

SELF-EVALUATION ON GOOD GOVERNANCE

AN EFFECTIVE ORGANIZATION ALMOST ALWAYS HAS AN EFFECTIVE BOARD. AND AN EFFECTIVE BOARD SCORES HIGH ON THESE ATTRIBUTES:

1. **Adopt a philosophy of governance** so that the board and CEO do not compete. Rather they serve separate, complementary roles and function as partners in a trust relationship.

	1 IS LOW				5 IS HIGH
Score:	1	2	3	4	5
Notes:					

2. **Embrace a clear, relevant and timely purpose/mission** along with the values, strategies and monitoring activities to measure accomplishment of specific goals.

Score:	1	2	3	4	5
Notes:					

3. **Select a board-oriented CEO who is equipped** to advance the mission within board established policy parameters. Then the board governs in ways that support, compensate fairly, evaluate and, if necessary, terminate the CEO, always keeping the best interests of the organization in mind.

Score:	1	2	3	4	5
Notes:					

4. **Elect a chair** who is able and willing to manage the board and to maintain the integrity of the structure and process that the whole board has determined is best, leaving management to the CEO.

Score:	1	2	3	4	5
Notes:					

5. **Define specific criteria for new members**, then select, orient, train, evaluate, and reward board service for those who give their time, talent, and treasure.

Score:	1	2	3	4	5
Notes:					

6. **Welcome CEO/staff input in formulating policies** that the board adopts and documents in an organized, written Board Policies Manual (BPM) of 15-20 pages, which is constantly improved as the board learns and adjusts to changing internal and external factors.

Score:	1	2	3	4	5
Notes:					

7. **Organize itself into committees** that speak *to* the board, not *for* the board and that do board-related work rather than supervise or advise staff on their work.

Score:	1	2	3	4	5
Notes:					

8. **Insist on effective meetings**, which include good staff material in advance, time for social interaction and learning, agendas that are focused on improving the BPM. Oral reports are limited to allow at least half the meeting time for board dialogue.

Score:	1	2	3	4	5
Notes:					

9. **Be accountable** through legal, financial, and program audits; observance of the law; avoidance of conflicts of interest; assessment of results; self-evaluation of the board as a whole and of individual board members; and appropriate transparency in dealing with stakeholders.

Score:	1	2	3	4	5
Notes:					

10. **Pursue excellence** by keeping board members forward-looking and focused on outcomes/results, on disciplining themselves, and on effectual change so that they recognize, appreciate, and enjoy the process of governance.

Score:	1	2	3	4	5
Notes:					

GOVERNANCE REFLECTS CULTURE AND VALUES

Every board is different. To move from Good to Great is not just about knowing best practices. It is doing them while honoring an organization's culture and values. Boards themselves have unique cultures and values, whether written or not. It pays to answer these questions – and others like them – to try to define what your culture and values are. Then get consensus on whether these are good. And when that is done, teach them to new board members and revisit them from time to time.

1. Do we pursue “truth” and “look hard at the evidence” in decision-making?
2. Are we transparent and do we want to be more so?
3. Do we have a culture where disagreements are welcomed, or discouraged?

4. Is the first loyalty of board members to this organization or some other?
5. Does evaluation of individual board members fit our culture?
6. Do we appoint/elect officers and committee chairs based on merit?

7. Are we highly collaborative or do we go our own way?
8. Do we nurture people of wealth to get their money or serve them?
9. Do we quickly resolve conflicts or let them fester?

10. Do we view staff as merely “means” or is their development a worthy end?
11. Do we really welcome the tough questions in our dialogues?
12. Are we closer to being rule-oriented and legalistic, or more forgiving?

13. Are we risk takers or would we rather conserve what we have?
14. What questions or issues are “out of bounds” for discussion?
15. Do we engage our distracters or shun them?

16. Do we view our CEO as a partner in governance or our hired hand?
17. If people of faith, have we worked at linking our work with our faith?
18. Are we willing to identify poor programs and end them?

There are dozens more questions. How could you honestly define your board's (and institution's) culture and identify the values that really drive you (versus those that you might have written out but do not always honor them)? Healthy boards work toward being authentic in their relationships within a worthy culture.

MAIN PRINCIPLES TO CLARIFY BOARD AND STAFF ROLES

1. The BOARD governs, and has but one agent, the CEO, who hires all other staff.
2. The board Chair manages the board. The CEO manages the organization. They partner rather than compete because their roles are entirely different.
3. The CEO reports to the full board, even though he or she also may be an *ex officio* “member of the board” (preferably without vote).
4. Each board member is recruited to bring most of these five: Work, Wisdom, Wealth, Wallop, and Witness.
5. Each board member wears 3 (sometimes 4) hats:
Governance (only when a quorum present; group work)
Volunteer (individual contributions; usually under a staff member)
Participant (attend organization events to meet, speak, listen)
Implementer (fulfill board policy when staff are unable)
6. Both Board and Staff **FORMULATE** board policies.
Only the Board **DETERMINES** board policies.
Usually, only staff **IMPLEMENT** board policies.
The Board **MONITORS** its own policies, usually with staff help.
7. All board members fulfill these basic legal obligations:
Duty of Care: Be informed, participate with the care a prudent person would do in similar circumstances.
Duty of Loyalty: Exercise power in the interest of the organization, not their own or on behalf of another entity, eliminating conflicts of interest.
Duty of Obedience: Adhere to government laws and its own bylaws, maintaining guardianship of the mission.

THE BOARD MEMBER “HATS”

Most organizations expect board members to wear the first three hats. In very small organizations with too few staff, some board members wear hat #4 as well.

1. Governance Hat

- * Qualifications to wear this hat should be #1 in electing new directors
- * Pre-election and post-election orientation is a must to be productive
- * The work here is only group work when a legal quorum is present
- * Individual gifts are sometimes muted in this group function
- * The board chair manages the group and the CEO reports to them
- * Each director brings something unique so the team is complete
- * Peer review and consensus to be elected to another term is essential
- * Training is required for wearing this hat, more so than the others
- * Directors must really own governance, not assume the CEO is in charge
- * All help board meetings focus on governance, not on management issues

2. Volunteer Hat

- * Most directors are asked to volunteer for helping in their strong areas
- * In most organizations, directors make up only a portion of volunteers
- * Usually, a director wears this hat under the guidance of the CEO or staff
- * Some directors can give more time to volunteer activities than others
- * Helping to raise funds in ways they enjoy is one volunteer hat role
- * Invited to participate in a management team meeting is another role
- * Mentoring young staff is another, but boundaries need to be set

3. Participant Hat

- * Sometimes directors are encouraged to “just show up” for key events
- * Should be optional in most instances
- * Normally, both the chair and the CEO, agree directors need to “be there”
- * Often, say the annual banquet, directors are expected to bring others

4. Implementer Hat

- * Normally, a board assumes implementation is the CEO’s role
- * But in understaffed nonprofits, this hat could take up much time for a few
- * Seldom, if ever, worn by directors in larger, mature organizations
- * But a board may designate one of its own to implement a policy
- * Then accountability is back to the board
- * If helping the CEO implement something, that is the volunteer hat

THE FOUR “HATS” BOARD MEMBERS WEAR

<p>1. Governance Hat</p> <p>(only hat that carries legal authority to govern and what board members should be elected to do well)</p>	<ul style="list-style-type: none"> • Worn only when in a properly called board or committee meeting with a quorum • Decisions made only when part of the elected board members • CEO is accountable only to governing policies set by the board
<p>2. Volunteer Hat</p> <p>(this hat carries no legal authority but is often expected to be used depending on a board member’s interests and skills)</p>	<ul style="list-style-type: none"> • Goes on when leaving a board or committee meeting • Worn when <i>advising</i> the CEO, helping fundraising, etc. • Worn when <i>helping</i> staff (alone or in a group) and often under the supervision of the staff
<p>3. Participant Hat</p> <p>(another expected hat for defined occasions)</p>	<ul style="list-style-type: none"> • Worn when <i>attending</i> an important event of the organization • Expectations should be spelled out in advance and affirmed as possible by the board member
<p>4. Implementer Hat</p> <p>(carries specific authority, but is seldom worn in most boards)</p>	<ul style="list-style-type: none"> • Seldom worn because staff usually implement board policies • But worn when a board resolution or the CEO gives a board member authority to <i>implement</i> some board action

GOOD BOARD STRUCTURE AND PROCESS

1. Ask: Why do we need a board larger than 9-11?
2. Elect a good chair to “manage the board”
 - Allow unlimited annual re-elections if evaluations show the board wants a good chair to have another term.
 - Don’t determine in advance whether a vice chair succeeds a chair; let the board decide that at the time a new chair is needed.
3. If the board elects a Secretary and/or Treasurer, also elect a key staff person(s) to be Assistant Secretary and Assistant Treasurer so minutes and other documents get processed easily.
4. If the board wants the CEO to be a board member, it is best for the CEO to be an *ex officio* non-voting member. The CEO has influence through voice; better than through vote.
5. Have as many full board meetings as are necessary (usually 2-4/year). Committees should meet “live” at least once/year, then by phone.
6. Always function according to the organization’s Bylaws. But keep them general so they are not too prescriptive require change too often.
7. Further policies about board structure and process should be documented in one place, ideally in one part of the Board Policies Manual (a “governance management system” discussed separately). A free template of an entire BPM can be downloaded at the website below. The BPM should address topics such as these:
 - Who appoints committees, committee chairs, and for what terms
 - Definitions of each committee’s role
 - Use of board ad hoc task forces
 - Everything about board meetings and reports
 - Board expenses
 - Process for recruiting, orienting, selecting and evaluating board members
 - All policies relating to the boards relationship with the CEO/staff
 - Parameters around staff decisions in all functional areas

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.

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 adaptations of this highly developed model. 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. For the latest version of our suggested BPM template, contact bobandringa@mac.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 part two? These are usually grouped into chapters that mirror board committees, e.g., chapter on finances, development, programs, etc. May take 6-8 pages.

TERM LIMITS (ROTATION) FOR BOARD MEMBERS

I. The trend seems to be:

Clarify in bylaws the most reasonable limit terms e.g.,

- * 1-year term for those brand new to the organization, then ...
- * two consecutive 3-year terms, or
- * three consecutive 2-year terms, or
- * for complex institutions, three 3-year terms

after which a board member is required to be off the board for at least 1 year.

II. Why required rotation?

- A. Some good prospects and current board members don't like the tradition (or board cultural assumption) of serving forever
- B. Most boards have a hard time not re-electing a board member when history shows most do get re-elected over and over, even when their effectiveness is gone
- C. Most boards need new blood for new cycles of organizational life
- D. It makes it easier to elect people to fit the board's approved "dream team" criteria
- E. Board members' active participation wanes with age, changing life situations, etc.
- F. It opens more slots for highly effective and motivated individuals willing to serve

III. Some good practices if you DO NOT have required rotation:

- A. Annual affirmation statements from all trustees prior to annual meeting
- B. Good evaluation by Board Development Committee of members whose term is up
- C. Creation of Board Alumni Council for life appointments after X years on board (provides an easy option for those who feel it is time to leave active duty)
- D. Involve good board member prospects on board committees or board task forces until an opening on the board comes up

IV. Some good practices if you DO have required rotation:

- A. Same as above four suggestions
- B. Consider a win-win one-year term for new people to confirm service is good
- C. Allow non-board members to serve on committees so good board members can be appointed to them during the required year off before again being eligible for election back on the board
- D. Appoint board members during year off to chair some special advisory group

The Key Reminder: There is no reason not to keep good board members active, whether on the board or in some other key volunteer assignment, while those not interested in continuing their service always have an honorable way of saying 'I completed what I felt I could do.'

BOARD PROFILE FOR SELECTION OF NEW DIRECTORS

Note: This tool is used to gain agreement among all directors of what the future ideal profile of the board should look like. *The items below are examples only.* The three categories reflect the board’s perception of the ‘dream team’ which would include all those players thought to be needed for an excellent board of directors. The Board Development Committee (or nominating committee) would use this board-approved profile to assess the current board members and target the search and selection process for new directors/trustees.

I. EVERY board candidate should ...

- A. Be widely known in his community as a person of integrity
- B. Have demonstrated in past his/her interest in and support for the organization
- C. Have served on at least two other nonprofit boards of directors

II. As a GROUP, the entire board should eventually reflect this profile ...

- A. Fairly reflect the primary constituencies of the organization
- B. Include at least X female and Y minority leaders
- C. Have no more than Z% from any one professional/career category
- D. Have 1/3 capable of donating \$XXX annually

III. EACH individual director or prospective director should bring *at least one* of these, in addition to meeting category I criteria and helping the board meet category II. The board development committee should have a confidential list of current directors and prospective directors to note in the far right columns below (using initials or numbers) so directors can review and advise on potential board members.

	Our Ideal Board Profile Would Have at Least One Person in Each Category Below	Directors: Who has what?	Prospects: Who has what?
A.	Expert on the sociology and psychology of primary beneficiaries		
B.	Expert in nonprofit law		
C.	CEO or former CEO of a similar organization		
D.	Expert in major donor fundraising		
E.	Expert in public relations and media		
F.	Business/professional leader who benefited from the organization		
G.	Expert in large organization finance, preferably a CPA		
H.	Expert in construction and building maintenance issues		
I.	Person currently living among primary beneficiaries		
J.	Expert in theology (or another relevant, academic discipline)		
K.	... (other qualifications as determined by the board)		

BOARD ORIENTATION AND TRAINING

1. Why is good orientation and training necessary?
 - A. To reduce frustration and miscommunication based on differing assumptions
 - B. To increase enjoyment and productivity of board members
 - C. To reduce the natural tension between board and staff
 - D. To create a governing board on which good people want to serve

2. Who is responsible for new board member orientation and on-going training?
 - A. Do NOT depend solely on the President/CEO
 - B. Best to have a small Board Development Committee lead

3. When is orientation and training done: some options
 - A. Give appropriate information to candidates before election
 - B. More appropriate information soon after one is elected
 - C. Evaluation and planning at board retreat every 2-3 years
 - D. Ten minutes of training in each meeting
 - E. Useful bite-size information sheets mailed out periodically

4. What topics are covered in board orientation or training?
 - A. Role of board and staff in various areas
 - B. How mission, values, goals are determined and monitored
 - C. Role of staff in serving the board and committees
 - D. Process for identifying, selecting, orienting, evaluating board members
 - E. Conflict of interest policies
 - F. Role of committees in helping the board do its work
 - G. Relating to constituencies (e.g., members, donors, government, faculty, students, etc.)
 - H. Use of advisory groups or affiliate organizations
 - I. Budget process and audit
 - J. Major program development

And many more....

ROLE OF THE NONPROFIT BOARD CHAIR

*First Principle: Good nonprofits have good boards; and good boards have good chairs!
The Chair manages the board...The CEO manages the organization.*

1. **Desired Traits.** Knowledge of organization, leadership qualities, fair and objective, able to delegate and motivate volunteers, good facilitator of meetings, willing to make difficult decisions, positive communicator, ability to develop trust relationship with the CEO, etc.
2. **Time Required.** Most chairs report “at least twice the hours” of other active board members are required, so equivalent to 20+ days per year for a typical board.
3. **Selection.** Important to be elected by a fair process, maybe secret ballot. The full board annually should elect the most gifted person for the role who is willing to do the job well.
4. **Length of Service.** Usually one or two-year renewable terms works best. Need objective evaluation by board development (or nominating) committee and expressed willingness to serve again before re-election. But don’t impose arbitrary term limits on great chairs!
5. **Primary Role. The job "product" of the Chair is, primarily, the integrity of the board's process.** The chairman “manages the board.” The Chair is the only board member authorized to speak for the board as a group, other than in rare and specifically authorized instances. She or he models involvement, including giving, helps recruit new board members, makes or suggests wise committee assignments, interprets board feelings to the CEO, develops board meeting agendas with the CEO, and insists on good board training.
6. **Enforcement Role.** The Chair ensures that the board behaves consistent with its own rules and those legitimately imposed upon it from outside the organization. Meetings deal only with those issues that belong to the board to decide. The Chair minimizes cliques within the board and deals with division or dissatisfaction as appropriate.
7. **Special Authority.** The authority of the Chairperson consists only in making decisions on behalf of the board that fall within and are consistent with any reasonable interpretation of board policies on governance process and on the board-CEO relationship. The Chair has no authority to make policy-related decisions beyond policies created by the board.
8. **Relations with CEO.** The Chair has no authority to supervise or direct the CEO, but is expected to advise and partner with the CEO on all governance matters. This trust relationship must be positively developed over time.