



By Mitch Dorger

In the Board Room

Deciding to Become a Board Member (Part III in a series on recruiting new board members)

I started this series with a hypothetical invitation for the reader to join the board of a nonprofit organization (let's assume it is your festival organization). In my last two articles, we looked at the responsibilities of a board of directors and the duties a board member owes to his or her organization. Now it is time to make the decision as to whether or not to say yes to joining the board. To answer this question, personal due diligence needs to focus in two areas – one internal and one external. What follows is what I would say to an individual getting ready to make this decision.

The internal questions you must ask yourself relate to whether you are right for the board. You need to look yourself in the eye and ask some hard questions. Remember, the organization has certain expectations of you as a director, and you need to understand what these expectations are and determine whether or not you are prepared to make the sacrifices of time, effort, and, in many cases, money necessary to meet these expectations.

The first question I ask prospective board members to think about is whether they are passionate about the organization and the contribution it is making to society. A lot of experts will tell you that passion for the organization and its cause is perhaps the most important thing that anyone can bring to an organization. When I list the desired qualifications for a board member, I list passion for the organization at the very top of the list. If you don't have passion, you may find yourself unwilling to make the sacrifices or put in the time and effort to meet the organization's expectations.

The second thing you should ask yourself is whether you think you can contribute to the board. You have already determined that you have a passion for the cause, but that may not be enough. Do you have knowledge, skills, experience, contacts or some other qualities that will

help the board perform its functions? You may wish to ask those who extended the invitation what they see as the characteristics that make you a desirable board member. If they are a high functioning board, they will have thought this question through in advance and be prepared to offer you a specific answer. There are a great many reasons why they might think you would be a good board member, but you should ascertain what those are and then ask yourself if you see your ability to contribute in the same way they do.

The third question is whether you can give the board the time and energy it deserves. All of us are busy. Many of us have work or family commitments that tax our ability to give time and/or energy to a nonprofit -- even one that we have a personal passion for. You need to find out what the time requirements really are then decide whether you can meet those expectations or not.

The fourth question has to do with financial commitment. Many boards have director expectations that are financial in nature. This may come in the form of a direct gift. It may come in the form of an expected purchase of tickets or merchandise offered by the organization. Or it may simply be that they expect you to absorb the costs of being a director including, meals, travel, gas, etc. Whatever form these financial expectations take, you need to be prepared to meet them before signing up for board duty.

Finally, you need to ask yourself if you can put the interests of the organization ahead of your own. Remember, this is part of your Duty of Loyalty to the organization. Regardless of your personal feelings, aims, and goals; the interests of the organization must come first, and you need to honestly ask yourself whether you are prepared to do this.

OK, now you have determined that you are right for the tasks ahead. What's left?

Simple. Now you need to determine if the organization is right for you. When buying real estate or anything tangible, the prudent buyer will research the product and determine if it is right for him or her. The same is true of deciding to join the board of an organization.

You already know what the mission and programs of the organization are, you asked this question when you were determining if you had a passion for the organization. So let's turn to other critical questions.

I recommend you first take a look at the other leaders of the organization, both staff and board. Do you know them? Are they people you respect or can respect? Are they people you can work with on a personal basis? You need to be comfortable with the people you are sharing responsibility with. In the course of board work, conflicts can develop even among people that know, like and respect each other. Don't aggravate this by choosing to be involved with people you are not comfortable with. If you don't know some of the people you might be dealing with personally, ask around in your network of friends and professional colleagues. You can probably find someone you trust to let you know the quality and character of those you will be working with.

Second, find out how the board has defined its responsibilities. Since you read the first article in this series you know what responsibilities the board should have. So find out if they know what they should be doing. You should also find out through discussions with current board members or staff executives how the board functions with regard to carrying out their responsibilities. Are they keeping their focus at a high level or are they groveling in minutia. You want the former, and you want to run, not walk, away from the latter.

Next, turn your attention to the financial condition of the organization. At a minimum, you should review the organization's

last few annual reports and their Form 990s. These are public documents and are required to be made available to the public upon request. You may also be able to find reports or evaluations of the organization on the Internet. Guidestar.org will have copies of the Form 990s if they are being filed, and there are also groups that evaluate nonprofit organizations, particularly charities with regard to their effectiveness and practices. Use these resources to help focus your questions to the organizational representatives you are dealing with. You should also ask to review the audit results if the organization is of a size that requires an annual audit. Pay special attention to any management letter that the auditors prepared. This letter will contain insights into the organization that may not be revealed in the formal documents.

Next, find out where the organization is going. The organization should have a vision and a strategic plan to move itself forward. See what these say, and then ascertain whether the board is paying any attention to the plan. Some organizations have strategic plans that are no more than a dusty notebook on the shelf. Others have plans that are living documents that are consistently being referred to with progress regularly measured toward the established goals. You want to be associated with an organization that fits the latter description, and not the former.

The fifth question is how the board does its' work. Are there active committees that carry on the work of the board or is the work centered in the full board? Also try to ascertain whether the full board is really making decisions or if there is a smaller group within the board that seems to be making the decisions and then informing the other board members after the fact. Be especially wary of an overactive Executive Committee which has cornered the decision making in the organization to the detriment of the full board.

The sixth question is how the board will prepare you to be a fully participating board member. There will always be some uncertainties for new board members and some period of adjustment as you develop your "sea legs" and get the feel for operating within the board environment. But the organization owes you an orientation process to develop the knowledge and understandings necessary to contribute. At a minimum, you should understand the following: (1) the organization's legal documents to include its bylaws, (2) the structure and operation of the organization, (3) the key issues facing the organization now and in the near future, (4) what the board has been doing (in the form of minutes and or reports), (5) the financial documents (if you have not already reviewed them), and (6) how

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the board conducts its business to include operating rules, policies, agenda setting, and meeting management rules. This is the short list of things you should look for in the organizational orientation. If you don't get offered such an orientation, ask for one. You don't want to assume the legal obligations of a board member if you are in the dark about what is really happening within the organization.

The final question that needs to be asked is what protections does the organization offer its directors? This is an absolutely critical item and should be a deal breaker for you if you are not comfortable with the protections provided. The American Bar Association's Guidebook for Directors of Nonprofit Corporations states, "In recent years, litigation against directors of many varieties of nonprofits has increased in frequency.... all directors need to understand the action that may be taken to protect them against liability related to their service on nonprofit corporation's board." (p 189) Two particular areas that should be examined are indemnification and insurance.

Indemnification is a term used to describe what the corporation might repay a director with regard to expenses in conjunction with a law suit against the director. Such indemnification is controlled by the laws of the particular state in which the corporation operates as well as by the bylaws of the organization. There are two types of indemnification: mandatory indemnification and discretionary indemnification. The prospective board member should understand what the rules are for his or her organization. This is a highly technical and very legal subject, the details of which are well beyond the scope of this short article. Suffice it so say that it is a critical topic for the prospective director and one which should be thoroughly understood before committing to the organization. It might even be worthwhile consulting a personal attorney on this matter before agreeing to become a board member. There is one additional item related to indemnification that should be explored, and that is the advancement of expenses. In

some cases, the corporation's indemnification procedures may call for reimbursement only after the fact. This could create a big financial challenge for the director involved. The best situation is one which provides for the advancement of expenses so that the director's legal defense against any accusations can be undertaken by the organization.

The second subject is insurance. Even if the corporation has indemnification procedures, the ability of the corporation to fulfill that promise is dependent upon its financial circumstances. It is desirable to have insurance against this risk in addition to the indemnification offered. The type of insurance you want to particularly ask about is called directors and officers (D&O) insurance. (Note: some large nonprofit corporations self-insure against such risk.) The thing to understand about D&O policies is that the coverage can depend upon the laws of the state involved and the terms of the individual policy offered. Prospective directors should understand what the terms of their policy are and should ideally be provided with a memorandum by the organization which outlines the D&O coverage being offered. As with indemnification, this is a highly technical and legal subject which should be explored with trained advisors before making a finally decision.

Whew, that was a lot of work. Who would have thought when you got the invitation to join a nonprofit board that the process of deciding whether to say yes would be so long and arduous? To the extent that my series has complicated your life or made your decision difficult, I apologize. But at the same time, isn't it better to be informed in advance than to discover these questions when an uncomfortable situation occurs down the road? Don't be discouraged. Most good nonprofits will pass all of the above tests with flying colors.

As I close this series, I want to encourage board chairs and executive directors to think about applying the lessons of these last three articles into a recruitment brochure which helps prospective new members understand the responsibilities of director duties and the process they

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need to go through to decide on making a commitment to the organization. Please feel free to adapt these last three articles into a brochure that meets your needs.

Recently retired as the CEO of the Pasadena Tournament of Roses, Mitch Dorger brings to his new consulting practice more than 40 years of work experience including 20 years as a chief executive officer. His experience as a CEO was consistently characterized by successful performance improvement programs and high employee morale and achievement. He believes the fundamental goal of leadership is to inspire teamwork and the spirit of continuous improvement. He has recent expertise in the world of non-profit organizations and is well versed in corporate governance, volunteer management, financial planning and management, government relations, and large event management. As a public speaker he has lectured on non-profit organizational management, strategic planning, change management and leadership. He has also served as a keynote speaker for four different festival and event association conventions.

Mitch Dorger, Principal
Dorger Executive Consulting
Pasadena, California.
mitch@dorger.com