



Michigan Nonprofit Association



Serve, Strengthen and Transform Communities

The “New” Role of the Nonprofit Board Member

5th Annual U.P. Nonprofit Conference October 23, 2009

Dan Thompson

Chief Operating Officer

Michigan Nonprofit Association



Michigan Nonprofit Association
Michigan Nonprofit Association



Michigan Nonprofit Association



Two Goals for Today:

1. Increase your understanding of the significance of board membership.
2. Develop strategies to maximize your involvement and contributions.



The Good Old Days...

- You participate as a social engagement
 - Four duties: show up, stay awake, have lunch, go home
- You participate as a family obligation
 - Dad/mom was on the board, so...
- You participate as a résumé enhancer



Fast Forward to 2009...

- You understand the significance of your role
- You are your organization's champion
 - Expectation of financial commitment
 - Expectation of trust and reliability
- Your personal reputation is on the line
 - Accountability and engagement
 - Your credibility is the organization's credibility



Accountability and Transparency

Changing political and social environment due to:

- Nonprofit (and for-profit) scandals
- Guidestar.org, Charity Navigator, etc.
- Public discussion of some organizations' nonprofit status



What is a Board Responsible For?

- ***EVERYTHING!***
 - The board of directors has legal responsibility and authority for everything the organization does.
- Delegation of daily activities:
 - CEO
 - Staff
 - Contractors
- Broader areas, such as mission development, policy, oversight and planning, which cannot be so easily delegated.



Standards of Conduct:

Three broad duties that form the standards of conduct for all nonprofit boards:

- Duty of Care
- Duty of Loyalty
- Duty of Obedience



Duty of Care

The level of competence that is expected of a board member.

- Commonly expressed as “the duty of care that an ordinarily prudent person would exercise in a like position and under similar circumstances.”
- A board member has a duty to exercise reasonable care when he or she makes a decision as a steward of the organization.



Duty of Loyalty

The board member's standard of faithfulness.

- A board member must give undivided allegiance when making decisions affecting the organization.
- A board member may never use information obtained as a member for personal gain, but must act in the best interests of the organization.



Duty of Obedience

A board member's obligation to be faithful to the organization's mission.

- Board members are not permitted to act in a way that is inconsistent with the central goals of the organization.

A basis for this rule lies in the public's trust that the organization will manage donated funds to fulfill its mission.



Michigan Nonprofit Association



Serve, Strengthen and Transform Communities

Ten Basic Board Responsibilities



Michigan Nonprofit Association
Michigan Nonprofit Association



Michigan Nonprofit Association



#1

Determine the organization's mission and purpose.

The board must create and review a statement of mission and purpose that articulates the goals, means, and primary constituents served.

Recommended Practice:

At least every two years, review bylaws and mission statement and amend as needed to reflect organizational growth and development.



#2

Select the chief executive.

The board must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.

Recommended Practice:

The board should establish a transition plan to maintain daily operation during the time of a change in executive and board leadership.



#3

Provide proper financial oversight.

The board must assist in developing the annual budget and ensuring that proper financial controls are in place.

Recommended Practice:

The board should review and approve an annual budget, approve selection of a qualified auditor, and receive financial statements at each board meeting.



#4

Ensure adequate resources.

The board must provide adequate resources for the organization to fulfill its mission.

Recommended Practice:

To demonstrate personal stake in the organization, board members are expected to make personal financial contributions, as well as to raise funds from external sources.



#5

Ensure legal and ethical integrity and maintain accountability.

The board is ultimately responsible for ensuring adherence to legal standards and ethical norms.

Recommended Practices:

- No more than one employee should serve as a voting member of the board (but not as chair or treasurer).
- Establish clear conflict of interest policies regarding board members, staff, volunteers, consultants and other contractors



#6

Ensure effective organizational planning.

Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.

Recommended Practice:

“Own” the process from the beginning (with mission identification) and accept responsibility for making the plan a “living document” through periodic strategic planning retreats.



#7

Articulate prerequisites for board candidates, orient new members, and periodically and comprehensively evaluate their own performance.

Recommended Practices:

- Establish a process for selecting new board members that will ensure adequate infusion of new ideas and community perspectives.
- The board should be made up of at least five persons unrelated to each other or to staff, to ensure appropriate deliberation and diversity.
- The board should be comprised of individuals who represent the best interests of the organization and the community.



#8

Enhance the organization's public standing.

The board should clearly articulate the mission, accomplishments, and goals to the public, and garner support from the community.

Recommended Practice:

- Approve audits
- Share goal achievement results with public
- Assure adherence to professional standards
- Implement a whistle-blower policy
- Disclose financial and service information



#9

Determine, monitor, and strengthen the organization's programs and services.

The board's responsibility is to determine which programs are consistent with the mission and to monitor their effectiveness.

Recommended Practice:

Board members should receive regular performance measurement and outcome reports on all areas of programming and service delivery.



#10

Support the chief executive and assess his or her performance.

The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.

Recommended Practice:

Conduct annual performance review of the chief executive in light of organizational accomplishments; the total compensation package should reflect his/her performance as well as industry standards.



Mission and Vision Statement Development

- Best way to tell who is really committed
- Requires at least a ½ day of work
- Helps to review the past, consider the present, envision the future



Board Self-Assessment

- Do you know your roles?
- Do you have enough information?
- Is the board structure adequate?
- Do you have areas of special interest relative to the organization?
- Have you had negative experiences (on this or other boards)?



Governance Committee

- Monitor roles, structure of board, term length
- Recruit new members
- Assess involvement of colleagues (including giving, participation, etc.)
- Educate colleagues



The Trustee's Covenant

- I will attend board meetings.
- I will make an annual gift (at least) to the organization.
- I will use my influence to solicit gifts from others.
- I will be an advocate for the organization.



Expectations:

- Donate annually
- Demonstrate continuous enthusiasm
- Get personally involved in fundraising
- **Understand that YOU have the ultimate fiscal responsibility for your organization!**



One Final Critical Area



Develop a Constructive Partnership with the CEO

Insist that your CEO:

- Makes meetings productive and meaningful
- Keeps meetings (and events) relevant
- Discloses enough information to help you make decisions
- Demonstrates candor, respect, and honest communication



A few final thoughts...

- Mission moments
- Consent agendas
- De-enlisting members



Michigan Nonprofit Association



Serve, Strengthen and Transform Communities

Finally:

The Seven Sins of Trusteeship



Michigan Nonprofit Association
Michigan Nonprofit Association



Michigan Nonprofit Association



- Acceptance without commitment
- Membership without attendance
- Affiliation without dedication
- Meetings without participation
- Decisions without integrity
- Involvement without advocacy
- **Identification without giving**

Source: Jerold Panas—Jerold Panas, Linzy & Partners



Acknowledgement:

The language regarding legal duties and ten basic board responsibilities has been reprinted with permission from www.boardsource.org.

BoardSource © 2002. Text may not be reproduced without written permission from BoardSource.

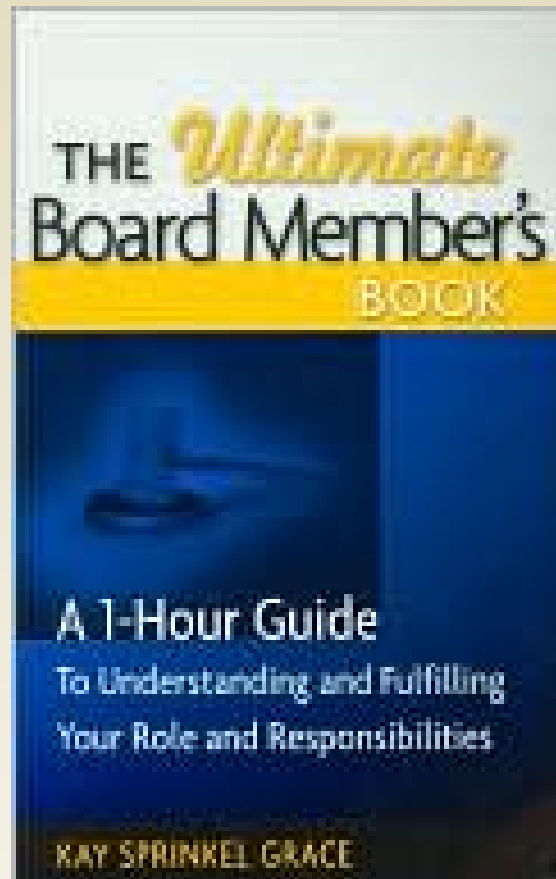


Resources:

- Michigan Nonprofit Association's Principles and Practices and online bookstore – www.mnaonline.org.
- www.boardsource.org
- www.boardcafe.org
- www.boardconnect.org



The one great resource I highly recommend:





Michigan Nonprofit Association



Serve, Strengthen and Transform Communities

Thank you for your time!

Dan Thompson

517-492-2407

dthompson@mnaonline.org



Michigan Nonprofit Association
Michigan Nonprofit Association



Michigan Nonprofit Association