

# NONPROFIT TWISTS AND TURNS BEST PRACTICES IN BOARD GOVERNANCE

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# + Introduction

- Chicago-Based Firm
- Nonprofit Capacity-Building and Relationship-Building
- Sectors Served – Human Services, Health, Foundations & Associations, Education, Arts, Religion
- Educator – Nonprofit Management and Governance
- Mindfulness – Instructor

# Board Effectiveness is a Path



**Poorly functioning**  
Disengagement,  
conflict

**Functioning**  
Passive and  
reactive

**Responsible**  
understands roles,  
compliant,  
strategic

**Exceptional**  
proactive,  
values-driven,  
generative, spots  
opportunities

# Board Dynamics – Cohering as a Group

- Every board member contributes to group dynamic
- Healthy dynamics closely related to success of a nonprofit
- Important to:
  - Build trust to support collaborative governance
  - Develop a culture of inquiry
  - Ensure independent-mindedness
  - Recognize and avoid micromanagement
  - Address problems among board members
  - Welcome “positive dissent”



# What is Board Governance?

- Legal authority to exercise power on behalf of the community
- Community has entrusted board to represent its interests on its behalf
- Group action
- Laws, bylaws, regulations and policies specify how board is to act
- Three duties are the foundation of governance



# Duty of Care

- Exercise the judgment that a reasonable and prudent person would make
- Act in good faith
- Law recognizes board members may not always be right but holds them accountable for being diligent, attentive and thoughtful
- Active preparation and participation in board meetings is key



# Duty of Loyalty

- Advance the interests of the organization with best possible outcomes
- No conflicts of interest or self-dealing in transactions without disclosure
- Needs of beneficiaries are always paramount



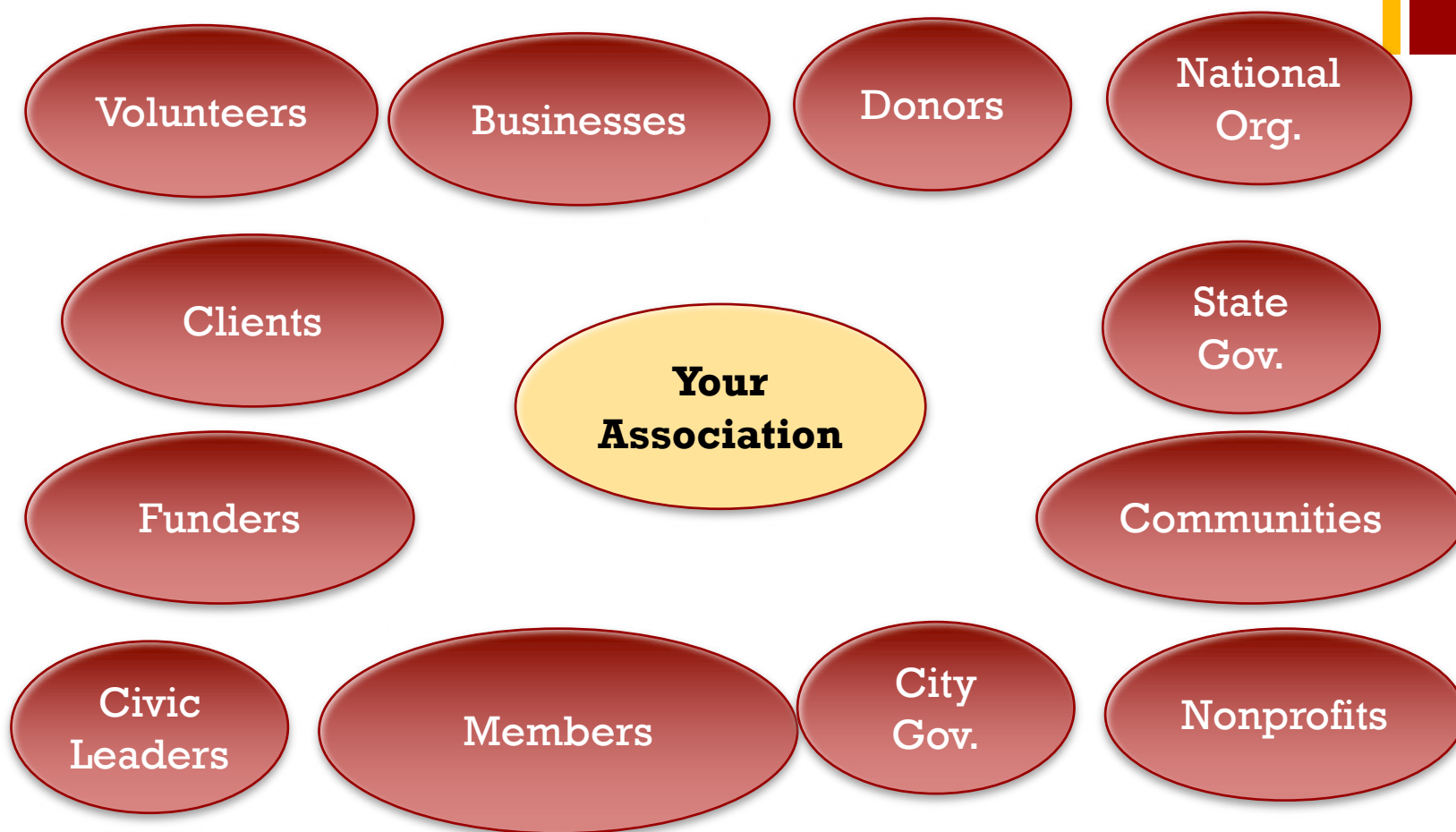
# Duty of Obedience

- Requires obedience to and accountability for organization's mission, bylaws and policies
- Follow standards of appropriate behavior
- Subject to civil and criminal sanctions (rare)





# + Accountability to Community Stakeholders



# Accountability for What?

Four broad categories:

## ■ **Finances**

- Transparency, greater disclosure, accuracy

## ■ **Governance**

- Choose the right leadership and direction

## ■ **Performance**

- Achieve results, effective strategies, link goals and outcomes

## ■ **Mission**

- Demonstrate progress toward mission fulfillment





# Domains of Leadership



# Determine Mission, Vision and Values

- Ensure that they are clearly stated and advanced
- That they are useful, honest, valid and current
- That they are used as benchmarks to ensure the organization does not drift



# Engage in Strategic Thinking

- Make it a part of regular, ongoing board work
- Stay current with internal and external forces that drive change
- Ask far-ranging questions
- Carve out time for meaningful discussion that shapes strategies and actions
- Engage in scenario planning
- At board meetings, retreats, committee work



# Ensure Effective Planning

- Participate in comprehensive organization strategic planning
- Use goals as guide for structuring budgets/activity
- Track the plan's implementation and results



# Financial Oversight

- Understand issues important to financial integrity and solvency
- Safeguards and procedures to protect the organization
- Signs of financial trouble
- Make decisions based upon financial information
- Recognize impending problems



# Ambassadorship

- Board members in best position to ask others for support
- Commitment to personal support
- Raise public awareness to shape positive image
- Understand how organization is perceived in the community
- Serve as “good-will” ambassador to variety of audiences





# Ensure Adequate Financial Resources

- Diversify and maximize sustainable revenue
  
- Develop and monitor portfolio of income streams:
  - Earned income
  - Sponsorships
  - Fundraising
  - Investments



# Develop Resiliency

- See current challenges from different perspectives
- Look for opportunities in obstacles
- Things don't always happen in a logical or linear fashion
- Tap intuition and intellectual creativity and spontaneity
- Encourage robust discourse not quick consensus



# + 10 Common Pitfalls

# 1. Veering off the mission

- The most important guideline for a board on all decision making is the mission statement.
- If the mission is not central at every board meeting, it is easy to lose focus on the true purpose of the organization.

*Example: An educational organization for K-8 accepts a generous grant to build a sports facility that people of all ages to enjoy.*



## 2. Complacency

- A core obligation of every board member is participation. Some symptoms of complacency might include board members who take the easy way out, ignore the commitments and disregard the responsibilities that come with being a board member
- They may fail to ask questions, miss meetings, or put off assignments.

*Example: A board member does not understand how to evaluate the monthly financial statements. Instead of asking questions, he votes with the majority.*



### 3. Misguided motivations

- Board members must always think of the organization first. Allowing personal preferences to affect decision making places the organization in a secondary role in a board member's mind.
- Misguided and unethical motivations, undeclared conflicts of interest, and the pursuit of personal benefit may endanger the organization's tax-exempt status.

*Example: A board member recruits an out-of-work relative to run the organization who is marginally qualified*



## 4. Multiple Voices

- A board only has authority as a group. Boards speak with one voice, which is formulated through deliberation.
- Individual board members are bound by the collective decision. Differing opinions need to be resolved in the boardroom, not declared outside to constituents, the media, or customers.

*Example: A board member pledges support for a grant to an organization without consulting others first.*



## 5. Micro-Managing

- One of the key duties of a board is to hire a competent chief executive to run daily operations. Part of this duty assumes that there is a valid job description and a performance evaluation process in place.
- The board's role is to oversee that the organization is well run; not to interfere in the domain of the chief executive.

*Example: The board insists on being involved in choosing new furniture for the organization.*





## 6. Limitless Terms

- Every board must accept and even thrive on change. New perspectives and different ideas keep the board and organization moving forward.
- Term limits can help the board avoid stagnation.

*Example: Resistant to change, the founding board of an organization has been governing for 15 years.*



## 7. Lawless Governance

- Nonprofit tax-exempt organizations must heed federal, state, and local regulations, as well as their own bylaws. It is the board's role to make sure that all laws are respected. The board needs to assure that the organization files its Form 990 correctly and on time; that employment taxes are withheld regularly; and that official documents are saved appropriately.
- Boards must oversee and respect regulations and the creation of appropriate policies.

*Example: To get through a financial crunch, the CEO decides not to pay payroll taxes for 18 months. The board turns a blind eye.*



## 8. No Board Assessment

- By studying its own behavior, sharing impressions, and analyzing the results, the board is able to lay the groundwork for self-improvement. Failing to assess its own performance, the board is unable to define its strengths and weaknesses.
- As a by-product, it can also enhance its team spirit, its accountability, and its credibility with funders and other constituents.

*Example: Morale is low, attendance is sporadic, and committee chairs struggle to energize and engage their members*



## 9. Lack of Self-improvement

- Self-improvement is one of the innate consequences of self-assessment. Regular self-assessment is a futile process if it does not address apparent weaknesses in a board and result in structured self-betterment.
- Boards, which do not provide learning possibilities for their members miss opportunities and many utilize their members' capacities inefficiently.

*Example: Board members do not set personal goals that stretch them; they don't stay abreast of issues impacting their sector*



## 10. Knotted Purse Strings

- Asking for and giving money are natural aspects of being a board member in most nonprofits. Boards that are responsible for fundraising, yet don't have a 100 percent personal contribution rate, have failed the ultimate commitment test.
- If the board is not supporting the organization whole-heartedly, how can it convince others to do so?

*Example: Board members don't leverage their networks and relationships to help raise money and foster new connections to the organization*



# Standards of Personal Conduct

- Participate actively
- Be knowledgeable
- Ask questions
- Do your homework
- Provide active support for fundraising and making connections
- Serve as an ambassador and advocate
- Provide encouragement and support for staff
- Serve with honor and integrity
- Work effectively as a team



# + Discussion

**Wishing to be friends is quick work, but  
friendship is a slow ripening fruit**

**Aristotle (4<sup>th</sup> B.C., Nicomachean Ethics)**



# Ambassadors are Connectors

- Raise public awareness to shape positive image of organization; inform a broad audience about the value, relevance, need, benefit, impact of your Organization
- Allow feedback to be shared through two-way communication; listen to questions, concerns, interests
- Understand how your Organization is perceived in the community
- Listen to and distill different voices and interests
- You become like mortar between bricks – bind mission to community





# Unique Role of Board Members as Ambassadors



- Stakeholders like to meet organization volunteer leaders and feel their passion and commitment
- Whether individuals, businesses, associations, foundations, civic groups, faith-based groups, etc.
- You bring trust and credibility, genuineness – you're not paid spokespeople and have nothing to personally gain
- You're in it because you believe in and support the mission and work
- Need to reach people at the Head and Heart levels

# + Dyad Exercise

- Making the Case for your Association
- One person asks questions, the other person answers
- Partner poses following questions:
  - What is your Association?
  - What's unique about how you deliver services?
  - What difference do you make?
  - Why should I care?
- Listen and learn from dyads that go before you

# Main Duties of Ambassadors

- Be **VISIBLE** – to variety of stakeholder groups and community members
- Be **PRESENT** – come to events, programs, activities
- Be **SUPPORTIVE** – volunteer time, make gifts, be an advocate
- Be **INVOLVED** – understand the issues
- Be **KNOWLEDGABLE** – understand programs
- Be **WILLING TO LISTEN** - to stakeholder feedback
- Be **INTERESTED IN THEM** and responsive to their needs for information
- Be **GENUINE** – let others feel your passion and commitment



# + Discussion