

# NAPA VALLEY

## COMMUNITY FOUNDATION

### 10 Things That Make Nonprofit Boards Effective\*

*\*Please note we use "nonprofit" and "public benefit company/corporation" to mean the same thing.*

1. They support as well as govern. Too often, Boards focus only on support. They raise funds, promote the organization and serve as ambassadors in the community. All of these activities are vital and greatly appreciated. But, governance is a completely different animal. Instead of promoting the organization, effective governance means protecting the broader public interest. This sometimes can mean asking hard questions of the Executive Director re: budgets, service delivery, staff performance, and the like. It almost always means stepping outside of the role of advocate/supporter for the organization, and into the same role for the whole community or the general public. Not an easy tango to master, by any means. [We gratefully borrow this view from Jan Masaoka, former CEO of CompassPoint, a large nonprofit consulting firm that works to make other nonprofits more effective. You can read her excellent short piece on supporting vs. governing at: [http://www.compasspoint.org/assets/69\\_whyboardsdontgovernqfj200.pdf](http://www.compasspoint.org/assets/69_whyboardsdontgovernqfj200.pdf)]
2. They have a clear job description. At the Community Foundation, our Board Members enter into an agreement. That agreement is explicit about what our organization expects of them re: fundraising, meeting attendance, ethical conduct, etc. Many times, nonprofits are so hungry for good Board members that they lowball regarding what's expected. "It's only one meeting a month" is never a good way to invite a new person onto a nonprofit Board.
3. They have passion for the mission of the organization. Smart is easy. Influential is easy. Wealthy is easy. Passion is hard. Passion you can't fake. Passion is what makes a Board member a convincing advocate and ambassador. Passion is what moves donors to support a particular project. It is the silent bell that should always be ringing inside the ears of staff and Board Members. When that bell isn't ringing, something is wrong.
4. They understand their roles and responsibilities. Nonprofit Boards sometimes have the Goldilocks problem: They do too much, or they do too little, but they don't do what is just right. What's missing when this happens is a clear line between the work of the Board and the work of the staff.
  - a. Boards: set policy, govern, hire/fire the Executive Director, determine the mission/purpose of the organization, ensure the financial viability of the organization, set long term strategy, etc.
  - b. Management: executes plans, recommends new plans/policies to the Board, hires other staff, manages programs, develops new programs, etc.

The best nonprofit Boards empower the CEO to get the job done, but also stay close enough to the organization to challenge that person to constantly improve, to think of better ways to meet the needs of clients/stakeholders, to provide benefit to the public, to do good, etc.

5. They abide by term limits. As much as we hate to see great people term off of our Board, we recognize that term limits are essential. A great Board is like a stand of coastal redwoods. They have stature and maturity and command respect. But, they're not unchanging. Every public benefit corporation needs new growth, new perspectives, and new leadership. Every organization should set its own term limits. Generally speaking, one year is too short and 10 years is too long.
6. They aren't shy about finding resources. The elephant in the room at most nonprofit Board meetings is money. Most people hate asking for it, but all nonprofits need it to get the job done. An effective Board member:
  - a. gives personally to the organization every year at a level that is meaningful to her and commensurate with her financial capacity;
  - b. introduces staff to others who have the capacity to give; and
  - c. asks other people to get involved financially.
7. They meet regularly. Running a nonprofit is like coaching a college football team. It's all about momentum. To keep volunteer Board members engaged with the work of the organization—and close enough to the details to support as well as govern—nonprofits need to have regular Board meetings. Most meet monthly or every other month. Our view: quarterly is not often enough, unless you're talking about a single-purpose, all-volunteer organization, like the band boosters club at a local school.
8. They document their decisions. A strong Board should ensure that excellent minutes are taken at every meeting. This is most often the job of the Board Secretary, or for a larger nonprofit, a staff member designated by the Executive Director or Secretary. Meeting minutes should reflect the substance, tone and outcomes of each meeting. These minutes should be distributed, reviewed and approved by Board Members at the next meeting. They should be made available to the donors and the public upon request (with the exception of sensitive human resource information, e.g., staff performance reviews).
9. They promote accountability and transparency. When the wheels come off a public benefit company, the community rarely gets the fair warning it deserves. Too often, the public is left saying "gee, I had no idea that the XYZ nonprofit was in such trouble!" At the Community Foundation, we really admire nonprofits that are candid about their challenges and who communicate clearly with their stakeholders—clients, donors, staff, committee members, etc. This means sharing bad news, even when you know it will disappoint people. One very clear sign of trouble: when all of the work of the organization is taking place within the Executive Committee. When this occurs, it means the full Board is not able to exercise its role to govern the nonprofit. One very good sign: an outside audit conducted every year with no management letter (though this is usually too expensive for smaller nonprofits, and not required by law in California, until a nonprofit has \$2 million per year in revenue).
10. They respect one another but encourage debate. The culture of a Board is usually set by the Chair and other leaders (Vice Chair, Secretary, Treasurer, etc.) These people need to ask questions of staff and other Board members, and to create an environment in which raising objections is not frowned upon. Debate and critical discussion are both very healthy. And, since nonprofits don't have equity analysts or public markets asking hard questions of management or the Board, the hard questions asked by Board Members—of each other and the staff—should be seen as a proxy for the overall community. This gets back to number 1, above.