

*CFFK*

COMMUNITY FOUNDATION  
OF THE FLORIDA KEYS

IN PARADISE FOR GOOD.

# **Board and CEO Roles**

## **Building High Performance Organizations**

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**Center for NonProfit Excellence  
Leadership Success Academy**

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# Today's Topics

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- Maturation cycle of boards
- Types of Boards
- Roles/Responsibilities
- Trends
- Best Practices
- Exercises

# Rationale

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## Why have a board?

- Required by law
- Oversight
- Input
- Outreach
- Support

# Types of Boards

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- Advisory/Honorary
- Community/Coalition/Ad Hoc
- Governing
- Institutional

# Advisory/Honorary Boards

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- Members chosen for who they are
  - Subject matter experts
  - Significant supporters
  - Prominent community leaders
- No governance power (or interest)
- Provide influence and affluence (\$\$)
- Not legally bound like governing boards
- Limited legal liability

# Advisory/Honorary Boards

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## Advisory/Honorary

- ❑ Create linkages
- ❑ Provide input
- ❑ Seek visibility for organization
- ❑ Sometimes are larger donors
- ❑ Raise money
- ❑ Provide access to donors, elected officials, etc.
- ❑ Expert “sounding group” for ideas

# Community/Coalition

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## Community/Coalition/Ad Hoc

- ❑ Representatives of governing boards or interests groups that are not formally organized
- ❑ Provide input and discussion platforms
- ❑ Create multi-platform, shared responsibility of issues management in their highest form
- ❑ May or may not collect dues or sponsorships, do programs or activities (through fiscal agent)

Example: City or County Advisory Groups, American Cancer, etc.

# Governing Boards

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- ❑ The legally required entity of all organizations, both corporate and nonprofit
- ❑ Full performance expectations are outlined in bylaws
- ❑ Actions are legally binding to organization and individuals
- ❑ Strategic
- ❑ Generative
- ❑ Responsible for vision, governance, advocacy



# Institutional Boards

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- Universities, large cultural organizations, older, etc. very established groups
- Very prestigious to be selected
- Usually quite large 50 plus members
- Stratified responsibilities
  - Executive committee governs
  - Board fundraises, provides input and outreach to community

# Maturation Cycle of Boards

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Where is your organization?

- Founding boards
- Early governing boards
- Hybrid boards
- Mature governing boards

# Founding Boards

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## Issue and personality drive

- Strong leader(s)
  - Identify community need
  - Galvanize support from others
  - Research the issue
  - Create response and gain support
  - Incorporate as an organization
  - Begin services

# Founding Boards

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## Loose governance style

- Group is largely friends, lacks diversity
- Informal, meetings
- Few committees
- Few policies and procedures
- Lacking structure for board selection, term limits, etc.
- CEO is usually board chair, or defacto chair
- CEO's vision is group's vision

# Founding Boards

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## Founder as CEO

- CEO's vision is board's vision
- Autocratic management style
- Informal
- Few policies and procedures
- Few systems
- CEO holds all control—board has little

# Early Governing Boards

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Founder chooses between CEO and Board Chair role

- ❑ Moves from CEO's vision to group's vision
- ❑ Begin to have structure to board and organization
- ❑ Begin to have accountability to board
- ❑ Founder still heavily involved, often even controlling the board
- ❑ Board still somewhat loosely selected

# Early Governing Boards

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- New board members are added
- More businesslike
- Still rapid with decision making
- Better role clarification for board
- Begin standing committees
- Begin more structure
  - Board orientation
  - Term limits
  - Policies

# Hybrid Boards

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## Hybrid Board – Governance and WORK

- ❑ Board members acting as CEO
- ❑ Board members providing pro-bono staff roles for CFO, CMO, CDO, other
- ❑ Board members doing work hand in hand with staff as other staff would do or
- ❑ No staff at all – board does it all!

Mix of governance and management



# Hybrid Boards

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## Hybrid Board – Governance and WORK

- Important things to make this work:
  - Legal responsibilities are still in force! Must also govern!!!
  - Separate working time and governing time
    - Different meetings if possible
    - Separate sections on agendas
  - Change roles when communicating with CEO and peers
    - Taking direction from CEO if working sleeve to sleeve
    - Guidance when in governing role

# Hybrid Boards

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## Hybrid Board – Governance and WORK

- Create real boundaries
  - Different meetings and agendas
  - Different chairs and volunteers
- Create artificial coaching
  - Make it “ok” to say “change your hats now” or “clear your frames”
- Culture of accountability to deliver –  
working boards must deliver tactically –  
governing boards deliver strategically

# Mature Governing Boards

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## Structured

- Well defined policies, procedures, articles of incorporation, term limits, etc.
- Better diversified
- Well organized, more efficient meetings
- Efficient committee structure that does the work of board
- Cleaner role definition
  - CEO manages organization
  - board chair manages board and has oversight of CEO

# Mature Governing Boards

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- Begins to develop greater external focus and outreach
- Group begins to create vision and plans together in formal process
- Flexible
  - Addresses issues with rational, businesslike approach in appropriate time with opportunity for input
- Often outgrows Founding CEO and hires “seasoned, industry” CEO

# Institutional Boards

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- ❑ Very businesslike in meetings
- ❑ Board and staff create vision and plans together---more staff driven in implementation
- ❑ CEO usually high profile, very seasoned
- ❑ Standing committees provide input to staff driven organization
- ❑ Many more constituent audiences to consider
- ❑ Change is often much slower

# Application

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**Exercise our learning!**

# Application 1

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**With your group answer the following:**

- ❑ What type of board are we?
- ❑ Where are we in the maturity cycle?
- ❑ How effective are we? (scale of 1 to 5 with 5 being excellent and 1 being very poor).

# Governing Board Roles

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## Three primary roles

- Vision
  - Mission, vision, direction
- Governance
  - Planning
  - Oversight
  - Fundraising
- Advocacy
  - Policy
  - Raving fans



# Responsibilities—Board Vision

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- Articulate the vision
- Articulate the mission
- Ensure the future of organization
  - Continue operations
  - Cease operations

# Responsibilities—Board Governance

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- Select ED/CEO, support and assess performance
- Set and approve CEO compensation annually
- Legal and ethical responsibilities
- Ensure organization planning
- Ensure and protect resources
- Policy making—policies and objectives
- Board development

# Responsibilities—Board Governance

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- Select ED/CEO
  - Develop job description
  - Recruit, interview, select
- Support performance
  - Periodic input and feedback sessions
- Assess performance
  - If new, at 3 and 6 month
  - Annually at least in writing

# Responsibilities—Board Governance

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## □ Legal and Ethical

### □ Duty of obedience

- Ensure organization remains focused on central purposes

### □ Duty of care

- Same care that ordinarily prudent person would exercise in a like position and under similar circumstances

### □ Duty of loyalty

- Undivided allegiance to the organization—organization's interests must come before any personal gain

# Responsibilities—Board Governance

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## Legal and Ethical

- **Avoid conflict of interest or even the appearance of conflict of interest**
  - Established and promoted policies
  - Open process for discussions
  - Professional procedures for bidding
  - Ensure pricing is fair and reasonable
  - Never accept gifts or favors from vendors of organization

# Laws Affecting Boards

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## Legal and Ethical

- Concept of “inurement”
  - **Organization’s resources transferred without regard to the tax exempt purpose—including engaging in unreasonable business practices such as rent, loans, allowances, etc. to board, staff, officers, etc.**
  - ***Disclosure is the key to avoiding problems***

# Laws Affecting Boards

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## Legal and Ethical

- Sanctions include:
  - **Revocation of tax exempt status**
  - 1996 Congressional law allowing for
    - 10% personal tax on CEO or organizational management *individuals* who approved transaction
    - 25% tax *up to 200% tax* on “disqualified person(s) if situation is not corrected

# Responsibilities—Board Governance

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## Planning

- Ensure organizational planning
  - *Review* annual operations plan and budget
  - *Develop* strategic plan with CEO
    - Quarterly check ups
    - Annual reviews
    - Drives committee work
  - *Develop* long range plan (if necessary)



# Responsibilities—Board Governance

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## Fiscal

- Ensure adequate resources for ongoing operations of enterprise
  - **Friend raise**
    - Introduce donors to organization
  - **Fundraise**
    - Give personal gift each year
    - Get gifts from others each year

# Responsibilities--Board

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## Fiscal

- Oversight of resources
  - Audit
  - Investments/Endowment
  - Budgets and expenditures
    - Operations
    - Capital

# Responsibilities--Board

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Policy making (approval & not procedures)

- Operations
  - Finance
  - Fundraising
  - Human Resources
  - Marketing
  - Program

# Responsibilities--Board

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## □ **Board development**

- Assess board gaps
- Cultivate pool of potential board
- Recruit from pool
- Select
- Train
- Support
- Evaluate

# Responsibilities--Board

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- Board development
  - Assess board gaps
    - Professional/specialties
    - Ethnic
    - Geographic
    - Income
    - Gender
    - Religion

# Responsibilities--Board

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- Board development
  - FIND PEOPLE WITH A PASSION FOR THE MISSION OR A WILLINGNESS TO BECOME ENGAGED

# Responsibilities--Board

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- Board development
  - Cultivate pool of potential board
    - Outsiders as committee members
    - Donors
  - Recruit from pool
    - Job description
    - Application

# Responsibilities--Board

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- Board development
  - Select
  - Initial introduction/overview by nom comm
  - Interview with CEO
  - Follow-up by nom comm
  - Official invitation letter stating terms and job description



# Responsibilities--Board

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- Board development
  - Train
    - Orientation
      - Vision, mission values
      - Programs and services
      - Strategic plan
      - Policies
      - Job description and evaluation
    - Ongoing

# Responsibilities--Board

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- Board development
  - Support
    - Mentors
    - Nominating committee check in quarterly
  - Evaluate
    - Develop metrics for performance!
    - Job description
    - Self evaluation
    - Nominating committee evaluation

# Responsibilities--Board

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## Advocacy

- Conduit to community—spread the word—and bring back messages to the organization
- Reputation management
- Issues management
- Environmental assessments

# Responsibilities--Board

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## Advocacy

- Conduit to community
  - Input to elected/appointed officials
  - Competitive point of difference/elevator speech
  - Introduce friends
  - Cultivate board and committee
  - Seek feedback
  - Share information

# Responsibilities--Board

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## Advocacy

- Reputation management
  - **Listen for potential shifts**
- Issues management
  - Watch for potential issues in community and industry
- Environmental assessments
  - Local and industry trends

# Effective Board Characteristics

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- Has clarity about responsibilities and roles
- Focuses on the important issues
- Uses board time to get important things done
- Uses evaluation to learn, not criticize
- Has confidence to take risks
- Has constructive relationship with staff
- Works as an effective “corporate” unit

# Effective Board Characteristics

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- ❑ Establishes committee work
- ❑ Balances short-term need with long-term perspective
- ❑ Avoids mission drift
- ❑ Is outcome focused
- ❑ Has a clearly defined job description
- ❑ Has metrics for group and individual performance

# Effective Board Characteristics

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- Values team work
- Puts the organization as a priority
- Culture of trust
- Discussion is good, questions are good
- CEO is partner
  
- WHAT ELSE?



# Application 2

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**Exercise our learning!**

# Application 2

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**With your group answer the following:**

Write a job description for the ideal board member for where your organization is NOW and what you need right NOW – next three years. Tie back to our first session on leadership characteristics and this session on responsibilities.

# Responsibilities of CEO

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## Manage

- Articulate the board's vision to staff
- Establish and maintain culture
- Manage day to day operations
- Integrate the staff, board and volunteers
- Educate the staff
- Support the board in its fundraising

# Responsibilities of CEO

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## Lead

- Communicate the vision and mission externally
- Active in community
- Advisor to the Board
  - Educate board/staff on key trends/issues
  - Support board productivity
  - Support board fundraising

# Responsibilities of CEO

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## Administration

- Oversight of resources
  - Financial, tax, audit, staff, and technological
  - Risk and facilities management
- Programs, services and needs assessment

# Responsibilities of CEO

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- Annual planning
- Strategic planning
- Communication
  - Internal
  - External
- Human Resources
  - Hire, evaluate, fire

# Roles of CEO

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- Manager
  - Manage fiscal, human, technology and facility resources
- Motivator
  - Create and maintain the team
  - Support board fundraising
- Chief communicator
  - Frequent, open, honest
- Planner
  - Develop process
  - Develop organization's goals and objectives

# Roles of CEO

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## □ Partner/Coach

- Seek board input on policy
- Share mistakes with board willingly
- Ask advice and learn from board
- Seek outside training
- Ask for an annual review
- Do an annual self-evaluation
- Treat board members fairly
- Find board member strengths



# Volunteer Responsibilities

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## Volunteers

- Input from community
- Output of messages to community
- Auxiliary workforce
- No conflict of interest
- Confidentiality

# Responsibilities-ALL

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- Leadership
- Advocacy
- Confidentiality of clients
- Respect for all
- Integration
  - Board
  - Staff
  - Supporters

# Application 3

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**Exercise our learning!**

# Application 3

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## Quiz

# Trends-Engagement

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- Recognize time limitations
- Quickly bring people into the fold
  - Orient
    - Tours, orientation, discussions
  - Inform
    - FAQs, fact sheets, case studies, issue papers
  - Ongoing education
    - Issues discussions, speakers, articles

# Trends-Efficiency

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## Meeting Management

- Consent agendas
- Written summary reports in advance
- Behavior guidelines
- Goals for each meeting
- Performance metrics and updates
- Follow through and accountability

# Trends-Communication

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- Email
- Conference calls for committees and board
- Wiki sites/electronic tools for meeting management and information sharing

# Trends-Team Building

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The team has to know each other

- Socials
- Group planning
  - Strategic and annual
    - Define goals and objectives
    - Define common metrics for performance
    - Define individual metrics for performance
    - Define accountability
  - Crisis prevention and response



# Trends-Planning

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Strategic planning is in!

- Shorter process
- Shorter reports
- More data
- Changes the culture
- Increases efficiency for all
- Quality barometer

# Trends-Credibility

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## Increasingly skeptical

- Harder to break through to new folks
- Tougher to establish bonds
- Expect CEO and Board Chair to lead and to stand out front
- Want data, not just opinions
- Want to see the proof—outcome driven

# Trends-Credibility

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## Credibility

- Harder to establish
  - Clear vision and mission critical
    - Communication of that is equally important
  - Reputation driven
    - Prepare to prevent and respond to crisis
    - Outcomes imperative
    - Once broken, very hard to re-establish
    - Gray is not ok, society is very judgmental

# Trends-Accountability

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Board accountability is greater

- Data based decisions
- Transparency
- Visibility
- Integrity and ethics
- Reporting
  - **Sarbanes Oxley 2002 spillover to nonprofit orgs**

# Trends-Government Oversight

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## Form 990 and 990-PF

- Required—penalties for non-filing and perjury
- Form revisions coming to distinguish between overhead for general, fund raising, investments and programmatic
- Will now have to show you have conflict of interest (with whistleblower policies) and travel reimbursement policies

# Trends-Government Oversight

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## Form 990 and 990-PF

- Penalties for tax preparers
- Penalties for nonprofit organizations—revoking tax exemption status
- Made easier so small organizations can complete without outside assistance – less than \$50,000 gross receipts – 990 N
- Gross receipts < \$200,000 or assets > \$500,000 – 990 EZ or full 990 if preferred
- Anything above that in gross receipts or assets must file full 990

# Trends-Government Oversight

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## Mission changes

- Continued evaluation of tax exempt status based on form 1023 initially stating purpose and mission of organization
  - Review bylaws, articles of incorporation and governing instruments often

# Trends-Government Oversight

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## Audits

- Board members who are independent
- Financially experienced board members
- Required of organizations with \$1 Million or more in revenue
- Financial statements reviewed by independent public accountant required for organizations between \$250,000 and \$1 Million in revenue.



# Trends-Government Oversight

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## Board compensation

- ❑ Increased penalties for self-dealing by board members who receive and those who vote to approve!
- ❑ Prohibits loans to board members
- ❑ Requires board member addresses on form 990 rather than nonprofit address

# Trends-Government Oversight

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## Board composition

- ❑ Minimum of three members
- ❑ No maximum set
- ❑ 1/3 must be independent board members (last 12 months not compensated, contracted or had family member employed or contracted with organization)
- ❑ No one on board who is barred from serving on publicly traded organization
- ❑ Full board must approve annually and in advance the compensation of the CEO

# Trends-Government Oversight

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IRS' growing power

- ❑ Increasing staff to scrutinize nonprofit organizations
- ❑ Increasing oversight of nonprofit organizations
- ❑ Working with congressional mandate (Sen. Charles Grassley, Senate Finance Committee and others)

# Trends-Government Oversight

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Changes to come.....

- ❑ Improvements to 990 and 990 PF forms
- ❑ Uniform financial standards
- ❑ Definition of acceptable administrative expenses
- ❑ Expansion of federal court equity and standing to sue governing boards of nonprofit organizations

# Trends-Government Oversight

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Changes to come.....

- ❑ Stronger rules for charities operation or funded outside U.S.
- ❑ Uniform, cost-effective methods to regulate charitable fundraising activities

# Application 4

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**Exercise our learning!**

# Application 4

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## Exercise Four – Collective Assessment Handout

# Higher Performance Boards

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**Different Performance =  
Different Outcomes of Success!**



# Higher Performance Boards

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Richard Chait defines “governance as leadership” by presenting three types of governance:

- Fiduciary
- Strategic
- Generative

# Higher Performance Boards

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## Fiduciary

- Board is steward of assets
- Serves as “sentinel” or watchdog
- Select and evaluate CEO
- Maintain “oversight” of CEO
- Oversee the three duties
  - Legal and ethical, care, loyalty

# Higher Performance Boards

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## Strategic

- Board has partnership with CEO and senior management
- Serves as “strategist” with internal AND external focus
- Environmental scanning for issues
- With CEO prepare strategic plan
- Monitor performance with metrics

# Evaluation Process

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- **Decision making changes**
  - Is it in the plan?
  - How will it affect the plan
  - Team decision making
- **Process at all levels**
  - Individual departments
- **Topic at every board meeting**
  - Every board committee goals set by plan
  - Quarterly and annual updates

# Higher Performance Boards

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## Generative

- ❑ Board is a think tank or “sense-maker”
- ❑ Frames situations
- ❑ Open to discussion
- ❑ Considers people’s values and beliefs
- ❑ Problem-solves, without blame
- ❑ Creates new ideas and road map to implement those

	Generative	Strategic	Fiduciary
Board's purpose	<b>Source of leadership for organization</b>	<b>Strategic partnership w/ management</b>	<b>Stewardship of tangible assets</b>
Chief role	<b>Sense maker</b>	<b>Strategist</b>	<b>Steward</b>
Core work	<b>Find and frame challenges, reconcile values and choices</b>	<b>Scan environment, shape strategy, create comparative advantage</b>	<b>Set mission, oversee operations, deploy resources, ensure compliance</b>
Conducive process	<b>Inclusive conversations</b>	<b>Task forces, ad hoc work groups</b>	<b>Standing committees</b>
Power base	<b>Ideas, insights</b>	<b>Technical expertise</b>	<b>Legal authority</b>

# Higher Performance Boards

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Board Chair is critical!

- Ability to lead meetings
  - Keep the focus
  - Use consent agenda
  - Plan in advance with CEO
  - Manages issues
  - Create culture of accountability and measurement

# Higher Performance Boards

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Board Chair is critical!

- Excellent communications skills
  - With ED/CEO
  - Fellow board and committee members
  - Donors
  - Potential donors
  - Influence and opinion leaders



# Higher Performance Boards

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Board Chair is critical!

- Serve as the role model
  - Reframe
  - Respect all values and types of leaders
  - Objective
  - Knowledgeable about organization
  - Manage and motivate volunteers

# Higher Performance Boards

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## Board Meeting is Key

- Allocation of time
  - Consent agenda
  - Fiduciary topics
  - Strategic topics
  - Generative topics
  - Accountability and metrics summary

# Higher Performance Boards

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Outcome of generative performance is

- Greater board engagement
- Higher sense of purpose
- Greater board enjoyment
- Richer staff/board team
- Greater organizational success

# Critical Success Factors

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- ❑ Culture that uses all leadership types
- ❑ Culture that spends time in generative work
- ❑ Strategic plan
- ❑ Crisis/crisis communications plan
- ❑ Annual operations plans
- ❑ Team think approach

# Trouble Indicators

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- ❑ Lack of strategic plan
- ❑ Lack of crisis/crisis communications plans
- ❑ Lack of annual operations plans
- ❑ “Lost plans”
- ❑ Lack of clear and known policies
- ❑ Constant staff turnover
- ❑ Board micromanagement
- ❑ Board dysfunctional family dynamics

# Trouble Indicators

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- ❑ Lack of passion
- ❑ Lack of commitment to show up and work
- ❑ Lack of personal financial contributions
- ❑ Mission shifting to chase dollars
- ❑ Confusion in market place
- ❑ Loss of donors
- ❑ Lack or loss of accreditations

# Application 5

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**Exercise our learning!**

# Application 5

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## Exercise Five Case Studies



# Group Standards

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Creating a standard for Monroe County nonprofit boards

- ❑ What would that include as minimum expectations?
- ❑ What would recognize as superior?

# Resources

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- For information on governance and roles of board and CEO
  - **CFFK Nonprofit Center for Excellence**  
[www.cffk.org](http://www.cffk.org)
  - **Board Source, great resource for materials, handouts, workshops, etc.**  
[www.boardsource.org](http://www.boardsource.org)
  - **Alliance for Nonprofit Management**  
[www.allianceonline.org](http://www.allianceonline.org)
  - **The Independent Sector**  
[www.independentsector.org](http://www.independentsector.org)

# Resources

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## Books

- ❑ Governance as Leadership by Richard Chait, William Ryan and Barbara Taylor
- ❑ Moving Beyond Founder's Syndrome to Nonprofit Success by Thomas McLaughlin and Addie Nelson Backlund
- ❑ Exceptional Board Practices: The Source in Action by BoardSource

# Homework

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Documents to bring to next session from your primary board:

- 990
- Monthly or Quarterly Financial Package (Balance sheet, P&L, Budget, Budget to Actual)
- Strategic Plan or Annual Plan
- Audit or Compilation

# Good luck!

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