

WHAT YOUR BOARD NEEDS TO KNOW...

WHAT YOUR BOARD NEEDS TO DO...

A PRACTICAL GUIDE  
TO GOVERNING YOUR  
**VOLUNTEER  
ORGANIZATION**

How to provide your not-for-profit organization  
with effective leadership and sound stewardship

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For Joan Abbott

and

Tom Abbott Jr.

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CHAPTER ONE

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**YOUR ROLE AS A DIRECTOR**

# YOUR ROLE AS A DIRECTOR

Whether you are already “working” as a volunteer director in a not-for-profit organization (NPO) or have just joined the Board of Directors—congratulations! You are one of the many hundreds of thousands of people who step forward each year to help organizations on a volunteer basis. Thanks to your dedication and hard work, your members, stakeholders, and communities enjoy improved benefits, opportunities, and services. In the case of organizations that do charitable work, volunteers have created a society that is more caring and committed to helping those in need—in this country and around the world.

## **Purpose of This Book**

The purpose of this book is to provide a short, self-contained guide for NPO success—a book of significant value to volunteer directors who serve on the organization’s board. It will also be of benefit to the chief executive officer (CEO) and staff members of the NPO.

The book is intended to be useful to a wide spectrum of NPOs. In particular it is addressed to directors of small to mid-sized organizations, including associations, charities, and public sector groups. The material dealing with planning, governance, board training, and monitoring will also be of benefit to larger NPOs.

## Terminology

For ease of reference in this book, the term *organization* will generally be used to mean the NPO or charity. The word *association* is used in some places where this better indicates the organization being discussed. The term *CEO* or *chief executive officer* means the senior staff officer responsible to the board for overall management of the organization (common alternative titles being Executive Director or President). The Board of Directors will generally be abbreviated to *board*, and the Chair of the Board (the senior elected officer who presides at board meetings) will be referred to as the *board chair* or simply *chair*. These and other terms used in the book are defined in Exhibit 1.1 at the end of this chapter.

## Governing for the Future

There are over 160,000 not-for-profit organizations in Canada and over 2 million in the United States. Not all these NPOs succeed in their goals. Some do not even survive beyond a year or two of operation.

In order to be successful, NPOs require structure, direction, resources and accountability. The structure includes clearly defined roles for the board, the board chair, the CEO and staff, and the all-important committees and task forces of the organization. Together, these aspects are often termed the governance model (see Chapter 7). It must be clear who is responsible for planning, policy setting, implementing plans and policies, monitoring performance, funding, running effective meetings, and communicating to the membership, as well as how each of these processes will work.

Let's start with your legal responsibilities as a director, then go on to define your dual role.

## Legal Responsibilities

Serving on a volunteer board is full of challenges; and it is not without risks. It surprises some volunteer directors to learn that their legal responsibilities are virtually identical to corporate directors, even though volunteer directors largely contribute their time, energy, and talents without remuneration.

In most jurisdictions, the law requires that directors of volunteer boards:

- Act honestly, in good faith, and in the best interests of the organization
- Exercise the care, diligence, and skill of a reasonably prudent person in exercising their powers and performing their functions as directors.

Well, how can you do that? What is your role in providing sound stewardship and effective leadership to your organization?

## Your Dual Role as a Director

You have two fundamental and concurrent roles. On behalf of the members and/or stakeholders of your organization, your dual role, in cooperation with other board members, is the following:

- **Leadership:** To decide where the organization should be going now and in the future
- **Stewardship:** To ensure that as it moves forward, the organization's assets are as sound (or better) at the end of your term on the board as they were when you arrived (that means not only financial assets, but also reputation in the community and society).

You should be equally clear about the kind of activity that is not part of your role. Your role as a member of the board does not include such operational activities as these:

- Assisting the executive director hire staff, decide on salaries, or discipline employees
- Writing or publishing your organization's newsletter
- Organizing membership golf tournaments or other social events
- Deciding on the best computer system for the organization's office
- Deciding on the type of the carpets, telephones, drapes or anything else in the office.

These activities are all at the level of detailed implementation, which is not the governance level at which you should operate as a director.

Many directors give too much attention to the detailed tasks and pay too little attention to their true roles of leadership and stewardship. Each of the chapters in this book will help you spend your valuable time as a volunteer board member doing the right governance tasks better—leaving the detailed work to those in the organization whose job is concerned with implementing the direction given by the board.

## **What You Will Find in This Book**

This book comprises ten largely self-contained chapters. The first six chapters provide guidance on the work of the organization from planning and policy making through to implementation and then to monitoring performance. Chapter 2 deals with planning, including an overview of strategic planning and how it gets done; also, this chapter covers the development of the Mission Statement, goals, and objectives and how they inter-relate. Chapter 3 addresses the role of the board and CEO in policy setting at the board and staff (administrative) levels respectively.

In Chapter 4, the focus changes from the job of developing plans and policies to the job of implementing plans and policies. This theme of “how things get done” is expanded in Chapter 5 on the working of board committees and task forces. Chapter 6 deals with the critical governance task of monitoring the performance of the organization in relation to the approved plans and policies.

Despite their almost limitless diversity, nonprofits are also alike in that in many—maybe a majority—(their) governance structure malfunctions as often as it functions...<sup>1</sup>

*Peter Drucker*

... most of what the majority of boards do either does not need to be done or is a waste of time when done by the board.<sup>2</sup>

*John Carver*

The last four chapters address the special issues of governance models, training and orientation, financial stewardship, and meeting success factors. Chapter 7 takes a broad look at three alternative models of governance—each of which is designed to get the job done, but which assign different functions to the board and the CEO and staff. This issue of “Who does what, and with how much authority?” needs much attention and consensus before the NPO is ready for the essential task of training board directors. Chapter 8 addresses training issues, including what to cover in board orientation sessions.

Chapter 9 on financial stewardship provides an overview of funding issues, including cost containment initiatives, revenue maximization through dues and non-dues revenues, the Membership Value Proposition, financial controls, and the concepts of implications of generating healthy surpluses on activities and programs. Finally, Chapter 10 addresses the importance of meetings in the work of an

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<sup>1</sup> Peter Drucker, *Managing for the Future: The 1990s and Beyond*, (New York: Truman Talley Books/Dutton), 219.

<sup>2</sup> John Carver, *Boards That Make A Difference: A New Design for Leadership in NonProfit and Public Organizations*, 1st ed. (San Francisco: Jossey-Bass), 1990, xiii.

NPO and how board directors can make the most of their time on committees and task forces; this chapter includes ten simple rules for successful meetings, a sample agenda, and a reference table for the most essential motions and votes.

There was one clear focus in writing this book: to create a small, readable book that would be used by volunteer boards and staff to help them do a better job on behalf of their clients, members, and stakeholders. Much of the material here has been tried, tested, and implemented in successful organizations across the not-for-profit sector in Canada and the United States. The guidance in this book will make your work in the organization more productive and satisfying, and help you contribute to the long-term success of your NPO.

### **Exhibit 1.1 Common NPO Terminology**

Not-for-profit organization (NPO)	An organization governed by a volunteer Board of Directors, with no shareholders, for which the generation of profit is not the prime objective. May also be called (in the U.S.) a nonprofit organization. In general usage, the terms not-for-profit organization, association, society, and charity are often used interchangeably though this is not technically correct.
Charity	An organization governed by a volunteer board and established for charitable purposes as defined by legislation.
Mission Statement	A clear, concise, and inspiring statement that specifies the purpose and direction of the organization, what it does, for whom, and where.
Goals	What is intended to be accomplished to achieve the mission.
Objectives	Specifically how the goals are to be reached.

Constitution	A short document stating the name of the organization and its general purposes. The original constitution and changes to it must be approved by the membership and the government.
Bylaws	A longer document that outlines the general operational rules of the organization; for example, categories of membership, rules for member meetings including the annual general meeting (AGM), rules for board meetings, general duties of officers and directors. The original bylaws and changes to the bylaws must be approved by the membership and filed with the government.
Membership	The group from whom all power and authority in the association flows.
Board	The group to whom the membership grants powers to act on its behalf. May be called Board of Governors or Board of Directors or Council.
Chair	The individual who presides at meetings of the board as the senior elected officer.
Chief Executive Officer (CEO)	The senior staff officer who has overall management responsibility for an organization. The CEO is appointed by and reports directly to the Board of Directors. The CEO hires and manages other staff in order to implement the policies and programs approved by the board. In some organizations this person may be called the Executive Director.
Board Committee	An ongoing committee established by the board and reporting to it. Sometimes referred to as a board statutory committee. It frequently deals with responsibilities outlined in the bylaws or enabling legislation of the organization, for example, the Nominations Committee, Audit Committee, or Discipline/Ethics Committee.

Policy Task Force	A special type of committee established by the board, allocated a specific task dealing with a policy issue and reporting to the board within a specific timeframe; for example, Governance Task Force, Membership Classification Task Force, or Unification Task Force.
CEO Committee	A committee established by and reporting to the CEO. Sometimes called a CEO working committee. It deals with operational or management matters such as publishing and distributing the organization's newsletter, putting on the organization's annual conference, or maintaining computer systems.
Advisory Council	Group of respected volunteers called upon from time to time to offer advice to the board. Sometimes comprised of past presidents.
The Membership Value Proposition (MVP)	The value received (tangible and intangible) from belonging to the association must be equal to or greater than the cost of belonging to the association.

Two other terms you will see in the literature of organizations (see Chapter 4):

Vision Statement	A simple and concise picture of an ideal, desired future for the organization.
Values Statement	A clear and concise statement of how the organization should act in order to reach its vision.