

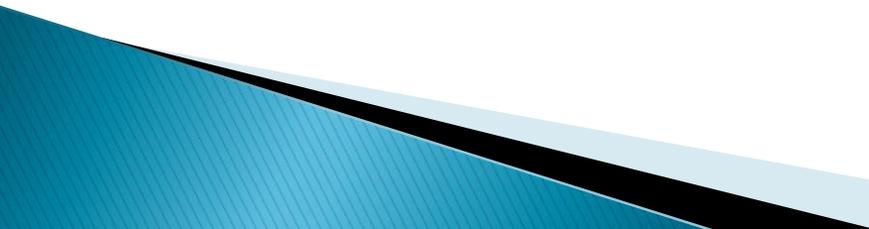
# Developing Effective Boards of Director & Executive Level Management in Nonprofit Organizations

Chapter 3 & 4 and Readings 1 & 2

# What is Governance?

- ▶ Governance is a process whereby societies or organizations make important decisions, determine whom they involve in the process and how they render account.
  - ▶ Governance is about the more strategic aspects of steering the larger decisions about direction and roles. That is, governance is not only about where to go but also about who should be involved in deciding and in what capacity.
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# The Role of Boards of Directors

- ▶ All registered charities in Canada as well as organizations that are registered under provincial legislation as nonprofit societies are required to have boards of directors.
  - ▶ Boards are important as they are legally responsible for the actions of the organization – their primary role is fiduciary.
  - ▶ Important to balance the Boards role so as not to have erratic, micro-managing or rubber-stamp boards.
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# Principles of Good Governance

## ▶ Legitimacy and Voice

**Participation** – all men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their intention. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.

**Consensus orientation** – good governance mediates differing interests to reach a broad consensus on what is in the best interest of the group and, where possible, on policies and Procedures.

# Principles of Good Governance

## ▶ Direction

**Strategic vision** – leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

## ▶ Performance

**Responsiveness** – institutions and processes try to serve all stakeholders.

**Effectiveness and efficiency** – processes and institutions produce results that meet needs while making the best use of resources.

# Principles of Good Governance

## ▶ **Accountability**

**Accountability** – decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organizations and whether the decision is internal or external.

**Transparency** – transparency is built on the free flow of information. **Processes**, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.

## ▶ **Fairness**

**Equity** – all men and women have opportunities to improve or maintain their well-being.

**Rule of Law** – legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

# The Four Controllable Dimensions of Board Functioning

- ▶ The Board Roles and Responsibilities
  - ▶ Board Structure and Formal Operating Procedures
  - ▶ Board Composition
  - ▶ Board Culture and Leadership
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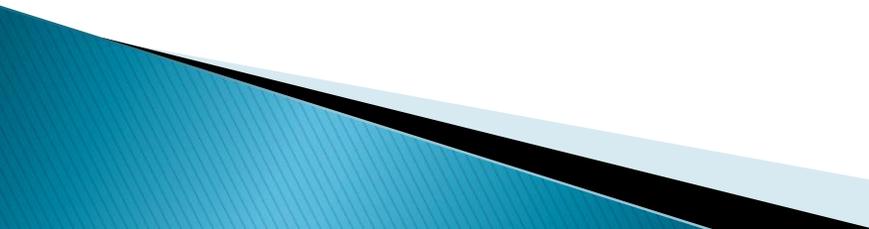
# Board Roles and Responsibilities

- ▶ Clarifying roles and responsibilities are important to Board functioning – The most common areas in which Boards become involved are:
  - Mission, Values, Strategic Priorities and Performance Assessment.
  - Fiscal and Legal Oversight and Risk Assessment
  - CEO Selection and Evaluation
  - Community Relations
  - Resource Development
  - Management Systems
  - Board Self-Management

# Board Roles and Responsibilities

- ▶ Board members may be decision makers, advisors and implementers
  - ▶ **Decision makers/Evaluator:** Boards must trust staff and volunteers to carry on tasks of the organization through their delegation of decisions – the evaluation function is to decide satisfactory performance.
  - ▶ When Boards make decision it usually occurs only at the level of the whole board meeting in a formal session in which it votes on motions put forward to it.
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# Board Roles and Responsibilities

- ▶ **Advisor:** Board members provide information and expert advice to board decision making meetings and to others such as the ED or other management staff – information and expertise may come from their own information, training, experience or networks.
  - ▶ **Implementer:** usually carried out at the level of committees charged with specific tasks such as fundraising or board/Executive Director recruitment
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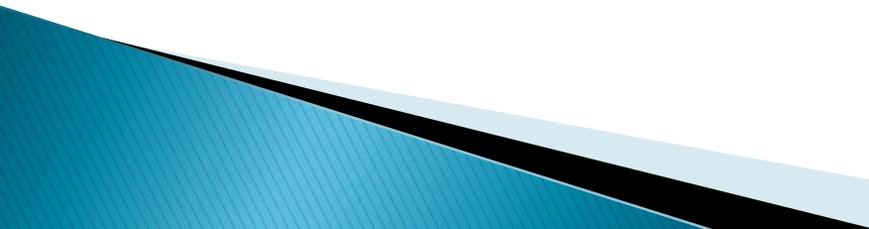
# Board Roles and Responsibilities

- ▶ The Working Board consist of members who participate in setting strategic directions, manage and implementation of plans and actually do “work”. They are often in new, small and non-complex organizations and usually work through committees.
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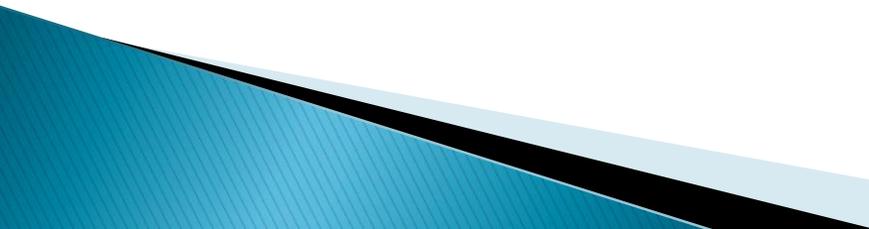
# Board Roles and Responsibilities

- ▶ The Governance-only Board is one in which restricts itself to providing broad, overall leadership to the organization by primarily focusing on issues that related to the basic strategic question of “who is to receive services and at what cost”. This is generally known as the Carver Model.
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# Board Roles and Responsibilities

- ▶ Mixed Model Board are neither purely working boards or Governance-only Boards. They tend to be located between the ends of the continuum – unless roles are clearly defined in the by-laws and governance policies, the Board may struggle with their responsibilities between operations and strategic governance.
  - ▶ We will discuss strategic planning more in chapter 8.
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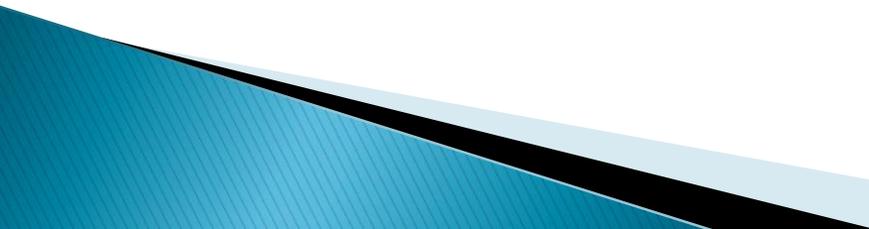
# Board Roles and Responsibilities

- ▶ Other key areas of Board responsibility which some boards struggle to understand, take seriously or effectively carry out are:
    - Fiscal and legal oversight
    - Selection and evaluation of the Executive Director
    - Community Relations
  - ▶ Discussion: In what way do some Boards struggle with these priorities and what are some ways Boards can ensure they make these areas a priority?
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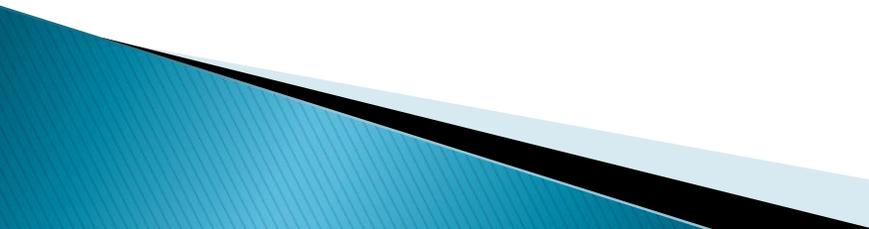
# Board Roles and Responsibilities

- ▶ Other key roles for Board members are their role in Fundraising and the development and assessments of Management Systems.
  - ▶ We will discuss Fundraising more in Chapter 7 – but note this is a role that needs to be clearly defined for Board Members.
  - ▶ Management Systems refers to the process and procedures used to manage the organization. They include systems of accounting and control, information systems that track program implementation and client demand and satisfaction, evaluation systems and human resources policies and practices.
  - ▶ How deeply should Boards become involved in decisions about these systems?
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# Board Structure and Formal Operating Procedures

- ▶ The most important source of information on board structures and formal procedures is the organization's by-laws. This document is required to formally incorporate as a nonprofit organization.
  - ▶ We will discuss legal aspects of incorporation in Chapter 5.
  - ▶ Bylaws may be broad or specific, basic or detailed.
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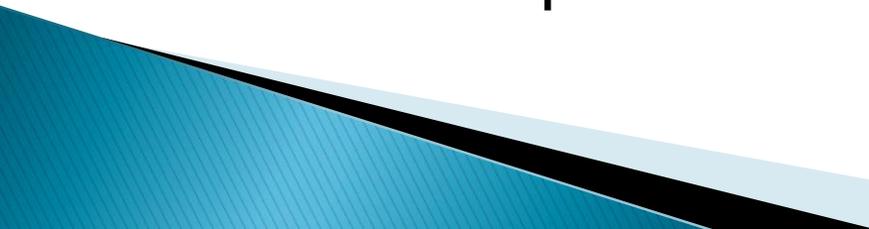
# Board Structure and Formal Operating Procedures

- ▶ Structuring the Board – “structures” are simply formal statements about who has the authority to do what in an organization. They become frozen in time as formal policies, procedures, and organization charts which then influence subsequent actions.
  - ▶ Procedures of the Board – “procedures” are operating rules that govern how people ought to do their jobs.
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# Board Structure and Formal Operating Procedures

- ▶ Board sizes – may range between 3 to 30 members – should not exceed 15 to be most effective, however should have enough members to fill committee positions and have enough diversity to represent the community.
  - ▶ Formal offices – most Boards have a Chair (President), Vice-Chair, Treasurer, Secretary to ensure functions of the Board will be performed (known as the Executive Committee).
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# Board Structure and Formal Operating Procedures

- ▶ Board Committees – there are two basic types of committees, policy and working committees.
  - ▶ Policy Committees are small problem solving groups which can study important issues in depth and produce reports for the whole board with recommendations and supporting data.
  - ▶ Working Committees are policy implementation groups which either assist paid staff in carrying out tasks that staff cannot do alone or are used instead of paid staff because none are available.
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# Board Structure and Formal Operating Procedures

- ▶ Terms of Appointment and Reappointment for Board and Committee members should be written into the Organization's by-laws and allow for "staggering terms" so as to introduce new members and retain more experienced members.

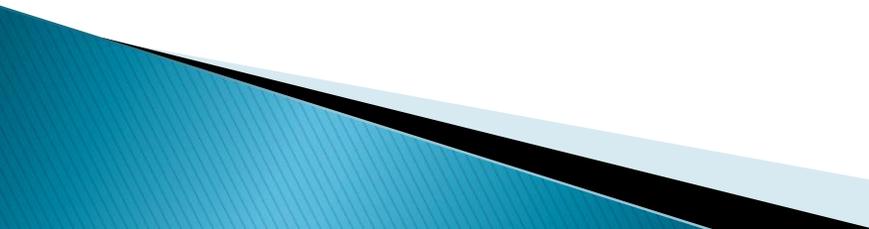
# Board Structure and Formal Operating Procedures

- ▶ The Board's operating procedures refer to the board's own policies and rules governing how it will carry out its business. They are best collated in a Board Policy Manual.
  - ▶ Procedures should address issues such as:
    - Attendance
    - Meeting Frequency and Times
    - Meeting Length
    - Meeting Agenda Formats and Meeting Rules
    - Board Orientation, Development and Evaluation Procedures
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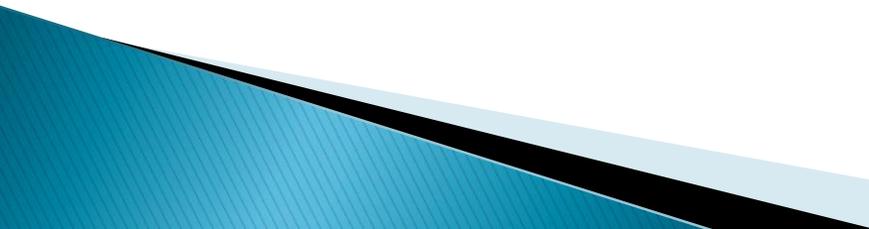
# Board Composition

- ▶ Break into groups of 3 and answer the following questions – report back to the larger group.
  - How important is diversity on a Board of Directors?
  - How well should candidates know the organization?
  - How much should “business skills” be emphasized?
  - What are key individual personal qualities to look for?

# Board Culture and Leadership

- ▶ A culture is a set of behaviours patterns, attitudes, values and beliefs widely shared by a group which influences their behaviour. Taken together, they represent the shared understanding of “how we do things around here”.
  - ▶ Informal groups in boards develop as a sub-group and is a reflection of conflict or commitment that may exist among different members of the Board.
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# Board Culture and Leadership

- ▶ Elements of the “How-to-run-a-meeting” culture exists when a few consistently take the lead and others may or may not participate.
  - ▶ The important elements of the meeting culture are:
    - The formality of discussion;
    - The inclusiveness of participation; and
    - The management of differences.
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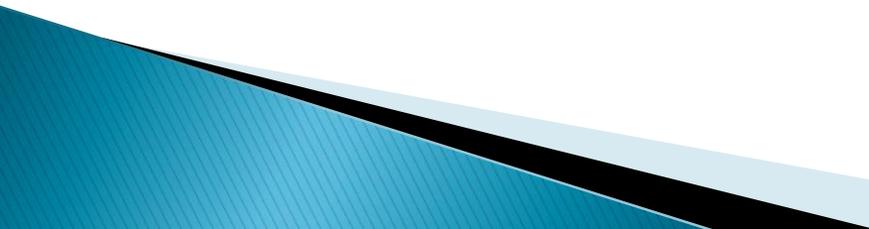
# Board Culture and Leadership

- ▶ When examining the organization's Board culture, we need to ask some key questions:
  - How open are members to change?
  - Is the Board accepting of diversity and equity?
  - What is their commitment to Action?
  - Are there deep-seated convictions among members about Board roles and responsibilities?
  - What can be done to change Board cultures?

# Board Culture and Leadership

- ▶ Most organizational behaviour experts agree that the two leaders of cultural change are the Board Chair and the Organization's Executive Director.
- ▶ The basic element of Board leadership:
  - Degree of control
  - Degree of organization
  - Tolerance for digressions
  - Tolerance for dominators and disturber
  - Ability to draw out non speakers
  - Ability to inspire and motivate commitment

# Board Culture and Leadership

- ▶ Ultimately the key requirements of all those who have the responsibility for the success of a nonprofit organization are to:
    - Decide what are the most important issues facing the organization;
    - Identify who has the skills and knowledge needed to address these issues;
    - Ensure that they have the clear authority and resources needed to act; and
    - Have in place the best possible information system for tracking progress.
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# Executive Level Management

- ▶ Executive management in a nonprofit organization refers to the individual or group who has overall responsibility for the operations of the organization – paid or volunteer.
  - ▶ Executive Director (ED) is a person having administrative or managerial authority in an organization who directs, rules, or guides the general management of the organization.
  - ▶ They are appointed by a Board of Directors and manage the affairs of the organization.
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# The Role of the Executive Director

- ▶ The role of the ED is complex where as they coordinate, guide, organize and administrate 3 categories of stakeholders:
  - Staff and Volunteers;
  - Board of Directors; and
  - Community and Funding partners.

# The Role of the Executive Director

- ▶ The ED is mainly responsible for leadership and management of an organization. While management is focused on the internal workings of the organization, leadership is a more diffuse activity focused on creating some kind of change in the world.
- ▶ Four main competencies for Leadership (table 2, page 125 and figure 2 page 129) are:
  - Vision and alignment;
  - Strategies and resource development;
  - Relationships; and
  - Complexity

# The Role of the Executive Director

- ▶ Values and beliefs are at the root of any action taken by an ED. The following personal values base include the following dimensions:
  - Social responsibility;
  - Sustainability and self-sufficiency;
  - Building capacity;
  - Individual ethical and principled behaviour;
  - Inclusion and diversity; and
  - courage

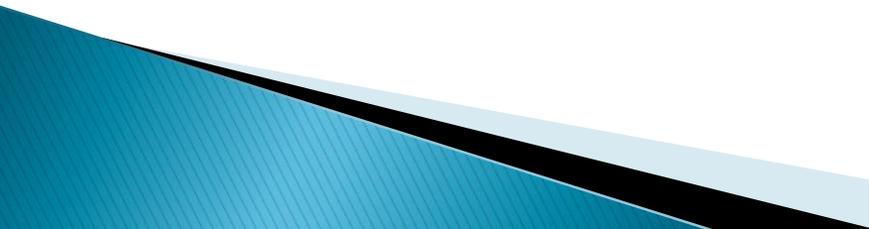
# The Board and ED Effectiveness

- ▶ Effectiveness of the Board and ED is complex and needs to balance the effectiveness of the organization's mission, goals and objectives and its operations.
- ▶ Although most research shows that the Board and ED need to be effective as a team, it is very difficult to measure. Two models that are used
  - Goal Attainment Model
  - Decision Making Model

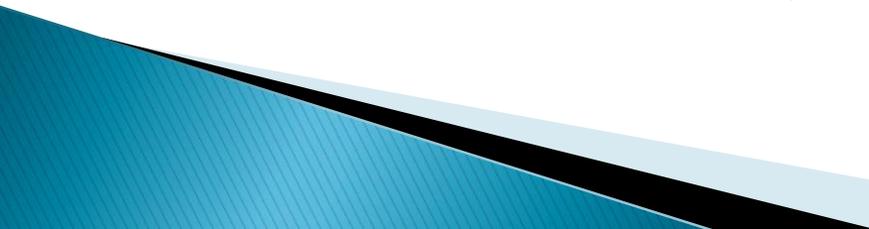
# The ED – Staff Relationship

- ▶ The Human Resources in the Voluntary Sector initiative (United Way & Community Foundations of Canada & Gov. Canada) identifies the ED primary HR role to:
  - Create meaningful jobs that link the organization's missions;
  - Maintain the right mix of people with the knowledge, skills, and abilities to accomplish the work of the organization;
  - Provide structure that helps employees be effective at their work;
  - Provide fair and consistent treatment of employees;
  - Provide staff with ongoing feedback about their performance;
  - Nurture an organization culture that supports and motivates staff;
  - Create a positive work environment;
  - Help retain effective staff members; and
  - Help staff and the organization manage change.

(Review figure 3 and 4 on pages 136–137)



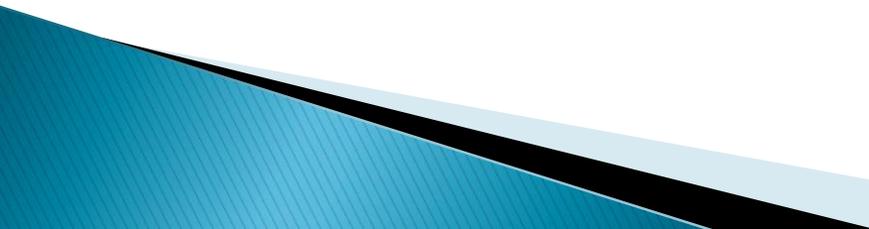
# The ED and Financial Oversight

- ▶ Arguably after the oversight of staff, financial oversight in the next most important ED responsibility.
  - ▶ In principle the ED has responsibility for:
    - Ensuring that managers have support for decision-making in financial areas appropriate to their level, role and responsibility;
    - Ensure the availability of timely, relevant and reliable information, –financial and non-financial – to staff and Board;
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# The ED and Financial Oversight

- Contributing to the identification and management of risks to the organization, its employees, volunteers and clients;
- Helping the organization make efficient, effective, and economical use of resources;
- Enabling managers to account for their use of resources;
- Establishing a supportive control environment;
- Ensuring the organization complies with authorities and laws and regulations; and
- Safeguarding the assets of the organization through appropriate controls, processes, and procedures.

(figure 5 on page 139)



# The ED and the Community

- ▶ The work the ED undertakes to complete the link between the organization and community has political characteristics – meaning that an effective Ed recognizes the need to address conflict or tension over the allocation of scarce resources or the resolution of differences and perspectives.
  - ▶ EDs are most effective when they are actively bargaining, negotiating, networking, building alliances, addressing conflicts and addressing resource allocations.
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# Challenges and the ED

- ▶ EDs experience a variety of challenges in their work:
  - Isolation
  - Powerlessness to effect change
  - Lack of clear roles
  - Tunnel vision
  - Everybody's counselor, confidante
  - Compensation
  - Unreasonable expectations
- ▶ Solutions are unique to each organization