

Good Governance

Lake County Community Foundation

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What is Governance

- In the dictionary, to govern is defined as: to guide; to control; to direct the public policy and affairs of; to regulate

Board of Directors

- For Boards of Not for Profits, governance has elements of each piece of that definition.
- The Board serves as the eyes and ears of the public and is legally responsible for the entity.
- The Board is responsible for the organization's mission and vision; its fiscal integrity; its financial well-being; its growth and progress.

The Board

- Directors are our investors
- Directors help mold the future and make the present possible
- The Board hires the Chief Executive Officer and delegates the management of the organization to this person.

Evolution

- As organizations develop, so do Boards.
- Organizing Boards
- Governing Boards
- Fundraising/Institutional Board

The Ability to Govern Well

- As Board's develop, their ability to govern increases. Governing boards carry out:
 - Strategic and annual planning
 - Financial oversight and planning
 - Resource Development
 - Policy Administration
 - Program Evaluation and Oversight
 - Public Relations Strategy Development and Implementation
 - Human Resources Planning and Administration

The Board's Role in Planning

- The Board has the primary responsibility to assure that strategic planning takes place: selecting a consultant; defining the process; making sure the process makes progress; creating the plan.
- Strategic Planning
 - Strategic planning is the process we undertake to ask the hard questions
 - It is the process through which we set our direction for the next 3 to 5 years
 - It is Board driven, but involves all levels of the organization
 - It results in a written plan with goals and measurable objectives.

Strategic Planning

Asking the Hard Questions

- Is our mission still the right mission? Is it responding to a current community need?
- Are our services still the right services, those most needed by our community?
- Are our services delivered in the most effective way?
- Should we change our services? Expand? Eliminate?

More Hard Questions

- Do we have enough human resources to deliver our services?
- Are we financially viable?
- Can we sustain our organization over the next three years?
- How do we differentiate ourselves from other organizations to gain market share?
- How do we and can we partner with other organizations to respond best to our community's needs?

Strategic Planning Is About Making Change

- It is a dynamic process that questions the status quo.
- It focuses on improving/building upon current strong foundations.
- It defines strategies and plans to meet significant challenges.
- It is based on an honest evaluation of the organization's current state and potential.

The Process

- Objective analysis of all facets of the organization
- Review of the external environment – community, service population, not for profit sector, financial environment, competition, government affairs
- Definition of opportunities that the organization could seize and the threats that it faces

The Process II

- Creation of strategies to seize opportunities.
- Creation of strategies to overcome the threats.
- Development of goals, objectives and plans with timelines for each strategy with assigned responsibilities.

Change for the Future

- Strategic planning should result in NEW ideas, New thoughts, Bold Actions
- Strategic planning is not just about doing what we have always done.
- The strategic plan should challenge the organization.

The Implementation

- The Strategic Plan is the basis for annual planning.
- The goals and actions in the strategic plan should be visible in the annual operating plan.
- The annual operating plan should reflect all aspects of the organization, all key objectives, and should show accountability and timelines.

Annual Plan

- The annual plan reflects the work of the the staff, committees and Board.
- The annual plan also is reflected in staff members' performance plans.
- The Board and Committees must monitor the progress on the plan consistently to assure that the organization is meeting its goals.

Financial Oversight and Planning

- The Board is responsible for the fiscal integrity and financial well-being of the organization.
 - It is the eyes and ears of the public and must assure that funds are used appropriately to fulfill the mission
 - It is liable for any misuse or misappropriation of funds, and may be held liable if it does not diligently monitor financial performance.

Financial Oversight and Planning

In this role, the Board must:

- Assure that there is an annual budget
- Monitor the use of these funds, the financial statements
- Engage an outside Auditor annually
- Assure that there are adequate financial resources to operate – cash reserves; lines of credit
- Assure that the organization has adequate insurance for all aspects of its operation: liability, property, directors and officers, etc.
- Assure that the organization has a Code of Conduct and compliance program
- Assure that the organization has a disaster recovery plan
- Assure that the organization has a financial plan for the next three years.

The Issue of Compliance in a Post-Enron World

- Increased vigilance and consistent changes in not for profit law
- The need for “whistle blower” policies
- The need for greater policy/documentation
- Public skepticism about organizations performing appropriately.

Resource Development

- The Board is both the overseer of fundraising planning and implementation and a partner in its implementation.
- The Board is a key resource for engaging others in fundraising.

The Board's Role in Resource Development

■ In this role, the Board must:

- Assure that there is fundraising policy to guide the work of the development staff and volunteers.
- Assure that there is an annual development plan that aligns with the annual budget.
- Recruit volunteer leadership and operational volunteers to carry out fundraising initiatives.
- Monitor progress on the development plan to assure achievement.
- Give funds and solicit funds to support the organization.

Policy Administration

- The Board creates the framework for the organization's operations by approving policies in the following areas:
 - Finance
 - Human Resources
 - Fundraising
 - Public Relations and Marketing
 - Program

Compliance

- The Board must monitor compliance with these policies, through the Executive Committee's oversight of the CEO/Executive Director and monitoring its own work.
- The Board must maintain awareness of changes in the legal environment to assure that policies are kept up to date.

Program Effectiveness

- The Board is responsible for the fulfillment of the mission. To carry out this responsibility, the Board must:
 - Assure that it receives adequate information about programs – statistics, quality assurance reports, year-end program evaluations, client satisfaction surveys, etc.
 - Assure that there are quality standards for each program and methods of measuring the impact of each program.
 - Assure that there is adequate training and on-going education of program staff.
 - Assure that the programs operate in compliance with any external licensing requirements or funder standards.

Hiring and Evaluating the Chief Executive

- The Board is responsible for hiring the Chief Executive Officer of the organization and providing on-going supervision, feedback and evaluation.
- The Board often carries out this responsibility through the Executive Committee.
- It is helpful to have a formal process for evaluation that includes feedback from the Board and key staff.
- The Board needs to create a strong partnership with the CEO to move the organization's mission forward.

How Can They Possibly Get All of This Done

■ The Role of Board Committees

- Committees form the bridge between the Board and operations.
- Committees develop policy, monitor performance, evaluate effectiveness, and assist in project implementation.
- Committees work in partnership with staff to meet operating objectives.

Board Committees

■ Standing Committees of the Board

- Are defined in the by-laws of the organization
- Frequently include: Finance, Human Resources,
- Resource Development, Program, Board Development, Executive Committee
- Generally led by a Board member; other Committee members may be Board members or volunteers with specific expertise
- The Board may also stipulate an Audit Committee, although many organizations use their Finance Committee for this purpose.
- Similarly, the Board may stipulate a Nominating Committee, although organizations use their Board Development Committee for this function.

Ad Hoc Committees

- The Board may create ad hoc committees or task forces as needed. Frequently, Boards create Strategic Planning Committees or Task Forces when it is time to carry out the strategic planning process.

Who Does What? Board and Staff Roles

- Delineation of Responsibilities

Policy makers vs. policy implementers

Plan approvers vs. plan implementers

Investors vs. employees

The Board for Us

- Each organization has different needs and is at different points in its development.
- They therefore need different types of Boards.
- You need to define what type of Board will best meet your organization's needs now and in the next three years.

Expectations

- Regardless of Board type, every organization must expect:

- Board members will attend a high percentage of meetings, having reviewed the materials and being prepared to participate productively.
- Board members will actively participate in a Standing Committee, providing expertise, leadership and resources.
- Board members will give and get resources for the organization.
- Board members will advocate for the organization in the community.

Expectations - II

- Board members will show honesty and integrity in all of their dealings with and for the organization.
- Board members will identify conflicts of interests and abstain from decisions in which there could be a conflict.
- Board members will educate themselves about the mission, vision and services of the organization.
- Board members will conscientiously review the budgets and financial statements of the organization to assure fiscal integrity.

When to Recruit

- **ALL OF THE TIME**

- Too frequently, organizations wait until there is a crisis:

- the CEO leaves
- there is an ethics issue
- there is dissatisfaction among key constituents
- there is a funding crisis

Recruitment Planning

- The Board Development Committee
- Assessment of the Current Board
 - Age
 - Gender
 - Areas of expertise
 - Ethnicity
 - Business affiliations
 - Personal network
 - Community affiliations

Recruitment Planning - II

- Identify the gaps in your Board composition
- Create or modify your board member position description/statement of expectations and responsibilities
- How to Find Board Members
 - Brainstorm a list of potential sources
 - Who is in your current Board's network?
 - What companies are in your service area?
 - Are there donors who might be good Board members?
 - Staff recommendations

Recruitment Process

- Have a Board member meet with the candidate to discuss the organization and the Board's role. Ask the candidate to complete an application. Ask the candidate how he/she will benefit from Board participation and what assets he/she brings to bear.
- Assuming a positive first meeting, have a second Board member meet with the candidate to discuss the organization's strengths and challenges and current Board and committee work and how the candidate thinks he/she can assist the organization.
- Assuming a second positive meeting, have the candidate meet at a service site with the CEO/Executive Director.
- Based on input, the Board Development Committee may decide to place the candidate's name in nomination.

Orientation

- New Board members need to be welcomed into the organization – mentoring.
- New Board members need to be educated about the Board and the organization so that they can be productive in their role.
- Board orientation may be carried out by Board members or the CEO/Executive Director

Orientation Components

■ Orientation Manual:

- Mission and vision statements
- Strategic and Operating Plans
- By-Laws and Articles of Incorporation
- Director and Officer Position Descriptions
- Committee Descriptions
- Conflict of Interest Statements
- Board Member Annual Participation Plan
- Board policies and ways of work
- Financial policies and procedures

Orientation

■ Orientation Manual – continued

- Human Resources policies, including volunteer
- Organization chart
- Program policies and procedures, descriptions, current statistics, service locations
- Current budget, current financial statement and latest audit
- Contact information for Board members and key staff
- Calendar of events and Board meetings
- Core publications: brochure, annual report, newsletter

Board Retention

- A plan for continuous learning and involvement
- Board members are effective and stay when:
 - The expectations are clear
 - They feel that their contributions are valued
 - Their personal reasons for joining are met
 - Their contribution is time-limited and finite

Board Retention

- They have the opportunity to evaluate themselves and the Board as a whole.
- They are given feedback about their performance, including recognition for a job well done.
- They have relationships with other Board members – a sense of team.
- There is a plan for continuous Board education, based on annual needs assessment and new challenges or changes in the environment.

The Blessing of the Board

- The Boards of our organizations own them.
- The Directors are our key investors.
- They are also our best advocates and bridges to the community.
- Their good governance allows organizations to operate effectively, efficiently and professionally.
- Their efforts positively impact the lives of millions in our metropolitan area.