

Proven Principles and Practices
for Nonprofit Boards
from the
Good Governance Toolbox

The Board Policies Manual

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Note: The materials in this packet reflect topics from your board survey and are among the best practices in what we call the ***Good Governance Toolbox***. Further resources developed over 25 years can be found in (1) ***Good Governance for Nonprofits***, by Laughlin and Andringa that explains how to document dozens of best practices in an organized Board Policies Manual (BPM). You can receive a discount on this book from TSI, 800-469-3560. Many of the key principles of nonprofit governance are also in the ***Nonprofit Board Answer Book***, Second Edition (2007) by BoardSource (which contains most of what was in the Andringa & Engstrom 2004 “Expanded Edition” by the same title). Several training tools and a template of a BPM in Word format can be downloaded at no cost at www.TheAndringaGroup.com.

WHAT PROBLEMS CAN BE SOLVED WITH A BPM?

A Board Policies Manual (BPM) is the “one voice” of a board of directors that defines for the organization and for itself what on-going policies make the most sense today. It is updated regularly (usually at every meeting) because the world changes. It’s contents of 20 or so pages (plus a few attachments) are formulated by both staff and board members, but only the board determines language that stays in the BPM until the next review. Some call it the “governance operating system” that helps a board move from good to great because dozens of good practices get embedded in the BPM.

Here are five major problems common to boards without a BPM:

1. Boards are too often pulled into management issues to the neglect of governance policy. Why? Agendas are often set by staff, who naturally give the board the “big issues” they understand, i.e., management issues. Or board members who know about management want to deal with those issues, as they often are easier than governance decisions.
2. Boards document their decisions in meeting minutes. But who bothers to look at minutes 10, 20 or more years back? Hey, they are still legal policies! So boards reinvent the wheel or, worse yet, actually contradict this year some policies from years ago. And most of those “resolutions” are episodic, addressing a specific issue in a way that provides little policy direction for the future.
3. New board members often say, “It took me two years before I figured out what the board does and what my role is.” How can we get them up to speed faster?
4. New staff, especially new CEOs, struggle with a similar complaint. “How do I know what I can do or what needs to be taken to the board?” Many hold back from bringing their professional leadership to bear on issues because some board members may complain, “Hey, that’s our responsibility.” Everyone loses.
5. Board members don’t know what data they need or when, so they get more to read than necessary and lack the kind of information that boards need to make good policy decisions based on tracking results rather than activities.

HIERARCHY OF BOARD POLICIES

The Principles: Each level is consistent with those above it.
 The board’s focus is cells 2, 3, 4 and 5.
 Authority flows down; accountability flows up.

1.	FEDERAL AND STATE LAWS (A board expects staff to monitor on its behalf and comply)		
2.	Influencers Impact Written Policies (Affiliated Nonprofit Organizations, Accrediting Agencies, Credit Rating Bureaus, Partnerships, Major Donors, Etc.)		
3.	Articles of Incorporation (Seldom needs amending unless name or purpose change)		
4.	Bylaws (Keep “lean” and revise as necessary to reflect actual practice, but should leave many details to other documents)		
5.	BOARD POLICIES MANUAL (BPM) (the ‘one-voice’ of the board in an evolving, comprehensive document of 15-20 pages plus a few attachments) <ul style="list-style-type: none"> ▪ Mission, values, strategies, goals ▪ Board structure and process ▪ Board – staff relations ▪ Parameters around executive authority 		
6.	CEO-LEVEL POLICIES (Planning documents, personnel manual, etc. approved by CEO and often given to board for information, not approval)		
7.	OTHER ORGANIZATIONAL POLICIES (Often determined in and by various staff units, e.g. ↓)		
Finance	Fundraising	HR	Programs

TWO KINDS OF VOTES BY NONPROFIT BOARDS

BOARD DECISIONS (kept in minutes)	BOARD POLICIES (kept in Board Policies Manual)
* Proposed by CEO or board members	* Proposed by CEO or board members
* Determined by board vote	* Determined by board vote
* Kept in board minutes that should be filed safely for the life of the organization	* Ideally kept in evolving Board Policy Manual (BPM) of approximately 20 pages
* Usually a short-term application of the decision	* Could be on-going for years
* Changed little, if any, when minutes approved at next meeting	* Changed as often as new data convince board it should be changed
* Usually unrelated to Bylaws	* Must never conflict with Bylaws (or Articles or government rules)
* Of limited use in orienting new board members	* An essential document for orienting new board members
* Little need to refer back to minutes after a year or so	* Important to review/update BPM at every meeting
<i>Examples of Board Decisions</i>	<i>Examples of Board Policies</i>
- Approve an agenda	- Mission, values, strategies
- Approve a financial report	- Major goals
- Approve previous minutes	- Committees and make-up
- Appoint or terminate a CEO	- Criteria for new board members
- Elect a board member or officer	- Evaluation process for CEO
- Adopt a budget	- Guidelines for finances
- Approve a new program	- Limitations on program activities
- Pass resolution of commendation	- Parameters around fundraising
Etc.	Etc.

BOARD POLICIES MANUAL (BPM)

Note: The Policy Governance Model was developed in 1990 by Dr. John Carver. I am among many who now promote various versions of this highly developed model, but “adapt” it rather than “adopt” it for most boards. A book by the American Management Association called *Good Governance for Nonprofits: Developing Principles and Policies for Effective Boards*, co-authored by Dr. Fred Laughlin and me, provides a template and a full discussion of how to write a Board Policies Manual (BPM). The book can be ordered on www.amazon.com.

Good board policies should be...

1. Explicit always in written form
2. Centrally available kept in one document (not in years of minutes)
3. Current changed at each board meeting to reflect new data and wisdom
4. Literal mean what they say; not full of legal jargon
5. Brief total may never exceed 15-20 pages
6. Consistent with law, Articles of Incorporation, Bylaws
7. Comprehensive encompass the entirety of that which is governed
8. Limited leave details to management policies written later by CEO

There are five Parts to a good Board Policies Manual (BPM):

1. ***Introduction and Administration*** defines the reasons for doing a BPM and how it will relate to other board documents, how it is changed at most meetings, maintained, etc.
2. ***Organization Essentials*** includes the mission, vision, values, strategies, goals, etc. and answers “which benefits... for whom (people groups) ... and at what cost or priority?”
3. ***Governance Structure and Process*** policies address: What structure and process does the board want for itself? Addresses philosophy of governance, info on meetings, description of committees, board finances, etc. No more than 2-3 pages.
4. ***Board-CEO/Staff*** policies address how the board wants to relate to its one agent, the CEO, and to staff in terms of roles, CEO evaluation, staff benefits, monitoring reports, etc. No more than 3-4 pages.
5. ***Executive Parameters*** policies address: What does the board not want (or explicitly does want) the CEO/staff to do in pursuing the mission and goals in section one? These are usually grouped into chapters that mirror board committees, e.g., chapter on finances, development, programs, etc. May take 6-8 pages.

TIPS FOR WRITING YOUR BOARD POLICIES MANUAL (BPM)

The board decided it wants to govern with a Board Policies Manual – what we call the BPM. What next? Here are some tips that have helped many.

1. **Set a Target for First Draft.** You will go through several drafts and reviews before a final draft, or at least several major pieces, goes to the board for approval. You can have a good draft in a few weeks if it is a priority. I suggest presenting the best you can do at your next board meeting to maintain momentum.
2. **Use a Template and Guidelines.** Naturally, I suggest our book, *Good Governance for Nonprofits*, and my most recent template, which is free (ask Bob if you don't have it).
3. **Select One Main Drafter.** It could be the CEO, a senior executive who has been to many board meetings, possibly one board member. The person should have the skills of clear, concise thinking and writing. Don't give the drafting task to a committee!
4. **Review Board Minutes.** Not essential, but reviewing the last several years of board minutes and any compilations of board policies may remind the drafters of key policies that would be rewritten in the format of the BPM.
5. **Identify a Small Review Team.** Let a few key players read and comment on early drafts. Let the key players who staff committees "think as board members" and draft parameters, e.g., the CFO drafts finance parameters. All input goes to the main drafter.
6. **Determine Topics in Each Part.** Starting with my template, add and delete paragraph headings to fit your situation. For example, in Part II, determine whether you want vision, mission, values, functions, primary beneficiaries, goals, etc. Then fill those in according to existing policies or draft new language. Part II is often the most difficult Part to get right. Assume you will often add and delete paragraph topics throughout.
7. **Identify Key Functional Areas in Part V.** Create a Section for all the major functions. For a university, that might include parameters sections for finance, academic affairs, student affairs, advancement, athletics, enrollment management, investments, facilities, audits, and more.
8. **Then Insert your Preferred Committees.** In Part III, list and define each standing committee. Then go to Part I and assign a committee to each of the Sections (parameters) in Part V (one committee could oversee 2-3 parameter Sections).
9. **Compare with Other BPM's.** Maybe a similar organization that has a BPM will share a copy to check on good ideas and even good language.
10. **Leave Copy Editing to Last.** Before sending the final draft to the board, have a good copy editor correct grammar, capitalization, cross references, etc. as the input from several people will require some cleaning up.
11. **Be Consistent with Bylaws.** Some start with bylaw reviews, and then go to the BPM. But you can start with writing the BPM, and then recommend changes to the bylaws. In the end, your BPM must not be inconsistent with slimmed down bylaws.
12. **Forget Perfection.** The BPM is a living document. It will be changed every time the board and committees review it (every meeting is the ideal) according to the procedures in Part I (don't overlook the important suggestions in my template for Part I.)
13. **Enjoy Moving from Good to Great.** In our opinion, the BPM is the key to a successful partnership between CEOs and their boards in moving from good to great.