

LEARNING CENTER FOR NONPROFITS: A SYSTEMS APPROACH TO GOVERNANCE

Sponsored by Walla Walla Community College and the Sherwood Trust

Susan L. Newton

May 11/19, 2010

GROUND RULES/LEARNING PRINCIPLES

As you go through the session, keep these in mind:

- Take time to reflect and challenge your assumptions and beliefs
- Take responsibility for your own learning – ask questions
- Be willing to share – use your colleagues as informal consultants
- You will get out of this experience in direct proportion to what you put into it
- **What's said in this room, stays in this room**

AGENDA

- Seeing your organization as a “system”
- Role of strategic planning
- CEO/ED Evaluation
- Key board policies
- BOD self-assessment
- BOD matrix

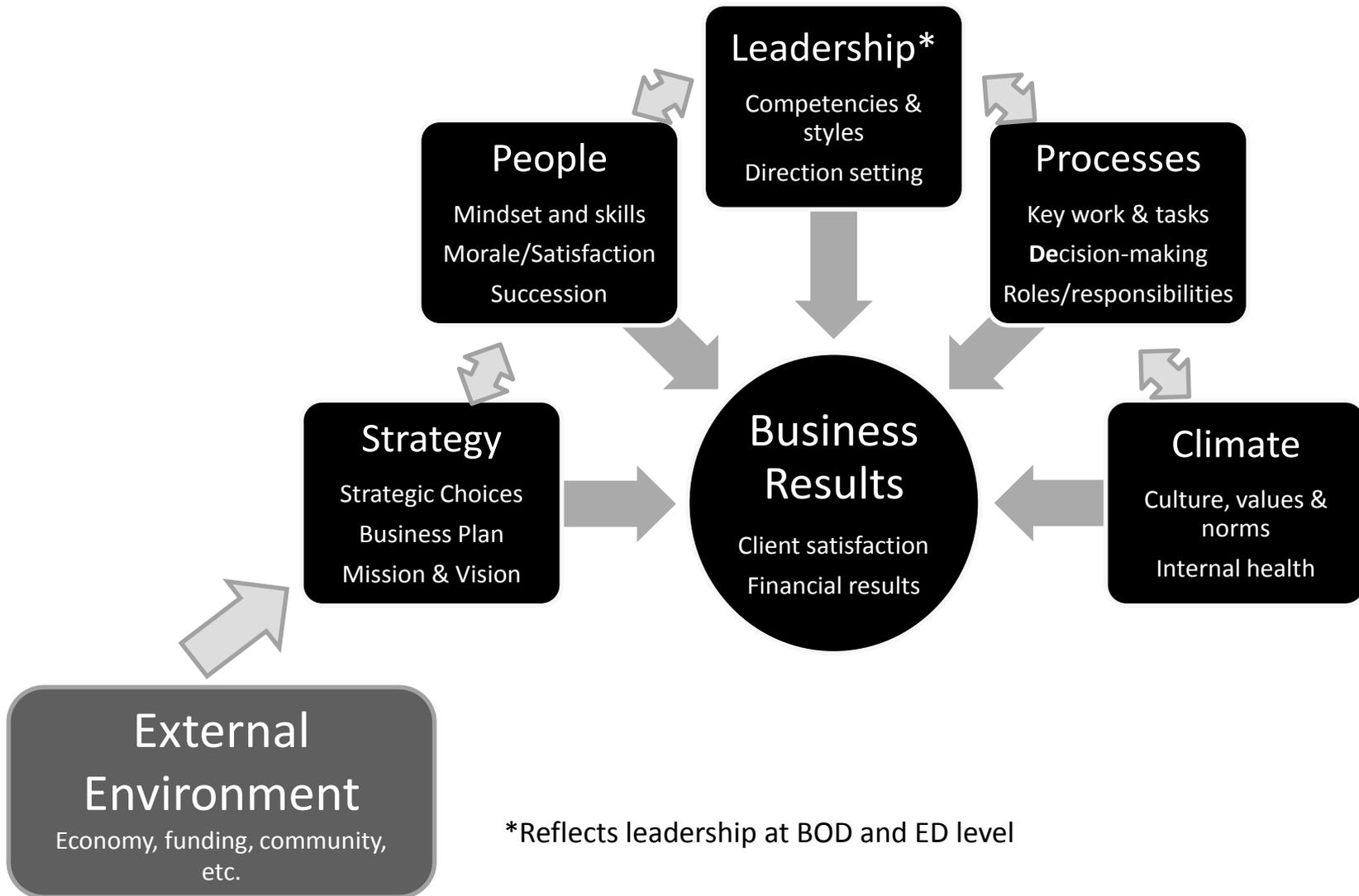
SO, WHAT IS A SYSTEM?

- Systems have input, processes, outputs and outcomes
- Remove one part and the system is changed
- System components can be tangible or intangible
- Simply put, it provides a holistic view of an organization
- Consider a stereo system or a car or a house...

WHY TAKE A SYSTEMS PERSPECTIVE?

- Nothing is isolated in a business
- All actions produce results that (almost certainly) have unintended consequences elsewhere
- It gives you the ability to change perspectives to see new leverage points in your organization or see where unanticipated consequences emerge

A SYSTEMS “VIEW” OF GOVERNANCE



PRACTICAL APPLICATION

- Typically, when something happens, we rely on 1-2 levers to solve the problem, e.g., change a process and assume all will be well...but often it isn't.
- In your groups, review the VERY minimal (but real world) description and decide what part of the system is your “starting” lever.
- Then, consider the sequence in which you might look at the different pieces of the model to see:
 - Where are the other impacts?
 - What would you do or assess?

DOCUMENTS THAT CREATE SUCCESS

- A strategic plan
- Bylaws that are reviewed and updated as needed
- A clear statement of the board's principal responsibilities and the responsibilities of individual board members
- A current job description for the chief executive
- Committee descriptions
- A set of policies that defines staff authority for a range of personnel and financial transactions
- Other _____?

STRATEGIC PLANNING

- A process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future, often in response to a turbulent external or internal environment.
- It is a composite, blueprint that answers three questions facing any organization:
 - What will we do and for whom will we do it (e.g., programs, services or products)?
 - What objectives do we want to achieve (e.g., to fulfill our mission)?
 - How will we manage the organization's activities to achieve the chosen objectives (e.g., people, money, expertise, facilities)?

STRATEGIC PLANNING, CONTINUED

- The outcomes of a quality planning process are:
 - a detailed work plan
 - data on internal and external assessment
 - data regarding upcoming demographic, political, organizational, and funding trends
 - updated mission and vision statements
 - the organization's strategic direction with detailed objectives, strategies and tactics
 - a workable strategic business plan

ED PERFORMANCE EVALUATION

- The ED/CEO is the sole official link between the BOD and the organization that it governs.
- The evaluation is often driven by any (or all) of these components:
 - ED Job Description
 - Annual performance objectives negotiated with the BOD
 - Achievement of operating plan and org objectives
 - Operation within the boundaries established in BOD policies
 - Quality of relationship with staff and BOD
 - Quality of relationship with stakeholders
- Ideally, the evaluation is results-focused rather than subjective or personality-focused.
- An ED can't fix what s/he doesn't know.

ED EVALUATION – SAMPLE PROCESS

Who	What
ED/CEO	Writes Executive Letter including: objectives accomplished, what was met/unmet, objectives for next year, discussion items, other info, etc.
Exec Cte (or Personnel Cte or...)	Develops and evaluates the process; prepares any questionnaires for BOD/staff
BOD	Each member provides input
Staff	Each staff provides input, as appropriate
BOD Chair	May initiate input from others, e.g., key stakeholders; prepares summary of input
Vice-Chair or Personnel Cte	Works with Chair to summarize all input
Exec Cte	Receives and reviews Exec Ltr and summary of all input; formulates BOD position re: merit increase, next year's goals, etc.
BOD Chair (may include others)	Communicates decisions to the ED/CEO

ED EVALUATION SAMPLE

- Board Relations*: The ED keeps the BOD informed of issues which may affect the organization and consults with them on any problems or issues that may impact the possible success or failure of the organization's objectives and initiatives.
 - Works closely with the BOD chair to provide focus on significant issues in establishing BOD agendas
 - Maintains appropriate flow of relevant information to the BOD in a timely fashion
 - Is available and responsive to the BOD at all times
 - Is clear and straightforward at all times in responding to BOD inquiries

- Unsatisfactory
- Below expectations
- Fully met expectations
- Exceeded expectations

* Other evaluation areas include: Strategic Focus, Org Culture, Org Performance, Personal Leadership, External Relationships, Finances, etc.

BYLAWS

- Think of bylaws as the organization's operating manual relative to corporate governance for YOUR organization.
- State nonprofit laws usually address nonprofit governance matters.
- Keep them simple but clear as to expectations and/or behaviors.
- Key policies include:
 - Indemnification
 - Code of ethics
 - Conflict of interest
 - Quorums, notice of meetings
 - Term limits
 - Executive Cte description and roles
 - Adding/removing board members
 - Other essential corporate governance matters

CONFLICT OF INTEREST – THE “UNCOMFORTABLE” ONE

- Simple safeguards can go a long way towards preventing and avoiding conflicts of interest:
 - Define the intent of the policy
 - Clarify disclosure procedures
 - Establish a policy related to conflict of interest
 - Have all members sign when they join the board (and revisit annually)
 - Abstention from vote or discussion (and reflect so in the minutes)

BOARD SELF-ASSESSMENTS – WHAT, WHY, HOW...

- What is it?
 - Helps nonprofits boards of directors or trustees to identify gaps between the standards for effective nonprofit boards and their perceptions of knowledge, skills, and processes as they carry out their board roles
- Why do it?
 - Identify strengths and any problem areas that need attention and develop an action plan to address
- How do we do it?
 - Anonymous survey or questionnaire
 - Compile results
 - Agree on most important issues and develop action plan

BOARD SELF-ASSESSMENT SAMPLE 1

Please rank **YOUR OWN** performance from 1 to 5, using the following guidelines:

5—exemplary performance, consistently far above and beyond expectations

4—strong performance, frequently above expectations

3—meets expectations

2—frequently performs at a level less than expectations

1—unsatisfactory

Knowledge of X programs and activities

Financial understanding of X

Ability to contribute knowledge of industry/business sector

Comes to board meetings prepared and ready to participate

Contributes outside of meetings, e.g., makes introductions

Chairs or participates in a committee or program

Communicates clearly, concisely, and convincingly

Listens actively and accurately

Makes thoughtful, constructive comments/decisions

Participates in other board related activities (social events)

Maintains good relationship with the ED/other board members

Effectively champions X to the greater business community

Is comfortable and willing to ask for money

BOARD SELF-ASSESSMENT SAMPLE 2

Using the following guide, assess each item according to the following scale:

Never a problem	Seldom a problem	Increasingly a problem	A definite hindrance
1	2	3	4

Am I able to attend regularly scheduled meetings?

Is my schedule flexible enough to attend emergency meetings?

Am I able to discuss controversial topics effectively?

Will I be able to review support materials prior to meetings?

Am I comfortable asking for money?

Am I able to keep an open mind on issues?

Do I have a high level of commitment to the organization?

Do I arrive on time for meetings?

Does my career/job conflict with my board position?

Do I confine my discussion to agenda items only?

Do I make at least one positive contribution to each board meeting?

Am I able to avoid participation in board issues which are self-serving or may be a conflict of interest?

BOARD MATRIX

- Think of a board matrix as succession planning for the board
- Ideally, each board member would assess the skills s/he brings so that you have a composite for when new board members are added or moving off
- It's important for people not to make assumptions about skills someone else has
- This helps organizations target committees that might be appropriate for peoples' skills
- Depending on the organization, specific expertise that matches an organization's mission might be helpful. For example:
 - age, gender, ethnicity/race, industry specific (construction), environmental, sustainability, organization behavior, capital campaigns, etc.

BOARD MATRIX SAMPLE

Expertise	Joe	Mary	Steve			
Finance						
Fundraising						
Legal						
Human Resources						
Marketing						
Planning						
Business						
Social Services						
Cultural						
Grant Writing						
Arts						
Healthcare						
Housing						

QUESTIONS?

- Email questions to:
 - learningcenter@wwcc.edu
- Check out the website for forms/templates and other resources, including today's materials:
 - www.wwcc.edu
 - Partnerships
 - Nonprofit Learning Center
- See you at our next session on June 8th!