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Challenges in the Boardroom
Thirteen Fixes
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In boardrooms across America volunteers are eager to do a good job in their governance roles. But too often the myths and misguided practices are major challenges to a high performing board.

Limited Savings – Myth: "As a nonprofit organization we cannot have savings." There are not restrictions on exempt organizations' savings. Similarly, nothing states that activities cannot generate excess revenue. If significant savings exist there should be a *reason* for the reserves that aligns with the statement of purpose.

Meeting Minutes are Public– Another myth: "We must comply with open records laws, freedom of information requests, and allow guests to attend our meetings." There is little basis for the statement. Generally the only public records are three IRS documents[1]. State corporate law may require other records to be available to members, directors, etc. Meeting minutes record board actions and protect the organization --- they are not a newsletter for members.

Won't Have to Do Anything – "The nominating committee told me I won't have to do anything --- and excused absences would be OK." The nominating committee was wrong. Each director is expected participate in governance. Board members have fiduciary duties to advance and protect the organization. Though the bylaws may state that an absence will be excused, stakeholders and members expect directors to fulfill their duties (duty of care.)

Misdirected Loyalty – Some organizations select directors from a chapter or industry segment. Mistakenly those directors think they represent the sector from where they came. To be clear, once installed they represent the interests of the "parent" organization and give up their loyalty to the originating group (other than to communicate interests.) More than that could result in a conflict of interest.

[1] Form 990, Form 1023 or 1024, and the Letter of Determination.

Management is Easier than Governance – Though many directors have management skills --- it is *not* their job. The staff is responsible for management. Board governance focuses on policy development, strategic direction and fiduciary duties. Managing or evaluating members of the staff is *not* governance.

Committee Work at the Board Table – Committees are charged with tasks. Directors must respect the work of committees and not do the committee's work at the board table. If a committee has not produced satisfactory results, clarify the charge and send it back for further work.

Read to Lead – Leadership requires knowledge. Directors must be conversant in the governing documents (articles of incorporation, bylaws, policies, strategic plan, budget and purpose statement.) Compliance with the documents supports the doctrines of duty of obedience, and voluntary immunity.

No Roadmap – A strategic plan should frame nearly all discussions at meetings. When directors have new ideas, check them against the strategic plan to see if they "fit" --- or will something need to be dropped from the plan in order to take on a new project? Keep the strategic plan on the board table.

Alternates and Proxies – Some organizations allow for alternate directors and proxies. Because the elected directors are responsible for the organization, giving away one's authority to a person who is less prepared than the director is impractical. Organizations are rethinking the wisdom of seating persons at the table that don't have the knowledge or did not participate in orientation.

Orientation is Optional – Yearly orientation should be mandatory for all directors. Board training can be accomplished in as little as two hours; a small investment of time for a year of effective leadership.

Agenda Format – Many agendas are filled with *reports* by officers, staff and committees. Review the resulting minutes and you may find no significant motions advancing the mission and goals. It is OK to redesign the board agenda --- moving

reports to a *consent agenda* and focusing on items that will advance the mission and goals. Include the mission statement at the bottom of every agenda.

Silence is not Golden – Some directors are silent because they don't understand the process or topics. Board members should come prepared to discuss issues, offer solutions and be ready to vote. If you can hear a pin drop in the boardroom there is a problem.

Size Matters – The average size board runs about 16 persons. Larger boards tend to delegate authority to a smaller executive committee. The trend is downsizing, although there is no correlation between board size and good governance. In 2008 the IRS opined, "… very large boards may have a more difficult time getting down to business and making decisions."

Every board intends to produce significant results. Myths and poor practices can impede progress.

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Note: Bob Harris, CAE, offers free governance tips and templates at www.nonprofitcenter.com. He offers a self-paced governance review at the website.