

Essentials of Board Governance

FOR MONTANA SOCIETY OF ASSOCIATION EXECUTIVES
MARCH 28, 2024
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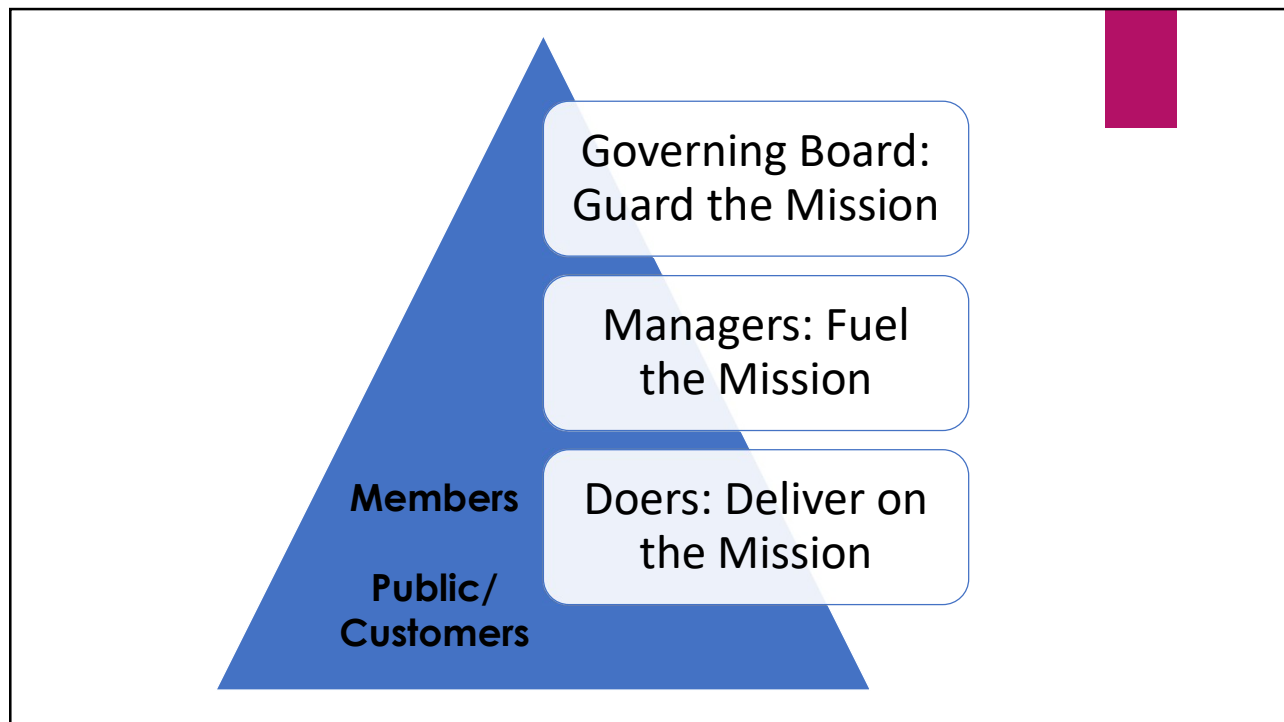
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Please introduce yourselves in the Zoom Chat

- ▶ Your name
- ▶ Name of the Association you work with
- ▶ How long you've been in this role


Questions welcome along the way – raise your hand to speak your question, or put your question in Chat and Traci and Susan will be monitoring

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Framework: Governing



- ▶ People arrive to board service “hard-wired” to react to situations in a particular way (as doers, as managers)
- ▶ Governance asks something different of us, requiring some “re-wiring”
- ▶ If doing its job, Governance (the board) is not very visible day-to-day
- ▶ Managers and Doers can do their thing for a while without functioning governance
- ▶ BUT ... lack of functioning Governance erodes the foundation and sustainability

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Framework: Governing

Governance asks something different of us than other roles or “hard wiring” as a human:

- ▶ Friend
- ▶ Family member
- ▶ Doer (volunteer)
- ▶ Executive in another (member) organization
- ▶ Member of the Association



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Framework: Governing

Short list for Governing:

- ▶ Accountability and oversight: ED Performance review, guard against risks
- ▶ Make the BIG decisions: new programs/ commitments, ending a program or service
- ▶ Determine purpose and strategic plan: vision, monitoring
- ▶ Ensure “ROI” (return on investment): evaluating effectiveness
- ▶ Budget, financial monitoring: costs (inc. staff), income sources



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Accountability and Oversight

Examples:

- ▶ Ensure compliance with corporate and IRS laws and regulations (990 and Secretary of State filing, payroll)
- ▶ Evaluation of Executive Performance
- ▶ When time comes: Selection of new Executive
- ▶ Determine staffing/ organizational chart/ overall budget for staff
- ▶ Considerations of liability and risk management
- ▶ Define Executive authority through job description, budget, strategic plan and policies
- ▶ Oversee and manage risk with program volunteers (if no staff)

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Make the BIG Decisions

Examples:

- ▶ Should we submit a large grant proposal to a new funding source that will commit us to specific new deliverables/ results (and may have onerous reporting requirements)?
- ▶ Should we accept donations from controversial sources?
- ▶ Should we commit to something we aren't already doing?
- ▶ Is it time to sunset a program or annual event?
- ▶ Should we change how we do things in the midst of a pandemic?

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Purpose and Plans

Examples:

- ▶ Determine original Purposes and Mission Statement and review frequently, re-doing if needed
- ▶ Strategic Planning: Co-creating with staff, monitoring, engaging in support roles to assist with implementation
- ▶ Succession Planning (start with In Case of Emergency)
- ▶ Participate in other plans as needed: Fund Development, Marketing, Investments, etc.

"The only way a Board can monitor performance and assess productivity is through a strategic plan...Without a strategic plan, a Board of Directors cannot lead; it can only hope."-- Penelope Burk, Consultant and Author, *Donor-Centered Fundraising*

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Ensuring Return on Investment

Examples:

- ▶ Overseeing the use of financial resources
- ▶ Evaluating cost effectiveness of programs, events, fundraising efforts and other expenditures
- ▶ Setting expectations and evaluating results (in partnership with staff)
- ▶ Investing in staff retention and development
- ▶ Evaluating the board's effectiveness

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Securing and Managing Resources

Examples:

- ▶ Setting/approving/modifying the budget
- ▶ Monitoring finances regularly including cash flow, long-term projections
- ▶ Engaging in fund development planning and monitoring (as a team)
- ▶ Engaging in defined fund development roles outside the board room (as individuals)
- ▶ Setting executive compensation (reasonable for the field, the market and size of organization)
- ▶ Conduct due diligence on new ideas, investments, etc.

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Framework: Governing

In other words --

- ▶ Ears open
- ▶ Nose in
- ▶ Hands off



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Reflection Questions about the board you know...

- ▶ What is one thing the board could **start** doing to improve their practice of governing?
- ▶ What is one thing the board could **stop** doing to improve their practice of governing?
- ▶ Is there a **practice** the board does that helps them live up to their governing responsibilities?
- ▶ Where are there **tensions** between the needs and wants of members with the health of the Association?
(Examples: Dues increase, engagement with regulatory attempts)

Share in the chat or on mic as you're willing!

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Montana Law related to Director responsibilities

Montana Code Annotated 2023

TITLE 35. CORPORATIONS, PARTNERSHIPS, AND ASSOCIATIONS

CHAPTER 2. NONPROFIT CORPORATIONS

Part 4. Directors and Officers -- Indemnification

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Core Duties of a Board of Directors

Duty of Care: showing the care a “reasonably prudent person” would exercise. Boards do this by:

- ▶ Preparing ahead of meetings by reviewing minutes, financial reports, and preparing relevant questions to help you reach a decision or exercise good governance
- ▶ Showing up at board and committee meetings consistently (no “phantom board members”)

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Core Duties of a Board of Directors

Duty of Care, continued...

- ▶ Asking thoughtful questions when reviewing management and financial reports and before voting on motions
- ▶ Exercising independent judgment
- ▶ Mitigating risks arising from programs, services and fundraising or community activities
- ▶ Consciously practicing good Governance as an intentional group activity

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Core Duties of a Board of Directors

Duty of Loyalty to the best interests of the organization; and avoiding conflicts of interest. Boards do this by:

- ▶ Putting the interests of the organization above any personal/financial interests when making decisions as a board member
- ▶ Being careful not to use your position as a board member for personal benefit (called “private inurement” and “self-dealing” in legal terms)

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Core Duties of a Board of Directors

Duty of Loyalty, continued....

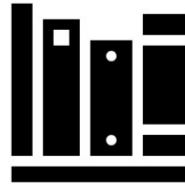
- ▶ Disclosing any potential conflicts of interest and adhering to the spirit and letter of the organization's conflict of interest policy and processes
- ▶ Keeping confidential organizational information confidential (such as donor and client information)

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Core Duties of a Board of Directors

Duty of Obedience - to the core purposes of the organization, its governing rules, and applicable laws and regulations.

- ▶ Ensuring compliance with the spirit and letter of applicable laws, tax code and corporate regulations governing nonprofits
- ▶ Knowing what is in the bylaws, and adhering to those internal rules



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Core Duties of a Board of Directors

Duty of Obedience, continued...

- ▶ Ensuring that new programs, services, funding and other decisions are in line with the organization's purpose/mission.
- ▶ Putting in place and frequently reviewing policies to govern the organization's resources and operations.
- ▶ Following the letter and spirit of the law when voting:
 - ▶ Establishing quorum
 - ▶ Email voting only with 100% participation and support
 - ▶ No proxy voting

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Board Focus: Governance as a practice

- ▶ **Embrace Governance** as the core focus of every board and accept the moral and legal responsibility of being the highest governance body – it matters that the board is “in charge”!
- ▶ Recognize and talk about the difference between roles of the board as a whole, and individual board members: **Governance (“steering” the boat)** and **Support (“rowing” the boat outside board meetings)**
- ▶ **Focus on risk management and oversight functions** including making sure adequate insurance is in place (including directors and officers insurance) and risks to clients/patrons, staff, volunteers, etc. are assessed and mitigated
- ▶ **Shared Financial** oversight and understanding as fiduciaries – not just the Executive or Treasurer! Also review and discuss the IRS form 990 before it is submitted (if subject to the \$50,000 threshold for the more complex version).

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Board Focus: Governance as a practice

- ▶ **Board Calendar** of annual filings, events, meetings, retreats, etc.
- ▶ Regularly engage in **planning, learning and organizational assessment** activities
- ▶ Clearly **state what is expected of board members** – and develop those expectations as a board exercise, first.
- ▶ **Orient board members** and provide them with ongoing support for at least a year.
- ▶ **Define, commit and follow through** on governance and support roles – like fund development or capital campaign roles

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Board Focus: Governance as a practice

- ▶ **Develop a succession/executive transition plan**, starting with a “what if” emergency plan, and include the Executive/CEO, board officers (the next chair, treasurer, etc.) and any key staff or volunteer positions
- ▶ **Evaluate and provide feedback to the Executive regularly**, in formal and informal ways, to avoid surprises, keep lines of communication open, and ensure effective use of resources. When an Executive is new, conduct these conversations at 30, 60 and 90 days, then before the end of their probationary period, then at least annually thereafter.

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Individual board members act as...

Board member [a.k.a. “Director”] as part of the whole: govern together as a “team sport” (required by laws and bylaws)

Committee member: prepare recommendations for the board and exercise powers delegated by the board (required by laws and bylaws)

Officers: exercise powers delegated by the board - Secretary organizes minutes, Chair calls special meeting (required by laws and bylaws)

Support for management (optional) as requested with clear boundaries

“Doers” of the work (optional, as agreed) with clear boundaries as a volunteer within the organizational structure

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Structure, practices

Key: Board Assessment and Evaluation

Examples of Board Policies (Use MNA's Principles and Practices for more):

- ▶ Attendance (minimum meetings per year, excused/unexcused absence)
- ▶ Spokesperson policy
- ▶ Voting and Decision Making: Roberts Rules?
- ▶ Conflict of Interest (policy AND updated information process)
- ▶ Whistleblower

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Structure, practices



- ▶ Board Role Description (Steering/Rowing – Whole vs. Individual)
- ▶ Description of Officer Duties
- ▶ Committee Charters/Scopes, Annual Workplans
- ▶ Training and support plan
- ▶ Planning: Annual, Strategic, Fund Development (with clear roles defined)
- ▶ Governance "tune-ups"/check-ins

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Questions/ Follow-up/ Appreciations

- ▶ *Questions?*
- ▶ *Thank you to the Society and to MNA for hosting me today*

If I can help with a customized board retreat or governance workshop, developing board policies, strategic planning, or 1:1 executive support, reach out any time!

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