



Creating an Effective Board of Directors

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Creating an Effective Board of Directors

The economy has presented multiple challenges that continue to have an impact on a wide variety of industries. Although a rebound appears to be on the horizon, numerous sectors, including the nonprofit arena, will take some time to catch up. Organizations that have weathered the storm may consider this an optimal time to reassess priorities and examine ways to maintain budgets that were tightened due to slowing donations and sponsorships. This time can also serve as a favorable opportunity to evaluate the organization's governance needs and determine how best to fill gaps.

Building a Board that Works

The most successful nonprofit organizations are often those whose directors approach the organization as a business. While passion for an issue and commitment to a cause can lead to strong community support and excellent program development, ultimately the organization has staff, funding and work that require appropriate management.

Though many nonprofit organizations employ staff who are proficient in areas such as accounting, law or marketing, it can be highly beneficial to recruit board members who can provide knowledgeable guidance in these important skills. A board knowledgeable

in these areas and participating in active oversight can prevent costly and mission-threatening mistakes such as lack of IRS compliance or a nonprofit's worst nightmare, embezzlement.

The existing executive committee can work with upper-level management to evaluate the current composition of the board and determine which roles need bolstering. Beyond the immediate benefits of securing directors with practical expertise, board members may also parlay their knowledge into strategies and policies which will support the longevity of the organization.

While expertise is a vital component in identifying board needs, another important element includes the connections a potential board member can offer the organization.

Board members are expected to be ambassadors for an organization, and if they can do so effectively within circles of potential supporters, they are worth considering.

Imagine What the Future Holds

As donations and grants become more competitive and harder to secure, nonprofit leaders must become more inventive and creative when it comes to guiding their organizations through tough economic times and beyond.

The organizations that will likely emerge as survivors are those whose leaders have vision and commitment to innovation.

According to an article in Information Week, nonprofit organizations would benefit greatly from the inclusion of information technology experts on their boards. Often, funders seek to underwrite program services rather than infrastructure, leaving gaping holes in terms of technological capabilities. Establishing a board seat for a technology expert creates a significant opportunity not just to upgrade an organization's technology, but also to

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develop technological solutions to organizational or service delivery needs. These solutions can have positive long-term implications. Companies such as Microsoft encourage their employees to serve on boards to leverage their technology experience on behalf of local communities.

Board members must also be visionary in terms of future trends that will have an impact on the nonprofit sector. They must think big picture and anticipate how population changes, economic forecasts or even disaster situations will affect their service delivery models or funding needs.

A Wider Scope

While recruiting board members with a wide array of business knowledge serves to strengthen a board and a nonprofit, so too does assembling a team of leaders with other types of differences.

For organizations whose constituents are distributed among a wide geographic area, it is recommended to recruit board members to represent specific locales within their jurisdiction. For example, a regional domestic violence coalition should consider recruiting board members from both rural and urban districts.

It is also important to ensure that nonprofits include diversity in terms of gender and ethnicity. According to a study by the Urban Institute, half of the boards participating in the study were composed of only white members. Infusing a board with members who have a wide range of backgrounds, experiences and knowledge can result in a more thoughtful and comprehensive governance team. Moreover, target audiences, including constituents and funders, are more likely to respond positively to a board that appropriately reflects the community it serves.

Recruiting Members and Setting Expectations

Once an organization has identified its board gaps, the next step is determining who can fill those needs. It is recommended to start with current contacts, including board, staff and donors, for suggestions of potential directors.

All too often, individuals join a board of directors not fully comprehending what they are responsible for. It is vital to supply this information to those who are considering joining the board to preclude misguided expectations.

First, it is important for the organization to establish a set of expectations for board service and provide this document to potential and existing board members. This includes:

- Specific duties to be fulfilled by each board position
- Requirements necessary to fill those positions
- Fundraising expectations
- Time commitment
- Financial commitment

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Many nonprofit organizations require board members to commit to a financial contribution or fundraising goal amount each year. This factor not only weeds out less committed potential directors, it also broadens the donor base and gives board members the opportunity to practice what they preach. The Boys and Girls Club of King County, for example, requires a \$10,000 annual contribution from each board member, which can be fulfilled in the form of a cash donation or through securing a contribution from another individual or entity.

The expectations document should clearly define the organization's policy regarding conflicts of interest. According to a recent Urban Institute study, 21 percent of charities have conducted business with companies affiliated with their board members. Board members have a fiduciary responsibility to guide an organization ethically and without questionable decision-making practices. Furthermore, board members can be held liable for improper actions or decisions made on behalf of the organization. Potential board members should be made aware up front that a policy exists and should be adhered to.

A recent survey of nonprofits in Oregon and Southwest Washington found that board members need to be more actively involved in the organizations they serve.

Some organizations require potential board members to be vetted through a rigorous process of application, interviews and confirmation. While this may not work for some organizations, a more formal or standardized process can prevent a poor fit.

Board Members' Roles and Responsibilities

So what are board members responsible for on behalf of a nonprofit organization? It depends on the nonprofit. Some groups are so small, they have little to no staff, and the board typically takes on both governance and implementation roles. For this white paper, the focus is on mid- to larger-size nonprofit organizations with staff who carry out day-to-day efforts.

The roles of nonprofit board members can vary, but the primary responsibilities of the board are to govern the organization appropriately so that it carries out its mission effectively, as well as to ensure its financial health. Part of this responsibility includes policy development and long-range planning. A board of directors is integral to the establishment of a

strategic plan, as well as contingency planning for unforeseen circumstances.

Board members also have a responsibility to manage the chief executive officer or executive director. According to a report by Boardsource, chief executives give their boards low ratings when it comes to CEO oversight. Oversight includes providing appropriate management feedback and ensuring the executive has what he or she needs to lead the nonprofit. Board members need to be more actively involved in reviewing the CEO's performance and determining the compensation package.

Another area in which board members are seen as essential factors, yet often miss the mark, is fundraising. A recent survey of nonprofits in Oregon and Southwest Washington conducted by Retriever Development Counsel found that board members need to be more actively involved in the organizations they serve, including through participation in fundraising and relationship cultivation. As the economy struggles to right itself, it is even more crucial that board members share in development efforts.

Providing the Right Tools

It is of the utmost importance to create and implement an orientation program for new board members to ensure they understand the strategic direction of the organization and the mechanisms that have been put in place to achieve that vision. It helps new directors learn more about the organization, process and staff members. It also helps improve efficiencies by ensuring the board does not deviate from a predetermined path. A board orientation packet should include the following:

- Mission and vision
- Bylaws
- Strategic plan and progress report

- Financial statements
- Fundraising plan
- Donor list
- Staff roster
- Up to date collateral materials
- Annual Report

Even the most accomplished board members may need to enhance or refresh certain skills, such as reading a cash flow statement or creating a strategic plan. While every board member should be knowledgeable in these areas, it is also beneficial for the board to participate in training/retreat sessions to build stronger relationships and develop a strategy to govern as a cohesive unit. It is common to elicit the expertise of consultants who can provide training in the areas of governance, financial management and fundraising.

Conclusion

Nonprofit organizations, faced with the reality of having to do more with less, must identify ways to streamline operations and evolve with the changing times. This includes recruiting and building a board of directors who understands business, will utilize their contact base to raise funds and who have the ability to spot trends upon which the organization can capitalize for future success.

The key lies in developing a clear picture of the needs of the organization, recruiting the leadership who meets these needs, ensuring they understand what is expected of them, and holding them accountable for the responsibilities. Through these endeavors, nonprofit organizations stand a much better chance of surviving and flourishing.

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