



# Emerging Best Practices in Nonprofit Governance

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# The Board is Charged With Organizational Governance



The board of a nonprofit organization holds the organization in trust on behalf of the public interest. The board serves as the organization's legal and moral guardian and as such is responsible for ensuring its current and future welfare.

## *Current Context Presents Challenges for Boards of Directors*



- Ethics and Image: Public Mistrust
- Laws and Regulations
- The Economy, Financial Competition
- Rapid Technological Change
- Demographic and Cultural Challenges
- Competition for Good Board Members due to Scarcity of Time Available for Volunteer Activities

# Characteristics of Effective Boards



- Know their roles and responsibilities
- Agree on how to operate Pay attention to what goes on both inside and outside the organization
- Have members with the necessary diversity of perspectives, expertise, and other resources
- Work as a team in partnership with the chief executive
- Evaluate their performance

# Board Role: Governance



Governance = to steer, to control, to influence from a position of authority

## Aspects of governance

- Establish Direction
  - Mission, Vision, Goals, Values
- Ensure Resources
  - Funds, Leadership, Reputation
- Provide Oversight
  - Services, Finances, Legal and Ethical Operations

# Board Responsibility for the Program



- Once the board has established major program goals, it needs to
  - Ensure that plans are made for how to reach the goals
  - Monitor implementation: are we doing what we said we would do and accomplishing our goals?
  - Evaluate the outcomes: Are we effectively meeting the needs we are here to address?



# Board Member Legal Duties

- Duty of Obedience
  - To the mission and the laws of the land
- Duty of Care
  - Active participation: attendance, reading materials, asking questions
- Duty of Loyalty
  - Avoiding conflicts of interest



# Demands for the Future

- Effectiveness (outcomes, results)
- Efficiency (money, time, energy)
- Accountability (trustworthiness, transparency)



# Effective Board Interactions



- Board Meetings
  - Less show-and-tell, more give-and-take; opportunities for exploring pros and cons of ideas and proposals, promoting a culture of inquiry
  - Action focused, written reports; use of consent agendas for issues that need no discussion;
  - A team approach rather than operating with a silo mentality

# Strategic Thinking



- Board meetings should have a strategic perspective, i.e., focus on what will be most important for the future
- Boards must always keep an eye out for changes in the environment that may represent challenges or opportunities
- Boards should look for outcomes rather than a list of activities
- Boards need to consider implications for the future when reviewing progress reports and keep a future- perspective when making decisions

# Effective Board Structures: Committees and Task Forces



- Distinguish between governance level committees and operational/organizational committees
- Use few standing board committees, instead use ad hoc committees and time limited task forces
- Tie committees to the strategic plan
- Establish written charges, accountability and time frames
- Limit use of Executive Committee

# Board Development



## Key factors in board effectiveness

- Board composition
  - Diversity of perspectives, skills, expertise, demographics, personal characteristics
- What board members understand about the work of the board and their own responsibilities
  - Importance of nominations process and new board member orientation
- Continuing board education
  - Regular time set aside for the board to learn about issues that have an impact on the Association

# The Board/Executive Governance Partnership



- **The board governs** the life of the organization
  - has ultimate responsibility
  - is accountable to the public trust and Association members
- **The executive coordinates and directs** the affairs of the Association
  - has immediate responsibility
  - is accountable to the board



# The Board /Executive Relationship

- Organizational health depends on an effective and flexible partnership characterized by open communication and independent mindedness.
- The relationship may need redefinition as the capacity of the organization and/or the chief executive changes
- Mutual assessments will strengthen the partnership and lead to continuous improvement

# Boards are Dynamic Organisms



- How responsibilities are carried out will change as the organization changes
  - Size of budget, staff, programs and services
  - Visibility and reputation
- The organization changes as the environment changes
  - economy, political situation, changing community needs, new opportunities
- A board must be responsive to changing needs
  - What worked in the past may no longer be effective
  - Keep growing and developing!