Introduction to High Performance Governance: Board Basics

Nonprofit Boot Camp
March 20, 2015

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Managing Partner
The Role of Governance
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**Governance:** something every organization has to do to fulfill legal obligations

**Governance:** a critical success factor in mission-driven work
The Role of Governance

**Governance**: something every organization has to do to fulfill legal obligations

**Governance**: a critical success factor in mission-driven work
What Exactly is Governance?
We’re talking about Board of Directors.
The Role of Governance

Governance: What’s it good for?
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Governance: What’s it good for?

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- **Representing the organization:** externally, and internally (“we exist to _____”)
The Role of Governance

Governance: What’s it good for?

- **Strategy:** planning requires the ability to “see from altitude”
- **Change management:** requires objectivity
- **Delivering on the mission:** more so than signatories or management (to the point of legal responsibility)
- **Representing the organization:** externally, and internally (“we exist to _____”)
- **Assuring organizational performance:** managing the CEO / ED, reporting to stakeholders
Maturity of a Board
Maturity of a Board

Working Board

Governing Board
### The Role of Governance

<table>
<thead>
<tr>
<th>Working Board</th>
<th>Governing Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Early stage organization or program</td>
<td>● Mature organization</td>
</tr>
<tr>
<td>● Little to no management or staff</td>
<td>● Complete management team</td>
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<tr>
<td>● Passionate about work streams</td>
<td>● Remains knowledgeable of work streams, but relies on management team’s judgment</td>
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<tr>
<td>● Delivers strategy, does the work, makes all decisions</td>
<td>● Delivers strategy and major organizational decisions (e.g. annual budget ratification)</td>
</tr>
<tr>
<td>● Typical: insiders to the industry and mission; hands-on managers</td>
<td>● May not even be from the industry; typically C-level</td>
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The Role of Governance

Immediate switch is difficult, or impossible

Working Board

Governing Board
The Role of Governance

Working Board → Hybrid Board → Governing Board
The Role of Governance
How do you start?
How do you start?

What are the fundamental questions that must be answered as your Board evolves?
What are the fundamental board duties, powers, and primary deliverables to the organization?
Just a social club for smart people?
Question 2 - Board Member Responsibilities

• What is the job description of an individual director?
• What are the job descriptions of any special directors?
How do you know if directors are doing their jobs?
What is the appropriate committee structure, and what purpose does each committee serve?
Board Basics: Fundamental Questions

What’s going on behind closed doors?
Board Basics: Fundamental Questions

Question 4 - Board Size and Diversity

• What is the appropriate board size for an organization?
• What are the key diversity categories and skills to consider when selecting the Board of Directors?
Board Basics: Fundamental Questions

Too many cooks in the kitchen? Too many of the “same” cook?
Clear definitions of:
- Who is **Responsible**
- Who is **Accountable**
- Who will be **Consulted**
- Who will be **Informed**

(or “RACI”)

**Collaboration and Transition**

- Board of Directors, Board Committees
- Advisory Board
- Other Stakeholders (External Partners, Funders, Consultants)
- Working Groups, Task Forces
- Management Team and Staff
<table>
<thead>
<tr>
<th>Function</th>
<th>Decision</th>
<th>List</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Annual Budget</td>
<td>Approve Standards</td>
<td>Develop Standard Operating Procedures</td>
</tr>
<tr>
<td>Develop Strategic Plan</td>
<td>Approve External Communications</td>
<td>Subcontractor Selection Decisions</td>
</tr>
<tr>
<td>Execute Strategic Plan</td>
<td>Operating Policy Development</td>
<td>ED Evaluation - KPI development, annual review, etc.</td>
</tr>
<tr>
<td>Recruit New Members</td>
<td>Attend Events</td>
<td>Staff Management</td>
</tr>
<tr>
<td>Establish Membership Criteria</td>
<td>Achieve Workstream Milestones</td>
<td>Governance Review</td>
</tr>
<tr>
<td>On-Board New Members</td>
<td>Define Vision/Mission</td>
<td>Create Core Values</td>
</tr>
<tr>
<td>Hiring</td>
<td>Develop Partnerships</td>
<td>Evolve Business Model</td>
</tr>
<tr>
<td>Approve Board Resolutions</td>
<td>Monthly Budget Review</td>
<td>Fundraising</td>
</tr>
<tr>
<td>Approve Financial Audit and Actions</td>
<td>Meeting Planning (location, agenda)</td>
<td>Website Update</td>
</tr>
</tbody>
</table>
Basic Questions

Question 1 - Board Duties and Powers
Board Duties and Powers

1. Establish Mission and Purpose
2. Provide Leadership and Strategic Direction
3. Hire, Support, Evaluate and Discharge the Executive Director
4. Review and Approve Annual Budget
5. Consistently Represent the Organization's Mission to External Parties
6. Self-assess on Competence and Performance
7. Assure Financial Health and Propriety
Draft Description

The Board is the most strategic and future-focused body at an organization. The Board shapes the strategic priorities of the organization and ensures that purpose, mission and vision are being fulfilled.
Question 2 - Board Member Responsibilities
Question 2 - Board Member Responsibilities

- What is the job description of an individual director?
- What are the job descriptions of special directors?
Board Member Responsibilities

Board of Directors Overview

{The Role of the Board; The Board’s Core Values, Professional Practices, and Key Factors for Success}

Qualifications, Background, and Attributes of Directors

{Skills and Diversity Overview}

Responsibilities of Individual Directors

{Specific responsibilities (e.g. time commitment) from Operating Policies and Bylaws, other details such as term of service and frequency of meetings}

Performance Management Overview

{Approach, frequency, etc.}

Reference Documents

{Reference to Operating Policies, Bylaws, and other founding documents}
Board Member Responsibilities

1. Time commitment
2. Serve on committees
3. Attend meetings
4. Duty of care
5. Represent externally
6. Share expertise internally
7. Leverage network capital, etc.
**Board Member Responsibilities**

**Board Chair**
- Oversee board and executive committee meetings
- Work in partnership with the chief executive to make sure board resolutions are carried out
- Work with the governance committee to recruit new board members
- Act as an alternate spokesperson for the organization

**Vice Board Chair**
- Understand the responsibilities of the board chair and be able to perform these duties in the chair's absence
- Participate as a vital part of the board leadership

**Board Treasurer**
- Serve as the chair of the finance committee
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities
- Work with the chief executive and the chief financial officer to ensure that appropriate financial reports are made available to the board on a timely basis

**Board Secretary**
- Ensure the safety and accuracy of all board records
- Review board minutes
- Assume responsibilities of the chair in the absence of the board chair and vice chair
Basic Questions

Question 3 - Board Committee Structure
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What is the appropriate committee structure, and what purpose does each committee serve?
Board Committee Structure

Board of Directors

Executive Committee

Governance Committee

Finance/Audit Committee

Standing Committees
Board Committee Structure

Board of Directors

Executive Committee
- Board meetings/calls
- Review ED requests, evaluation of ED and ED salary review
- Year-end reports to members

Governance Committee
- Board nominations, elections and onboarding, development and assessment
- Review and updates of governance documents

Finance/Audit Committee
- Finance review
- Audit oversight
- Annual budget recommendation
Board Committee Structure

Board of Directors

Executive Committee
Governance Committee
Finance/Audit Committee

Strategic Planning
Fund-raising
Search

Standing Committees
Examples of Ad Hoc Committees
Basic Questions

Question 4 - Board Size and Diversity
Basic Questions

Question 4 - Board Size and Diversity

• What is the appropriate board size for an organization?
• What are the key diversity categories and skills to consider when selecting the Board of Directors?
Board Diversity Matrix: One Example
Dream Candidates?

If this is three years from now, who can we recruit today?

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1. **Board Decision Making:** How and when do board decisions need to be made?

2. **Board Elections and Recruiting:** How exactly are elections conducted? Who are target candidates? What about term limits?

3. **Core Values, Professional Practices, and Key Factors for Success:** What are our fundamental, guiding principles as a board? How should board members behave with each other?

4. **Board Performance:** How does the board assess its performance?
Resources

- Good to Great: Why Some Companies Make the Leap...And Other’s Don’t by Jim Collins
- BoardSource – www.boardsource.com
- Blue Avocado – www.blueavocado.org
- CompassPoint – www.compasspoint.org
Questions and Discussion