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Strong Boards for Strong Organizations

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| Legal Duties of the Board

When organizations incorporate as nonprofits, the law requires that a small group of individuals serve as the stewards of the public's and the government's interest in the work of the nonprofit.

These individuals are expected to fulfill the following legal duties.

Duty of Care

The duty of care describes the level of competence that is expected of a board member.

- The most commonly expressed standard is the "prudent person" rule:
Given a reasonable amount of information and reasonable efforts to gather information, the decision a prudent person would make.
- The board member is not expected to make perfect judgments. The duty of care requires the board member to exercise reasonable care in the decision-making process.

Duty of Loyalty

The duty of loyalty is a standard of faithfulness to the nonprofit.

- The fundamental duty of loyalty owed by a board member is the duty to give undivided allegiance to the nonprofit when making decisions affecting the organization.

Duty of Obedience

The board has a duty to ensure that the nonprofit's actions will be consistent with its tax-exempt purpose, bylaws, and mission.

- Board members may exercise their own reasonable judgment concerning how the nonprofit should best meet its mission, but they are not permitted to act in a way that is inconsistent with the central goals of the organization.



| **Primary Board Responsibilities**

Determine and support the mission and purpose of the organization

The mission is at the heart of nonprofit work. Missions can change as organizations evolve. Board members must review the mission to be sure of its currency, in light of what the organization does and whom it serves.

Select the chief executive

Boards delegate much of the day-to-day operations to the executive; they must be sure that they have identified the best person for the job.

Support the chief executive and assess performance

Having selected the best person for the job, board members help to make that person successful by respecting the executive's authority, setting clear goals, and engaging in constructive annual evaluations.

Ensure effective planning

Boards must provide vision and strategic direction. Good planning ensures the effective use of resources and is the basis for ongoing evaluation.

Ensure adequate resources

Boards need to be sure that if the organization's work is important there are enough resources to do it properly. This almost always requires that boards be active in fund raising and in advocacy on behalf of the organization with community leaders, opinion makers, and government officials.

Manage resources effectively

Boards have fiduciary responsibility for the financial affairs of the organization. They must vouch that money has been prudently spent and can be accounted for.

Determine, monitor and strengthen programs

As part of their oversight and accountability responsibilities, boards need to provide oversight of programs and assure that expected results are achieved.

Enhance the organization's public standing

Nonprofits are trusted by their communities and donors. Boards must work to be sure the reputation for effectiveness and fairness is maintained.

Ensure legal and ethical accountability

Boards must go beyond mere legal compliance to assure broader adherence to ethical practices.



Strong Boards for Strong Organizations

Recruit new board members and assess board performance

Boards are responsible for their own effectiveness. They must assure the overall quality of the board's work, sustain their membership, and develop the necessary leadership to assure continuity. Boards need to reflect regularly on how well they are meeting their responsibilities to the organization.

Adapted from BoardSource's booklet *Ten Basic Responsibilities of Nonprofit Boards*.



Individual Board Member Responsibilities

The board can only act as a whole, however, individual board members may have a wide range of responsibilities. They fall into three major categories.

Governance

- Understand and support the organization's mission
- Attend board meetings
- Prepare for meetings and otherwise commit to learning about the organization
- Share professional expertise
- Engage in discussion and decision-making
- Respect the opinions of other board members
- Support the board's consensus on governance matters
- Respect and support the executive director's authority
- Make a personal donation each year
- Encourage other individuals, corporations and philanthropies to give
- Assess your own performance
- Be prepared and willing to lead the board

Implementation

- Occasionally the board delegates authority to one or more of its members to act on its behalf. (To sign a contract, for example.) This is not an automatic responsibility of individual board members; it must be passed on by a resolution of the board.

Volunteer

- By serving as a volunteer—beyond the governance capacity—board members can make unique contributions of their personal skills to organizations. When a board member serves in a volunteer capacity, s/he is accountable to someone else within the organization—perhaps the CEO, a volunteer coordinator, a staff member, or a task force chair.



Governance

Demands attention to abstract, long-term issues such as the organization's mission, its values, its overall performance, and its place in the community. These may require extensive discussion, knowledge of the organization's context, analysis, and negotiation. The results may have such long-term impact that success is difficult to measure.

The Board's Role

- To create clear expectations for the board and for the organization.
- To create clear expectations for the chief executive.
- To trust the chief executive to carry out his/her role.
- To structure meetings to direct the board's attention to matters of policy and strategy.
- To collect feedback on the board's performance.

Management

Focuses on immediate, tangible issues for which concrete decisions are more easily accessible. Boards are often tempted by the immediate sense of accomplishment and completion that comes with making decisions about short term, practical matters.

The Executive's Role

- To articulate an institutional strategy for careful, periodic review by the board.
- To structure board materials that direct trustees' attention to issues of policy and strategy.
- To structure board meetings to direct trustees' attention to issues of policy and strategy.
- To provide trustees with the capacity to monitor organizational performance and progress.

Includes adaptations from the BoardSource: *How to Help Your Board Govern More & Manage Less* by Richard P. Chait.

**SAMPLE
GOVERNANCE / MANAGEMENT
DISTINCTIONS**

Governance	Management
Determine the mission of the organization.	Carry out the mission of the organization.
Hire, evaluate, terminate the CEO.	Hire, evaluate, terminate all other staff.
Participate in development of a strategic plan for the organization.	Support the strategic planning process. Participate in the development of a strategic plan. Be prepared to translate the strategic plan into action plans.
Approve annual business plan and supporting budget; monitor performance against plan.	Prepare annual business plans and supporting budgets; assemble information for board to use in evaluating performance.
Monitor progress of programs and services in terms of meeting the organization’s mission and goals.	Manage programs and services, staff, public relations.
Review materials in advance of board meetings and arrive prepared to make strategic decisions.	Prepare and distribute materials for board review in advance of meetings.
Establish investment policy, hire the audit firm.	Implement investment policy, prepare materials for audit and work with auditors.



| The Function of Committees

Committees are the workhorses of the board. They are created by the board to accomplish the work that needs to be done between board meetings. The purpose of full board meetings should be primarily to exchange information and make decisions based on recommendations of the committees. It is in the committees that the majority of the board's work takes place. They enable sharing of time, talent, and treasure and provide for ongoing organizational work and evaluation. Committees debate and make recommendations. They also facilitate board-staff exchange.

Role of Committee Chairs

- Set the tone for committee work, ensure that members have the information they need to do their jobs, and oversee the logistics of the committee's operation. As the committee's link to the board, committee chairs frequently consult with and report to the board chair.
- Report to the full board on committee decisions, policy recommendations, and other committee business. Work closely with the executive director and other staff liaison to the committee.
- Assign work to committee members, set meeting agendas and run meetings, and ensure distribution of minutes and reports to members.
- Initiate and lead the committee's annual evaluation, a process in which committee members review their accomplishments in relation to committee goals and reflect on areas of the committee's work that need improvement.

Role of Committee Members

- Make a serious commitment to participate actively in the committee's work, including substantive participation in committee meetings and discussions.
- Volunteer for and willingly accept assignments and complete them thoroughly and on time.
- Stay informed about committee matters, prepare themselves well for meetings, and review and comment on minutes and reports.
- Get to know other committee members and build a collegial working relationship that contributes to consensus.
- Participate actively in the committee's annual evaluation.

Standing Committees

All committees must be clear about the organization's goals and mission and be able to state clearly the role of the committee. It is advisable to limit the number of standing committees. Typical permanent committees include:

Executive Committee

- Includes president and other officers and often heads of committees.
- Members are authorized by the board to attack and solve problems between meetings.
- Usually meets between board meetings, or by call of the chair if an issue needs to be decided; decisions are later ratified by the board.

Finance Committee

- Oversees expenditures in financial reports and budgets.
- Provides executive director with expenditure power within budget approved by the board as recommended by the committee.
- Assures internal control and financial analysis and independent audit.

Development Committee (Fund raising)

- Plans and participates in ongoing and annual fund raising efforts.
- Participates in other forms of resource development, such as exploration of earned income possibilities.

Governance Committee (Board development)

- Ensures that the board understands the organization's mission and goals.
- Develops/updates membership responsibilities (job descriptions).
- Identifies potential board members and maintains information about each candidate.
- Observes and evaluates potential leaders within the board.
- Strives for a diverse, representative board.
- Evaluates board members' eligibility for re-election.
- Cultivates and recruits officers and new board members.
- Judges objectively the qualifications of potential members.
- Conducts board orientation sessions for new board members.
- Plans ongoing board development programs for the board.
- Coordinates and reports findings of the board's self-evaluation.

Ad Hoc Committees (also known as Task Forces)

Apart from permanent committees, boards may designate temporary committees or task forces, as appropriate, to accomplish time-specific, limited jobs. Each committee needs to have clearly defined responsibilities.

One of the benefits of such ad-hoc committees is that they are frequently task- or time-specific, making them easy to dissolve or re-form. Changes to bylaws are not required. Examples of temporary committees include:

- A Marketing Task Force to develop a strategic marketing direction
- A Strategic Planning Task Force
- A Mergers and Acquisitions Task Force



The Roles of Board and Staff in Fund Raising

The board is ultimately responsible for the organization, including its financial resources. The board does not pass to anyone else the responsibility for raising funding— not to a committee, not to a foundation, not to the staff, not to an outside consultant. The board is, however, helpless without strong staff support.

The Staff's Role in Fund Raising

- Provide clear, accurate, accessible information about the organization
- Keep well-informed about fund raising trends and policies
- Keep detailed funding records
- Provide research, such as newspaper clippings, annual reports, and giving profiles
- Keep on top of deadlines
- Prepare correspondence; write proposals and acknowledgements
- Support the efforts of the board by motivating, recommending, encouraging, stimulating, and thanking

The Board's Role in Fund Raising

- Define the mission and plan the future
- Oversee the fund raising program
- Make a personal contribution each year
- Help identify and evaluate funding prospects
- Share in the cultivation of key prospects
- Write letters and/or make calls supporting the organization
- Publicly identify yourself with the organization and voice support for its mission

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