GROUP 2

Good Governance for Nonprofits

DEVELOPING PRINCIPLES AND POLICIES FOR AN EFFECTIVE BOARD

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GOT GOOD GOVERNANCE?

All nonprofit boards have one thing in common. They do not work (Peter Drucker). Members and officers of nonprofit boards, assisted by authors and consultants, are training critical eyes on the structures and processes of their boards and coming away with lists of areas for improvement in some cases rather long lists.

FOUR ORGANIZATIONS THAT HAVE DONE IT

For now, we will simply introduce the four organizations and their situations.

- Miriam's Kitchen has served homeless men and women in Washington, DC, for almost 25 years.
- The Translational Genomics Research Institute (TGen) was the "anchor store" in what was expected to be one of the top biotech malls in the world.
- The Association of Graduates (AOG) serves the United States Military Academy at West Point and its unique column of graduates known as the Long Gray Line.
- World Vision International is one of the largest and bestknown charitable organizations in the world.

WHO NEEDS A ROADMAP TO GOOD GOVERNANCE?

Whatever the profile of your organization, it deserves good governance and the roadmap can get you there. All boards are “governing boards” in that they share the same fiduciary responsibility for their organization. A working board is a governing board whose members also carry out some or all of its activities.

THE THREE HATS OF NONPROFIT BOARD MEMBERS

Figure 1-1 describes three “hats” that may be worn by nonprofit board members, a hat being a symbol of the role that the board member is playing at the time.

Figure 1.1 Three hats worn by board members.

1.	Governance hat (only hat that carries legal authority to govern)	• Worn only when in a properly called board or committee meeting with a quorum. • Decisions made only when part of the group wearing this hat. • CEO is accountable only to governing policies set by the board.
2.	Volunteer hat (this hat carries no legal authority)	• Goes on when leaving a board or committee meeting. • Worn when advising the CEO. • Worn when fundraising. • Worn when helping staff (alone or in a group) and often under the supervision of the staff.

3.	Implementer hat (carries limited authority, but is seldom worn in most boards)	• Seldom worn because staff usually implement board policies • But worn when a board resolution or the CEO gives a board member authority to implement some board action • Hat is remove when task is done

DEFINING “GOOD TO GREAT” IN THE NONPROFIT WORLD

Further, the Good to Great concepts were instructive to more than those in the private sector. It wasn’t long before leaders, writ ers, and consultants dealing with nonprofit organizations began applying them to nonprofit issues and situations. Four years after Good to Great. Collins published Good to Great and the Social Sectors, a monograph about relating the Good to Great concepts to nonbusiness organizations.

GOOD-TO-GREAT GOVERNANCE?

In the Good-to-Great study of for pront companies, the implication is that the leadership of the board and of the organization is often indistinguishable, and rightly so, as it is common practice in the private sector for the CEO of the company to also be the chair of the board.

GOOD GOVERNANCE? WHO SAYS SO?

While there is no magic meter that will give us a reliable reading of quality of governance in the nonprofit sector, there is no shortage of material suggesting how to conduct an evaluation of a non- profit board.Most of the material on evaluating governance, however, consists of lists of best practices. For example, two organizations that are well known and respected in the field of nonprofit governance are :

- Governance Matters, formerly the Alliance for Nonprofit Gov-ernance (ANG), which serves nonprofit organizations in the New York City area with the objective of improving board governance by fostering an open exchange of ideas and information among a broad cross-section of the non- profit community.
- BoardSource, formerly the National Center for Nonprofit Boards, which is dedicated to increasing the effectiveness of nonprofit organizations by strengthening their boards of directors.

Each of these organizations has developed a list of principles or indicators of nonprofit governance quality. There are 12 governance principles that are tools to strengthen boards in non-profit governance :

1. Constructive Partnership
2. Mission Driven
3. Strategic Thinking
4. Culture of Inquiry
5. Independent Mindedness
6. Ethos of transparency
7. Compliance with Integrity
8. Sustaining Resources
9. Results Oriented
10. Intentional Board Practices
11. Continuous Learning
12. Revitalization

And to be able to implement these 12 principles optimally, a board must implement the following things:

1. Work with the CEO
2. Adopt a clear mission
3. Select a CEO who is equipped to advance the mission
4. Elect a chair who is able and willing to manage the board and to maintain the integrity
5. Define the criteria for new members; then select, orient, train, evaluate, and reward board service for those who give their time, talent, and treasure.
6. Govern through policies
7. Form committees
8. Insist on great meetings
9. Be accountable
10. Pursue excellence

Indicators used as guidance in non-profit governance :

1. Board Effectiveness
2. Board Operations
3. Strategic Planning
4. Program Effectiveness
5. Stability of Funding Base
6. Financial Oversight
7. Constituent Representation
8. External Relations
9. Evaluation of the Organization’s Operations and Impact

IT'S NOT SO MUCH THE WHAT AS THE HOW

To be fair to BoardSource and most of the other publications listing best practices in the nonprofit sector, the purpose of The Source is to list the twelve principles, not to tell people how to implement them. And perhaps BoardSource was thinking about the "how" when it published The Nonprofit Policy Sampler (Policy Sampler), which is:

> *Designed to help nonprofit leaders-board and staff-advance their organizations, make better collective decisions, and guide in- dividual actions and behaviors.*

The Policy Sampler is a reference book that discusses how board policies can be developed in some forty-nine different areas of nonprofit governance, which are assembled into eight different categories. The book comes with a CD of sample policies that can be tailored to a board's particular situation. It is an effective reference that will be useful to nonprofit leaders who want some help in drafting policies.

There are three stages to implementing best practices in nonprofit governance :

Stage 1 : Commit to BPM

Stage 2 : Developing BPM

Stage 3 : Integrating BPM

SO WHAT IS BPM?

A BPM is an organized document with an outline of specific topics - containing all the critical (ongoing) policies that any board needs to address. BPM represents the voice of the board to the CEO, staff, and other organizational stakeholders.

In the Hierarchy of organizational policy documents, BPM is in the fifth hierarchy. The Organizational Policy Hierarchy is as follows :

- Federal and State Laws

(The board expects staff to monitor)

- Parent Organization Policy

(Not applicable to all non-profit organizations)

- Articles of Association

(Rarely needs to be changed)

- Bylaws

(Must be revised and updated regularly)

- Board Policy Manual (BPM)

(The council's "one vote" in a comprehensive document that grows from 15-20 pages)

- CEO Level Policies

(Planning documents, personnel manuals, etc.)

- Other Organizational Policies

(Often defined in and by various staff units) consisting of :

1. Progress	2. Communication	3. Finance	4. Plan	Etc.

CONTENTS OF BPM

The BPM contains all the policies that need to be handled by the board, namely the policies that are currently running. For more details as follows :

BPM PART I : INTRODUCTION AND ADMINISTRATION

Part 1 of BPM states the purpose of BPM, how BPM is managed, who is responsible for the various sections and subsections, and how BPM is used in the organization's governance model.

BPM PART 2 : ESSENTIALS IN ORGANIZATIONS

Part 2 states the vision and mission, how to establish and maintain core values, and how to develop an organization's strategic plan.

BPM PART 3 : BOARD STRUCTURE AND PROCESS

This section includes:

- Description of the board's tasks, for example, main functions, scope or actions.
- Board membership, for example, board size, member qualifications, term of office, election process, dismissal rules.
- Officials, for example, their responsibilities, term of office, election process, dismissal rules.
- Committees, for example, number and type, scope of responsibilities, selection of members, relationships with staff, expectations of members.
- Advisory and task forces, for example, the authority to establish, roles in the governance process.

BPM PART 4 : BOARD-CEO/STAFF RELATIONSHIPS

Contains relationships related to organizational effectiveness, namely between the board and CEO . In general, this section contains:

- How authority is conveyed from the board to the CEO.
- What to expect from the CEO overall.
- How, when, and by whom the CEO will be evaluated.
- How, when, and what the CEO communicates with board members.
- A guide to how CEOs hire and treat staff.
- What happens if the CEO resigns or is asked to leave.

BPM PART 5 : EXECUTIVE PARAMETERS

This section provides more specific guidance from the board to the CEO on key functional areas of the organization. States the CEO is the sole agent of the board, and the CEO is responsible for managing the organization within parameters established by the board.

STRATEGIC BENEFITS OF BPM

- Linkage to ownership: BPM includes a clear statement of the organization's purpose, including its mission, vision, and values.
- Explicit governance policies: BPM is the single source for all board policies, written in clear language and structured to be easily understood by board members, staff members and other stakeholders.
- Guarantee of organizational performance . Ensure organizational performance is consistent with applicable policies.

TACTICAL BENEFITS OF BPM

The tactical benefit of BPM is that the board speaks with one voice, meaning that when discussing something, the board will go through a discussion process, even heated debate, regarding different views in a board meeting. When the board finally discusses an issue in the form of policy, the board must speak with one voice. . BPM ensures that the board's voice is clear, consistent, and current.

Although the benefits of BPM are well known and convincing, it is found that only a few non-profit organizations have BPM and only a few make BPM an integral part of the governance process. The basic reason why BPM is not developed is because the board of directors and CEO do not know how to develop BPM. As time goes by these amazing GPS devices can tell us exactly where we are and how to reach our destination and even give us several routes to our destination. In non-profit organizations an emerging roadmap will be similar to GPS in terms of flexibility and versatility across various non-profit organizations.

PLANNING AND PACKING: COMMITTED TO BPM

Plans are just good intentions unless they quickly turn into hard work (Peter Drucker).

You don't need to be reminded of the importance of good planning in any endeavor. Most of us have seen all kinds of plans stalled due to lack of attention and become useless. And it's a rare plan that doesn't require hard work, something Drucker says is the key ingredient that turns good intentions into reality.

TRANSLATING PLANS INTO WORK

Our roadmap to good governance includes a first step we call commitment, a label intended to encompass the actions necessary to gain support from the board of directors and CEO to complete this journey. This commitment includes more than an investment to develop BPM, it also includes an intention to maintain BPM as the voice of the board throughout the life of the organization.

The next few pages are written for boards that are unfamiliar with policy manuals for boards, whether called BPM or not.

MILESTONES TOWARDS COMMITMENT

Put the Board in Place

Completing this stage essentially involves the involvement of the CEO and board of directors. As the board's voice to itself, the CEO, and other key stakeholders, BPM is written, owned, and updated by the board. Otherwise, writing and maintaining it is a waste of time. Even in situations like this, don't take board support for granted.

There are 4 steps that can be taken to form a commitment from a board, namely by providing a big proposal.

- Lay the foundation. Discuss with the board chair, CEO, and governance committee chair the benefits of BPM and ask them to consider it. You can bring the plan that will be discussed in Step 2. If they ask what would support a board policy manual, you can go online and look for a number of resources on nonprofit governance such as the Carvers, John and his wife, Miriam, at www.carvergovernance.com, and BoardSource at www.boardsource.org, with its many publications, including Bob's The Nonprofit Board Answer Book. These references will give your chairman and CEO a good idea of the extent of support for systematically documenting board policy and using it as a primary tool for governance.

- Formalize your proposal. Present the argument, regarding BPM to a subgroup of the board, perhaps the governance committee. Give presentations to get feedback. Additionally, members of these subgroups may be the most influential members of the board, especially if they are on the governance committee. Their support during board meetings will be invaluable to the success of your proposal. In fact, if you get enthusiastic support, perhaps the governance committee will be willing to take the proposal to the board as a committee recommendation.
- Refine your proposal. Once your proposal is on the agenda, you may have recommended changes arising from your meetings and discussions in Step 2. Then think about what would be useful in preparing your proposal. If there is flexibility regarding what you can send before the board meeting, we recommend sending materials in advance that will remind board members of your proposal and the reasons for putting it on the agenda.
- Present to the board as suggested previously, you may feel more comfortable with less formality in Steps 1 through 3 than suggested here. You may be the chairman or CEO, so you may feel that you can make the decision to proceed with BPM without discussion with the entire board, but there may be obstacles in the way. The more careful you are in preparing the board for a decision, the more likely you are to sell the concept.

In your presentation, be sure to emphasize the decision you want from the board. it's not just a decision, it's a commitment. Don't let board members think their resolution is anything less. They need to know that not only will they be involved in the development of BPM, but they will also be expected to make it an ongoing focal point in the organization's governance model. After the presentation, request a formal vote from the board on BPM development including approval of the development process and schedule. Also include members' commitment to review the draft and provide clear and constructive feedback on initial drafts and revisions. You need to get a clear consensus of support in the vote.

~ Finished ~

Thank You
FOR YOUR ATTENTION

ARE THERE ANY QUESTIONS?