

The ABCs of Boardmanship

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Serving on an association, chamber or charity board of directors comes with significant responsibilities. Every new volunteer leader desires to join a highly effective board that has a legacy of achievement --- while members and stakeholders have high expectations of the board of directors.

The *ABCs of Boardmanship* acquaints directors with key concepts essential to a highly effective board.

Attendance – Make time to attend the meetings. Honor your commitment to be a good board member. Protect the time and dates to attend every meeting in accordance with expectations and bylaws requirements.

Authority – Authority for the board’s actions come from the bylaws. Avoid overstepping the limits of a director’s authority.

Articles of Incorporation - The articles are filed with a state agency, outlining the governance of the organization. Articles tend to be more general and bylaws more specific.

Audit - An assessment of the finances and financial operations conducted by a competent, independent and objective person. Often described as an audit, review or compilation; determined by the board.

Apparent Authority – A Supreme Court case cautions board members to be mindful of how they represent themselves as leaders. Follow the lines of authority for speaking for the organization. The safest response to press, “I can’t speak for the organization but I can give you my personal opinion.”

Audiences – Every organization has multiple audiences. Consider the various *external* and *internal* audiences.

Ad Hoc Committee – A temporary committee with a narrow focus. (See Task Force, Standing Committee.)

Agenda – An agenda guides board meetings. If you want to add an item to the agenda, find out the preferred methods and deadlines for adding issues. There may deadlines or protocols to follow. Committee must vet many issues before reaching the board table.

Antitrust – When two or more people in the same industry or profession get together to discuss business practices, there is possibility of violating antitrust laws. Penalties can exceed millions of dollars.

Affinity Program – The board may recommend as preferred or sponsored program to the members. It should be mission related. (See Endorsed Programs)

Bylaws – The bylaws describe a relationship with the members and stakeholders. They grant authority for the board’s roles and actions.

Budget – The itemized summary of estimated income and expenditures for the

year. The budget allows directors to monitor performance.

Business Plan – While the strategic plan guides the board of directors, a business plan describes the action steps and accountability for staff and committees. The business plan supports the longer-term strategic plan.

Conflicts of Interest – Boards should avoid any image of conflicts of interest. For example, if the board is voting on buying insurance, and a director’s spouse is an insurance agent, the potential conflict should be disclosed before or during the discussion and vote.

Committees – The board uses committees to achieve results. Be sure charges to committees are precise; and respect their efforts. The board should avoid conducting committee work at the board table.

Culture – Cultural expectations develop over time in every organization. If the board doesn’t communicate expectations, ask about them. For example, do meetings start and end of time? Is the board expected to wear multiple hats such as fund raising and publicity, in addition to director duties? Who has authority to speak for the organization? Are their dress code expectations? Turn to the experienced directors for guidance.

Collaboration – Organizations often partner with entities having mutual interests. Be aware of allied and competitive organizations --- and how partnerships might evolve. Avoid creating a silo or isolation.

Confidentiality – Most of the work of the board should be treated with

confidentiality. Do not assume that it is OK to disclose board actions and discussions without knowing the proper channels and carefully crafted messages.

Documents – Directors receive many documents to read and act upon. The information is for governance and should not be shared outside the board meeting in most cases. Establish a system or notebook to manage documents. With the exception of personnel records, most organization documents are available to directors upon request.

Designation – Nonprofit organizations are assigned a designation by the IRS; most commonly referenced as a “501(c)#.”

Duties – Legal obligations applicable to directors, including Duty of Care, Obedience and Loyalty.

Effective Leadership – Commit to being an effective leader at the onset. Envision achievements that will create a legacy of leadership for the board of directors. Don’t miss the opportunity to work as a team and become a highly effective board.

Environmental Scan – The board has a responsibility to monitor the external influences on the organization. Do opportunities and threats exist that may impact the organization? (Often reference as SWOT – a review of organization Strengths, Weaknesses, Opportunities and Threats.)

Evaluation – Assessment should be a continuous process. Identify benchmarks and performance measures for evaluation. A role of the board is to conduct the performance review of the chief paid

officer. Some boards conduct evaluations of board effectiveness, as well.

Endorsements – Some boards select preferred programs and services to recommend to members. Most endorsements result in royalty income.

Executive Director – Nonprofit organizations rely on a chief paid staff position to serve as the executive director. The title has evolved to executive vice president or president and CEO.

Executive Committee – A subgroup of the board of directors with authority for making decisions in the interim between board meetings.

Executive Session – A closed door session of the board without staff or guests present.

Engagement – Board meetings are not the place for distractions. Turn off digital distractions. Prepare by reading materials, making calls to committees and staff with questions, and by being ready to participate in discussions.

Fiduciary Responsibility - Directors are responsible for overseeing finances and resources. When it comes to finances, ask pertinent questions. If financial reports are not clear, bring in the organization's CPA.

Form 990 – See IRS Information Return.

Governance – There is a distinction between board and staff roles. Some directors inappropriately slip into a management role. Governance has its roots from the word, “steering.” A director's role is to set the destination and direction; let the staff use their administrative skills to decide how to best

reach the destinations.

Goals – The board must advance the mission and strategic goals. It's not about a current year theme. Most organizations set 3 to 7 goals or competencies, identified in the strategic plan.

Have fun – Volunteers have various reasons for serving on committees or the board. Some want to give back to the industry through the organization while others would like to promote their business or career. Whatever the reason, try to incorporate memorable activities amongst the work.

Honesty – One of the most important values that should characterize the board and its actions.

Insurance – Board insurance coverage is referred to as “D & O” - directors and officers' liability. Common insurance coverages for nonprofit organizations include general liability, meeting cancellation and a fiduciary bond to cover fraud or acts of dishonesty.

IRS Information Return – The Internal Revenue Service requires nearly all associations, chambers and charities to file an annual information return; also known as Form 990. The document is a public record.

Investments – Most organizations utilize a conservative investment schedule and respective funds.

Job Descriptions - The roles and responsibilities for board members, officers and committees should be in writing and clearly understood.

Knowledge – There is a concept called knowledge-based governance. It suggests that directors make their decisions based on *data and evidence*, not gut reactions of the moment. Knowledge is power while serving on a board. Directors should prepare for meetings by understanding the agenda items and the support information.

Leadership Development – A responsibility of the board is to continually develop new leaders to ascend to board and officer positions. The board should develop leadership development programs, effective orientation, and encourage volunteers to move up the leadership ladder.

Leadership Manual – Information is essential to board service. Many boards are provided with an extensive leadership manual or board book.

Letter of Determination – A public document from the IRS indicating that the organization is exempt from paying federal income tax.

Mission Statement – Every organization has a mission. It corresponds to the statement of purpose submitted to the IRS. Directors should be able to articulate the mission or at least have quick access when asked about the organization's purpose. Other elements of the organization's brand or *public image* include the logo, tagline, vision and values.

Non Profit – Non-profit is a designation of the organization by a government agency. It does not mean the organization can't make a profit. Directors must remember successful organizations need to be run like a for-profit business and that excess revenue (a.k.a. "profit) is

necessary.

Non-Dues Revenue – Membership organizations rely heavily on dues income from members. Other income sources make up the non-dues revenue portion.

Organization Documents – Directors must be aware of the organization's primary governing documents, including the statement of purpose, articles of incorporation, bylaws and policies.

Orientation – The process to acquaint them with the organization, roles, responsibilities, culture and strategic direction.

Policies – Policies are the wisdom of the board adopted to guide future leaders and to interpret the bylaws and articles. Policy changes and adoption are normally done at board meetings by a motion of the directors, while changes to the bylaws often involve a membership vote. Policies are maintained in a policy manual.

Public Records – Nonprofit organizations have specific records that must be made available upon request to the public; mostly IRS documents. Steep fines apply for denial of public records.

Publications – Organizations communicate with members and stakeholders through newsletters or magazines. Board members should read the publications thoroughly so they are aware of the issues and events being communicated.

Quorum - The minimum number of persons on a board or committee,

usually a majority, who must be present to conduct business. Check the bylaws for the quorum requirements.

Rules of Order – The written rules of parliamentary procedure detailing the processes used by the board to make decisions. Often referenced in the bylaws as Roberts Rules of Order. Directors should familiarize themselves with the procedures and protocols regarding meeting conduct.

Risk Management – The board is ultimately responsible for safeguarding the organization.

Reserves – An organization should establish a reserve fund, in case of crisis or urgency. A common minimum standard is to have an amount equal to half of the gross income in reserve.

Revenue Sources – The board should understand the various revenue sources and help to generate income. Organizations are increasing reliance on non-dues revenue. Fund raising is often a key role of the board.

Record Retention – The policy guide for retaining and destroying organization records.

Strategic Plan – One of the most important tools a successful organization can have is a clear plan for short-term and long term goals. Strategic planning should include the leadership as well as key-volunteers and chairs. Planning should not be performed in a vacuum and most importantly should not be shelved when the plan is developed. Review and refinement should be an ongoing process.

Speaking for the Organization – There are lines of authority and carefully crafted messages or positions in the organization. Before assuming it is appropriate to speak, testify or be interviewed, check with the board chairman or executive director.

Staff Liaisons – Committees may be assigned a staff member to serve as a liaison and resource.

Standing Committee – A permanent committee of the organization, often identified in the bylaws and serving the entire length of the board's term (as opposed to an ad hoc committee or task force.)

Subsidiary – Nonprofit organizations are more complex as they form subsidiaries to achieve their goals. Common subsidiaries include a political action committee, for-profit subsidiary or a foundation. Directors must understand the relationship of the parent board of directors to subsidiaries.

Term Limits – Limiting the number of years or terms a director can serve has a favorable impact. It invites others to move up the leadership ladder and avoids a person dominating the organization by serving beyond their value.

Time – Volunteers' contribution of time is a valuable gift. Show respect for each person's time by only holding meetings that have significant business, starting and ending meetings on time, and thanking volunteers.

Task Force – A temporary committee to accomplish a narrowly defined task for activities. Also known as an ad hoc committee. Both are different from a standing committee.

Unrelated Business Income Tax – Also known as UBIT, a mechanism for the IRS to determine if the income in a nonprofit organization is outside of its mission statement. Common triggers for UBIT – if a profit is shown – are advertising, rent and/or royalties.

Understand your Role – Volunteer leaders should understand their board roles and how they are *distinct* from staff responsibilities.

Vision – The vision statement is an inspirational expression of what success will look like in the long term. For example, the organization will be the primary resource representing 100 percent of the potential members by 2020. Or, “ending a disease so there is no longer a need for the organization.”

Values Statement – The core principles that guide board and staff. For instance, transparency, or diversity, may be key values worth stating as principles guiding actions of the organization.

Whistleblower – A whistleblower is a person who reveals wrongdoing in

an organization to persons of authority. Boards should have a process for handling disclosures of wrongdoing.

Website – Board members should be fully acquainted with all aspects and information on the website. Make time to study it; bookmark it as a “favorite.”

Xrs – Whether you call them the X generation, millennials or baby busters, every generation has characteristics of their own. A board is composed of directors representing various generations and age categories. Be cognizant that their time commitments, interests and communications styles will vary.

Young Leaders – A board’s succession relies attracting young and diverse leaders. The board and a nominating committee must purposely identify future leaders.

Zeal – Bring a passion to the board table. Directors should have a clear vision of success to characterize their term of office.

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