THE ROLE OF THE BOARD IN THE NONPROFIT SETTING

Nonprofit boards often find themselves at loss to describe what their role is. Sure, most board members can tell you that they are responsible for oversight or that they have fiduciary duties to the organization or that they guide the organization’s mission. But most board members don’t understand what these things mean on a practical level.

The board’s job is governance. “Governance” broadly refers to the mechanisms and procedures by which corporations – including nonprofit corporations - are controlled and directed. A more detailed definition of governance is the structures, functions, processes, and organizational traditions that have been put into place to ensure that the organization is run in such a way as to achieve its objectives in an effective and transparent manner. It is a framework of accountability.

Good governance adds value to an organization by improving performance of the organization through efficient management, and more strategic and equitable resource allocation and service provision. It ensures the ethical and effective implementation of the organization’s core purpose.

So how does this translate to the actual work of a board? Governance encompasses the fundamental tasks of setting policy, making decisions, and overseeing organizational performance. These activities can be defined as follows:

- **Policy Formulation.** Boards formulate policy to give the organization direction. Policies are statements of intent that guide and constrain further decision-making and action, and limit subsequent choices. Policies provide a framework for decision-making.

- **Decision-Making.** This is considered to be the most important role of governance, since much of what boards do eventually comes down to making choices. Decisions are based on policy. A board can choose to retain authority with respect to an issue related to one of its responsibilities or it can delegate decision-making authority to the CEO (aka management).

- **Oversight.** This is central to everything boards do. In fact, it is fundamental to governance core duties, roles, and responsibilities. Boards engage in oversight by monitoring decisions and actions to ensure they conform with policy and produce intended results. The CEO is accountable to the board for the decisions she makes and the actions she undertake. Proper oversight ensures this accountability.

**Question:** How many board members does it take to change a light bulb?

**Answer:** None. The board’s job is to say, “Let there be light.” It’s the CEO’s job to choose the best light bulbs and delegate a staff member to install them. And then, the board determines if the light shines bright enough.

Governance means telling your CEO what to do, but NOT telling him how to do it. Here’s an example of how this looks in the real world:

The annual budget of an HIV/AIDS organization allocates $2,000 for staff training. The CEO determines that he should attend a 2-day workshop on grant writing, and that his program manager should attend a national HIV/AIDS conference in another state. He also discovers several books on nonprofit management that would assist the entire staff in streamlining the organization.

The CEO spends the budgeted training funds on workshop and conference fees, airfare and hotel costs for the program manager to attend the conference, and the purchase of three books. The total cost is $1,750.00.
At the next annual budget meeting, the CEO provides the board with a summary of his use of training funds, along with how the organization benefitted from the use of those funds. The board then decides, based on the information provided by the CEO, whether to allocate for training a greater, lesser, or similar amount.

Looking at governance another way, the board initiates actions and, when necessary, sees that the CEO carries out those actions. In other words, the board is concerned with “doing the right thing;” whereas the CEO is concerned with “doing things right.”

**EXAMPLES OF GOVERNANCE vs. MANAGEMENT**

<table>
<thead>
<tr>
<th>BOARD (aka governance)</th>
<th>CEO (aka management)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The board sets organizational goals and policies.</td>
<td>The CEO decides how to meet goals and implement policies.</td>
</tr>
<tr>
<td>The board creates and revises the organizational mission.</td>
<td>The CEO implements programs that are in line with the mission and ensures that ongoing programs stay within the mission.</td>
</tr>
<tr>
<td>The board oversees and approves the annual budget.</td>
<td>The CEO/CFO develops, recommends, and implements the annual budget.</td>
</tr>
<tr>
<td>The board approves programs.</td>
<td>The CEO decides how best to implement and run the programs.</td>
</tr>
<tr>
<td>The board decides – with the input of the CEO - that a program needs to be significantly altered.</td>
<td>The CEO decides – with the input of the board – what specific alterations should be made, the timeline for making them, and then implements the changes.</td>
</tr>
<tr>
<td>The board hires, supervises, evaluates (and, if necessary, fires) the CEO.</td>
<td>The CEO hires, supervises, evaluates (and if necessary, fires) all other staff.</td>
</tr>
<tr>
<td>The board determines the amount of funds the organization needs to raise during the upcoming fiscal year.</td>
<td>The CEO decides how to raise that money.</td>
</tr>
<tr>
<td>The board determines the budget for staff salaries.</td>
<td>The CEO determines the salary for each individual staff member.</td>
</tr>
<tr>
<td>The chair or president of the board runs board meetings.</td>
<td>The CEO attends board meetings, provides information, answers questions, but does not vote.</td>
</tr>
<tr>
<td>The board reviews the annual audit.</td>
<td>The CEO contracts with a CPA to perform the annual audit.</td>
</tr>
<tr>
<td>The board determines that the organization needs the assistance of a professional to deal with a particular issue (accountant, legal counsel, )</td>
<td>The CEO decides who will be consult professional to consult with.</td>
</tr>
<tr>
<td>The board creates a policy regarding sexual harassment in the workplace.</td>
<td>The CEO implements measures to reduce sexual harassment and procedures to address sexual harassment allegations.</td>
</tr>
</tbody>
</table>

**GOVERNANCE OR MICROMANAGEMENT?**

Micromanagement is never good, whether it’s a board micromanaging a CEO or the CEO micromanaging staff. Micromanagement says “we don't trust you to do the job right.” When a board hires a CEO, it should hire the best talent it can find and then trust that person to be professional, competent, and capable. If that person
proves to be none of those things? Then it is the board's prerogative to fire them. But to hire an executive and then treat them like an errant child who needs constant oversight is demoralizing to the executive and to the organization.

Using the repainting example above, let's assess whether a board action is oversight or micromanagement.

Is it the purview of the board to direct the CEO to repaint? Probably not. This gets into micromanagement of the CEO. The CEO is the person who is working in the office on a daily basis, after all, so it is really up to him to decide if repainting is necessary. If, on the other hand, the board has determined that it wants to revamp the organization's image, and that includes repainting the entire office, then it's governance, not micromanagement.

What about these examples?

The board allocates $2,500 to have the organization's offices repainted.
This is GOVERNANCE. Determining and setting the budget for projects and programs is the job of the board.

The board allocates $5,000 to update the organization's overall image, and budgets $2,500 of that amount to be used for repainting the organization's offices.
This is MICROMANAGEMENT. While setting the budget is the board's job, it is the CEO's job to implement the budget. In this example, the CEO decides how much of the budgeted amount should be spent for repainting, how much for new brochures and letterhead, how much for website redesign, etc.

The board tells the CEO he must repaint his office in a “neutral” color.
This could be EITHER. Is there a good justification for requiring a neutral color, i.e., the updated image is based on a neutral color scheme? Is the CEO's office a place where he meets stakeholders? If not, the board needs to cede the color choices to the people who are spending 8 hours a day (or more) in the offices.

The board tells the CEO he must repaint the offices in “Barbados Beige”?
This is MICROMANAGEMENT. A board that is this involved with details has too much time on its hands, is not using its time well, or simply does not understand the separation of roles in an organization.

The board tells the CEO that he must hire A-1 WebWorks to redesign the organization's website.
This is MICROMANAGEMENT. It is the CEO's job to hire the web design company. The board should trust the CEO to get bids and to balance quality and cost when choosing which company to hire. And once the web design company is chosen, the CEO – and not the board – signs the contract.

A director tells the CEO that she wants the CEO to include a blog on the website.
This is NEITHER governance nor micromanagement. The CEO has no obligation to act on an individual director's suggestion, desire, or directive. The director was free to suggest the idea, but she cannot insist that the CEO take the suggestion.

The board wants to have final approval of the website redesign.
This is MICROMANAGEMENT. The board needs to understand that its CEO wants to cast the organization in the best light possible; after all, the success of the organization (and the CEO's livelihood) depend a great deal on public image and perception. Therefore, the board needs to trust that the CEO worked with the web designer to create a site which does just that: promotes the organization.

There are other considerations when it comes to requiring final approval for projects such as a website redesign. First is that people have different opinions about what looks good, what works best, etc. This very quickly devolves into nitpicking: "I'd like that to be a warmer shade of blue;” “It would look better if that title was centered rather than off to the left;” “I'm don't like the way the slideshow looks. Could we have the photos fade instead scroll?” This type of nitpicking can occur in every project, not just web design, and it should be
clear how frustrating this is to a CEO (as well as to the professionals the CEO has hired to implement the project).

The second consideration is money: the board budgets a certain amount for web design, and the CEO contracts with a company to perform the work. Payments are made based on the work. What happens when nitpicking starts? Changes to a website cost additional dollars. And if a board does NOT approve the final design? The budgeted money – or a substantial portion of it – has been spent.

**SPEAK WITH ONE VOICE**

It is important to remember that the Board's power derives from the group as a whole: it must speak with one voice. This does not mean that the board must reach consensus on every vote; as nice as consensus is, there are times when it simply doesn’t happen. So what does it mean to speak with one voice? When a majority of board members approve a policy or an act, that approval becomes an act of the entire board, regardless of whether there were board members who did not vote to approve the act. The duty of loyalty to the organization requires dissenting board members to accept the vote and act accordingly. This means supporting the item that was voted on and not grumbling about the vote to other board members, staff, constituents, or people outside the organization. It's a fact of board life: 100% of board members will not be 100% happy with 100% of board decisions 100% of the time. But 100% of board members must stand behind 100% of the board's decisions 100% of the time. If a board member cannot do this, he or she has a duty to resign from the board.

The power of the group also means that individual board members have no authority and, therefore, cannot make decisions or issue orders to the CEO or staff on their own. For instance, if an individual board member tells a CEO that he needs to repaint his office, the CEO is free to do or not do the repainting as he sees fit. If, however, the board - as a group – tells the CEO to repaint his office, then the CEO must do it.

**SO WHO'S THE BOSS?**

When the board is acting as a body -- in its governance role -- it’s the boss. But when board members are acting as individuals, they act at the direction of staff. In many organizations, board members volunteer their time doing non-board activities: answering phones, assisting with programs, helping at special events, and so on. In these situations, the board member is just like any other volunteer, and should not expect to be accorded any special treatment or deference simply by virtue of board membership.

Here are some examples of board members overstepping their authority:

- A board member who volunteers to answer phones decides that her own greeting is better than the greeting she has been told to use by the office manager.
- A board member volunteers to do filing, but decides to change the filing system rather than using the current filing system.
- A board member directs staff, interns, or other volunteers to perform particular tasks or to perform tasks in a certain way.

The takeaway from this is that when a board member volunteers at the office or at an event, his first question should be, “What's my assignment?”

Written by Molly Maloney, JD, 2014