EFFECTIVE BOARDS

10 Commandments
to Enhance Board Performance
Cathi Hight

- President of Hight Performance Group in Austin, TX focused on improving the performance and sustainability of organizations
- Instructor for the U.S. Chamber Institute for Organization Management since 2004
- Certified Motorola University instructor for continuous improvement, Six Sigma and Benchmarking
- Previous positions:
  - SVP of Growth Strategy & Investor Relations for the Greater Austin Chamber
  - VP of Operations for the Chamber of Commerce of Hawaii
  - Regional Manager of Dole Foods
  - Regional Manager for Dean Foods
  - FastTrac Entrepreneurship Program Manager for the Kauffman Foundation
Objectives

• Recognize the 3 Ds of effective board governance.
• Discover proven strategies to recruit and onboard directors.
• Explore 3 ways to increase engagement and accountability for results.
The 3 Ds of Nonprofit Boards

The First Three Commandments
#1: Duty of Care

*Directors have a duty to be informed by seeking information needed to make informed decisions and act in good faith.*

- Read and understand organization mission and vision, and the governing documents.
- Attend board and committee meetings.
- Be informed and prepared to participate in decision-making and oversight.
- Apply sound business judgement
- Assure that all necessary policies are in place and current
- Exercise the same care a prudent person would in the handling of his/her own affairs.
Review Governing Documents

1. Mission – Statement submitted to the IRS. *(supplemented with vision and values statements.)*

2. Articles of Incorporation – Authority from State Government.


4. Policies - Wisdom Passed along from Prior Boards

5. Strategic Plan – Roadmap for the Board
#2: Duty of Obedience

*Directors have a duty to make decisions in accordance with Board policies and the laws.*

- Understand and comply with governing documents, including Mission Statement, Articles of Incorporation, Bylaws, Policies and Strategic Plan.
- Comply with organizational policies and practices.
- Know and comply with state and federal laws governing non-profit organizations, including registration and reporting requirements (e.g., filing the annual IRS 990).
Be in Compliance
(Ensure Legal and Ethical Integrity)

- Review the 990’s before filing (IRS)
- Accept legal responsibility
- Follow the governing documents and principles of the organization
#3: Duty of Loyalty

Directors have a duty to pursue the organization’s best interest rather than the financial or other interests of directors or other persons or organizations.

- Avoid Conflicts of Interest
  - Be prepared to put organizational objectives above self-interest.
  - Establish and follow written policies concerning conflict of interest situations.
  - Disclose personal financial interests when needed/excuse yourself from voting.
  - Avoid entering into business relationships between board members and the organization.

- Monitor and enforce the Conflict of Interest policy
- Demonstrate public support for Board decisions
- Be willing to ask probing questions on behalf of the organization
Serve as the Sentinel
(Protect Assets and Provide Financial Oversight)

In addition to its legal responsibilities, the board acts in a fiduciary role by:

- Proper financial controls
- Oversight of the nonprofit's finances
- Evaluating financial policies
- Approving annual budgets
- Reviewing periodic financial reports to ensure that the organization has the necessary resources to carry out its mission and remains accountable to its donors and the general public
Proven Strategies to Recruit and Onboard Directors

Commandments for Board Composition and Orientation
#4 The Right People on the Bus
(Build a Competent Board)

- Directors are recruited for skills, access and representation
  - Types of skills/ knowledge/ expertise
  - Types of access or affiliations
  - Stakeholder representation on the board
Use a Board Matrix

- Create a Matrix to help analyze and develop the ideal Board your organization needs
- Ensure that you have the balance of skills, experience, influence, and diversity (age, ethnic, geographic, perspective)
- The board should also represent the stakeholders you serve
A Balance of Competencies

- More than meeting a quota of stakeholder representation
- Diverse set of skills, knowledge and expertise
- Broad set of leadership attributes and perspectives
- Unique talents or cultural components to create an effective team to lead the organization
#5 Effectively Onboard New Directors

- Board Orientation
- Governance Documents
- Director Roles, Responsibilities and Expectations
- Director Interest Assessment
- Conflict of Interest Policy
- Non-Disclosure Policy
- Introductions to existing directors
### Directors Know Their Roles and Responsibilities

- Directors lead and govern the Chamber
- The Board partners with the staff to plan the long-term direction
- The Board approves the strategic plan, annual budget, and hiring of additional staff
- The Board protects the organization (e.g., risk management, antitrust, financials and audits, public records, endorsements, By-Laws, Articles of Incorporation, Sarbanes Oxley)
- The Board reviews and updates the By-Laws
- The Board reviews and updates Policies and Procedures
- The Board hires and fires the CEO, but not other staff
- The Chair evaluates the performance of the CEO, but not other staff
- The CEO evaluates the performance of the staff
- The CEO hires and fires other staff

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<table>
<thead>
<tr>
<th>Activity</th>
<th>Party</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUNDRAISING AND FINANCE:</strong></td>
<td></td>
</tr>
<tr>
<td>Prepare preliminary budget</td>
<td>Staff</td>
</tr>
<tr>
<td>Finalize and approve budget</td>
<td>Board</td>
</tr>
<tr>
<td>Ensure that expenditures are within budget</td>
<td>Staff</td>
</tr>
<tr>
<td>Solicit contributions in fundraising campaigns</td>
<td>Board</td>
</tr>
<tr>
<td>Organize fundraising campaigns</td>
<td>Joint</td>
</tr>
<tr>
<td>Approve expenditures outside authorized budget</td>
<td>Board</td>
</tr>
<tr>
<td>Ensure annual audit of organization accounts</td>
<td>Board</td>
</tr>
<tr>
<td><strong>PERSONNEL:</strong></td>
<td></td>
</tr>
<tr>
<td>Employ chief executive</td>
<td>Board</td>
</tr>
<tr>
<td>Direct work of the staff</td>
<td>Staff</td>
</tr>
<tr>
<td>Hire and discharge staff members</td>
<td>Staff</td>
</tr>
<tr>
<td>Make decisions to add staff</td>
<td>Board</td>
</tr>
<tr>
<td>Settle discord among staff</td>
<td>Staff</td>
</tr>
<tr>
<td><strong>COMMUNITY RELATIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Interpret organization to community</td>
<td>Board</td>
</tr>
<tr>
<td>Write news stories</td>
<td>Staff</td>
</tr>
<tr>
<td>Serve as liaison to other organizations</td>
<td>Joint</td>
</tr>
<tr>
<td><strong>BOARD COMMITTEES:</strong></td>
<td></td>
</tr>
<tr>
<td>Appoint committee members</td>
<td>Board</td>
</tr>
<tr>
<td>Call committee chairs to urge them into action</td>
<td>Board</td>
</tr>
<tr>
<td>Promote attendance at board committee meetings</td>
<td>Joint</td>
</tr>
<tr>
<td>Recruit new board members</td>
<td>Board</td>
</tr>
<tr>
<td>Plan agenda for board meetings</td>
<td>Joint</td>
</tr>
<tr>
<td>Take minutes at board meetings</td>
<td>Staff</td>
</tr>
<tr>
<td>Plan and propose committee organization</td>
<td>Joint</td>
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<tr>
<td>Prepare exhibits, materials and proposals for board and committees</td>
<td>Staff</td>
</tr>
<tr>
<td>Sign legal documents</td>
<td>Board</td>
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<tr>
<td>Follow up to ensure implementation of board and committee decisions</td>
<td>Staff</td>
</tr>
<tr>
<td>Settle clashes between committees</td>
<td>Board</td>
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<tr>
<td><strong>PLANNING:</strong></td>
<td></td>
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<tr>
<td>Direct the process of planning</td>
<td>Staff</td>
</tr>
<tr>
<td>Provide input to long-range goals</td>
<td>Joint</td>
</tr>
<tr>
<td>Approve long-range goals</td>
<td>Board</td>
</tr>
<tr>
<td>Formulate annual objectives</td>
<td>Staff</td>
</tr>
<tr>
<td>Approve annual objectives</td>
<td>Board</td>
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<tr>
<td>Prepare performance reports on achievement of goals and objectives</td>
<td>Staff</td>
</tr>
<tr>
<td>Monitor achievement of goals and objectives</td>
<td>Joint</td>
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<tr>
<td><strong>PROGRAMMING:</strong></td>
<td></td>
</tr>
<tr>
<td>Assess stakeholder needs (constituency)</td>
<td>Joint</td>
</tr>
<tr>
<td>Train volunteer leaders</td>
<td>Joint</td>
</tr>
<tr>
<td>Oversee evaluation of products, services and programs</td>
<td>Joint</td>
</tr>
<tr>
<td>Maintain program records; prepare reports</td>
<td>Staff</td>
</tr>
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</table>
Increase Director Engagement and Accountability

Commandments for Culture and Results
#6 Create Strategic Direction

7 Elements of a STRATEGIC PLAN

- Mission Statement
- Core Values
- SWOT Analysis
- Vision Statement
- Long-Term Goals
- Yearly Objectives
- Action Plans
#7 Evaluate Board and Individual Performance

- Ask Directors to self-evaluate their performance annually
- Ask Directors to evaluate the effectiveness of the collective Board
- Recognize outstanding Directors

<table>
<thead>
<tr>
<th>Assign points to category</th>
<th>TOTAL SCORES</th>
<th>Point</th>
<th>Board Members</th>
<th>Score</th>
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<tbody>
<tr>
<td>10 points maximum</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>100-110</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>80-99</td>
<td></td>
<td></td>
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<td></td>
<td>60-79</td>
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<td></td>
<td>0-59</td>
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<tr>
<td>Attendance</td>
<td>attended 75-100% of meetings in 12 mos.</td>
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<tr>
<td></td>
<td>attended 50-74% of meetings in 12 mos.</td>
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<tr>
<td></td>
<td>attended 25-49% of meetings in 12 mos.</td>
<td>4</td>
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<tr>
<td></td>
<td>attended less than 25% of meetings</td>
<td>1</td>
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<tr>
<td>Committee Participation</td>
<td>actively participate on at least 1 committee</td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td>Support Generation</td>
<td>directly gave or raised more than $10,000</td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>directly gave or raised more than $5,000</td>
<td>8</td>
<td></td>
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<tr>
<td></td>
<td>directly gave or raised more than $1,000</td>
<td>6</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>directly gave or raised more than $500</td>
<td>4</td>
<td></td>
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<tr>
<td></td>
<td>directly gave or raised less than $500</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>directly gave or raised $0</td>
<td>0</td>
<td></td>
<td></td>
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<tr>
<td>External Ambassador</td>
<td>speeches, events, fundraising</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understanding</td>
<td>is informed on agency business &amp; direction</td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td>Personal Support</td>
<td>actively took part in organization's events</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skills</td>
<td>brings needed technical skills to board</td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td>Name</td>
<td>name adds credibility to the organization</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>served as officer, committee chair, major task</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>is committed; enthusiastic; recruits members</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demeanor</td>
<td>is productive and focused</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Deal with Under-performing Directors and Conflicts

- The Board can create policies for Director attendance, accountability and conduct
- Identify common challenges, the root causes, and how other organizations deal with challenges
- The Board Chair is responsible for meeting with under-performing Director to discuss issues with Directors:
  - Disengagement
  - Micro-management
  - Unprofessional conduct
  - Lack of accountability
- Yes, Directors can be “fired”
#8 Hold Effective and Engaging Board meetings

- Provide information a week prior to meetings
- Use a consent agenda to streamline standard agenda items
- Develop a Board Dashboard to communicate performance metrics
- Implement a Board education program throughout the year (e.g., trends, legal, community knowledge/issues)
- Hold discussions on strategic topics that allow for increased participation
- Provide information Directors can’t get without attendance
- Conduct an annual Board Retreat that includes more than strategic planning
- Provide opportunities to network before or after Board meetings
Provide Organizational Oversight

Commandments for Leadership and Resource Development
#9 The Right Leader at the Helm
(Select the Chief Executive Officer)

- The CEO’s skills and competencies are a good match for the organization’s needs
- Right leader for the right time for the organization
- Ensures a balance of skills, management acumen, and the ability to execute on strategic initiatives at the staff level
Create Accountability for the CEO
(Regularly Evaluate the CEO)

- Formal, written annual review of the performance toward goals
- Regular review of compensation
- Benchmark industry best practices for performance & compensation
#10 Money for Your Mission
(Ensure Adequate Financial Resources)

- Strategic priorities are allocated for in the budget
- Directors are active participants in fundraising efforts
- Board has fiduciary responsibility for the organization
Be a Servant Leader
(Enhance the Organization’s Position)

- Serve as the advocate for the organization
- Protect the organization’s reputation
- Garner support from the community and policymakers
Develop a Board Resources Committee

- Committee meets all year
- Chaired by an effective and respected Director
- Comprised only of Directors
- Assesses Board performance collectively and individually
- Evaluates the needs of the Board and develops profile of vacancy needs
- Recruits new Board Directors
- Ensures diversity on the Board
- Implements Board orientation
- Responsible for Board education
How Well Did You Rate your Board?

WHAT DOES BOARD SERVICE ENTAIL?

How the three main roles of the board relate to the 10 basic responsibilities of nonprofit board members:

- **Establish Organizational Identity**
  - Ensure Effective Planning
  - Determine Mission and Purposes, and Advocate for Them

- **Ensure Resources**
  - Select the Chief Executive
  - Ensure Adequate Financial Resources
  - Build a Competent Board
  - Enhance the Organization’s Public Standing

- **Provide Oversight**
  - Support and Evaluate the Chief Executive
  - Monitor and Strengthen Programs and Services
  - Protect Assets and Provide Financial Oversight
  - Ensure Legal and Ethical Integrity

The three legal duties of a nonprofit board member:

- **Care**
  - Pay attention to the organization’s activities and operations

- **Loyalty**
  - Put the interests of the organization before personal and professional interests.

- **Obedience**
  - Comply with applicable federal, state, and local laws; adhere to the organization’s bylaws; and remain the guardians of the mission.

How current boards rate themselves on the ten basic responsibilities:

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>CEO</th>
<th>Chair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>A−</td>
<td>A−</td>
</tr>
<tr>
<td>Financial Oversight</td>
<td>B+</td>
<td>B+</td>
</tr>
<tr>
<td>Legal/Ethical Oversight</td>
<td>B+</td>
<td>B+</td>
</tr>
<tr>
<td>CEO Support</td>
<td>B−</td>
<td>B+</td>
</tr>
<tr>
<td>Strategy</td>
<td>B−</td>
<td>B−</td>
</tr>
<tr>
<td>CEO Evaluation</td>
<td>B−</td>
<td>B−</td>
</tr>
<tr>
<td>Monitors Performance</td>
<td>B−</td>
<td>B−</td>
</tr>
<tr>
<td>Community Relations</td>
<td>C+</td>
<td>C+</td>
</tr>
<tr>
<td>Board Composition</td>
<td>C+</td>
<td>C+</td>
</tr>
<tr>
<td>Fundraising</td>
<td>C−</td>
<td>C+</td>
</tr>
</tbody>
</table>

Sources: Board Fundamentals, Ten Basic Responsibilities of Nonprofit Boards, Leading with Intent, Legal Responsibilities of Nonprofit Boards
Session Summary

- Directors commit to the 3 Ds:
  - Duty of Care
  - Duty of Loyalty
  - Duty of Loyalty

- Develop a diverse and competent Board of Directors to build an effective leadership framework

- Onboard new Directors who understand their roles & responsibilities and expectations of serving

- Create strategic direction for the organization

- Evaluate leadership performance and hold volunteer leaders accountable

- Provide organizational oversight with the right operational leader and sufficient resources for success
Cathi Hight

- Staff training and Board retreats
- Strategic planning
- Benchmarking and operational evaluations
- Membership development workbooks
- Conference presentations
- Strategy sessions
- Check out our web site for articles, blogs and resources: [www.hightperformance.com](http://www.hightperformance.com)
- Subscribe to my webinars and save money!
- Contact me at (512) 354-7219 or at [cathi@hightperformance.com](mailto:cathi@hightperformance.com)