


56th IFEA
Annual
Convention & Expo

Building Exceptional Boards

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International Festivals & Events Association
www.ifea.com

- **Board:** a collective group of selected individuals legally charged with representing the interests of the corporation's "owners"
 - In for-profit corporations: shareholders
 - In nonprofit corporations: stakeholders
- The board is where "the buck stops"
 - Accountable under corporate law
- **Two main functions:**
 - Prevent harm
 - Maximize value



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Source: Boards That Make A Difference, John Carver

- **Governance:** the way that a city, company, etc., is controlled by the people who run it (Miriam Webster Online Dictionary)
- **Good governance:** Right people, doing the right things, well

✓ What & how are not always well understood



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"Among all [nonprofits], of those that have failed their mission, I've found that poor board governance unites them all."

- Sen. Charles Grassley

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GOVERNANCE ENVIRONMENT

Brookings Institute study indicated only one third of all Americans have confidence in how nonprofits are run

“... People who are running nonprofits also need to be aware of recent scrutiny and legislation in the nonprofit world. Inspired by tales of fundraising fraud, conflicts of interest, bloated compensation, and careless accounting, state and federal legislators are hard at work creating new laws to restore public confidence.”

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Source: *Nonprofit Law & Governance for Dummies*

ENVIRONMENT (CONT.)

We need to make nonprofit operations more transparent and improve nonprofit governance.

Sen. Charles Grassley

- More regulation
 - For Profit
 - Nonprofit
- Increased scrutiny
 - Congress/state legislatures
 - IRS
 - State Attorney Generals
 - Watchdog groups
 - Media
 - Individuals (including members and employees)

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THE NONPROFIT WORLD

- Over 1.7 million organizations
 - Increasing by 40,000 a year
 - 28 different types:
 - Public charity - 501(c)(3)
 - Foundations – 501(c)(3)
 - Social welfare organizations – 501(c)(4)
 - Trade/community associations – 501(c)(6)
- Assets:
 - 6th largest economy in the world
 - \$1 trillion in expenditures a year
 - \$280 billion in taxes excused annually



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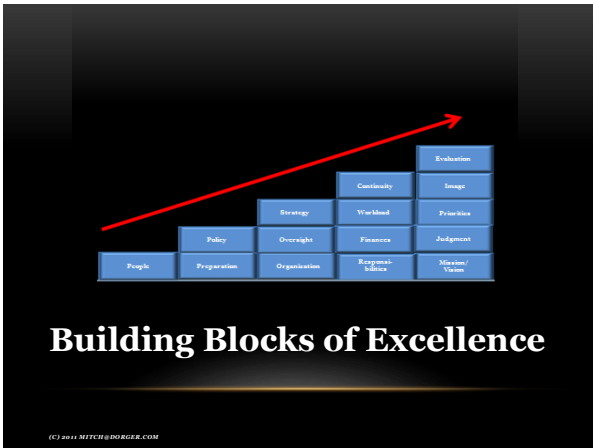
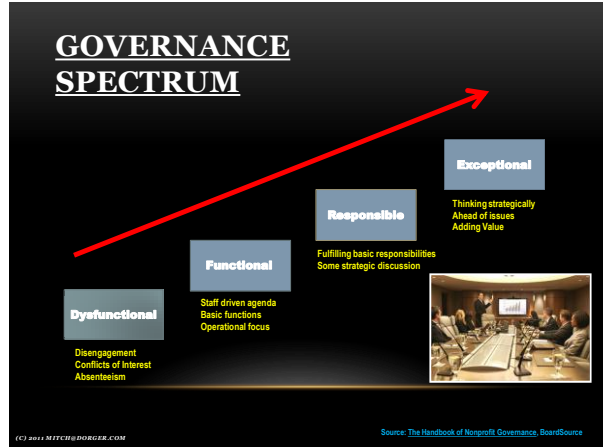
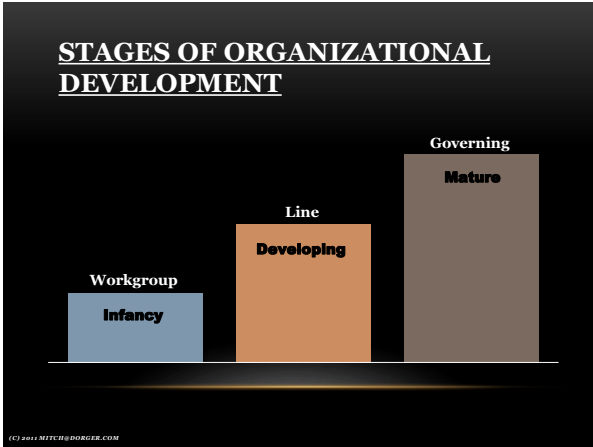
TYPES OF BOARDS

- Workgroup Boards
- Line Boards
- Governing Boards
- **Advisory Boards**
- **Sustaining Boards**



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Source: *John Carver, Boards That Make a Difference*



#1 ASSEMBLE THE RIGHT TEAM

- **Qualifications**
 - Set in advance
 - Everyone should have:
 - Passion for the mission
 - Ability to think strategically
 - Excellent inter-personal skills
 - Communications skills
 - Courage
 - Integrity



"... a board is a team, it is composed of individual members, each with different but valuable abilities."

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QUALIFICATIONS (CONT.)

- Other Considerations
 - Professional skills
 - Ties with stakeholders
 - Diversity
 - Fundraising connections, if applicable



✓ Good idea to have a group that specifically looks at prospective candidates

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APPROACHES TO TEAM SELECTION

- Functional
- Diversity
- Representational
- Compliance



✓ Many boards use a matrix to track composition

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QUALIFICATION MATRIX

	Qual 1	Qual 2	Qual 3	Qual 4	Qual 5	Qual 6
Person 1	X					X
Person 2		X			X	X
Person 3	X		X			
Person 4						X
Person 5	X				X	
Person 6		X				X

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COMMON ERRORS

- Friends
- Long-time members
- Good operational workers
- Non team players
- Overbearing personalities
- Anyone willing to serve



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#2 THOROUGHLY PREPARE

- **Types:** Individual & Group

- **Individual**

- **Legal Responsibilities**
 - Duties
 - Restrictions
 - Penalties
- **Expectations (time, \$, etc.)**
- **Organizational Orientation**
 - Include documents
 - Current issues/activities
 - Core values



- ✓ Mission/vision/values
- ✓ Organization's legal status and restrictions
- ✓ Organizational details
- ✓ Financial documents
- ✓ Minutes

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PREPARATION (CONT.)

"[Boards] need to invest time and energy in building collaborative relationships among board members and with the chief executive.... While they must bring independent thinking to decision making, they must do so collegially and with an eye toward inviting consensus. In the give and take of the boardroom, they must remember that governance is, fundamentally, a team sport"

- **Group**

- **Team building**
- **Board role, processes and procedures**
 - Agenda setting
 - Meeting management
 - Records
- **Rules and policies**

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Source: *The Nonprofit Board Answer Book*, BoardSource

RULES AND POLICIES

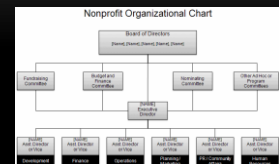
- **Rules of order**
- **Rules of conduct**
 - Confidentiality
 - Conflicts of interest
 - Self dealing
 - Ethical conduct
 - Whistleblower policies
- **Personal courtesies**
- **Evaluations**
- **Sanctions**



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#3 ORGANIZE WELL

- **Bylaws**
 - Keep general
 - Watch corporate law
- **Number**
 - 7-15
- **Terms**
 - 6-10 years
- **Officers**
- **Committees**



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BOARD COMMITTEES

- Group subordinate to the board created to carry out the **work of the board**
 - Still retains policy focus
 - Only authority is that which is delegated by the full board
 - Should not be an operational management body
 - Should not do staff work
 - Many boards have committees so people can feel useful and productive



✓ **Keep committees useful, not just activity**

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TRADITIONAL COMMITTEES

- Executive
- Audit
- Compensation
- Governance
 - Old term: Nominating
- Finance
- **Investment**
- **Development**
- **Membership**



✓ **Don't build a committee if the work does not justify it**

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COMMON ORGANIZATION ERRORS

- **Too many board members**
 - Leads to unequal classes of director
- **No term limits**
- **Poorly structured officer jobs**
 - No substance or
 - Duplicate staff positions
- **Committees**
 - No real function
 - Try to micromanage operational functions



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#4 DEFINE RESPONSIBILITIES

- Determine the organization's mission and purpose
- Select the chief executive
- Provide proper financial oversight
- Ensure adequate resources
- Ensure legal and ethical integrity and maintain accountability
- Ensure effective organizational planning



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Source: Ten Basic Responsibilities of Nonprofit Boards, BoardSource

RESPONSIBILITIES (CONT.)

- Recruit and orient new board members and assess board performance
- Enhance the organization's public standing
- Determine, monitor and strengthen the organization's programs
- Support the chief executive and assess his or her performance
- ➔ Any other responsibilities the board chooses to assign itself

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Source: Ten Basic Responsibilities of Nonprofit Boards, BoardSource

EXAMPLES

- Risk Management
- Fund Raising
- Investment Management



- ✓ All responsibilities should be documented and understood by all concerned
- ✓ If your board has not had a recent discussions about responsibilities, it should

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#5 HAVE A CLEAR MISSION

- Statement of purpose
 - Should be touchstone for everything the organization does
- Motivational
- Promise to stakeholders
- Rationale for tax exemption



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COMMON ERRORS

- Too long and complex
- Not used (or known) within the organization
- Describes activities, not purpose
- Obsolete
- Deviating from the stated mission



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AND A SOLID VISION

- Where the organization would like to be in the future
- Needs to be inspirational, but realistic
- Periodically reviewed and revised



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COMMON ERRORS

- **Too grandiose**
- **Describes current situation**
- **Deviates from the purpose**



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#6 MAINTAIN A POLICY FOCUS

- **Definition of policy:**
 - Designed to guide future decisions and actions of the organization
- **Criteria:**
 - Not situation specific
 - Recognized by the board as setting future direction
 - Recorded and accessible
 - Disseminated
 - Enforced
 - Reviewed and modified as required



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COMMON ERRORS

- **Old Spanish Customs (no recorded policy)**
- **Not easily found/used**
- **No dissemination**
- **No enforcement**
- **No periodic review**
- **Focus on operations rather than policy**



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OPERATIONAL FOCUS

- **Why?**
 - It's where the action is
 - Fun
 - Understandable
 - Rapid rewards
 - Feeling of self accomplishment
 - Governance is too esoteric for some people
 - Selection process for board members



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#7 PROVIDE OVERSIGHT W/O MANAGEMENT

- **Two elements:**
 - Before the fact
 - Core Values
 - Strategic Plan
 - Policies
 - General instructions
 - After the fact
 - Reports
 - Evaluations
 - Independent Analysis



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COMMON ERRORS

- **Everything is fine syndrome**
- **"We're not the experts"**
- **Dictating "how to" not "what to"**
- **Over emphasis on policy making and no attention to oversight**



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#8 ALLOW NO FINANCIAL SHENANIGANS

- **Excess compensation**
- **Self-dealing**
- **Unrelated business income**
- **Inaccurate disclosures**
- **Excessive/lavish benefits**
- **Misdirected funds**
- **Unpaid taxes**
- **Criminal acts**



✓ **This is the surest way to ruin your organization**

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FINANCES (CONT.)

- **Best practices include:**
 - Financially literate board
 - Atmosphere of ethics and openness
 - Good accounting system
 - Engaged Finance and Audit Committees
 - Strong internal controls
 - Knowledge of special rules



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FINANCES (CONT.)

- **Common errors**
 - Lack of financial information
 - Financially unsophisticated board
 - Lack of understanding of rules and regulations
 - Failure to establish needed policy directives
 - Inattention to internal controls
 - Inadequate audit independence



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“I have yet to see a situation where the red flags of financial irregularity weren’t waving well before the crisis escalated.”

“I hold the entire board accountable. There is a fundamental code of responsibility that says when you are on the board, you own a collective liability.”

**- Herb Paine
Nonprofit consultant**

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#9 EXERCISE INDEPENDENT JUDGMENT

- **Required to exercise independent judgment**
- **Reasonable reliance permitted**
 - On the work of the staff
 - Experts
- **Develop a “Culture of Inquiry”**



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COMMON ERRORS

- **Rubber Stamp Syndrome**
- **Over reliance on staff**
- **No tolerance for inquiry or dissent**



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#10 STRATEGICALLY PLAN

- Maps the road to the future
- Steps:
 - Measure vision versus current situation
 - Evaluate organizational strengths and weakness
 - Evaluate opportunities and or challenges
 - Develop goals and objectives
 - Focus the entire organization on achieving results



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COMMON ERRORS

- **Create a massive document, which sits on the shelf**
- **Once completed, it is largely ignored**
- **Does not promote strategic thinking**



- **Strategic thinking should be at the heart of all board actions**

✓ Progress toward strategic goals should always be at the forefront of board thinking

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#11 MANAGE BOARD WORKLOAD

- **Governing is a thoughtful activity**
 - And it can be very difficult
- **Many board members try to do too much**
 - Or they are asked to do too much
- **They can then get overwhelmed and frustrated**



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COMMON ERRORS

- **Operational responsibilities**
- **Managerial responsibilities**
- **Excessive committee work**



✓ **The losers are always policy and planning**

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#12 ESTABLISH PRIORITIES



- All organizations experience financial down turns
 - Board needs to prepare for them
- Fiduciary responsibility includes prioritizing programs

“We can do anything we want, but we can’t do everything we want.”
 -- Peter Stanley, Pomona College

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Source of Diagram: Jim Collins, Good to Great and the Social Sector

COMMON ERRORS

- **No understanding of core activities**
- **Inadequate accounting**
 - Not accounting for expenses on a program basis
 - No P&L on programs
- **No measures of value**
- **No prioritization**
 - Often very difficult in volunteer organizations



✓ **Mission and Vision must define priorities**

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#13 PROVIDE LEADERSHIP CONTINUITY

- It takes time to get things done
- Rapid leadership change stifles initiative for change
- Board leadership needs continuity to get things done



✓ **But don't allow leadership entrenchment**

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COMMON ERRORS

- Annual board leadership change is not uncommon
 - Not on my watch syndrome
 - Too hard to get done now
 - Can lead to uncertainty about policies



✓ Balance continuity with revitalization

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#14 ENHANCE COMMUNITY IMAGE AND SUPPORT

- Purpose of nonprofits is to benefit some community
 - Reason for tax exemption
 - Reason for city support
 - Mission is the promise
- Organizations depend on public support



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COMMON ERRORS

- Organization and its activities becomes the focus
- Deviation from the mission
- Fail to check periodically with stakeholders
- Can lead to dissatisfaction and loss of support



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#15 EVALUATE PERFORMANCE

- Board
 - As a group
 - Individuals
- CEO
- Organization
 - Goals
 - Programs
 - Progress



✓ Use results to create a learning organization

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COMMON ERRORS

- **Perfunctory board evaluations**
 - No useful individual evaluations
- **No real corrective action**
- **Failure to give honest and meaningful evaluation to CEO**
 - Or poorly delivered feedback
- **Failure to establish clear annual objectives**
- **Cursory operational reviews of programs**



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BEST PRACTICES SUMMARY

- Get right people on board
- Ensure proper preparation for both the group and individuals
- Organize efficiently
- Develop the right mission and vision
- Ensure effective policy making and use
- Focus on policy, not operations
- Provide oversight w/o management
- Allow no financial shenanigans
- Ensure the board exercises independent judgment
- Conduct effective, on-going strategic planning
- Streamline board operations to avoid activity traps
- Provide leadership continuity
- Establish program priorities
- Establish effective ties to community stakeholders
- Self-evaluate

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INDICATORS OF AN EXCEPTIONAL BOARD

- **Constructive partnership**
- **Mission driven**
- **Strategic thinking**
- **Culture of inquiry**
- **Independent mindedness**
- **Ethos of transparency**
- **Compliance with integrity**
- **Sustaining resources**
- **Results oriented**
- **Intentional board practices**
- **Continuous learning**
- **Revitalization**

From: *The Source*, BoardSource

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SCORE BOARD

TECHNIQUES

- Individual survey of all
- Group discussion and comparison
- Technology-aided simultaneous votes

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SAMPLE QUESTION

- Are you doing something you should be doing?
 - Yes, always
 - Yes, but could be improved
 - Yes, but not very well
 - No

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SAMPLE #2

- Are you doing something you should not be doing?
 - Never
 - Almost never
 - Occasionally
 - Regularly

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Assemble the Right Team

1. Are board members selected on a best-qualified basis rather than on the basis of friendships or other non-governance factors?

A B C D

2. Do your board members have the right set of skills and abilities to carry out their governance functions?

A B C D

3. Do you have a written list of qualifications for prospective board members?

A B C D

4. Does the composition of the board reflect the community it serves?

A B C D

5. Does your board have a committee or group that reviews potential board members?

A B C D

As follows:

A B C D

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AREA EVALUATION

- 90 – 100% (Very good)
- 80 - 89% (A few improvements needed)
- 70 – 79% (Significant work needed)
- Below 70% (Major problems)

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QUESTIONS?

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