

## EXECUTIVE DIRECTOR'S PREVIEW: *THE LITTLE BOOK OF BOARDS*

*The Little Book of Boards* was written to create a better generation of board members at small nonprofits. Improving the quality of board members should also improve the day-to-day lives of executive directors. Imagine fewer phone calls with “suggestions” that you can’t implement. Fewer board meetings rehashing work that you’ve already done, and done well. That’s the promise of this book.

This chapter contains the key message of the book about a board member’s roles and responsibilities of board members. I’m giving you a preview of its content because I want you, the executive director, to see the value that is in this book for the board—and for you.

If this strikes a chord for you, and you want to distribute this information to your board, please consider purchasing copies of the book itself and distributing that. It’s a short read, it contains a lot more useful information, and if you order more than six copies, you can get them at a significantly discounted rate, exclusively at [www.for-small-nonprofits.com/store](http://www.for-small-nonprofits.com/store).

Thank you for reading and I hope this resource is a real help to you and your work.

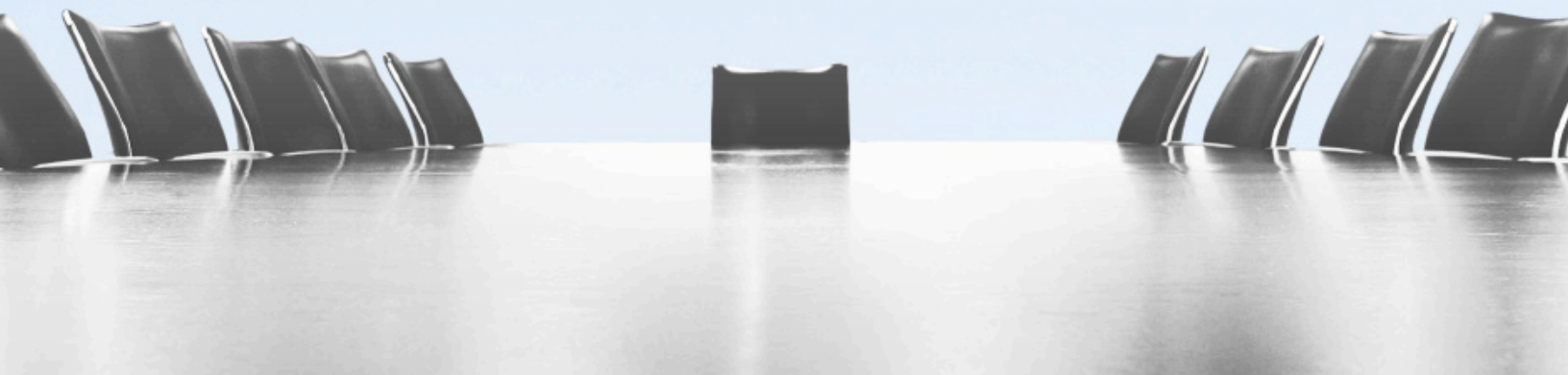
— Erik Hanberg

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### MEET DENNIS AND LINDA

Throughout the book, many of the stories are illustrated using the fictional Smallville Historical Society, which operates a historic cabin in Smallville, USA. Linda is the executive director, and was the “main character” in *The Little Book of Gold* (about fundraising) and *The Little Book of Likes* (about social media).

This free chapter focuses on “Dennis,” a retired plumber who volunteers at the cabin. He’s been invited to stand for nomination to the board by the current board president. Having never served on a board before, his first question is understandable: “*Just what does a board of directors do?*”



# CHAPTER 1

## WHAT DOES A BOARD DO?

JUST WHAT DOES a board of directors do?” Dennis asked the board president.

It’s a simple question, but there’s no simple answer. The board of a hospital does different things than the board of a soup kitchen. The board of a nonprofit going through a capital campaign does different things than a board looking for a new executive director.

But while the activities might be different, the core responsibilities of a board member remain fairly common throughout all nonprofits.

The board president nodded at Dennis’s question, appreciating that he was willing to be candid about what he did and did not know. “We do a lot, but it may not be in the ways that you think. In fact, our first and most important job may surprise you. We make sure the nonprofit is following its mission.”

### ENSURE THE NONPROFIT IS FOLLOWING ITS MISSION

Dennis looked at the board president blankly. “Isn’t that pretty obvious? The Historical Society promotes Smallville history... and stuff.”

“Right,” the president smiled. “It’s the ‘and stuff’ that gets tricky. Specifically, our mission is ‘to preserve, protect, and promote the history of Smallville.’”

“Seems clear enough,” Dennis said.

“So let’s say there was a grant available for forty thousand dollars that could only be used to talk about arts in Smallville. Should we apply for it?”

“That’s a lot of money, obviously, but I guess not.”

“Not an easy choice, is it? We’d certainly want to check if there were a way to use it to tell the story of arts in the history of Smallville. Or maybe they include cultural nonprofits with arts organizations. But if we couldn’t use those ‘lenses,’ you’re

right. We shouldn’t apply for it.”

Making sure your nonprofit is following its mission might sound obvious—like checking whether the symphony is performing symphonies. But keep in mind that a mission is more than just a nice idea. It’s the legal reason for your existence. It’s something that the Internal Revenue Service actually cares about. The board is responsible for making sure the mission is followed.

Why is this a big deal? Because the mission is what grants your nonprofit its tax-exempt status. *If there were no mission, you would be just a regular business and you would be taxed accordingly.*

Let’s say your nonprofit’s mission was to “save the whales,” and you sold T-shirts with a message on the front that said “Save the Whales.” That’s not enough on its own to make you a nonprofit. Unless you are actually giving money to whale conservation or are otherwise educating the public about whales, the IRS could audit your organization and charge you for tax fraud—operating a T-shirt business in the guise of a nonprofit.

More commonly, this duty for board members comes up when a staff member or a board member suggests a new program to be offered by a nonprofit. The first thought of a board member should be: is this part of our mission? Sometimes this cuts the other way, too. The Smallville Historical Society primarily operates a pioneer cabin. But its mission says nothing about focusing on just the pioneer days. There have been 150 years of history since then! A board member at a nonprofit needs to be ready to consider new ways of living its mission. Maybe it would surprise Dennis if the Historical Society created an exhibit on the tumultuous labor relations that hit the town in the 1920s, but it’s just as much

“on mission” as the pioneer cabin is.

(Note: Nonprofits can have some non-mission-related income streams. For example, a theater can rent out its auditorium to a corporate meeting to generate earned income. Your nonprofit should consult a tax attorney, or confirm during an annual audit whether there is any tax liability for income that may not be strictly “on mission.” Raising the question is an important duty of a board or individual board member.)

#### SET POLICY

“Our next big role is in setting policy,” continued the board president. “I know it sounds boring. But it’s vitally important to making sure that the nonprofit is on the right path.”

“Can you give me an example?” Dennis asked.

“Well, two board meetings ago, we passed a comprehensive marketing plan. That’s a form of policy. And last meeting we passed an environmental stewardship policy. So we make efforts to use pitchers of water at events instead of water bottles, and biodegradable forks and knives.”

“That seems like it’s not really related to history,” Dennis said.

“It doesn’t have to be. Policy is about *how* we fulfill our mission—all aspects of it. It can cover personnel, finances, board operations, and more.”

“What other policies do you have?”

“Many. We don’t store customer credit card numbers. Employees working more than 30 hours per week may opt into our retirement plan. Partner organizations must be approved by the board of directors. Policies create a framework for how we operate, one that Linda has to work within.”

Please note, there is a tendency of boards to start creating policy around something it doesn’t like, no matter how minor. “Casual Fridays are not allowed” is the kind of policy created after a Casual Friday gone wrong. Generally speaking, the temptation to create a narrow policy like this is counterproductive. How big is your board? Seven? Seventeen? Is it really a good use of time at a board

meeting for so many people to talk about creating a new policy around Casual Fridays? Or is it easier for the board president to pull the executive director aside and ask her to deal with it as a supervisor?

Setting policy is an important function of a board, so long as it doesn’t try to use policy to overly prescribe the actions of the executive director or staff carrying it out.

#### ENSURE THE FINANCIAL HEALTH OF THE NONPROFIT

“The other way we direct how the nonprofit runs is through the creation of an annual budget,” the president said. “We as a board have a responsibility to keep an eye on the finances. So we establish what we’re going to do every year with a budget, and then we get reports on it from the treasurer at every board meeting.”

“I haven’t spent a lot of time with big budgets and stuff,” Dennis said.

“The budget isn’t that big,” the board president said with a smile. “Although hopefully it will be someday. But really, don’t worry about it. We will take you through orientation before you officially join the board. And there’s always a learning curve. It’s not a problem at all. As long as you’re willing to ask questions and do your best.”

“I can do that.”

“It’s worth pointing out here, too, that—technically speaking—the most we as a board get to weigh in on the daily operation of the nonprofit is through the budget. It’s the job of the executive director to carry out our budget, within the guidelines of policy and the mission. She reports how we’re doing at board and committee meetings, by providing written reports, and—of course—financial reports. But we don’t really get to tell her how to run day-to-day operations.”

“I get that.”

The board president smiled. “I know, it all makes sense *in theory*. And we’ll talk more about that in a second. For now, though, just know that the budget is the main way we set operations for the year.”

*One specific means of financial oversight: an audit*

Beyond budget and regular financial reports, there is one more part to ensuring a nonprofit's financial health. It's the job of confirming that what the treasurer and the executive director are reporting to the board is accurate. This is accomplished through a regularly scheduled audit of a nonprofit's financials.

The way this works is that a board will hire an accounting firm to review the books and look for any anomalies. They aren't just looking for malfeasance such as embezzlement, but also simply looking for ways that a nonprofit can improve. Some audits will return recommendations for financial policies; others will just point out a systems flaw or a *potential* for malfeasance and leave it to the board to decide how to take action to address it.

Some nonprofits are required to perform an audit depending on their size, state law, or whether they receive government grants. If you are required to do this, your fellow board members are likely aware of this. As you learn about the nonprofit, it's worth asking about.

For a small (or very) small nonprofit, the cost of an audit might be too onerous to manage. Know that there is a range of costs and that they can vary widely depending on the accounting firm, so look around.

An alternative to the cost of an audit is something called a financial "review," which can be much cheaper. At one small nonprofit I worked at, the board performed a full audit every third year and a review in the other two years to keep the cost down.

Whether it's a review or an audit, remember that this is a procedure the board itself should be managing, *not* the executive director. A board should expect full compliance from the executive director and staff, but this is a job for the board. Often this task falls to the treasurer by default and is handled by the finance committee. In actuality, it would be even better if a separate committee managed the audit process, to protect against the outside chance that your treasurer is part of some malfeasance or is performing poorly.

## INTERLUDE

Whether enormous or very small, those three board responsibilities—mission, policy, and financial oversight—will create a functioning nonprofit. Every board, no matter the size, has these three responsibilities. That doesn't mean that the duties we'll cover later are optional, but rather that these three form a particular legal and fiduciary core of responsibilities for governance.

Think about it this way: the first task of a board is ensuring that a nonprofit is on mission. The next task is setting general policy for how that mission is carried out. The next task is ensuring that it has the financial resources to do so.

With those three things established—mission, policy, and budget—an executive director should be able to carry out the vast majority of the daily business of a nonprofit on behalf of the board.

## FUNDRAISING

Not all nonprofits need to fundraise. Perhaps they rely on large grants or contracts, or earned revenue, or perhaps the nonprofit is so small that the band of volunteers doesn't need to raise money for what they do.

But most nonprofits do fundraise, and the board should be at the center of those efforts. It's an extension of the board's financial oversight responsibility. If your nonprofit is asking for donations from others, then your board members have a duty to give, and there should be no exceptions. The norm should be 100 percent giving. For a plan to get there, if you aren't already, I recommend my book *The Little Book of Gold: Fundraising for Small (and Very Small) Nonprofits*.

I like to say that for individual board members, this means giving a gift that is "significant" to them. Another way to phrase this is to say that whatever giving you do to other charitable organizations, one of your biggest three financial gifts of the year (by total dollar amount) should be to the nonprofit on whose board you serve. Some board members give a smaller monthly amount if they can't afford to

write a single check once a year.

Some nonprofits say “give it or get it,” to mean that if you don’t have the resources to give yourself, you are obligated to raise it from others. But that’s not the full story. It’s not an either/or. You should be doing both.

What that entails varies by nonprofit.

During his meeting with Dennis about joining the board of the Smallville Historical Society, the board president laid out the fundraising responsibilities expected of a board member.

“We do have an expectation of one hundred percent board giving,” the president said.

“Is there a specific amount I’m expected to donate?” Dennis asked. (Some nonprofits *do* have a number. It’s important to know these expectations before you join!)

“We don’t set a number,” the board president said. “But you should know that the average gift from the board is \$175. It’s been rising slowly for the past couple of years, which we’re very proud of. We ask board members to give a stretch gift that is significant for them. The amount is treated confidentially, as it is for all donors. Only the executive director and I know the exact figure any single board member donates.”

The board president continued, “We also expect our board members to call donors who give more than \$50 and thank them for their donation. That usually means a handful of calls per board member. And we ask that you attend our annual fundraising breakfast and fill a table with your friends. That’s it!”

That is a *very* reasonable expectation for a board member of a small nonprofit. It’s focused, and it doesn’t waste the board member’s time trying to sell raffle tickets or other high-energy, low-yield activities that can often sap a board member’s energy and divert them from their other, more important duties.

Your board might have slightly different expectations, such as setting up a meeting with a friend who is being cultivated as a donor, and possibly attending that meeting with the board president or execu-

tive director. Some boards may look to you to make an “ask” yourself. If that’s the case, you should ask for training or read the first part of *The Little Book of Gold: Fundraising for Small (and Very Small) Nonprofits*, which covers the process.

#### *A note on “working boards”*

Sometimes a nonprofit board member will tell you that their board is a “working board” and not a “fundraising board.” I should tell you now: this is a false distinction.

Sure, the board members of the Metropolitan Museum of Art in New York City spend huge amounts of time fundraising for the organization. If that’s not a “fundraising board” I don’t know what is. But you don’t have to be expected to raise millions of dollars at swanky parties in order to fundraise for the nonprofit.

Anyone who chooses to serve on a nonprofit board should be expected to give personally, and to give generously (whatever that means to them).

You can be both a working board *and* a fundraising board.

#### STRATEGIC PLANNING AND VISIONING

“There’s another important part to our work, and it’s actually one we’re in the thick of right now,” the board president continued. “Strategic planning. We have a budget for the next year, but it’s our job as a board to look ahead longer than that. Five years, maybe even twenty years. We need to know where we want to go so that every year we can make a little bit of progress in that direction.”

“Can you really plan twenty years out?” Dennis asked. “A lot could change between then and now.”

“A lot almost certainly *will* change. We expect that. But there are some things we can probably make reasonable assumptions about, too. For example, we have a contract with the state to operate the pioneer cabin on their behalf. We know the state budget always seems to be tight—and might keep getting tighter. So we want to make sure we develop some alternate ways of running the cabin without that contract if we ever need to. That’s one

part of the strategic plan. We also want to expand our programming outside the cabin.

“Operating the cabin is not the only thing we do, though people think it is. So what if—God forbid—something terrible happened to the cabin? A tornado scooped it away or something. Would our nonprofit cease to operate because the cabin was gone? We want to make sure that our tours to schools and other events are strong so that we have something to fall back on. So we’re working on strengthening those as well. That’s less about ‘visioning’ and more about making sure we’re not at risk. But both get to the same thing: thinking about the nonprofit over the long term.”

“That sounds kind of fun.”

“It is. But it’s hard, too. People have different values and ideas and we’re trying to reconcile those. And it’s easy to get caught up in monthly reports and the budget. But I’ve worked really hard to make sure we have time on the agenda this year for the strategic plan. I think it will really pay off.”

A strategic plan is often called a “long-range” plan or a “twenty-year” plan, or any number of other similar names that gets to the same idea. No matter the name, the plan needs to ask the big-picture questions:

*Is our “market” changing? Is the nature of the population we serve changing? Are funders changing how they see our work? How is technology changing how we might do business? Could we widen, or narrow, our mission and have a greater impact? How much money should we have in the bank?*

Strategic planning is an extension of a board’s three responsibilities of mission, policy, and financial oversight. It’s taking that work and projecting it out into the future in such a way that an organization can try to prevent being caught unaware by a significant change. Too many nonprofits find themselves in a place where their funding has been cut off because they didn’t diversify it, or the need they serve has changed enough that they are no longer equipped to fill it.

Despite the importance of strategic planning, it is a task often skipped by small nonprofit boards. Retreats are hard to schedule, and regular business at board meetings feels too pressing, so it gets put on the backburner. Later in the book are some tips to free up time at a board meeting, but for now, know that strategic planning should be a key priority for a nonprofit board. If a board isn’t busy developing a strategic plan, it should be occupied evaluating how it is doing at implementing the plan.

One note I think is worth lingering on: The process of strategic planning often relies on a good relationship between the board and an executive director. Mutual trust is important, because many of the answers to the important questions of the plan will, by necessity, come from the executive director and staff. An executive director, simply by living the work of a nonprofit on a daily basis, will often have the best knowledge the board will need to create a plan.

That implies trust from the board that the executive director knows her job, knows her work, and isn’t trying to shoehorn the board down a path that it doesn’t want to travel. It also implies trust from the executive director that the board has the best interest of the nonprofit at heart, that it respects the director’s judgment and knowledge, and also that the board has wisdom and ideas that need to be addressed and considered—and not just written off. In short, mutual trust. It’s a much harder process when this isn’t present.

**“TO HIRE AND FIRE THE EXECUTIVE DIRECTOR”**

“Our next major duty as a board is to ‘hire and fire’ the executive director,” the board president said. “But the truth is that the only reason people say it like that is because it rhymes. Hire, supervise, evaluate, and terminate the employment of the executive director just doesn’t have the same ring, even though it’s much more accurate.”

“What exactly does that mean for me?” Dennis asked. Just bringing up the word “fire” made him uncomfortable. He *liked* Linda.

“Honestly, it shouldn’t mean a lot. Linda is doing a great job and the nonprofit is really firing on all cylinders these days. But there are some important things to talk about.

“The first is that it’s important to understand that Linda works for the board as a whole, not for any particular board member. We all can’t treat her like our personal employee, otherwise she would spend so much time doing things for thirteen board members that she wouldn’t have any time to actually run the nonprofit. That means that you shouldn’t email her and ask her to create a new report about the costs and benefits of a new program. Frankly, no single board member should get to do that... except maybe me,” the board president said.

“Let’s say that hypothetically that I *did* want to see a cost/benefit report of a new program?” Dennis asked. “Maybe I thought it was important to my duty to the finances or something. What should I do if I can’t ask Linda?”

“You should ask the treasurer or the finance committee as a whole to look at the issue. Maybe they think the report would be useful and then they ask Linda to create it. Maybe the treasurer knows the figures off the top of his head and could give you a run-down of it in a five-minute conversation. But it stays within the chain of command. We work through committees. So committees can assign work to Linda, but not an individual. It prevents someone from assigning extra work to Linda and bogging her down. But it also makes sure that other board members are in the loop. We don’t want everyone acting on their own initiative without telling anyone else what they’re doing—it would just get too crazy. Committees keep that from happening. Our work supervising Linda and giving her direction should happen exclusively at the board or committee level and not one-on-one between an individual board member and her. Again, the exception to that is me as the board president, and even then I’m channeling what I hear from the board, not pushing my own agenda.”

### *Interlude: Assigning work to Linda vs. using the committee structure*

A lot of people profess not to like committees and view them as a waste of time. This is especially true for people who are not familiar with the sometimes messy and frustrating work of a board and its committees.

To that end, I’d like to give a scenario that a good board committee structure is designed to prevent and explain why you, an individual board member, should work within the board committee structure as much as possible—and not just ask your executive director to do something.

Let’s imagine a scenario in which Dennis has just joined the board of the Historical Society. Toward the end of his first board meeting he suggested an idea that he’d been thinking about for some time. Namely, that the Historical Society should send historical re-enactors out into the community and then film them interacting with modern-day objects with confusion, maybe breaking things they don’t understand. He described how he thought a series of six or eight guerrilla-style videos would go viral on the Internet, how people would love watching the funny reaction shots of shop owners.

Many of the board members laughed and there was a general nodding of heads. The board president looked to the executive director and said, “Linda, can you look into Dennis’s idea a bit more?” Linda nodded, and the board meeting wrapped up.

When Linda came into work the next day, she looked at her notes and wasn’t sure where to go. It was an interesting idea, but she was trying to figure out how to get her head around it. The Smallville Historical Society didn’t have any video cameras, and the last time it had hired out video work for a very short promotional video at its fundraiser, it had cost several hundred dollars. Now the nonprofit was supposed to create as many as six or eight videos? Filmed with a secret camera or something? Could the volunteer historical re-enactors act well enough to do it? Were the other people in the video

supposed to be in on it? What kind of waivers and documents would they need? Were the volunteers *actually* supposed to break things?

She liked the idea, but it seemed incredibly expensive and time-consuming to pull off well. What should she do, she wondered? Should she create a budget and present it to Dennis to show him how much it would cost? What if she just ignored it and hoped no one followed up?

(This situation is all too common. An idea comes up from a board member—good or bad—and it gets referred to the executive director to “look into.” Now she’s stuck trying to figure out what to do with it. There’s no budget, there’s no time to implement it, but there’s a board member who has a personal investment in seeing it happen—a board member, we should remember, who helps make employment decisions about the executive director. This dynamic can create a difficult situation that is almost guaranteed to create frustration or resentment.)

Linda called her board president and explained her situation. He suggested she sit down with Dennis and explain things. Linda took his advice, but when she met with Dennis over coffee, he kept suggesting ways that it could happen. Some were workable, but there was still the central issue for Linda: where would the money come from and who had the time and expertise to coordinate the project and make sure it turned out well?

After the coffee meeting, Dennis called the board president to complain that Linda was stonewalling a good idea. They spent a half hour on the phone until the board president agreed to put it on the agenda at the next board meeting. Now Linda and Dennis were upset at each other, and the board president just wanted the whole thing to go away.

At the board meeting, the entire board spent twenty minutes talking about the idea and how to pay for it. Whereas the meeting before had a lot of heads nodding in agreement, this one was contentious, because there were actual costs associated with the idea. Finally someone made a motion that any money raised above the budgeted revenue at

the annual fundraiser would be dedicated to go toward this project. It was a 5–3 vote in favor of the idea, the first split vote that Linda could remember in some time.

This scenario paints a picture of a board that has forgotten its key responsibilities. It has determined a specific project of operations, it has earmarked spending for special projects outside of the budget process, and it has needlessly allowed for a rift between board members and between at least one board member and the executive director.

I know it seems crazy that something as boring-sounding as a committee of the board could have prevented this, but it’s true. Here’s how:

*First, a good committee structure will harness the experience and wisdom of board members into the key areas where the nonprofit really needs it.* Board members *want* to contribute their experience and wisdom. They won’t volunteer their time if they don’t feel that they’re helping. Committees give board members a way to contribute to work that needs to be done.

*Second, it does so without allowing a “lone wolf” to establish his or her own agenda without input from other board members.* Like Dennis, a board member passionate about a particular topic can often push a board strongly enough that factions or “sides” develop. Boards get enormous benefits from having a diverse set of people in the room. But as soon as they stop working collaboratively and collegially, a lot of those benefits go away. People stop listening to each other and start dismissing each other’s opinions, and board meetings start to feel tense.

*Third, a good committee structure allows for experts to emerge on the board.* Not everyone can be an expert in everything. A governance committee will spend more time with the bylaws than the full board. A finance committee will spend more time with the balance sheet than the full board. This is not about a board outsourcing its responsibilities to a committee. But a board can rely on a small group to study an issue or a particular facet of the organization in-depth.



*Fourth, a good committee structure respects the time of the board.* The formalized structure and clear expectations (such as attend board meetings and sit on one committee) help board members understand what's expected of them, and prevent a nonprofit board from continuing to ask for more, more, more from its members.

*And finally, committees allow a small group to consider new and possibly controversial ideas in a relatively free environment that might have been immediately nixed by the full board.* Let's say a board was considering implementing term limits, something that might make the long-serving members of the board anxious. A governance committee is likely to have more opportunity to fully consider all the pros and cons of the idea at its meeting than at a full board meeting, when some board members start to feel unwelcome by their fellow board members. By "opportunity," I mean the committee has more time (a governance committee could devote a full hour to the topic, whereas a board might be able to allot only 15 minutes) and also more freedom (it's easier to hear a wide range of ideas in a small group, especially when there's not a chance of an immediate vote for something to become policy).

Let's tell a different story about Dennis and his idea. This time, the Smallville Historical Society has a better committee structure in place.

Just as before, when he finished describing his idea for a series of guerrilla-style videos of costumed re-enactors, many of the board members laughed, and there was a general nodding of heads. But this time, the board president looked to the chair of the marketing committee and said, "Can the marketing committee look into Dennis's idea and report back in a month or two?" The committee chair nodded, and the board meeting wrapped up.

Before the next meeting, the chair of the committee called Dennis and got more information about his idea. He was debating whether to invite Dennis to the committee meeting, and finally decided to invite him.

At the next marketing committee meeting, Dennis shared his idea again, and the group began talking about all the things you could do with it. In her role as the executive director, Linda was in attendance at the meeting. Although she tried to hold back her opinions, she finally couldn't help it, and she shared her worries about how much it would cost. She told them about the three companies she got bids from for the promotional video and the range of costs, which were all fairly high.

The discussion began to focus on the means of pulling it off, and Linda didn't need to weigh in any further. The rest of the committee quickly understood the realities of budget and time (it was a common topic at the marketing committee meeting). They spent a little while discussing whether there was a cheaper way to film this, until another board member had an idea: they didn't have to film it at all! The Historical Society could send the costumed volunteers to the popular Smallville farmers market and get the same result! Instead of one or two people in a shop seeing the costumed volunteers, a whole bunch of people at the market would. The volunteers could talk in character to the farmers about planting crops, they could pretend to be amazed by the food trucks at the market, they could talk to parents they met about child-rearing in the 1850s. Best of all—it was *free*. All the worries about equipment and cost went away.

Everyone, including both Dennis and Linda, got really excited by the idea. They started making plans for how and when to stage their idea.

At the next board meeting, the marketing committee chair (note: not Dennis) presented the new plan, and everyone loved it. One board member said that she had a friend at a local TV station and that she could give her a heads-up about it.

In the end, the market day went great, the costumed volunteers were a big hit with the market-goers, and the historical society even managed to get 30 seconds of coverage about the costumed volunteers at the end of the local news broadcast.

Just as importantly, the board saved a lot of time

and headaches. Dennis's idea was appropriately channeled into something usable. The marketing committee showed their worth. A group is often smarter than any single person, and that definitely held true for them: no individual person—including Dennis and Linda—would have come up with this plan on their own. They all needed to be in the room together thinking about it constructively.

And, finally, the relationships between board members and between board and staff were still strong (and actually strengthened).

Here's an important note to this whole scenario. Even if the marketing committee hadn't found a way to make the idea happen, this process still would have been better than the alternative for the time saved and preservation of the emotional energy of everyone involved. The marketing committee as a whole—not just Linda—would have collectively decided that Dennis's idea wouldn't work within the constraints of their budget and time. Maybe they would have identified a means of applying for a grant for a video camera, or maybe not. Maybe they would have suggested finding room in next year's budget to hire a company, or maybe not. But that result would be coming after a robust conversation between board members—board members *equal* to Dennis, and not his supposed "employee." Dennis would have felt his idea had been given a fair hearing, so even a negative decision—while disappointing—would be understandable, and likely wouldn't cause rifts later.

It's the supervisor/employee relationship that can make the tendency of a board member to casually throw out ideas to the executive director so problematic, which is why this section on using the committee structure of the board comes here. Participating in a robust committee structure is the way to be most helpful to your board. Working outside of it will make a lot more work for the executive director and your fellow board members who have to try to rein you back in.

#### *A board has one employee*

There's another important point to make here when

it comes to how a board member interacts with the executive director: she is the *only* employee the board has. Everyone else works for her.

Imagine a nonprofit as a sort of hourglass. At the top of the hourglass is the board. The narrow pinch in the middle is the executive director. And below her at the base of the hourglass are staff and volunteers. Those staff and volunteers report to her, and to her alone.

In the same way that board members should not individually assign tasks to an executive director, they should not do the same to staff beneath her. The executive director manages their time, their priorities, and their workload—not the board. So it's hard on employees to know what to do when a board member calls them and asks them to do something if they already have a full plate.

I'll repeat: requests and ideas should go through board committees, and those committees can decide whether to ask for more information or support from an executive director. It's then her decision on how to handle it. Can she delegate it? Can she do it herself? She knows the capabilities and workloads of the staff and volunteers better than anyone. It's her call to make.

#### *A quick note on "firing" an executive director*

I've devoted a longer section to the question of terminating the employment of an executive director in the "How to Be Board President" chapter in the back. It's there because this is a responsibility for the board president to manage and lead.

As a new board member you should know a few things about this sensitive topic. I hope you don't have to go through the process, but if you do, here are a few things to keep in mind.

First, if a board member sidles up to you in the parking lot after a meeting and drops hints about possibly firing the executive director or "going in a new direction" with the position, that board member is seriously speaking out of turn. This topic is a big deal. Don't engage in gossip about it. *If there are truly issues that warrant consideration of letting the executive director go, you should talk about it in*

*only two places: one-on-one with the board president, or in executive session as a full board.* That's how you know it's serious.

Second, if there really are issues with the executive director's performance and the topic of firing an executive director is actually on the table, you might feel pressure from other board members or your board president to decide unanimously to release the person. Your duty as a board member is to vote in the manner that *you* feel is best. If you don't think someone deserves to be fired, vote that way, no matter the social pressure.

(The same holds true for hiring an executive director. If you don't think someone should be hired, don't vote for the person. Yes, there will be a record of your dissenting vote and you will have to own your vote to the new executive director if he or she is hired. But you should vote the way you feel is right.)

Third, you should personally become familiar with the employment contract of your executive director, if there is one. Your board may choose to get a lawyer to protect itself during this process, but you should spend the time educating yourself as well.

Fourth, once the decision has been voted on and approved by the board—even if you voted against it—now your job *is* to be a team player. Even if you cast a dissenting vote, you have an obligation to support the nonprofit and to not undermine the board because you disagreed with them. That means you should not warn the director that it's coming. You should not call her up immediately afterward and commiserate about how unfair it was. If there is media interest in the story (and there often can be, because a nonprofit usually distributes a press release after it has fired an executive director), you should not answer media inquires but instead refer all comments to the board president or the designated spokesperson. Often there is a non-disclosure agreement signed between the board and the departing executive director to protect the reputation of both parties. In that case, you *really* don't want to be the one to break it.

### *Back to Dennis*

"So it seems like when it comes to supervising Linda, there isn't actually a lot that I personally should be doing," Dennis said.

"In most normal times, not really," the board president agreed. "I ask for feedback twice a year on performance and when I hear the same comment from a few board members, I pass that on to Linda so she can improve. If something were going really wrong, or if Linda took a new job and we had to hire a new executive director then there would be more to do. But we're not like a traditional boss watching to see what time she punches the clock. We *can't* be—we're simply not there. How she communicates with us, how she fixes problems or mistakes, and how the overall nonprofit is doing are the best ways we can see how she is furthering the mission."

### A BOARD MANAGES ITSELF

"The truth is," the board president continued, "just keeping ourselves on track is hard enough without worrying about what Linda's doing every second of every day. That's because the final big responsibility we have as a board is to manage ourselves."

"That sounds like something that comes with being in your seat," Dennis said.

The board president laughed. "Maybe it looks that way. I just try to keep everyone going in roughly the same direction. But it only works if other board members step up. The governance committee needs to meet regularly and set an action plan for the year. I can't be too involved in that; there's just no time. And if a meeting is in danger of going long, the board needs more people to be conscious of the clock than just me. Making strategic planning a priority on the agenda is always hard. We all have to be invested in it, or it's just a pet project of mine and it will be abandoned as soon as I step down."

Notice that the board president is talking about two different ways that the board manages itself: through formal and informal means.

Formally, a board should have policies about how it operates. Are there term limits on board members? Is there a governance committee that reviews how the board does its business and makes recommendations? Is there a conflict-of-interest policy that board members are asked to sign? Who makes sure they do so? These are formal roles of how a board manages itself.

There are also informal ways that a board manages itself. These are often called “norms” or a “board culture.” Are there expectations that the meeting will start on time? How does a board deal with conflict during a board meeting? Are there “parking lot” meetings after the board meeting where the real business happens? Are quiet people encouraged to speak up? Do individual board members feel empowered or does all the work reside with the board president? If a committee is falling apart, who helps put the pieces back together?

Cultural norms are powerful and self-reinforcing, and their effect on how the board conducts its business can be strong. Pay attention to them and look for opportunities to make changes if there are norms you’d like to improve.

The formal and informal ways that a board manages itself are a clear responsibility of the board. No one else can do it for you. (I speak from early experience on that point: an executive director who tries to weigh in on how the board handles its business will meet with a distinctly icy response.)

#### INDIVIDUAL RESPONSIBILITIES

“And so that’s about the whole of it,” the board president concluded his (rather long) answer to Dennis. “We ensure we’re following the mission, create policy, ensure the financial health of the Historical Society, help with fundraising, work on the strategic plan, supervise Linda, and handle the board’s governance.”

Dennis nodded. “That makes it more clear what the board itself does. I hadn’t ever really thought about it before. But I’m still trying to figure out if this is a good fit for me. I guess I still need to get a

better handle on what’s expected of me personally, and what I could bring.”

The board president had gone over the expected time of his meeting with Dennis, but he was glad to do so. He appreciated how much thought Dennis was giving to the idea, and that he hadn’t just agreed on the spot.

“Some of those questions like ‘Is this a good fit for me’—only you can answer for yourself,” he said. “But I can cover what we expect of our board members.

“In addition to some of the duties we’ve talked about, such as fundraising, we have a few other expectations. For example, we ask that you do your best to attend all board meetings and that you sit on one board committee. We have what we call a ‘memorandum of understanding’ that spells it all out. We ask new members to sign it when they join, and everyone signs it at the first meeting of the fiscal year. Here’s a copy you can take home with you and think about.”

#### A MEMORANDUM OF UNDERSTANDING

An “MOU” is a good way for a board to make sure it is clear with its members about what’s expected of them. If the board that you are joining doesn’t have anything this formal, the responsibilities listed below probably get to some of the “unstated” expectations that a board has for its members.

(Along with other useful documents, there is a full copy of a sample memorandum of understanding available in a special download section at [www.forsmallnonprofits.com/boarddocs](http://www.forsmallnonprofits.com/boarddocs).)

Here are some responsibilities that a board might ask an individual member to agree to:

- I will communicate the organization’s work and values to the community and represent the organization when requested.
- I will attend at least 80 percent of board meetings.
- I will be a member of at least one committee and attend at least 80 percent of its meetings.
- I will make my best effort to attend special events.

- I will give a financial contribution to the Annual Fund, making the organization a priority in my philanthropy.
- I will actively participate in one or more fundraising activity.
- I will act in the best interests of the organization and excuse myself from discussions and votes where I have a conflict of interest.
- I will stay informed about what's going on in the organization. I will ask questions and request information. I will participate in and take responsibility for making decisions on issues, policies, and other board matters.
- I will work in good faith with staff and other board members as partners toward achievement of our goals.
- I will regularly review the financial position of the nonprofit and remain engaged when it is time to annually adopt a budget.
- If I don't fulfill these commitments to the organization, I will expect the board president or president-elect to call me and discuss my responsibilities with me.

#### MORE THAN JUST RESPONSIBILITIES

Dennis knew now that he wanted to join the board. The responsibilities of the board and the expectations they had for him seemed reasonable. But there were still some key questions he had for the board president that would help him determine whether the board was a good fit.

#### *When are the meetings?*

"Meetings are the third Tuesday night of the month, 5:00 to 6:30, although we have been known to run a few minutes long," the board president replied.

This is a basic question of whether you can join a board. If the regular monthly meetings are a direct conflict for you, you can't join the board in good faith, no matter how much you want to.

#### *How long is a board member's term? Are there term limits?*

"The Historical Society has three-year terms for all our board members, renewable once. So you could step down after three years, or choose to stay and serve a full six years."

Boards often have terms between two and four years, which are usually renewable once or twice. This protects the nonprofit from having a board stagnate, but also gives the volunteer board member a clear expectation of their window of service. In other words, it gives them an out. Six or eight years on a board can burn out a volunteer. Terms and term limits let them exit gracefully. Many boards don't have term limits, which is not the worst thing in the world. But a board that doesn't have any terms at all suggests the board has not given much thought to its governance structure.

#### *How I am elected?*

"A majority vote of the board is required to put you on the slate of candidates, and then at our annual meeting with the full membership, we present the slate for a voice vote by the membership. It's a formality at this point, but we didn't want a possible fight with the membership about getting rid of their vote and appointing board members ourselves."

Many boards elect new members at the last meeting of the fiscal year, and then the new members attend the next meeting. There's nothing unusual there. You're elected, and you're on.

Sometimes, though, board members are elected only at a special annual meeting of the full membership of the organization (as distinct from board members). Knowing whether you will need to be elected by the membership is useful. Knowing if this election is competitive is even more important. It's good to know if you run the risk of standing for nomination to the board and losing to someone else. Maybe you'll want to run anyway, but this should not be a surprise. Ask.

*Do you have D&O insurance?*

“Of course.”

Most nonprofits, even small ones, carry directors and officers liability insurance on behalf of their board.

D&O insurance protects the board members from liability that might arise from doing their duty as a board member. If someone sues the nonprofit, and the nonprofit loses, instead of each board member having to pay their equal share, the insurance company steps in. The main exception, usually, is negligence.

Very small nonprofits, though, may not carry this insurance so it’s worth asking about.

*What documents can you give me to review before I decide?*

“I’ll email you the draft of the strategic plan we’re working on, the MOU, the current budget, and the last two board packets for your review.”

It’s good to get your hands on whatever documents you can. Ask for the current budget, the most recent financial report given to board members, the bylaws, a strategic plan (if it exists), and the minutes and agendas from the last meeting or two. You’ll get a good sense from those documents of the business of the board and the nonprofit.

From those documents, here are some things to look for:

- *How much money is in the bank?* (This is on the balance sheet.) You can compare this to the monthly expenditures on the profit and loss statement and get a rough idea of how many “months of reserves” the nonprofit has. For example, a nonprofit with \$20,000 in the bank and regular monthly expenses of \$7,000 has slightly less than three months of reserves. This is a useful number to know, since it will give you a sense of how much time a nonprofit has to adapt to changing revenue or other surprises. At least three months of reserves is a good number to see. Less than a month

should merit more questions. (There might be a good explanation.)

- *Is there a strategic plan?* Does it make sense to you? Many very small nonprofits might not have a strategic plan in writing, and that’s probably nothing to worry about. But the larger the nonprofit, the more you should expect to see one.
- *Do the minutes and the agenda show that the board is doing work you are interested in doing and that a board should be doing?* If the minutes show that the board spent a lot of time discussing and approving the design of the most recent marketing booklet—something that is clearly not one of the primary tasks of a board, and likely shouldn’t even make it onto its agenda—then you may want to give a second thought to joining. It’s possible that the board doesn’t know what its primary tasks are. Again, ask for more information.

*Do you like going to board meetings?*

This question caused the board president to stop short. He hadn’t expected anything like that. Sometimes the meetings were a little boring, and sometimes they were a little tense. But generally, he realized, yes. He really did look forward to doing the work of the board.

Except in dire circumstances, being on a board should be enjoyable. There is a real camaraderie that can develop among board members. You have a common interest, and together you are forging a common vision for the nonprofit’s future. That will help you form new relationships that might last well beyond your term on the board.

If the work is good, and the people are good, being on a board can be a rewarding experience. I sincerely hope that the questions in this chapter will help you determine whether a particular board is the right place for you to experience that.

Dennis had heard enough and read enough about the Smallville Historical Society board to believe he was ready to join a board for the first time.