

Distinguishing Governance from Management: Why It's A Big Deal!



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What's the difference

DEFINING THE NOT SO OBVIOUS

Definition of Management

- The act of directing and engaging a group of people for the purpose of accomplishing a mutually agreed to goal beyond individual effort.

Adapted from NGOConnect enews: May 2000



Definition of Governance

- The guiding systems and processes ensuring the over all direction, effectiveness, supervision and accountability of an organization.

Adapted from NGOConnect enews: May 2000

Governance

“Effective boards understand the difference
between governing and managing.
Dysfunctional boards do not!”

-- Barry S. Bader

Definition of Governing Board

- “An organized group of people with the collective authority to control and foster an organization administered by a qualified executive and staff.”
 - – Cyril Houle, *Governing Boards: their Nature and Nurture*

Governing Boards

A Governing board functions best when it focuses on higher level, future oriented matters of strategy and policy and performs its oversight responsibilities in a rigorous but highly efficient manner.

-- Great Boards- fall 2008

Board Duties and Responsibilities

WHAT GOOD BOARDS DO AND WHY



Loyalty to the Organization

Overall, board members have a duty of loyalty to the organization, its staff and other board members. While differences of opinion will likely arise, board members should keep disagreements impersonal. By practicing discretion and accepting decisions made on a majority basis, the board can accomplish unity and confidence in its decisions.

-- Minnesota Council of Non-Profits



Duty Bound:

Duty of Care

- Relates to competence and good behavior that is expected as a board member.
- Acting in a manner that is comparable to how another individual would reasonably act when making decisions as stewards of the organization.

Duty of Obedience

- Commitment to the mission and the rule of law.
- Actions are consistent with the central goals of the organization.
- Legally compliant with Federal and State laws.

Duty of Loyalty

- Standard of Faithfulness and allegiance to the organization.
- Never using information obtained as a board member for personal gain.
- Acting in the “best interest” of the organization.

Fiduciary Responsibility

A fiduciary is someone acting on the behalf of another based on an expectation of trust. A nonprofit's board is the central decision making body for the organization. It has ultimate responsibility and accountability for the organization's actions.

-- Lee Sullivan, CPA, CGMA, is a Manager at PBMares, LLP



Board action is required if:

- It's big
- It's about the future
- It's core to the mission
- A high-level policy decision needed to resolve a situation
- A red flag is flying
- A watchdog watching
- The CEO wants and needs board support

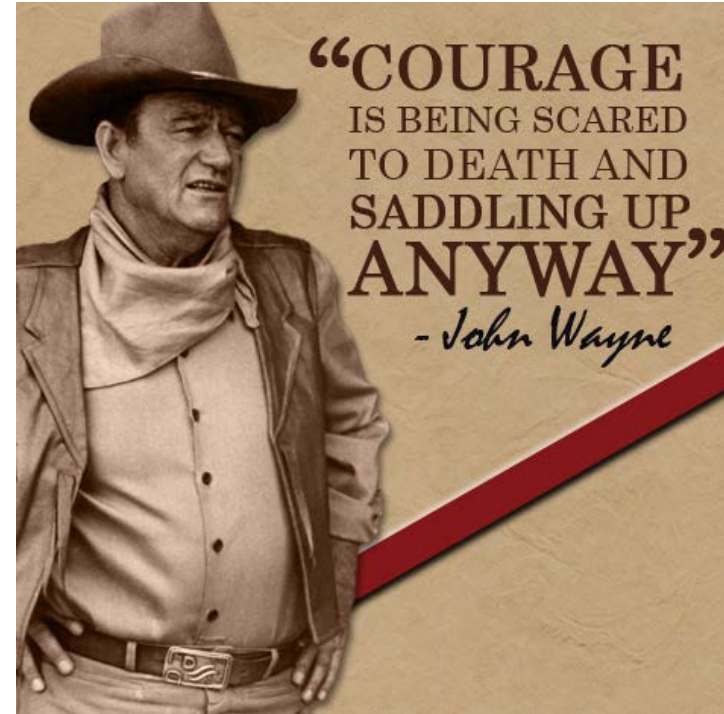
Adapted from Great Boards Fall 2008



Board action is required When:

- Career limiting situations for the CEO
- A trustee's behavior becomes detrimental to the organization
- Fraud, ethical concerns or illegal activity by staff or trustees
- Serious staff concerns
- Financial crisis not manageable by executive staff
- Serious, real threats to the organization
- Serious constituent concerns

Adapted from Great Boards Fall 2008



Select, then annually review the chief executive

Ensure legal & Ethical integrity and maintain accountability

Support the chief executive

Enhance the public standing of the org.

Ensure Adequate Resources

Determine the Mission & Purpose

Manage Resources Effectively

Determine, monitor and strengthen programs and services

Ensure Effective Org. Planning

Recruit & orient new board members and assess board performance

Adapted from *The Board Building Cycle*
--Hughes, Lakey & Bobowick 2003

Approaches to Board Governance and The

CYCLES OF A NON-PROFIT ORGANIZATION

Nonprofit Life Cycles Overview

Stage	Key Question	Duration	Obstacles	Opportunities
Grass Roots - Invention	Is the dream feasible?	0 – 5 years	<ul style="list-style-type: none"> • Resistance to forming • Lack of funding/expertise • No outside support 	<ul style="list-style-type: none"> • Creativity • Energy for the dream • Excitement to join
Start-Up - Incubation	How do we get this started?	1 – 2 years	<ul style="list-style-type: none"> • Fear of formalizing • Sustaining initial enthusiasm • Focusing the founder and energy 	<ul style="list-style-type: none"> • Excitement of funders • Charismatic leader • People wanting to belong
Adolescent – Growing	How can we build this to be viable?	2 – 5 years	<ul style="list-style-type: none"> • Absence of systems & accountability • Overwhelmed with change • Change may alienate funders, clients, staff and board • Danger of becoming isolated in the system 	<ul style="list-style-type: none"> • Sense of accomplishment • New faces, 'arms and legs' • Diversification in all areas of the organization • Rejuvenation for the founders
Mature - Sustainability	How can we ensure sustainability?	7 – 30 years	<ul style="list-style-type: none"> • Lack of or too much control • Lack of risk taking • Board & staff too operational • Unable to transition in to a governance board • Conflict between old and new 	<ul style="list-style-type: none"> • Feeling secure • Adequate resources • New staff/board – fresh ideas • Ability to try something new
Stagnation & Renewal	How, if any, can we renew?	2 – 5 years	<ul style="list-style-type: none"> • Resistance to change • Inability to address key challenges • Declining excitement • Isolation of the agency 	<ul style="list-style-type: none"> • Wisdom from past • Strategic Partnership opportunities • Chance to take risks again and think 'out-of-the-box'
Decline And Shut-Down	Should we close?	1 – 2 years	<ul style="list-style-type: none"> • Financial crises • Inappropriate leadership • Loss of staff and volunteers • Lack of any passion 	<ul style="list-style-type: none"> • Commitment to complete turnaround • Graceful 'sunset' or merger

Developed by: Speakman Management Consulting, 404-622-1205, www.speakmanconsulting.com
 Adapted from: The 5 Life Stages of Nonprofits, Judith Sharken Simon, 2002 and The Conservation Company, 1997.

Board Governance Approaches:

Watch Dog

- Monitoring and evaluation of the Chief Executive.
- Active or Passive depending on the level of scrutiny on the details.
- Directors are generally satisfied that systems and polices are in place.

Trustee

- More actively involved than the watch dog.
- Ensuring activities are enhancing and creating value for the org.
- Still confirming decisions of the chief executive

Pilot

- Board is actively involved in the direction, management, implementation and evaluation of the organization.
- The board is actively making more decisions for the organization.
- Indication the org. has evidence significant issues are moving the board to become actively involved.

It happens and it not always bad!

PREPARING FOR CONFLICT

Good Boards Manage themselves

When conflict exists between directors and/or the CEO and director(s) good boards manage themselves. Procedures are in place to quickly address concerns and find solutions.

Anticipating/Managing Conflict:

CEO Contract

- In Writing
- Mutually agreeable
- Severance terms clearly stated
- Makes it easy to remove the CEO but not inexpensive

Board Roles and Responsibilities

- In writing
- Orientation, mentoring & onboarding
- Vetting process
- No Surprises
- Dream Team Characteristics

Committee of Trustees

- Initial vetting of trustees
- Trustee orientation
- Measures trustee performance
- Trustee conflict resolution
- Trustee giving



Dream Team Board Member Characteristics

- Members are passionate and wholeheartedly connected to the mission of WYCF.
- Members are big thinkers who are focused on the big picture.
- Members are focused on where the organization is going in the future. We encourage your appropriate participation at scheduled board and committee meetings. Missing over 50% of scheduled meetings may be cause for termination of Board membership.
- Members ask the tough questions keeping WYCF focused on the important issues.
- Members keep WYCF accountable, are focused on results and pay attention to the bottom line.
- Members are active, self-initiating fundraisers
 - They are eager to use their personal connections to open doors and create new relationships to extend our reach into the community.
 - They understand the needs of the Foundation and why we are raising money.
 - They can speak with passion and urgency about our mission, case for support, and recognize that we are a results driven organization.
- Members give us their wisdom, moral support, and full engagement; they look for solutions to problems rather than focusing on the problems themselves.
- Members take the time to think through all of our issues and challenges; they don't take the easy way out.
- Members support, the President and review his/her performance.
- Members ensure organizational planning.
- Members ensure the organization has adequate resources.
- Members ensure legal and ethical integrity and maintain accountability.
- Members recruit, orient and engage new board members, and evaluate their performance at least annually.

Fundraising Requirement of all Board Members

(Askers and/or Ambassadors)

We require all board members to make a "proud annual gift" to the best of his/her ability. The WCF would expect each director to make a minimum "proud gift" of \$1,000. We recognize financial capacities vary for each director. Therefore, the amount of this confidential gift may be more or less than the suggested minimum, but this amount will be solely determined by an individual director based on their respective financial situation.

We encourage you, when appropriate; to ask others for contributions to support the fundraising efforts of the Foundation. We encourage your appropriate participation at our public events.

We encourage you to invite friends and contacts to attend our events and special activities. We encourage you to help introduce new donors to the Foundation. We encourage you to help assure that the fundraising program has adequate internal and external support.



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QUESTIONS

