

Duties and Responsibilities of Non-profit Boards

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Welcome and Introductions



Roles and Responsibilities...

- Determine the organization's mission and purpose.
 Review the mission annually.
 Qualities of a good mission statement...
 focused, address a need, inspire
- Determine, monitor, and strengthen the organization's programs and services.


Avoid Mission Drift...



Roles and Responsibilities...


- Select the chief executive.

**Job Description
Search Process**



- Support the chief executive and evaluate his or her performance.

**Qualitative and Quantitative Assessment
Measurable Agreed Upon Goals**




Roles and Responsibilities...

- Provide proper financial oversight.

The board must approve the annual budget and ensure that proper financial controls are in place.

**Monthly Financial Statements
Income/Expense Statements
Actual to Budget Measurements
Ongoing Communication with CFO**



- Ensure adequate resources.

One of the board's foremost responsibilities is to secure adequate resources for the organization to fulfill its mission.

Roles and Responsibilities...

- Ensure legal and ethical integrity and maintain accountability.

The board is ultimately responsible for ensuring adherence to legal standards and ethical norms.

Best Practices are Your Best Resources:
Nonprofit Boards: Roles, Responsibilities, and Performance
By Diane J. Duca
Published by Wiley, 1996

Governance as Leadership: Reframing the Work of Nonprofit Boards
By Richard Chait, William P. Ryan, Barbara E. Taylor
Published by John Wiley and Sons, 2004

Sarbanes-Oxley for Nonprofit Boards: A New Governance Paradigm
By Peggy M. Jackson, Inc NetLibrary
Published by John Wiley & Sons, 2006



Roles and Responsibilities...

- Advocate and enhance the organization's public standing.

The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.

- Recruit and orient new board members and assess board performance.

All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate their own performance.



The Do's

Review of the Do's aka Responsibilities:

- Review and Set the Mission
- Monitor the Services
- Select the CEO
- Evaluate the CEO
- Provide Financial Oversight
- Secure Resources
- Ensure Integrity and Accountability
- Advocate the Organization
- Strengthen the Board



The Do's	The Don'ts
>Review and Set the Mission	>Mission Drift
>Monitor the Services	>Micromanage the Services
>Select & Evaluate the CEO	>Rush into a CEO Appointment, Solely Provide Qualitative Evaluations
>Provide Financial Oversight	>Manage the Finances
>Secure Resources	>Hamper Support
>Ensure Integrity & Accountability	>Keep Secrets, Force OPRA
>Advocate the Organization	>Air the Dirty Laundry
>Strengthen & Orient the Board	>Alienate the Board

Developing a Board Orientation Program



Planning, Implementation, Evaluation

- **PIE Model Overview**
 - **Planning: Plan Annual Retreat & Develop Calendar for Goals**
 - **Implementation: Conduct Retreat and Annual Activities**
 - **Evaluation: Board Self-evaluation to Assess Efforts & Set New Goals**

Planning, Implementation, Evaluation

- **Best Practices & Literature Index**
- **Gap Analysis to Identify New Components**
- **Structural Changes**
 - **Committees**
 - **Administration**



Planning, Implementation, Evaluation
continued

- Building upon your strengths:
 - Trust based relationship w/ Board and CEO
 - Community Presence
 - Human Services
 - Fundraising
 - Informational Technology Services
 - Identify Board Development as an Organizational Priority, Treat it as a Function




Components

- Board Resource Center that includes:
 - At A Glance
 - Meeting Minutes
 - Appointment Procedures
 - Policies and Procedures
 - Board Development Opportunities
 - Board Literature
 - Board Bios
 - By-laws
 - Financial Statements

Components
continued...

- Trustee Manual
- New Board Member Orientation w/ Mentor Program
- Self Evaluation and Calendar





Resources:

Richard T. Ingram
[The Top 200 Responsibilities of Nonprofit Boards](#)
(BoardSource 2003).

The Non-profit Resource Center
www.nplrc.org

Whatcom Council of Non Profits,
Best Practices for Executive Directors and Boards of Non Profit Organizations
www.whatcomsite.org

[Dr. Edward Welytok, JD, CPA, Daniel S. Welytok, JD](#)
Nonprofit Law & Governance For Dummies

[John Casper, Miriam Carver](#)
Reinventing Your Board, Revised Edition

Why Nonprofits Have a Board Problem

by Manda Salls 4/4/2005

Plenty of distinguished people serve on nonprofit boards, but for some reason these directors shrink from leadership, argues Harvard professor Richard Chait. In this Q&A, Chait discusses his new book on how boards can transform into powerful forces of leadership.

Nonprofit boards are made up of the best and brightest—top business executives who are passionate about a cause, cultural icons, and dedicated philanthropists. With this caliber of people at the top of the governance structure, boards should be very influential in helping to lead the companies they govern. So why aren't they?

In *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Harvard professor Richard Chait, along with coauthors William Ryan and Barbara Taylor, argue that boards spend too much time on minutia and management issues, and not enough time on big-picture strategy and leadership concerns.

Are nonprofit boards recruiting the wrong members? Are power-hungry CEOs stealing the spotlight? In this interview, Chait discusses why nonprofit boards are failing, and how they can transform into powerful forces of leadership.

Chait is a professor of higher education at the Harvard Graduate School of Education, and co-principal investigator of The Study of New Scholars.

Manda Salls: Your research shows a gap between leadership and governance—that they aren't written about or researched as related issues. Why is this?

Richard Chait: Historically few people considered trusteeship as related to leadership. In fact, all of the efforts were to separate and delineate the two. Leadership was seen to be the province of management and CEOs, governance and trusteeship the province of the board. We hope that we can enable people to see that the conceptual division along those lines is not very useful.

What boards and management are both concerned with some of the time is organizational leadership. These need to be joined together. We need to see governance as one source of leadership, and one set of leadership activities inside of an organization.

Q: Boards are generally made up of people who have performed at very high levels in their own organizations. Why don't these leadership skills translate to their work on a board?

A: They are leaders—that is what is so ironic! What's happened in some cases is that very talented leaders have recognized that there are differences between leadership and management, and that the

greatest leverage resides with the exercise of leadership. So CEOs and VPs are often content to delegate some management functions to a board. Some CEOs have taken over leadership, and only left behind management, because the stakes of management are not as high.

Boards have become more regulatory, more compliance-based, more like a police officer than a member of a leadership team.

But there is another important reason. There has been a renewed emphasis on boards as fiduciaries—responsible for oversight, performance accountability, financial integrity, and conservation of assets. It has caused boards to focus more on this fiduciary or oversight role where they are the monitors of management, and less on their role as a partner in leadership. Boards have become more regulatory, more compliance-based, more like a police officer than a member of a leadership team.

Q: You introduce a mode of governance called "generative thinking." Can you give a brief overview of what this is, and why it is so essential to governance?

A: The most important work that takes place in an organization is when people first begin to identify and discern what the important challenges, problems, opportunities, and questions are. It's the way in which the intellectual agenda of the organization is constructed.

The generative work that we recommend encourages boards to be present at those times when the organization tries to make sense of circumstances, tries to make meaning of events.

The way in which we first make sense of circumstances is in fact what triggers or spawns strategies, policies, decisions, and actions. (We chose the word "generative" because its roots are in genesis.) Boards need to be there at the creation, when people say, "Okay—that's what we need to work on." Often, it's senior managers as leaders who come to a board and say, "We have looked at all the issues, here is the problem, here's what we plan to do. Does this solution sound right?" The question should be: "Do we have the problem right?"

When you think of a decision-making flow, all we are suggesting is that boards get at the headwaters. They need to get way upstream; they tend to wade in much too far downstream.

Generative thinking is getting to the question before the question. It's actually the fun part of governance. It's not about narrow technical expertise. Generative work is almost always about questions of values, beliefs, assumptions, and organizational cultures. That's what makes it interesting, but also what makes it important is to have people in those conversations who understand the institution, but have some degree of distance.

Q: Is there a fundamental difference between for-profit and nonprofit boards?

A: Yes. Among the big differences are:

Corporate boards are almost without exception a collection of peers. The CEO is surrounded, basically, by other CEOs or people of equal station. On nonprofit boards that is not the case either in stature, in income, or in prestige.

In still more than half of the cases in the corporate sector, the CEO is the chair of the board. That is never the case in the nonprofit sector.

Corporate boards all know how to keep score. They know how to monitor performance, they know what metrics matter. In the nonprofit sector it is very hard to keep score. Are more souls saved in this church than the number saved fifteen years ago? Do we provide a better education at Harvard than we did ten years ago? The performance metrics are quite different.

Q: What should nonprofit boards be looking for when they recruit new members?

A: Nonprofits do not pay enough attention to the capacity of individual trustees to be effective members of the orchestra. They tend to look for talented musicians, so they get a lot of soloists.

Also, if you accept the idea that boards need to do generative work, then wealth alone is not sufficient. There are other kinds of assets that trustees need to bring to the table, such as intellectual capital, analytical skills, and social capital. What you are asking is not just to have this person buy or sell a point of view as a philanthropist. You want people who are comfortable with ambiguity, conflict, and group dynamics. This is a much different set of skills than someone who is affluent and therefore influential.

Q: Couldn't governance as leadership cause friction between boards and nonprofit executives?

A: They are a source of leadership, not the leader. One can apply a board's relationship to the CEO, the same dynamic that one would apply to any other source of leadership. There are absolutely CEOs and presidents of nonprofits who would prefer to have total control, to be the sole leader of the organization, to make all of the major decisions, and to do it unilaterally. For them there is a lot of friction. Happily, in my experience, that is a small fraction of nonprofit leaders. Most nonprofit leaders are pretty open-minded, comfortable with group process and consensus, and adaptable to multiple sources of leadership. They are saying if the board can help us see things in a new and better light, then that's great.

Nonprofits do not pay enough attention to the capacity of individual trustees to be effective members of the orchestra.

However, there are some nonprofit leaders who would prefer control to success. I think they are a minority, but they are there. We do get reactions from CEOs who are basically saying this is a recipe for all hell to break loose—"I'm out of control if you do this." If you are a control freak CEO, would you rather have the board decide on fixing the roof, or would you rather have them engaged in a conversation about the culture and ethos of the organization? I think you'd rather have them focused on the roof. So, yes, there is potential for friction, particularly with CEOs who are very focused on division of labor and lines of authority and control.

Q: What are some practical steps organizations can take to transform their boards? How can they start this process?

A: First, become familiar with the central concept of Governance as Leadership, that there are three different modes of governance: fiduciary, strategic, and generative, and all of these modes are important.

At a really practical level we suggest ways in which boards can diagnose their natural tendencies such as asking, "Are you more fiduciary than strategic?" and so on. It is a self study. Not so much of a performance per se. But does the board understand itself as a collective personality and does it understand how it functions?

We provide specific steps that boards can take to significantly increase the probability that generative issues will come into play, and that the board will be organized to reckon with those issues. There are steps to encourage what we call robust conversation, for boards to change the way they meet and discuss, and give them a much higher comfort level with disagreement. We also give steps to help boards become much more forensic in their thinking. They should understand what's gone on, not just what is going to happen. They need to be much more focused on making meaning of what has happened, and not just always asking what's next.

Q: What else are you working on?

A: I work in two areas: governance and academic management. We are actually in the middle of a national rollout of part of a program called COACHE: The Collaborative on Academic Careers in Higher Education.

We have developed a survey to assess the quality of work-life on college campuses, as experienced by junior faculty. I encourage anyone who is interested to contact me.

Typically, we locate much of the power and opportunity to shape an institution in familiar organizational processes like mission setting, strategy development, and problem solving. Because they produce the purposes, strategies, and ideas that drive organizations, these are recognized as powerful processes. But a fourth process, of generative thinking, is actually more powerful. Generative thinking precedes these. More to the point, it generates the other processes.

To return to the paradigm shifts, imagine that a single nonprofit, rather than a loose network of police officers, researchers, and policy makers, first developed the strategy of community policing. It would be natural to credit the organization's strategy-development process for the new approach to fighting crime. But how could this really be? The organization would need the idea, if not the label, of community policing in order to arrive at the strategy and associated tactics. Strategy development helps an organization get from here to there, from the present point A to a future, preferred point B. But understanding point A—in this case, to conclude that the deployment of police was no longer a sufficient response to crime—must come first. And generative thinking produces a vision of point B—in

this case, the idea of a different, preventive approach. Without generative thinking, we would have neither here nor there.

In fact, most of the formal planning and learning processes that appear so powerful in organizations look incomplete when one takes generative thinking into account. For example, businesses routinely invested in formal product-development processes to get an idea from the drawing board to the marketplace. The product development process was a series of engineering, manufacturing, and marketing activities. But then some product developers wondered if there was not more to the process. After all, how did ideas reach the drawing board in the first place? And what would increase the chances of developing good ideas to start with?

1 In effect, the key question was, "What kind of generative thinking precedes product development?" The same is true of organizational problem solving. Whether conducted through formal program development or informal trial-and-error, the important work of "problem framing" precedes problem solving.

2 Before we solve a problem, we decide upon the nature of the problem. Similarly, the scientific method has value only after we find a hypothesis worth testing.

3 Invariably, great research starts with great questions.

However compelling that logic may be, it has little influence on the way organizations usually work. In fact, judging from the amount of attention most of us give generative thinking, it is as if we believe that goals, missions, and problems simply appear in organizations, much as seventeenth-century Europeans believed that a jar full of old rags and wheat husks, left open for a few weeks, would spontaneously generate flies. It took nearly a century for people to speculate that flies might be depositing eggs into the jars. From there, a different understanding soon became obvious: An unseen biological process, not piles of rags and wheat husks, was generating new life. The same is true of organizations. A prior, unexamined cognitive process generates the moral commitments that missions codify, the goals that strategies advance, and the diagnoses that problem solving addresses.

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Manda Salls is the Web editor for Baker Library.

The Power of Generative Thinking in Organizations by Richard P. Chait, William P. Ryan, and Barbara E. Taylor
Footnotes:

1. Deschamps, J. P., and Nayak, P. R. (1995). *Product Juggernauts: How Companies Mobilize to Generate a Stream of Market Winners*. Boston: Harvard Business School Press.
2. Schon, D. A. (1983). *The Reflective Practitioner: How Professionals Think in Action*. London: Temple Smith.
3. Polanyi, M. (1974). *Personal Knowledge*. Chicago: University of Chicago Press.

“How to Avoid Mission Creep: 7 Hallmarks of Mission Statements That Stay Put”

By Joanne Fritz

Mission statements are more than just decoration for your office wall. A good mission statement makes decisions much easier. When in doubt whether to head off into another direction because a donor suggests it or a foundation grant opens up a new avenue, getting back to the mission statement will help you stay on course.

Kim Jonker, a consultant to nonprofits, and William F. Meehan III, a senior director at McKinsey and Company, authors of a recent article in the Stanford Social Innovation Review (Winter 2008), suggest that nonprofit mission statements that have these characteristics are less likely to "creep":

1. They are focused.

The best mission statements are not grandiose or even particularly inspiring, but rather narrowly focused...more like a laser beam than a spotlight. Feeding all the hungry people in the world is laudable but likely out of reach for an organization with finite resources. The more focused the mission, the better the performance is a good rule of thumb.

2. They solve unmet public needs.

Nonprofits receive special tax status because they address problems that the government and business can't or won't deal with. Their mission statement must be about these public needs.

3. They leverage unique skills.

Passion and high aspirations are not enough for real impact. A nonprofit should have skills and be capable of specific actions that are different than other organizations. An example is Teach for America which enlists young people (future leaders) to help eliminate educational inequality. That is specific as to the who and the what.

4. They guide trade-offs.

Every nonprofit organization must make critical decision and trade-offs...what initiatives to proceed with and which to abandon. They should say "no" to funding opportunities or programs that do not align with their mission but they should say "yes" to opportunities that will take their mission to the next level.

5. They energize stakeholders and are inspired by those stakeholders.

A nonprofit has multiple stakeholders, often with conflicting interests and ideas. These can include board members, staff, customers, government agencies and the public. Great missions reflect all those interests but balances them, sometimes favoring some over others. But, as a result, the mission statement inspires those stakeholders.

6. Great mission statements anticipate change.

In anticipating change, these mission statements are timeless. To accommodate change, nonprofits should re-explain their missions to their stakeholders every three to five years. This will regain their understanding and commitment. But that does not mean organizations need to change their missions. That should only be done in truly exceptional cases.

7. A mission statement should stick in the memory.

Stakeholders, especially external ones such as donors, rely on your nonprofit's mission statement to guide their actions. So, the statement should be something that can easily be remembered. That means it should be short and concrete.

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