpose
- Ensure effective planning

**Fiduciary Oversight**
- Monitor and strengthen programs and services
- Protect assets and provide financial oversight
- Ensure legal and ethical integrity
- Support and evaluate the Executive Director

**Resource Development**
- Enhance the organization’s public standing
- Ensure adequate financial resources
- Select the Executive Director
- Build a competent board
Board Role 1: Set Organizational Direction

• Developing and maintaining a focus on mission, e.g:
  – What is our mission/vision?
  – What are our values?
  – What issues must we confront in order to serve our mission?
  – Where should we be in five years?
• Philosophical and strategic (long-term) planning
• Not necessarily tactical (annual) planning

Board Role 2: Provide Oversight

• Program -- e.g., plan, monitor and evaluate
• Financial -- e.g., establish budget guidelines and oversee financial management
• Risk management
• Legal and moral oversight -- e.g., manage compliance, values, conflicts of interest, and accountability
• Evaluation of Chief Executive
Program Oversight

- **Program Monitoring** ensures plans are being implemented and goals are being achieved
- **Program Evaluation** measures the quality of programs and services and whether the results are worth the expenditure of funds and effort

Financial Oversight

- Ensuring financial policies are in place
- Managing assets and protecting income
- Approving the annual budget
- Reviewing financial statements and asking questions to ensure accurate understanding
- Reviewing audit report and taking action as needed
- Ensuring the organization is filing the Form 990
Legal and Moral Oversight

- Ensure compliance with legal requirements
- Articulate and safeguard organizational values
- Avoid or, if necessary, manage conflicts of interest
- Hold everyone associated with the organization accountable
  - Paid staff and volunteers
  - Board and board members

Oversight of the Executive Director

- Support Executive Director
  - Provide training
  - Assist Chief when Board members overstep/misunderstand roles
  - Invite to important social functions

- Evaluate Executive Director
  - Conduct annual performance review
  - Provide constructive feedback
Board Role 3: Ensure Resources

- Enhance the organization’s public standing
- Ensure adequate financial resources
- Select the executive director
- Build a competent board

Positive Public Image

- An accurate image and positive reputation will influence organizational resources
- Success of most organizations depends on external relationships
- Board needs to ascertain that stakeholders are kept informed
Adequate Financial Resources

• The full board participates in various ways, e.g.:
  – Board members can contribute financially
  – Board members can help develop a fundraising plan
  – Board members can support the chief executive’s solicitation efforts
  – Board members can solicit

• Regardless, it is always the board’s responsibility to ensure adequate resources for the organization to remain financially viable

Fundraising—No Money, No Mission

• 100% Board Giving

• 100% Board Participation
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- 75% of boards require personal financial contributions
- 56% of boards have 100% giving from board members

Capable Leadership

- Selection of Chief Executive, e.g.:
  - Selection committee
  - Executive recruiters

- Building a Competent Board
Board Member Responsibilities

• Actively Participate
  – Provide time, talent, and treasure
  – Attend meetings/events
  – Serve on committees, carry out assignments
  – Help raise money

• Be Informed
  – About mission, programs
  – Prepare for meetings
  – Stay current with related issues and organizations
  – Ask questions

Board Member Responsibilities (cont’d)

• Promote the Organization
  – Spread the word
  – Recruit board members and other volunteers

• Safeguard Ethics and Values
  – Follow conflict-of-interest and confidentiality policies
  – Refrain from asking special favors from staff
SUMMARY: The Board as a Collective Body

- Setting Organizational Direction
  - Planning
- Ensuring the Necessary Resources
  - Human Resources
  - Financial Stability
  - Community Relations
- Providing Oversight
  - Organizational Operations
  - Financial Management

IV. Board-Chief Executive Partnership
# Board-Chief Executive Partnership

- Key relationship with inherent tension, even when it’s a positive relationship, since:
  - Both parties do governance
  - Intersection of governance and management
  - Board oversees chief executive’s work

## Board-Chief Executive Partnership (cont’d)

- Requires respect for differences
- Requires clarity of mutual expectations
- Requires regular communications
- Benefits from mutual assessments
The Governance Spectrum

Board Focused
Constructive Partnership Focused
ED/Staff Focused

High Board Authority
High Executive Authority

Constructive Partnership
Ensure CEO & Board Engagement

CEO → Is Displacing Board

GOVERNANCE AS OBSERVATION

CEO → Is Going Through the Motions with Board

GOVERNANCE AS ATTENDANCE

CEO → Is In Constructive Partnership with Board

GOVERNANCE AS LEADERSHIP

CEO → Is Displaced by Board

GOVERNANCE AS MICROMANAGEMENT

Source: Richard Chait et al., “Governance as Leadership”

Questions
“A good board is a victory, not a gift.”

~ Cyril O. Houle

Governing Boards

Thank you!!

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