



**Leadership Certificate
for
Nonprofit Chief Executives**

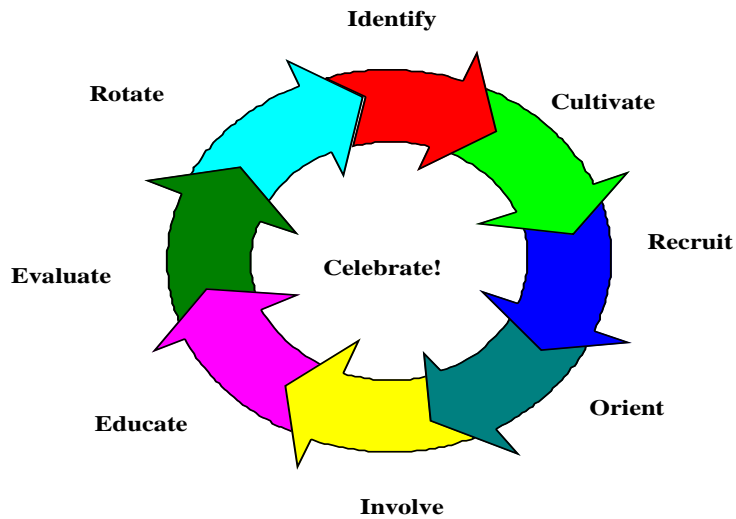
A Three-Part Webinar Series

Week Two ~ Spring 2017

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The Board Building Cycle



Step 1: Identify board needs (Skills, knowledge, perspective, connections, etc., needed to implement the strategic plan). What do we have? What is missing? Identify sources of board members with the needed characteristics.

Step 2: Cultivate potential board members. Get them interested in your organization and keep them informed of your progress.

Step 3: Recruit prospects. Describe why a prospective member is wanted and needed. Describe expectations and responsibilities of board members, and don't minimize requirements. Invite questions, and elicit their interest and preparedness to serve.

Step 4: Orient new board members to the organization (program, history, bylaws, pressing issues, finances, facilities and organization chart) and to the board (recent minutes, committees, board member responsibilities, lists of board members and key staff members).

Step 5: Involve all board members. Discover their interests and availability. Involve them in committees or task forces.

Assign them a board "buddy." Solicit feedback. Hold everyone accountable. Express appreciation for work well done.

Step 6: Educate the board. Provide information concerning your mission area. Promote exploration of issues facing the organization. Don't hide difficulties.

Step 7: Evaluate the board and individual board members. Engage the board in assessing its own performance. Identify ways in which to improve. Encourage individual self-assessment.

Step 8: Rotate board members. Consider establishing and using term limits. Do not automatically re-elect for an additional term; consider the board's needs and the board member's performance. Explore advisability of resigning with members who are not active. Develop new leadership.

Step 9: Celebrate! Recognize victories and progress, even small ones. Appreciate individual contributions to the board, the organization, and the community. Make room for humor and a good laugh.

Board Member Job Description

Make sure all board candidates have a copy of job descriptions for the board and its members.

Board member job descriptions should be clear about expectations for regular participation in board meetings and fundraising efforts, financial contributions, and conformance with organizational values.

Sample Board Member Agreement

As a board member of XYZ, I am fully committed and dedicated to the mission and have pledged to carry out this mission. I understand that my duties and responsibilities include the following:

1. I am fiscally responsible for this organization, along with the other board members. I will know what our budget is and take an active part in reviewing, approving, and monitoring the budget and the fundraising to meet it.
2. I know my legal responsibilities for this organization and those of my fellow board members. I am responsible for understanding and overseeing the implementation of policies and programs.
3. I accept the organization's bylaws and operating principles and understand that I am morally responsible for the health and well-being of this organization.
4. I will give what is, for me, a substantial financial donation. I may give this as a one-time donation each year, or I may pledge to give a certain amount several times during the year.
5. I will actively engage in fundraising for this organization in whatever ways are best suited to me. These may include individual solicitation, undertaking special events, writing mail appeals, and the like. I am making a good faith agreement to do my best and to raise as much money as I can.
6. I will actively promote XYZ and encourage and support its staff.
7. I will attend board meetings, be available for phone consultations, and serve on at least one XYZ committee. If I am not able to meet my obligations as a board member, I will offer my resignation.
8. In signing this document, I understand that no quotas are being set, and that no rigid standards of measurement and achievement are being formed. Every board member is making a statement of faith about every other board member. We will trust each other to carry out the above agreements to the best of our ability.

Signed _____ Date _____
Board Member

Signed _____ Date _____
Board Chair

Source: *The Board Building Cycle, Second Edition: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members* by Berit M. Lakey (BoardSource, 2007).

BOARD PROFILE WORKSHEET

	Current Members						Prospective Members					
	1	2	3	4	5	6	A	B	C	D	E	F
Age												
Under 18												
19 – 34												
35 – 50												
51 – 65												
Over 65												
Gender												
Male												
Female												
Race/Ethnicity												
African American/Black												
Asian/Pacific Islander												
Caucasian												
Hispanic/Latino												
Native American/Indian												
Other												
Resources												
Money to give												
Access to money												
Access to other resources (foundations, corporate support)												
Availability for active participation (solicitation visits, grant writing)												
Community Connections												
Religious organizations												
Corporate												
Education												
Media												
Political												
Philanthropy												
Small business												
Social services												
Other												

BOARD PROFILE WORKSHEET

	Current Members						Prospective Members					
	1	2	3	4	5	6	A	B	C	D	E	F
Qualities												
Leadership skills/Motivator												
Willingness to work/Availability												
Personal connection with the organization's mission												
Personal Style												
Consensus builder												
Good communicator												
Strategist												
Visionary												
Bridge builder												
Areas of Expertise												
Administration/Management												
Entrepreneurship												
Financial management												
Accounting												
Investments												
Fundraising												
Government												
Law												
Marketing, public relations												
Human resources												
Strategic planning												
Physical plant (architect, engineer)												
Real estate												
Representative of clients												
Special program focus (e.g., education, health, public policy, social services)												
Technology												
Other												
Number of years (or terms) on the board												

The Best Board Meeting I Ever Attended



LES WALLACE, Ph.D.
President
Signature Resources, Inc.
Aurora, CO

The executive in charge of board development for a large national philanthropic organization with more than 100 regional boards recently asked me, “What’s the best board meeting you ever attended?” Got me to thinking...No, it wasn’t chaired by me. Yes, it was one of my clients. Here’s what it looked like:



1. Consent Agenda

The monthly meeting began online and 10 days prior to the physical meeting with approval of the consent agenda, which included the CEO report and several updates from key staff members. Proper use of the consent agenda moves dialogue to the more vital issues rather than to the information inherent in every board packet that simply requires a read-through and consent.



2. Meeting Agenda

The most important business and strategic issues were first on the formal agenda, and the rest was in descending order — no more “old business/new business” stuff. Yes, it appears a bit radical and divergent from “Robert’s Rules,” but those “rules” are ancient history to today’s high-performance board where the agenda moves from financial to strategic to operations in that order.



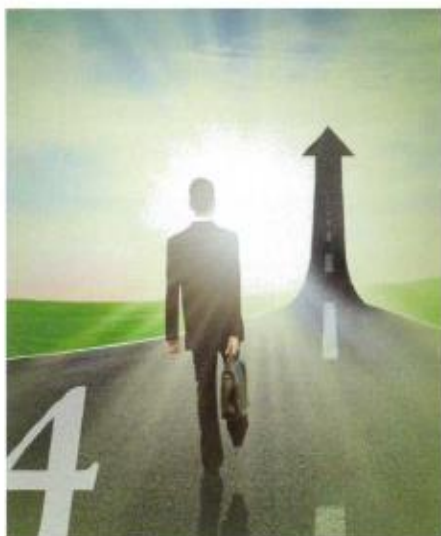
3. Dashboard Financials

The financial report — the first business item on the agenda — was presented as a one-page, color-coded (green, yellow, red) dashboard of key financial indicators that the board had developed a few years earlier. This “at-a-glance” approach allows the board to scan the identified key indicators for monthly and year-to-date performance to budget as well as a past year comparison. The dashboard confirmed

no exceptions to the monthly financials, was motioned for approval by the finance committee chair, and approved and documented in the minutes. The days of several pages of financials for board review are gone. The finance committee does the deep dive into the details as necessary and reports exceptions or recommendations to the entire board. No more distracting board members with an explanation of why postage jumped last month.

While executive leadership succession has reached the radar screen for most boards, governance leadership succession still lags behind. I conducted a special educational session at this organization's last board retreat on how to go about this due diligence; they now are tracking progress quarterly on early identification and development of next generation board members.

coaching; they had learned to quiet the unnecessary trivial chatter and redundant comments that seeps into many less-disciplined meetings. They saved space for meaningful dialogue later during the "strategic update" segment of the meeting, which accounts for 50 to 75 percent of meeting time in high-performance governance.



4. Board Succession

A "Governance Leadership Succession" agenda item followed with a discussion of the cadre of potential future board members the board had identified and engaged. Conversation focused on the three top candidates for two positions that would open in nine months and how they fit the desired profile.



5. Reduced Jibber-Jabber

Board members had read the board packet, and their contributions were cogent and to the issue. No repeating what other board members had said. No drifting off into "administrivia" — they kept a hard focus on the matters at hand and a soft focus on dealing with one another. Through self-assessment and governance



6. Executive Summaries

Staff and committee presentations/recommendations were in "executive summary" one-page formats. Background information had been provided on the board section of the Web site for those who wished more detailed information. This jump-started the board discussion on action vs. the history of how we

"Robert's Rules...are ancient history to today's high-performance board where the agenda moves from financial to strategic to operations in that order."

got there. The executive summaries included a highlight of key historical points and a few typical frequently asked questions relevant to governance decision making.

An executive summary approach to reports can be expected to cut substantial time off board deliberation by enabling you to get to the point and not waste time on irrelevant curiosity about benign details.



7. Strategic Dialogue

Thirty minutes into the agenda, the board had completed its “business oversight” (fiduciary accountability) and moved on to a significant strategic issue. This allowed 45 minutes of dialogue about the continued relevance of the strategy; updates on progress; new data points / information relative to the strategy; confirmation of continued importance; and recommitment to tactics, timing, and resources. This conversation was “generative” in that it focused on the creation of ideas and the development of new perspectives on strategy.

This is where the board had time for expansive dialogue (not simply discussion), allowing for thorough understanding and creative input. The 40 minutes saved by the consent agenda, the financial dashboard, exception reporting, and those “executive summaries” (causing conversation to jump-start in decision mode) came in handy! It was reinvested in rigorous strategic dialogue.



8. Board Development

The meeting ended with a short board development segment focused on the discussion of a governance article on the board’s role in enterprise risk management that the members had read in advance. This 15-minute segment of the agenda directly related to board development goals established during the annual strategic planning retreat and was based on the results of the board’s most recent annual self-assessment. This board includes time for board development in every agenda — sometimes separate, as with this meeting or frequently embedded in the “strategic review” segment of the agenda.

9. Immediate Assessment

Finally, using an old concept from good meetings practices, each board member completed a quick evaluation survey of the meeting, answering three open-ended questions: 1. Are you leaving the meeting confident in the overall performance of our organization? 2. Did you feel you had ample opportunity for input? 3. Would you change anything for future meetings?



RESOURCES:

Meeting, and Exceeding Expectations: A Guide to Successful Nonprofit Board Meetings, Second Edition, by Outi Flynn. BoardSource, 2009.

Signature Resources.
www.signatureresources.com

Governance as Leadership *In Action!*

An Overview

*Governance as Leadership, Reframing the Work of Nonprofit Boards*¹, has practically revolutionized the way nonprofit leaders view the work of the board. The authors dared ask, “Why is there so much rhetoric that touts the significance and centrality of nonprofit boards, but so much empirical and anecdotal evidence that boards of trustees are only marginally relevant or intermittently consequential?” What we have learned, as a result, is that problems of performance may actually be a more fundamental problem of *purpose*. Board members are not confused about their role – they are dissatisfied with their role.

Governance as Leadership challenges boards to engage in three modes of governance, to enrich their work and enhance their value to the organization: (1) fiduciary, (2) strategic, and (3) generative. In the fiduciary mode, board members provide oversight. This typically involves budgets, investments, fundraising, policies and practices, to name a few. In the strategic mode, board members may figure out how to get from the present to a preferred future. In the generative mode, the board must figure out what the preferred future is.

Generative work can be defined as any discussion or activity that tends to make sense of the organization, or any part of the organization, or its internal and external environment. It allows the board to confront challenges rooted in values, traditions, and beliefs and engage in sense-making and problem framing.

Generative, literally, is what comes first. Generative thinking is where goal-setting and direction-setting originate. Brilliant ideas, not brilliant plans, are springboards for revolutionary strategies.

Generative Mode -What it is and isn't:

- Implicit, rather than explicit. Gets to the heart of values and vision.
- Thoughtful, rather than technical
- Framing the problem, rather than finding the solution
- Making sense of knowledge, information, and data, rather than looking for an answer in them
- Telling a story, not making a case

¹ Richard P. Chait, William P. Ryan, and Barbara E., Taylor (2005)

Bringing *Governance as Leadership* into the Boardroom

Probe, Identify, Explore

How effective is your board when it comes to probing how they arrived at their sense of a problem or opportunity; identifying alternative ways of framing the issue; and exploring the sense of the past, as it relates to the organization's proposed future? An inquisitive board that challenges assumptions, grapples with uncertainty, and provides a diversity of perspectives adds value. Getting to that point may require first working on the board culture.

Assess Your Culture of Inquiry

The board's culture will significantly influence how board members work together and engage to carry out the organization's work. It is no surprise then that boards which work efficiently and seamlessly in the generative mode tend to foster a genuine culture of inquiry.

A culture of inquiry is dynamic and exists where board members have mastered the skills of listening, dissecting the issues, and responding thoughtfully and truthfully. Indicators of a healthy culture of inquiry include:²

- a sense of mutual respect, trust, and inclusiveness among board members,
- the capacity to explore divergent views in a respectful rather than adversarial manner,
- a willingness to gather relevant information to inform decisions,
- equal access to information,
- the presence of active feedback mechanisms that help the board engage in continuous improvement, and
- an individual and collective commitment to decisions, plans of action, and accountability to follow through on the board's agreements.

In such an environment, board members appreciate candor, dissent, deliberation, learning, and information gathering as part of the decision making process. They reject dysfunctional politeness in favor of robust discourse.

To assess your board's culture, consider having the board answer and discuss the following questions:³

1. How well do we foster a sense of inclusiveness among all board members?
2. Is there sufficient diversity of backgrounds, opinion, and thought amongst our board members to ensure a diversity of opinions?
3. Do you find board members open to listening to differences of opinions with their peers?
4. How comfortable are board members in engaging in constructive debate within the boardroom on consequential issues?
5. Does our tradition of politeness inhibit our willingness to express divergent views?
6. Do board members receive materials in advance that provide appropriate background for discussing issues or making decisions?

² *Culture of Inquiry, Health Debate in the Boardroom*, Nancy R. Axelrod (2007)

³ Derived from *Culture of Inquiry*, © BoardSource 2007

7. Are different formats used for board meetings, such as small-group discussions, facilitated sessions on strategic issues, or outside speakers?
8. Does the board enlist information from outside the organization, such as articles, research, reports, or feedback from external experts or stakeholders on issues that require additional expertise?
9. How willing are board members to ask for additional information?
10. Does the board chair try to engage all board members in discussions?
11. What mechanisms help ensure that all voices are heard?
12. Are board members acknowledged for asking great questions?
13. Does the board spend sufficient time exploring alternatives and consequences before it makes critical decisions?
14. When making or following board decisions, how do board members put the interests of the organization above all else?
15. How does the board balance input from the membership with the best interests of the organization? Does the board give careful consideration to questions or concerns of the general membership?
16. What mechanisms does the board enlist for feedback on its performance, such as meeting evaluations or board self-assessment tools?
17. How effective is the board in reaching sustainable agreements on complex or
18. controversial issues?
19. What suggestions do you have for enhancing the way the board works together as a group?

Fostering a Culture of Inquiry

Trust, information sharing, teamwork, and dialogue help strengthen the culture of inquiry. This is a real challenge with one year term limits, but there are steps you can take. For example, schedule a board retreat in the Spring to discuss board members' answers to the above Culture of Inquiry questions. The questions can and should be used to initiate a candid dialogue about how the board will operate during the upcoming year. It's also an opportunity to emphasize that it's o.k. to respectfully disagree and raise contrary viewpoints.

Additionally, the leadership should think about activities to help board members get to know each other so they can work better as colleagues, not passing acquaintances. Facilitated team building activities are an excellent way to break the ice and barriers that may inhibit open and honest discussions from taking place in the boardroom. Consider incorporating team building at the retreat, during orientation, and at regularly scheduled meetings.

The orientation process is another opportunity for board members to set the tone for the year ahead. Use this time to share organizational stories, mentor new board members, and talk about expectations for individual board members and the organization.

Finally, when recruiting new members, consider the richness a diversity of talent, backgrounds, and personalities can add to the quality of discussions. Boards should be strategic about board development, and board diversity should be high on the list of priorities. It's one of the best ways to ensure diversity of thought, which leads to better decisions for the organization.

Work at the Boundaries

Working within the confines of the boardroom can shield board members from cues and clues that help frame the issues and inspire generative thinking. Generative governing has boards starting and ending in the boardroom, but also, on occasion, venturing outside the boundaries of the boardroom to prepare for governing. For example:

- ❑ The board could meet with another community board or stakeholders to discuss common concerns, e.g., increased commercialization or changes in government policy.
- ❑ The board could meet with its members, as a group, to listen and learn about the members' views, interests, and ideas about the work and direction of the organization.
- ❑ Board members could meet with partners or collaborators to learn how external stakeholders see the larger environment. After these discussions, board members are virtually compelled to ask each other a generative question: "What do you make of this?"

External boundary work -- meaning opportunities for the board to engage, observe, or convene as a group outside the boardroom -- provides not only exposure to new alternative frames like the examples above, but also new occasions for generative deliberation.

Deliberate Differently

Board meetings are not be a spectator sport -- they are a participatory event! Board members should feel they are able to voice their opinions, ask questions, and contribute intellectual capital.

Facilitation styles and techniques can help stimulate board deliberations. Listed below are some techniques that may work with your board. Note, however, that not every suggestion is for every board or every situation. They do, however, offer options for breaking through some of the formality of board meetings and making board members comfortable with the generative mode.

- ❑ **Silent Starts.** Take two minutes at the beginning of the board meeting for members to write (anonymously) the most important questions the board and management should address. Read and tally to identify the most crucial issues.
- ❑ **One Minute Memos.** At the conclusion of each discussion item, board members take a minute to write down what they would have said if there had been more time. Collect for review by the chair and chief executive so there's no doubt about what's on the board's mind.
- ❑ **Future Perfect History.** In breakout groups, develop a future-perfect narrative of how the organization moved from its present state to its envisioned state. Compare story lines and pathways and detours.
- ❑ **Counterpoints.** Randomly designate two board members to make the most powerful counterarguments to initial staff recommendations.
- ❑ **Role Plays.** Ask subsets of the board to assume the perspective of different constituent groups likely to be affected by the issue at hand. How would they frame the issue and define a successful outcome? What would each group regard as a worst-case scenario?

Governance as Leadership In Action

- Surveys.** Prior to discussing a major issue, board members take an anonymous survey that includes questions like: What should top our agenda next year? What are we overlooking? What is the most valuable step we could take to be a better board? What are the most/least attractive and worrisome aspects of the proposed strategic plan? An analysis of the responses (not the loudest voice) drives subsequent discussion.

Ask Catalytic Questions

Catalytic questions are another way to invite creativity. Data and reports are not necessary; just a curiosity to explore and better understand the organization. Sample catalytic questions are listed below.

- What three adjectives or short phrases best characterize this organization?
- What will be most strikingly different about this organization in five years?
- What do you hope will be most strikingly different about this organization in five years?
- On what list, which you could create, would you like this organization to rank at the top?
- Five years from today, what will this organization's key constituents consider the most important legacy of the current board?
- What will be most different about the board or how we govern in five years?
- How would we respond if a donor offered a \$50M endowment to the one organization in our field that had the best idea for becoming a more valuable public asset?
- What has a competitor done successfully that we would not choose to do as a matter of principle?
- What headline would we most/least like to see about this organization?
- What is the biggest gap between what the organization claims it is and what it actually is?

Beware

Some issues will benefit from deliberation in three modes, but board members must exercise caution and restraint. If the roof is leaking, fix it! There's no need to engage in a generative debate. Over time, board members will become more adept at recognizing generative and "triple-helix"⁴ situations.

⁴ Triple-helix issues require fiduciary, strategic, and generative considerations.

Assess Progress

To see if your board is becoming more generative, try the following:

- Compare recent and past agendas. Do we do more generative work now?
- Review, over the course of a year, where and when board members worked at the boundaries.
- Consider how often the board spotted or missed “triple helix” issues in the last year or two.
- Survey board members on whether the climate for robust discussion has improved or deteriorated.

Have Fun

There’s no rule that board members cannot have fun. Board members should look forward to attending board meetings, not dread it. Ensuring opportunities for board members to share their generative genius and engage in meaningful work will greatly increase the capacity and ability of board members to better govern the organization.

SAMPLE 2

[Name of organization]

Board of Directors Meeting

Date: Monday, March 15, 20XX

Time: 6:00 p.m.

Location: 100 Main Street, Our Town, ME 01234

Agenda Items	Accountable	Purpose	Time
Welcome	Chair		5 min.
Introduction of new members	Chair	Information	5 min.
Consent Agenda <ul style="list-style-type: none">• Previous minutes• President's report• Committee reports• Leasing contract	Chair	Decision	1 min.
City contract proposal	John Murphy	Decision	15 min.
Summer program	Dianne Letts	Decision	15 min.
Relocation proposal	Cary Mann	Discussion	30 min.
Term limits	Becky Lowes	Discussion	20 min.
Adjournment	Chair		1 min.

Board Meeting Evaluation

	OK	Needs Improvement	Suggestions for Improvement or Congratulations on Accomplishments
1. The agenda was clear, supported by the necessary documents, and circulated prior to the meeting.			
2. All board members were prepared to discuss materials sent in advance.			
3. Reports were clear and contained needed information.			
4. We avoided getting into administrative/ management details.			
5. Diversity opinions were expressed and issues were dealt with in a respectful manner.			
6. The chair guided the meeting effectively and members participated responsibly.			
7. Next steps were identified and responsibility assigned.			
8. All board members were present.			
9. The meeting began and ended on time.			
10. The meeting room was conducive to work.			
11. We enjoyed being together.			

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Committee Structure Trends

Trend #1

- Maintain a simple committee structure
 - Keep it simple and flexible
 - Elevate the board
 - Align with organization's strategies
 - Avoid creating "advisory boards"

Trend #2

- Movement away from committees that mimic operations (e.g., program)
- Don't have board committees mirror staff structure
 - Staff is already doing the jobs
 - Staff reports to the CEO
 - Oversight of staff is not the board's responsibility

Trend #3

- Fewer standing committees and more use of *ad hoc* committees and time-limited task forces
- Minimize the number of committees
 - Consider zero-based committee structure
 - Try to have:
 - 3-4 standing committees
 - Short-term task forces
 - Organizational work groups

Zero Based Committee Structure

This method of forming committees prevents committees from becoming cumbersome and helps the organization remain innovative. Under a zero based committee structure the board starts every year (or two) with a clean slate of no committees. When the organization decides its organization's priorities, for example through a strategic planning process, committees are formed to address these priorities. All committees are ad hoc and disband once they meet their objective(s).

Trend #4

- Increased use of Governance Committees (instead of Nominating Committees)
- Consider a Governance Committee
 - Promotes and provides education about the organization, field, and governance
 - Assesses the organization's governance needs
 - Identifies, nominates, and orients new members
 - Conducts board self-assessment
 - Organizes the annual board retreat

Trend #5

- Increased use of Audit Committees (separate from Finance Committees, if you can)
- Consider an Audit Committee
 - Independent committee
 - Different membership than the finance committee
 - Can include "outsiders"
 - Selects auditor and ensures a good auditing process

Trend #6

- Limited use of the Executive Committee
- Limit the role of the Executive Committee to fully engage board members
 - Never have the Executive Committee meet regularly
 - Give the Executive Committee two purposes: review CEO and handle emergencies
 - Specify a limited role for the Executive Committee in the by-laws
 - Ensure that the Executive Committee reports back to the board promptly

Trend #7

- Create a structure that builds productive relationships
 - Not all board members need to be on a committee
 - Recruit outsiders to serve on board committees as appropriate
 - Create organizational work groups that report to staff, not the board

Decide if each committee is:

- **Standing:** Permanent tasks
- **Task Force:** Very specific tasks that can be accomplished within a specific time frame; should be related to the strategic direction

- **Advisory:** Provide advice and support to the organization and its board but has no legal or formal responsibilities
- **Organizational:** Work with staff on issues that are usually part of the staff's responsibility and sometimes reports to staff

Sample Executive Committee Charter Policy

PURPOSE: The Executive Committee exists to manage the operations of the Board, to act on behalf of the board during on-demand activities that may occur between Board meetings and to serve as a sounding board for the Executive Director. The E.C. focuses on making the board itself work (i.e., not doing the work of the board), acting as a sounding board for the chief executive, and deciding or acting only in an emergency (i.e., actions that require immediate or timely decisions where a delay would not be in the best interest of the organization).

DUTIES AND RESPONSIBILITIES:

- Has input to establishing agendas through the President for Board Meetings and monthly teleconferences with additional input from the whole Board
- Assists, advises and acts as a sounding board for the Executive Director
- Sets goals for the coming year with the Executive Director, evaluates his/her performance at least yearly and gives feedback; all with input from the Board
- Determines the succession plan, process for hiring and termination of the Executive Director position
- Oversees the activities of the Standing Committees and Task Forces of the Board, approve all committee assignments temporarily made by the President sending these on for full board approval
- Works on special projects as assigned by the Board
- Respects the single voice authority of the Board
- Communicates any actions or decisions to all directors within 48 hours
- Performs other duties assigned through ZZZ's bylaws

AUTHORITY: The Executive Committee is empowered to make decisions that can be made by the Board of Directors for matters that arise between regularly scheduled Board meetings and that require immediate or timely decisions where a delay would not be in the best interest of

the Association. Excluding confidential personnel matters, decisions made by the Executive Committee will be reported to the Board of Directors in a timely manner. In the event of a true emergency as determined by the Executive Committee, the matter will be brought to the attention of the Board of Directors for resolution via face-to-face meeting, teleconference, or videoconference.

GOVERNANCE LIMITATIONS:

- The E.C. should not act as a “shadow board” and when determining its agenda items should keep in mind the bylaws phrase about the E.C. only making decisions “that require immediate or timely decisions where a delay would not be in the best interest of the Association.”
- The E.C. should not screen committee reports or have issue-oriented content discussions that will be repeated with the full board.
- The E.C. should not do the work of other committees either pre-empting their consideration or because a group is under-performing.
- The E.C. cannot fire or hire the Executive Director
- The E.C. does not “manage” or “supervise” the chief executive but rather is to be kept informed on all relevant organization oversight data–performance measures, successes, challenges, and activities–along with the full board of directors. This honors the true meaning of the phrase “The Executive Director is accountable to the Board of Directors.”
- The Executive Committee cannot authorize the following: the distribution of assets, dissolution or merger, sale of more than 3% of the assets, or amendments to or repeal of the corporate articles or Bylaws.

MEMBERSHIP: The Executive Committee shall be composed of the President, President-Elect, Immediate Past President, the Treasurer, and the Secretary; the Executive Director also serves as a non-voting member. The President is Chairperson.

MEETINGS: The Executive Committee shall meet at least 4 times (at least 2 of these shall be face-to-face), alternating months with board meetings, and as many additional times as the committee deems necessary. Minutes of committee meetings shall be recorded (as per state law) and distributed to the Board.

The Pursuit of Sustainability



JEANNE BELL
CEO
CompassPoint
Nonprofit Services
San Francisco, CA

One of the roles that most decently functioning boards play quite well is providing financial oversight. Compared to other board functions, financial oversight is relatively clear: There is a treasurer, finance committee, and tangible products such as an annual budget and financial statements. The problem is not one of those tangible products in and of itself has anything to do with sustainability. And it is sustainability that is keeping chief executives up at night, not financial oversight.

In a book I coauthored, *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*, my colleagues and I define sustainability as being both programmatic and financial:

“Sustainability encompasses both financial sustainability (the ability to generate resources to meet the needs of the present without compromising the future) and programmatic sustainability (the ability to develop, mature, and cycle out programs to be responsive to constituencies over time).”

In other words, board finance committees can look at annual budgets, financial statements, and audits forever, but if some group of board members is not considering those financial results in light of the organization’s programming mix and its results, then their efforts are very unlikely to contribute to sustainability. The complex challenges facing community-based nonprofits require that we shift our mental model from

boards being primarily focused on financial oversight and accountability to boards being concerned in an ongoing way with the financial sustainability of their organizations. To pivot your board, I suggest the following actions:

Create a board culture that expects and supports financial literacy from all members.

A sustainability orientation requires members who are financially literate and can ask how a core program is performing both financially and programmatically.

Rename your finance committee and add non-traditional members to it.

A Finance and Sustainability Committee comprising both finance experts and programmatic folks actively engaging with the business model’s concerns will support the pivot to a “beyond oversight” board. When a diverse group of members is reviewing and discussing the numbers, it can go beyond merely reporting how close to budget the organization is or is not; it can frame for the board the questions of “why?” and “what might we do about it?” With this approach, the treasurer role evolves from that of a CPA to a leadership role that supports the full board’s focus on complex questions and difficult decision making.

Normalize profit.

Profit, like program impact, is fundamental to sustainability. A board that is uncomfortable budgeting

for surplus and unwilling to face the brutal facts about the prospects for profitability of core activities is not operating with a sustainability orientation. It is important to not conflate profitability with earned income, however. Many community-based nonprofits achieve profitability — that is, consistent annual surpluses — through a mix of earned and donated income. The key is to look for profit wherever it can be generated in the model, and to ensure that, as a set, the organization’s activities yield more than they consume.

Through the recession, many leaders have had to acknowledge the reality that they can no longer subsidize core activities that do not cover their own costs. The fact that an activity is core to an organization’s mission and very needed by its constituency does not necessarily mean that the organization can afford to keep it in its business model. Part of pursuing sustainability is determining the desired profitability of every core activity — programmatic and fundraising. While most community-based organizations will elect to subsidize a handful of money-losers — allow the profits from an activity to offset the losses in a program, for instance — the board should be very clear on these decisions and ensure that those subsidy decisions do not result in deficits for the organization overall.

Engage in projection.

Ironically, financial plans and reports,

The lesson of the recession is that boards must engage not only in financial oversight but also in the pursuit of sustainability.

including monthly financial statements and an audit, can keep your board focused on oversight rather than business-model sustainability. When you focus too much on annual budget variance, for example, you are often not sufficiently engaging in projection. Members of the Finance and Sustainability Committee want to be anticipating the next several quarters' results, too.

Rolling projection moves the board away from the silly obsession with hitting the year-end budget and toward the capacity to make earlier and better decisions given the economic forces happening in real time. When boards focus only on predicting the coming 12 months (annual budget), monitoring variance from that increasingly outdated prediction, and reviewing the past year's statements, they risk not actually engaging in the pressing and emerging business issues impacting their organizations right now. Financial oversight is critical but insufficient for sustainability.

Actively engage in decision making and execution on business-model issues.

A board that is focused on sustainability will be working on a handful of key business-model issues all the time. The Finance and Sustainability Committee members will partner with staff leadership to articulate those issues and find meaningful ways for the board to understand them and, where

possible, contribute to their resolution. For instance, the committee may determine that the organization needs to close or transfer a program because it is losing money and unlikely to survive the next round of governmental budget cuts. A committee member can partner with the chief executive to craft a presentation to the full board, laying out the data and framing the key questions for decision making: Are we prepared to end this program, and if so, by what date? Are there elements of this program that we can transfer to a collaborator or competitor? Are there financial implications of closing this program that we need to understand (for example, laying off staff, alienating a key funder, or losing the contract's modest contribution to defraying overhead costs)? One board member can be engaged in reaching out to another organization about the potential for program transfer; another member can join the chief executive in breaking the news to the government funder; and so on. In this fashion, the full board is actively engaged in decision making and execution on a business-model issue essential to the organization's sustainability.

For too long, too much of our boards' finance focus has been on reviewing the past. For many nonprofits, this meant decision making was too slow



in the face of the mounting recession. Modest reserves were depleted, and organizations were left exceedingly vulnerable during a time of great community need. The lesson of the recession is that boards must engage not only in financial oversight but also in the pursuit of sustainability. To do this well, boards have to be composed of financially literate members who engage in real-time analysis and focus on answering the complex business-model questions their organizations face today.

EDITOR'S NOTE:

A version of this article first appeared in the April 26, 2011, issue of *The Nonprofit Quarterly*. It is reprinted with permission.

RESOURCES:

Nonprofit Sustainability: Making Strategic Decisions for Financial Viability by Jeanne Bell, Jan Masaoka, and Steve Zimmerman. Jossey-Bass, 2010.

Understanding Nonprofit Financial Statements, Third Edition, by Steven Berger. BoardSource, 2008.

REFLECTION QUESTIONS:

The reflection questions below are for your personal use only. They will not be collected by course presenters or facilitators. However; you may want to use the time set aside for each week’s reading and reflection to jot down questions, action steps, or notes that can benefit your “real-time” webinar experience in order to make the most use of your time during each week’s session to ask questions of the presenter and your peers.

1. Of the five ways to “structure the work of the board,” which do you feel most proud of in terms of your board’s current functioning? Are there any areas in which you would like to make improvements? If yes, how might you work with your Board Chair to address these? Use the table below to jot down notes and potential action steps based on this week’s reading.

Structuring the Work of the Board	Notes
1. Board Nominations	
2. Board Committees	
3. Meetings	
<i>Ensuring Financial Stability¹</i>	
4. Strategic Planning	
5. Donor Development	

2. How are candidates for board service identified, cultivated, recruited, oriented, involved, etc on your board? When you reflect back on the *Board Building Cycle* presented in this packet, where is your board seeing success? Are there any steps that can be enhanced, updated, or improved?
3. What tools or approaches does your board use to ensure that meeting discussions are not limited exclusively to issues of oversight? (E.g. that board member make time to engage in strategic and sense-making or problem-framing-oriented discussions.)

¹ Items four and five have been combined into the category “ensuring financial stability” in recognition of the fact that many organizations utilize different revenue mixes that rely to varying degrees on donors.