

# Boardroom Bearings

Navigating to Board Excellence

August 2016



## The Tip of the Iceberg

According to [The Physics of Stuff](#), about 90% of an iceberg lies below the surface of the water. *Boardroom Bearings* is like that. The topics covered in articles are just the tips of icebergs. There is always more to know and to share.

The eight governance practices, presented below in a very compressed manner, are examples of these icebergs.

Readers are encouraged to contact Centerpoint's Navigator-in-Chief with their questions ([kdw@centerpointinsitute.com](mailto:kdw@centerpointinsitute.com))



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## Recommended Governance Practices: the Essential Ones

BoardSource has decades of experience working with tens of thousands of board leaders and conducting extensive research on board practices in all kinds of nonprofit organizations. The organization has distilled 29

recommended governance practices that, when adopted and practiced by boards, lead to improved effectiveness. The 29 recommended practices are divided into three categories: 1) Essential Practices, 2) Leading Practices, and 3) Compliance Practices.

This article is the first in a four-part series. This month we list the 8 **Essential** Practices; in the next three issues, we'll cover the other practices. **See how your organization's board stacks up!**

**Meeting attendance:** Accepting a board position requires preparing for and participating in board meetings. Board service is a commitment to attending meetings -- taking priority over other obligations.

**Term Limits:** The board should have term limits. 71% of boards have them; the most common is two three-year terms. Valuable members can continue to serve the organization in another capacity.

**Strategic Board Recruitment:** The board must define the desired composition of the board, analyze the qualities and skills of the current board, and recruit new board members to fill gaps.

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**Strategic Planning:** The board sets the direction for the organization. It must partner with the chief executive and senior staff in developing, approving, and supporting a strategic plan.

**Budget Approval:** The board is the fiduciary for the organization and, as such, it is responsible for the long-term fiscal health of the organization. The budget is developed by staff and presented to the board in conjunction with finance committee. The board approves the budget.

**Chief Executive Job Description:** The board must develop a written job description for the chief executive and, together with the chief executive, define annual expectations.

**Chief Executive Evaluation:** The board must evaluate the chief executive's performance annually; the evaluation should be written and include the full board.

**Audit:** If your organization has revenue exceeding \$1 million (and you are not a house of worship or exempt from filing Form 990), you should have an annual audit. The audit committee should be separate from the finance committee; the board should select the auditor; and the board should discuss the audit with the auditor in an executive session without staff present.

## Types of Committees

Board committees are organized to accomplish certain tasks because boards have too many responsibilities to act as a "committee of the whole" on everything. Committees explore issues, develop proposals, and implement decisions made by the board.

How many committees is the right number? In BoardSource's 2014 Governance Survey Report (a national survey of board practices available [here](#) (listed alphabetically) we learn that "Over the past 30 years, board committee structures have been streamlined. In 1994, boards had an average of 6.6 committees. Now they have an average of 4.8 committees. The most common committees are development, executive, finance, and governance" (page 16).

Sometimes boards are mired down with committees from years gone by - committees that may have had a real function in the past but are no longer relevant. It seems obvious, but boards should have only the committees they really need. Some boards employ a zero-based committee structure. They start each year with no committees, decide on the board's priorities, and establish work groups accordingly.

Here are four types of committees that are used to accomplish an organization's work:



**Standing committees** are the ones that generally exist over time. The most common are development, executive, finance, and governance. 60% of boards have a development (fundraising) committee. 78% have an executive committee. Almost half of organizations combine finance and audit functions with the other half having separate finance and audit committees. 37% combine governance and nominating functions while others, mostly membership organizations, separate those two responsibilities.

**Ad hoc committees** are established for a specific purpose and are short-term - dissolving when the purpose has been accomplished. Examples include strategic planning, real estate acquisition, and executive search. Some organizations call these committees "work groups" or "task forces."

**Advisory committees** are established when a board needs to hear from a particular group of people or about a particular subject. A board member chairs an advisory committee but not all of the committee members are board members. For example, a board might want a critique of its marketing program so an advisory committee is comprised of people with various kinds of media expertise. Or a board might need input from a particular group of stakeholders or clients whose views or needs are important but who are not represented on the board.

**Organizational committees** help with operational tasks. They should not be BOARD committees because they are formed to help accomplish staff work and staff reports to the chief executive. Oversight of staff is not the board's responsibility. The board's committee structure should mirror board priorities, not the organization's administration/management. Examples of organizational committees are Program, Facilities, and HR.

## A Checklist for Meeting Preparation

Last month, we ran a "Checklist for Agendas" (if you missed it, see the July 2016 newsletter [here](#)). Now let's look at how to prepare for a board meeting.

- Send the board packet to all board members at least one full week in advance of the meeting - or maybe two. It depends. I once served on a national board which met face-to-face three times a year. The board packet was a large, three-ring binder that we received two weeks in advance of the meetings. On the other hand, a board that meets monthly will have less material so one week should be enough lead time for the board packet.
- On the agenda, remember to indicate action items and discussion items.
- Include the previous meeting's minutes.
- Include reports for the upcoming meeting as well as a contact person for questions. It's helpful to have a maximum length for reports.
- If meeting attendance is a problem, assign someone to call each board member with a reminder about the upcoming meeting and assignments. The "someone" could be the vice-president, secretary, or governance committee chair. It could also be someone on staff, but really it's the job of the BOARD to manage its members.
- Establish an expectation that board members will read the board packet and come to the meeting prepared to participate. If necessary, pull out the heavy hand of the law: all board members have a fiduciary duty - the Duty of Care - to prepare for meetings, attend meetings, and participate knowledgeably.



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### Question of the Month

#### Q: What policies should our organization have?

**A:** Policies provide guidance for board and staff as they do the work of the organization. Policies are reference tools for decision-making and for dealing with conflicts. They reduce the likelihood of misconduct, help the organization avoid harmful situations, and create standards. When policies are established and used, they eliminate the need for boards to re-decide recurring questions such as "What do we do with board members who miss a lot of meetings?"

On its website, BoardSource has a [free downloadable publication](#) titled *Creating Policies*.

Included is a list of board-related policies, personnel policies, and financial policies. Is it time

for you to update your organization's policy manual?

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**Please remember:**

You are invited to submit questions by emailing them to [kdw@centerpointinstitute.com](mailto:kdw@centerpointinstitute.com). And if you have a troubling governance issue and need someone to talk with, confidentially, at no charge, call 815-545-1300 or send an email.

**Boardroom Bearings...**

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