

Communities Learning Together

Advancing HIV Care and Support through
Fiscal Management and Organizational Development

Working with Your Board of Directors for Improved Personnel and Financial Management

Ft. Lauderdale CLT III Training

July 11, 2008

Cathy Lins

Prepared under cooperative agreement with HHS, HRSA, HAB
Access Ryan White TA at careactarget.org

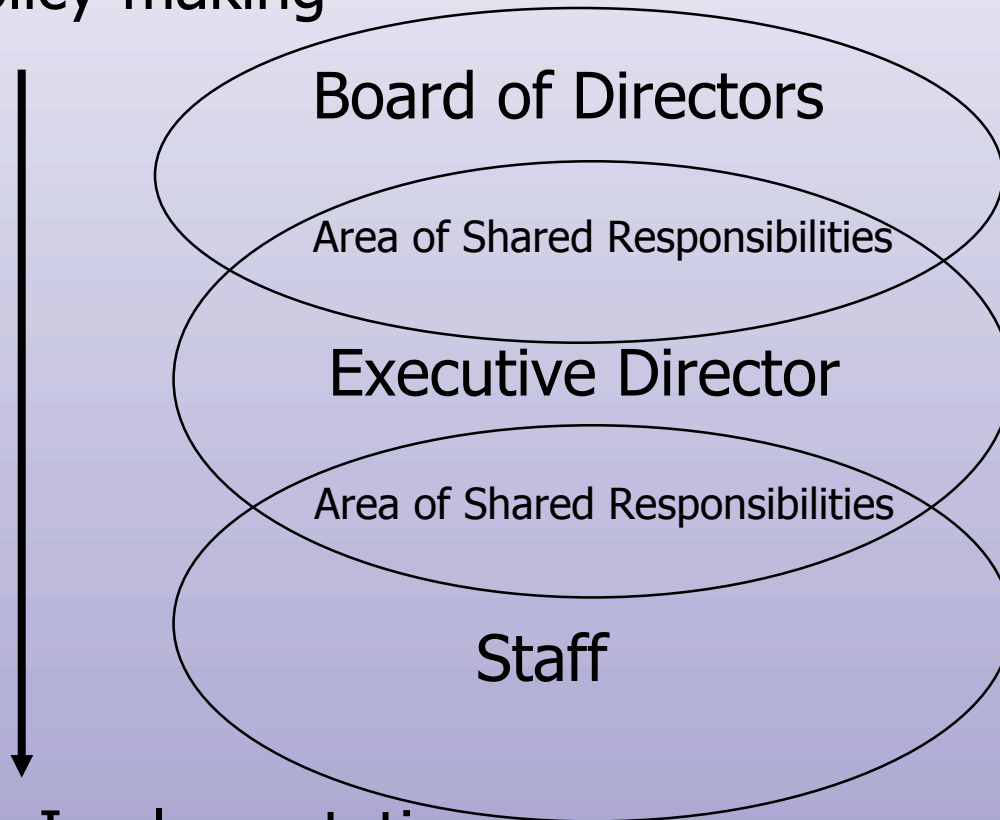
Objectives

Participants will

- Explore the roles between the board, the administration, and the staff
- understand how to help their boards create a system to hire, manage, and evaluate their executive staff
- understand how to help their boards understand their financial statements, audit reports, and other fiduciary duties

Policy & Implementation Spheres

Policy-making



Implementation

What Role Does Your Board Play?

- Rubber Stamper?
- Cheerleader
- Watchdog?
- Policymaker?
- Shared Manager?
- Micro-manager?

The Vital Role-Five Key Areas

- 1. To establish the agency's mission, vision and direction;**
- 2. To ensure the financial health of the organization;**
- 3. To ensure the organization has sufficient appropriate human resources;**
- 4. To direct organizational operations; and**
- 5. To ensure effective community relations.**

(United Way of Canada, 2008)



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Succession Planning and the Hiring of an Executive Director

Nonprofit Succession Planning

- The need for nonprofit organizations to design and implement leadership succession planning has never been greater
- A national leadership study completed by the Annie E. Casey Foundation in 2004 confirmed that Baby Boomers account for nearly 73% of the chief executives of nonprofit organizations and that 55% are over 50. These Baby Boomers are going to leave the sector in two waves: the first by 2010 and the second by 2020. A little over half of the Boomers (57%) in Executive Director positions are planning on leaving by 2010. Nearly 85% plan to leave during the next 7 years.

- **David and Lucille Packard Foundation surveyed its grantees and discovered that 40% had experienced a change in Executive Directors within the last 3 years.**

- **A study done by Compass Point Nonprofit Services reported that nearly three-quarters of the Executive Directors said that their organization has no succession plan and the same amount reported either no plan or they did not know if there was a plan or not.**
- **Slightly over one-third identified someone on their staff as a potential successor, and 2/3 of those had informed this person of their possible candidacy. Almost all organizations that reported a succession plan also identified a possible internal successor.**
- **The conclusion: having a succession plan may mean little more than having an internal candidate in mind, not a formal plan for management succession.**

Definitions of Succession Planning

- **The ongoing process of systematically identifying, assessing and developing talent to ensure leadership continuity for all key positions** (*American Society of Association Executives*).
- **The process of planning appropriate action in the case that a person acknowledged to be a key person or who currently occupies a key position in the organization is no longer available to the organization** (*Jean Roberts: Managing Governance in Nonprofit Organizations in Australia (2004)*).

Creating A Positive Board- ED Relations

- **Mutual trust & confidence - earned & tested**
- **Openness**
- **Mutual understanding of & respect for responsibilities, boundaries & limitations**
- **Define & follow an accountability structure**
- **Competence**
- **Style “fit” – managerial, leader, entrepreneurial, decision-making methods, personality, etc.**

(Controneo & Harlow, 2003)



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Financial Management

The Dirty Little Secret of Nonprofit Boards

- **Fact:**
- **On virtually every board of every nonprofit throughout the world, there are board members who do not understand how to read a balance sheet, a profit & loss statement, or any of the other financial data boards typically review and vote on. At best, your board likely contains at least a few such members. At worst, you have a majority of board members who do not have a clue about the financial statements and reports that are regularly placed in front of them.**

The consequences of this widely accepted (and completely ignored) truth are many.

- **Board members who vote to approve the budget, but don't really understand the budget.**
- **Board members who make decisions on whether or not to hire a new staff person, but don't understand whether or not the organization can afford that new position.**
- **Board members who vote on which fundraising approach to pursue, but couldn't do a cost/benefit analysis to determine if that really is the best choice.**

Policy Recommendations:

- **Among your organization's financial policies (you do have financial policies, don't you?) should be a policy that all board members will evidence a knowledge of basic financial information. They should evidence that they understand what a balance sheet is, what a profit and loss statement is, what a budget is.**

Policy Recommendations:

- **Financial training should be part of your orientation program - with a test at the end.**

Some Finance/Economics Basics for Nonprofits

- **What does it mean that your organization is nonprofit? Is the organization allowed to show a profit? What happens if you do?**
- **Where do most funds come from in the nonprofit sector? Are they mostly from grants?**
- **What does “Opportunity Cost” mean? How does that affect your board’s decision-making?**

Balance Sheet

- **What is the balance sheet? What story does it tell?**
- **Are assets and liabilities good or bad?**
- **What is a debt/equity ratio? What does it tell about the organization? Can you find the debt/equity ratio on your organization's balance sheet?**

Profit and Loss/Income/ Cash Flow Statement

- **What story does the Profit and Loss Statement tell?**
- **Can you tell whether your organization's funding comes from many different sources, or just a few big contracts?**
- **Can you tell what your biggest expenses are? Is it ok that those are high? Why? Why not?**
- **When your board gets most riled up about a particular expense item, what percentage of the organization's overall expenses does that item represent?**

Budget

- **What story does the budget tell?**
- **How often should you look at the budget throughout the year?**
- **Once the budget is approved, can it be changed throughout the year? Why? Why not?**



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Board Development: Understanding and Enhancing Your Board's Involvement

Cathy Lins

Developed under cooperative agreement with HHS, HRSA, HAB
Access Ryan White TA at careactarget.org

Training Objectives

- **By the end of the training, participants will be able to identify/understand:**
 - **Key strategies for recruiting board members**
 - **Key responsibilities of the Board**
 - **Methods organizations can take to engage Board members**
 - **Options organizations can implement to enhance board relationships and manage conflict**

ORGANIZATIONAL LIFE CYCLE

■ Start-up

- Management is founder-driven, staff is small and nonhierarchical,
- communication is often informal
- Board is ED selected, small, homogenous, emotionally tied to mission & involved in operations

ORGANIZATIONAL LIFE CYCLE

■ Adolescent

- **Management: strategic division of labor begins; org chart grows and deepens**
- **Board members add professional expertise and begin to focus on planning and oversight**

ORGANIZATIONAL LIFE CYCLE

■ Mature

- **Management: even larger staff, professional management, hierarchy, authority, accountability**
- **Board: increased size, heterogeneity, focus on planning, oversight and fundraising; committees**

ORGANIZATIONAL LIFE CYCLE

- **Stagnant**
 - **Management: focus on programs, not org goals;**
 - **Staff fiefdoms, low morale and high turnover**
 - **Board: low board turnover, sluggish, less involved**
- **Defunct**



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ORGANIZATIONAL EVOLUTION /BOARD EVOLUTION

- **Organizations change, develop & grow**
- **As organizations mature, so do board/staff relationships**
- **The board is responsible for building institutional strength**



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ORGANIZATIONAL EVOLUTION/ BOARD EVOLUTION

- **The board affects the livelihood of the organization by what it does as well as by what it does not do**
- **The board should be the stable, continuing element of the agency**

FORM FOLLOWS FUNCTION: BOARD LIFE STAGES



- **Three distinct life stages**
- **Various permutations**
- **Board maturing process not an inevitability**
- **Source: Mathiasen, Board Passages: Three Key Stages in a Nonprofit Board's Life Cycle**

ORGANIZING BOARD



- **Small**
- **Homogenous**
- **Informal meetings**
- **Few distinctions between board and staff**
- **Strong commitment to mission**
- **Minor role in fundraising**
- **Following vs. Leading Boards**

ORGANIZING BOARD: TWO FORMS

FOLLOWING BOARDS

- Founding ED invites to join –knows them well
- Plays supportive role
- Responsibility & authority reside primarily with ED
- Strong commitment to vision of leader
- Lacks strength & commitment for guiding organization
- Not task oriented
- No strong sense of ownership

LEADING BOARDS

- Group of people who form organization together
- They raise funds and hire ED
- Agency clearly belongs to board
- Actively involved
- Passionate commitment to the cause
- Task oriented
- Strong sense of ownership
- Staff leadership and empowerment may be limited

TRANSITION #1: ORGANIZING BOARD TO GOVERNING BOARD



- Board taking on more and more tasks
- Struggle with this role: Board doesn't have time and staff starting to resent board involvement
- Delineation between governance and management starts to emerge
- New board members essential but integration is challenging

GOVERNING BOARD



- **Shift from hands-on work to governance oversight**
- **Take responsibility for organization's well-being and longevity**
- **More balanced work relationship between board and staff**
- **Board Chair and Executive Director emerge as principal leaders**

Governing Board

- Board is larger and more diverse than in first stage (not yet strategic)
- Work is delegated more to committees and task forces
- Board holds staff and itself accountable

TRANSITION #2: GOVERNING BOARD TO INSTITUTIONAL BOARD



- **Board increasingly self-aware: additional transitions more easily accepted**
- **Expansion of board size: geared towards fundraising and constituent representation**
- **Stronger and more independent committees**

INSTITUTIONAL BOARD



- **Very large**
- **Board clearly accepts major role of fundraising**
- **Includes many people with ability to give/get big \$\$**
- **Delegates governance of organization to Executive Committee**
- **Much of the board's work is done in committees**
- **Creates auxiliary bodies, such as "Friends of" and Advisory Board**
- **Functions fairly independently from staff**



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Where Is Your Agency?

SMALL GROUP DISCUSSION & REPORTS

- **In clusters by type of organization (life stage, board life stage, and/or field):**
 - What aspects of your growth have been most exciting to you of late?
 - In what areas do you feel the growing pains of misalignment?
 - What areas would you target for development, to best support the organization at this stage?
 - How does this position affect the work we will be discussing today?

Board Recruitment

- **Before you begin –**
 - **Do a self-analysis of the board. Use the organization’s vision, mission, and strategic plan to do a “gap analysis.”**
 - **Determine what skills, talents and interests current board members have and what is needed to move the organization forward in its evolution**



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Recruiting Process

- **Interview Questions**
- **Application Form**



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Where to Look?

- **Start with your volunteers**
- **Consider your donors**
- **Consult your current board and staff**
- **Reach out beyond your organization**
- **Use board or volunteer recruitment sites**



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After You Have Identified Your Candidates

- **Let potential board members know what will be expected of them.**
- **Make a job description or board handbook available to your candidate(s).**



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After You Have Identified Your Candidates

- **"The most important qualification for an effective NPO board member is that they have a passion for the mission of the organization they will represent. You can overlook current position, education, experience, religion, political affiliation and every other status both personal and professional. Everything an effective board member needs to know can be taught to a willing mind and heart, but ... you can not teach passion."**



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Board Handbook

Foundation Information

- Written history of the organization
- Vision, Mission, and Values
- Staff list or organizational chart
- Bylaws and Articles of Incorporation
- Current strategic plan and annual operating plan
- Recent annual report
- Calendar of upcoming events



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Board Handbook

Board Composition

- List of board members with contact information
- Board member profiles and terms
- Statement of responsibilities
- Committee assignments and descriptions



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Board Handbook

Policies for Board Members

- Conflict of interest
- Insurance policy
- Expenses
- Code of ethics



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Board Handbook

Board Meetings

- Meeting minutes
- Meeting process
- Current calendar
- Role of board in organizational procedures



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Board Handbook – Finance and Investments

- Current annual budget
- Current financial statement
- IRS Determination Letter
- 990 Tax Form
- Most recent audit report
- Investment policy
- Spending policies
- Current funder list



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Board Orientation

**Now that they are on board
with us --What should we
cover?**



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Board Orientation

- **Match new members with current members – mentoring system.**
- **Organization’s vision, mission, and values**
- **Last year’s minutes/committee minutes**
- **Strategic and business plans**
- **Budgets**
- **Annual reports**
- **Board Policies and Procedures**

Ongoing Board Development: The Feeding and Care of Volunteers

- Ongoing Training and Development Plan
- Team Building
- Assessment for Progress and Growth Possibilities
- Support and Recognition

Roles and Responsibilities

- **Nonprofit boards' responsibilities fall into four major categories**
 - legal and fiduciary,
 - oversight of the organization and its management,
 - fund raising, and
 - representation of different constituencies and viewpoints.



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What Do You Have Your Board Members Do?

**Give us some examples of
what happens on your
boards now.**



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Engaging Board Members

- **"Board members are usually expected to serve on committees and help with our events. We recruit volunteers for our committees and that way we and they can see if they are a fit with the organization. We then invite some of our best committee members to serve on the board and we already know they are willing to work and understand our mission."**

About Board Committees

- **Establish committees when it's apparent that issues are too complex and/or numerous to be handled by the entire board.**
- **For ongoing, major activities establish standing committees; for short-term activities, establish ad hoc committees that cease when the activities are completed. Standing committees should be included in the by-laws.**

About Board Committees

- **Committees recommend policy for approval by the entire board.**
- **Committees make full use of board members' expertise, time and commitment, and ensure diversity of opinions on the board.**
- **They do not supplant responsibility of each board member; they operate at the board level and not the staff level.**



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About Board Committees

- Committees may meet monthly (this is typical to new organizations, with working boards), every two months, or every three months; if meetings are not held monthly, attempt to have committees meet during the months between full board meetings.
- Minutes should be recorded for all board meetings and for Executive Committee meetings if the ByLaws indicate the Executive Committee can make decisions in place of the board when needed.

Developing Board Committees

- **Ensure the committee has a specific charge or set of tasks to address, and ensure board members understand the committee's charge**
- **Have at least two board members on each committee, preferably three**
- **Don't have a member on more than two committees**

Developing Board Committees

- **In each board meeting, have each committee chair report the committee's work since the past board meeting**
- **Consider having non-board volunteers as members of the committee**
- **Consider having a relevant staff member as a member of the committee as well**

Developing Board Committees

- Committee chairs are often appointed by the board chair; consider asking committee members for a volunteer for committee chair
- If committee work is regularly effective and the executive committee has a strong relationship with the chief executive, consider having board meetings every other month and committee meetings between the board meeting

Developing Board Committees

- **The chief executive should service *ex officio* to the board and any relevant committees (some organizations might consider placing the chief executive as a member of the board -- this decision should be made very carefully)**

Potential Standing Committees

The following descriptions are intended to portray various functions often conducted by standing board committees, i.e., committees that exist year round. Note that the following list is not intended to suggest that all of these committees should exist; it's ultimately up to the organization to determine which committees should exist and what they should do.

- **Board Development**
- **Ensure effective board processes, structures and roles, including retreat planning, committee development, and board evaluation; sometimes includes role of nominating committee, such as keeping list of potential board members, orientation and training**
- **Evaluation**
- **Ensures sound evaluation of products/services/ programs, including, e.g., outcomes, goals, data, analysis and resulting adjustments**

Potential Standing Committees

- Executive
 - Oversee operations of the board; often acts on behalf of the board during on-demand activities that occur between meetings, and these acts are later presented for full board review; comprised of board chair, other officers and/or committee chairs (or sometimes just the officers, although this might be too small); often performs evaluation of chief executive
- Finance
 - Oversees development of the budget; ensures accurate tracking/monitoring/accountability for funds; ensures adequate financial controls; often led by the board treasurer; reviews major grants and associated terms

Potential Standing Committees

- **Fundraising**
- **Oversees development and implementation of the Fundraising Plan; identifies and solicits funds from external sources of support, working with the Development Officer if available; sometimes called Development Committee**
- **Marketing**
- **Oversees development and implementation of the Marketing Plan, including identifying potential markets, their needs, how to meet those needs with products/services/ programs, and how to promote/sell the programs**

Potential Standing Committees

- **Personnel**
- **Guides development, review and authorization of personnel policies and procedures; sometimes leads evaluation of the chief Executive; sometimes assists chief executive with leadership and management matters**
- **Product / Program Development**
- **Guides development of service delivery mechanisms; may include evaluation of the services; link between the board and the staff on program's activities**



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Potential Standing Committees

- **Promotions and Sales**
- **Promotes organization's services to the community, including generating fees for those services**
- **Public Relations**
- **Represents the organization to the community; enhances the organization's image, including communications with the press**

Potential AdHoc Committees

The following descriptions are intended to portray various functions often conducted by ad hoc board committees, i.e., committees that exist to accomplish a goal and then cease to exist. Note that the following list is not intended to suggest that all of these committees should exist; it's ultimately up to the organization to determine which committees should exist and what they should do.

- **Audit**
- **Plans and supports audit of a major functions, e.g., finances, programs or organization**
- **Campaign**
- **Plans and coordinates major fundraising event; sometimes a subcommittee of the Fundraising Committee**

Potential AdHoc Committees

- **Nominations**
- **Identifies needed board member skills, suggests potential members and orients new members; sometimes a subcommittee of the Board Development Committee**
- **Research**
- **Conducts specific research and/or data gathering to make decisions about a current major function in the organization**

Potential AdHoc Committees

- **Ethics**
- **Develops and applies guidelines for ensuring ethical behavior and resolving ethical conflicts**
- **Events (or Programs)**
- **Plans and coordinates major events, such as fundraising, team-building or planning; sometimes a subcommittee of the Fundraising Committee**

Overall Benefit of an Advisory Group

- Driving forces such as increased global telecommunications, public consciousness and diverse values are causing rapid change among organizations like never before. Consequently, the overall role of board governance becomes very critical in guiding these organizations during rapid change. Thus, an advisory group can be a tremendous complement to the effectiveness of the official, or formal, board of directors as it works to carry out a specific, complex, major role (e.g., financial analysis) or initiative (e.g., construct a building).

What is an Advisory Group?

- An advisory group is a collection of individuals who bring unique knowledge and skills which complement the knowledge and skills of the formal board members in order to more effectively govern the organization.
- Advisory groups are sometimes used, too, to provide membership which gives status to people, for example, retired CEOs, board chairs or major contributors.
- The advisory group does not have formal authority to govern the organization, that is, the advisory cannot issue directives which must be followed. Rather, the advisory group serves to make recommendations and/or provide key information and materials to the formal board of directors.
- The advisory group can be standing (or ongoing) or ad hoc (one-time) in nature.

When Should an Advisory Group Be Formed?

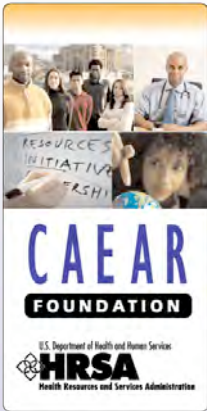
- **Consider establishing an advisory group when it's apparent that a major, current issue/challenge or complex program/product/service is too complex and/or numerous to be handled by the formal board of directors.**
- **It's best if the advisory group is formed to address a need that is usually outside the usual, ongoing roles and responsibilities of a formal board.**
- **Otherwise, it may be more prudent to more fully equip and develop the formal board of directors.**

How Should the Advisory Group Be Defined/Organized?

- For ongoing, major activities (for example, that will last longer than a year) establish a standing advisory group. For short-term activities (for example, one to nine months), establish an ad hoc advisory group.
- Carefully define the role of the advisory group in the formal board of directors' by-laws.

How Should the Advisory Group Be Defined/Organized?

- In the by-laws, specify the advisory group's purpose, duration, guidelines for membership, how it contributes knowledge and skills, and any structures/policies from which the advisory group interacts with the formal board of directors and organization members.
- Advisory group, like formal boards of directors, should have a chair who drives organization and development of the advisory group. The advisory group chair should be the point of contact between the advisory group and the formal board of directors.



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How Do We Make These Work?



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Ideas to Generate Participation in Committees

- **To increase attendance and/or participation in committee meetings, consider some or all of the following:**
 - **Ensure committee chairs understand and can convey the role of the committee to members, and that the chair and members have up-to-date job descriptions.**
 - **Ensure adequate orientation that describes the organization and its unique services, and how the committee contributes to this mission.**



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Ideas to Generate Participation in Committees

- **Remember that the organization and its committees deserve strong attendance and participation. Don't fall prey to the perspective that "we're lucky just get anyone." Set a standard for the best.**
- **Have ground rules that support participation and attendance. Revisit the ground rules every other meeting and post them on the bottom of agendas.**
- **Let go of "dead wood." It often help to decrease the number of committee members rather than increase them.**



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Ideas to Generate Participation in Committees

- Consider using subcommittees to increase individual responsibilities and focus on goals.
- Conduct yearly committee evaluations that includes a clear evaluation process and where each committee member evaluates the other members, and each member receives a written report about their strengths and how they can improve their contributions.
- Attempt to provide individual assignments to the committee members.



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Ideas to Generate Participation in Committees

- Have at least one staff member participate in each committee to help with administrative support and providing information.
- Monitor quorum requirements for the entire board (as set forth usually in By Laws), or the minimum number of board members who must be present for the board to officially enact business. This quorum, when not met, will serve as a clear indicator, or signal, that the board is in trouble.



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Ideas to Generate Participation in Committees

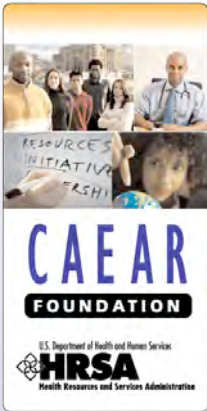
- Develop a committee attendance policy that specifies the number of times a member can be absent in consecutive meetings and in total meetings per time period.
- Generate minutes for each committee meeting to get closure on items and help members comprehend the progress made by the committee.
- In committee meeting reports, include noting who is present and who is absent.



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Ideas to Generate Participation in Committees

- Consider having low-attendance members involved in some other form of service to the organization, e.g., a "friends of the organization," or something like that, who attends to special events rather than ongoing activities.
- Have a "summit meeting" with committee members to discuss the low attendance problem, and use a round-table approach so each person must speak up with their opinions.
- Rotate in new members every year.



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Talk About How Your Agency Handles Committees and Board Work

What strategies have you tried?

Committee Work Plan

- One of the best ways to ensure effective board committees is through use of a committee work plan. The plan specifies goals for the committee, strategies to meet the goals and timelines for completion of the goals. The goals of the committee should be closely aligned with achieving the strategic goals determined during strategic planning. Essentially, the work plans specify the operational goals of the committee for the year.

Committee Work Plan

- A work plan is the plan that each Board committee and relevant staff members reference to guide completion of their portion of the organization's strategic plan, e.g., the Finance Committee works from Finance work plan, Marketing Committee from a Marketing work plan, etc.

Committee Work Plan

- The plan references the related goal(s) from the strategic plan. Work plans include objectives that, in total, implement the respective strategy. For example, the following work plan describes two strategies, 3.1 and 3.2, which, together, meet Goal 3 from the strategic plan. Each of the two strategies has five objectives, including 1.1 to 1.5.



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Committee Work Plan

- The following sample represents one example of the format and content of a work plan. This sample should be customized to the particular culture and purpose of the organization.

Sample Board Operations Calendar

- The following sample represents one example of the format and content of a calendar. This sample should be customized to the particular culture and purpose of the organization.



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Managing Board Conflict





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Conflict is a Natural Part of the Process

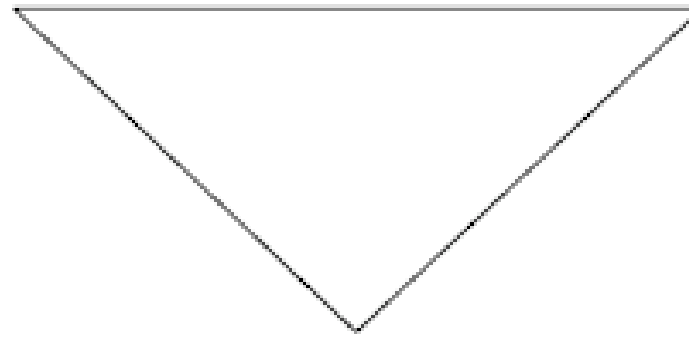
- Volunteer boards offer an intimate experience for participating in public life. They call upon our intellect, our deepest beliefs, and our skills. Its important work. It depends on discussion, debate and ultimately collective action.



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Your Board's Conflict Handling Culture

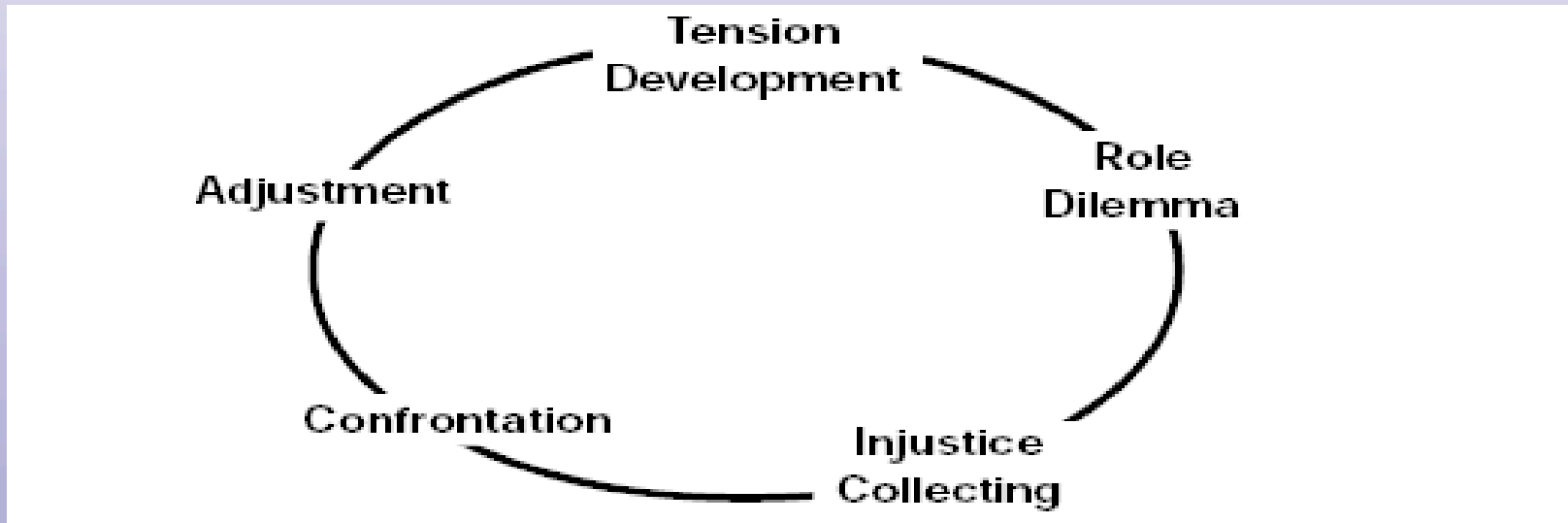
PASSIVE
BOARD



EMBATTLED
BOARD

HARMONIOUS
BOARD

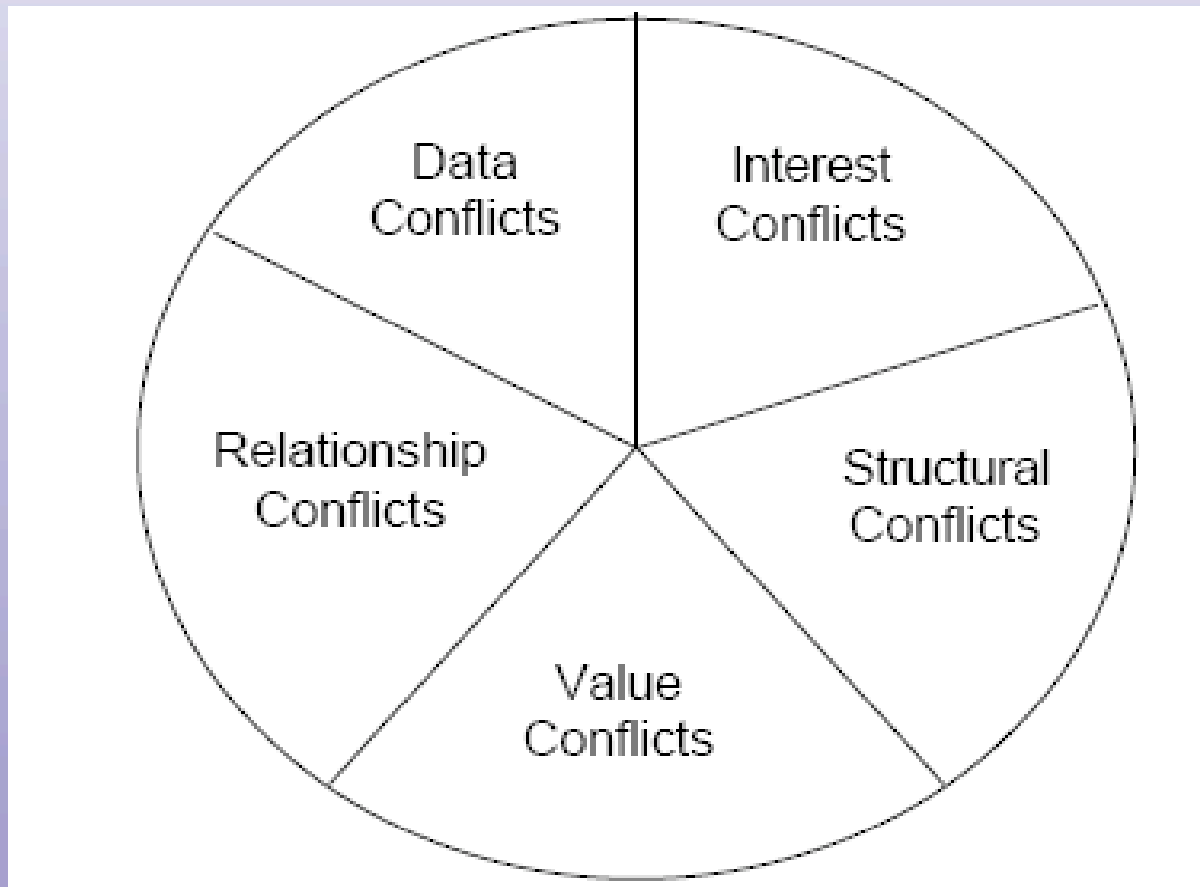
The Conflict Cycle



Conflict's Many Guises

- **Direct Conflict**
- **Subtle or Silent Conflict**
- **Circular Conflict**
- **Violent Conflict**

Typical Sources of Conflict



Methods of Dealing With Conflict

- Avoidance
- Diffusion
- Confrontation
- Arbitration
- Voting
- Compromise
- Consensus
- Synergy



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Four Arenas of Board Conflict

- Conflict among board members
- Conflict between Board and Staff
- Conflict among Staff Members
- Conflict between the organization and its members and stakeholders

How to Manage Conflict

- 1. Clarify roles and responsibilities**
- 2. Seek or develop a skilled board chairperson**
- 3. Encourage job evaluation**
- 4. Implement a grievance procedure**

How to Manage Conflict

5. **Establish a code of conduct for directors**
6. **Deal with conflict openly when it arises**
7. **Discuss good interpersonal communications practices**

How to Manage Conflict

8. **Frame conflict as a exercise in “win-win” negotiation**
9. **Celebrate agreements and new understandings**
10. **Look to gender and cultural differences as a way out of a mess.**
11. **Seek outside help early**



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What Are Your Experiences with Managing Conflict?

- **What worked?**
- **What didn't?**

Conflict Management Process

Guidelines and Procedures

- Agree that now is a good time to attempt to resolve the conflict.
- Share the common goal – deeper understanding, not “I win, you lose”
- Review the ground rules for maintaining trust and respect for others.

Conflict Management Process

- **Focus on the present.**
- **Agree on which sources of information will be used.**
- **Provide “face-saving” mechanisms**

Conflict Resolution

- For a conflict to be resolved, two conditions must be met:
 1. A cooperative rapport must be established between the conflicting parties, with a genuine concern for each other's needs.
 2. A solution must be found that is acceptable to both sides.



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Improving Conflict Management Skills

- **Listen**
- **Stop talking**
- **Give the person our total attention**
- **Be attentive**
- **Open the door**
- **Reflect (feelings and words)**
- **Probe**
- **Show genuine interest**
- **Use “I-Messages”**

Board Development – Fiscal TA

Working With Your Board of Directors for Improved Personnel and Financial Management

Boards of Directors	The Executive Director
<p>Boards provide the link between the community and the staff of a community-based organization interpreting the organization’s role and promoting its mission. The board also represents community interests and brings knowledge of constituent needs to staff.</p>	<p>The executive director (ED) creates and oversees the operational structure to carry out the organization’s mission. The successful director will communicate knowledge and constructive suggestions to the board within the framework of the established mission, policies and strategic plan.</p>
<p>In specific relation to staff, the board:</p> <ul style="list-style-type: none"> ✓ Defines the executive needs of the organization. ✓ Develops a job description for the executive director. ✓ Hires the executive director. ✓ Communicates the strategic plan and also specific goals, benchmarks and expectations. ✓ Establishes an evaluation process for the executive director, board and organization as a whole. ✓ Authorizes expenditures necessary to support operations. ✓ Provides a system for frequent and open communication between the executive director and board chair. ✓ Incorporates the suggestions of the executive director into the planning process. ✓ Maintains a constructive and respectful relationship with the executive director. 	<p>Specific to relations with the board, the nonprofit ED:</p> <ul style="list-style-type: none"> ✓ Hires, trains and supervises agency staff. ✓ Reports regularly to the board on general operations, services, personnel and finances. ✓ Evaluates organizational needs and presents solutions and options to the board. ✓ Develops position descriptions and operational procedures, based on board priorities and policies. ✓ Oversees the day-to-day management of finances, including accounting, tax and audit matters. ✓ Works with the board chair to develop meeting agendas and identify action items. ✓ Communicates regularly with the board chair. ✓ Represents the organization at official functions. ✓ Supports board function through suggesting new members, preparing informational materials and organizing events such as orientations and retreats. ✓ Promotes the organization in the community and to the staff.

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Board and Staff Responsibilities

To help convey who does what regarding board and staff, the following activities are suggested to be done by board, staff or jointly. This document should be reviewed by board members to finalize who they would like to do what among board and staff members.

Activity	Responsibility
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PLANNING:

Direct the process of planning	
Provide input to long range goals	
Approve long range goals	
Formulate annual objectives	
Approve annual objectives	
Prepare performance reports on achievement of goals and objectives	
Monitor achievement of goals and objectives	

PROGRAMMING:

Assess stakeholder (customers, community) needs	
Train volunteer leaders (nonprofits only)	
Oversee evaluation of products, services and programs	
Maintain program records; prepare program reports	
Prepare preliminary budget	
Finalize and approve budget	
See that expenditures are within budget during the year	
Solicit contributions in fundraising campaigns (nonprofits)	
Organize fundraising campaigns (nonprofits)	

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Approve expenditures outside authorized budget	
Insure annual audit of organization accounts	

PERSONNEL:

Employ Chief Executive	
Direct work of the staff	
Hire and discharge staff member	
Decision to add staff (nonprofit)	
Settle discord among staff	

COMMUNITY RELATIONS:

Interpret organization to community	
Write news stories	
Provide organization linkage with other organizations	

BOARD COMMITTEES:

Appoint committee members	
Call Committee Chair to urge him/her into action	
Promote attendance at Board/Committee meetings	
Recruit new Board members	
Plan agenda for Board meetings	
Take minutes at Board meetings	
Plan and propose committee organization	
Prepare exhibits, material and proposals for Board and Committees	
Sign legal documents	
Follow-up to insure implementation of Board and Committee decisions	
Settle clash between Committees	

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Steps in Hiring an Executive Director

Step 1: *Determine future needs of agency and develop profile of ideal candidate.*

- List demands of job—issues facing agency.
- List assets (knowledge, skills, and abilities) of ideal director.
- Agree on salary range.
- Complete candidate profile.

Step 2: *Plan hiring strategy and recruit applicants.*

- Agree on tasks and schedules.
- Make interim arrangements for agency's management.
- Agree on process and schedule.
- Decide how to involve staff and others.
- Advertise.

Step 3: *Screen applicants.*

- Receive applications.
- Screen applications.
- Choose whom to interview.

Step 4: *Assess candidates.*

- Plan assessment process.
- Design interview (or assessment center).
- Conduct interviews (or assessment center).

Step 5: *Hire director.*

- Agree on choice.
- Negotiate details.
- Draft employment agreement.

Final Steps: *Establish and maintain good relationship.*

- Set clear expectations.
- Plan for formal evaluation.

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Executive Job Offer Letter Sample: Introduction

The job offer letter is provided to the candidate you have selected for the position. Most frequently, the candidate and the organization have verbally negotiated the conditions of hire and the job offer letter confirms the verbal agreements.

Generally, the candidate has indicated that he or she will accept the position, under the stated terms, prior to the drafting of the letter. Do regard the position acceptance as tentative, however, until the offer letter, and the confidentiality agreement, if you use one, are signed.

Executive Job Offer Letter

The following job offer letter is customized for the high level director or executive. Executive contracts are often far more lengthy as the agreements reached can cover everything from compensation, moving expenses, and signing bonuses to millions of dollars in severance packages and stock options.

Executive pay can range from approximately \$30,000 to over a million.

The executive contract protects far-reaching rights of the employee; it also protects the interests of the agency, since the goal in negotiating an executive contract is to get as much as the executive can without having the potential employer feeling as if they lost in the negotiation.

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Executive Job Offer Letter Sample

Date

Name

Address

City, State, Zip

Dear _____:

It is my pleasure to extend the following offer of employment to you on behalf of (your agency name). This offer is contingent upon your passing our mandatory drug screen, our receipt of your college transcripts, and (any other contingencies you may wish to state).

Title: _____

Reporting Relationship: The position will report to (Name and Title):

Job Description and Goals or Objectives are attached.

Base Salary: Will be paid in bi-weekly installments of \$_____, which is equivalent to \$_____ on an annual basis, and subject to deductions for taxes and other withholdings as required by law or the policies of the agency.

Bonus (or Commission) Potential: Effective upon satisfactory completion of the first 90 days of employment, and based upon the goals and objectives agreed to in the performance development planning process with your manager, you may be eligible for a bonus.

The bonus plan for this year and beyond, should such a plan exist, will be based on the formula determined by the agency for that year.

Non-Compete Agreement: Our standard non-compete agreement must be signed prior to start.

Benefits: The current, standard agency health, life, disability and dental insurance coverage are generally supplied per agency policy. Eligibility for other benefits, including the 401(k) and tuition reimbursement, will generally take place per agency policy. Employee contribution to payment for benefit plans is determined annually.

Car Allowance \$500.00 per month car allowance will generally be provided.

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Severance Pay If the executive is let go by the agency for any reason other than cause (ie. violence, theft, fraudulent activities, harassment, etc.), the agency will pay the executive six months of salary and cover COBRA expenses for the executive's family during the same time period. Payment is due in a lump sum upon termination or is payable in regular pay periods over the six months. (Determine the details of the severance package.)

Expenses: Spell out any moving or other transition expenses the agency will pay.

Vacation and Personal Emergency Time Off: Vacation is accrued at x.xx hours per pay period, which is equivalent to four weeks on an annual basis. Personal emergency days are generally accrued per agency policy.

Phone/Travel Allowance: Normal and reasonable expenses will be reimbursed on a monthly basis per agency policy and upon completion of the appropriate expense request form.

Start Date: _____

Your employment with (Agency Name) is at-will and either party can terminate the relationship at any time with or without cause and with or without notice.

You acknowledge that this offer letter, (along with the final form of any referenced documents (such Stock Repurchase Plan, Job Description, Bonus Goals, etc.)), represents the entire agreement between you and (Agency Name) and that no verbal or written agreements, promises or representations that are not specifically stated in this offer, are or will be binding upon (Agency Name).

If you are in agreement with the above outline, please sign below. This offer is in effect for (generally, five business days).

Signatures:

(For the Agency: Name)

Date

(Candidate's Name)

Date

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Assessment of Executive Director and Board Relationship

The following questions will help to assess the quality and effectiveness of the board/executive director relationship.

1. Clear Definition of Roles

- ✓ Does the ED have an updated job description that provides a good sense of the magnitude and complexity of the job?
- ✓ Does the board have a clear sense of its responsibilities, as outlined in a written job description for the full board, committee descriptions, and individual board members' responsibilities and procedures?
- ✓ Are there policies in place that guide board and staff about grievance procedures, channels of communication, and the chain of command?

2. Mutual Expectations

- ✓ Does the organization have a strategic plan?
- ✓ Does the board understand the budget?
- ✓ Has the ED developed with the board a set of goals for the year covering his/her performance?
- ✓ Is there a work plan that guides staff performance?

3. Strong and Regular Communication

- ✓ Do the quality, focus and content of information received enable the board to ask good questions?
- ✓ Is there adequate communication between board meetings?
- ✓ Does staff feel safe enough to bring results — good, bad, and indifferent — to the board for discussion and evaluation?

4. Fundamentals for Strong Partnerships

- ✓ Trust: Do board and staff members believe in each other? Are they motivated primarily to do what's best for the organization and people it serves?
- ✓ Honesty: Can board and staff be open and share information? Is there room for disagreement and dissent? Is it safe to share bad news or problems? Is all business conducted in common full-group settings or are decisions and discussions taking place elsewhere?
- ✓ Respect: Is there an underlying appreciation for people's skills, perspectives and motivations? Is there a respect for process and the chain of command? Does the tone of discussion and decision-making reflect good will?

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Enhancing the Working Relationship between the Board Chair and the Executive Director

A good relationship between the executive director and board chairperson of any organization is both key to its success and fraught with challenges. Because the ED often has been in the organization longer than the board chairperson, is more familiar with the day-to-day activities in the organization and knows more about the organization's customers, the ED may sometimes feel that he or she knows much more about the organization than the chair.

Yet, the board chair is responsible for providing leadership to the board to whom the ED is accountable and for leading the board's evaluation of the ED's performance.

Formal Practices and Procedures that Can Minimize Conflict

The following formal procedures can help the board chair and executive director work professionally, differentiate between their roles and excel at their jobs. The board chair and executive director should:

- ✓ Agree to clearly written procedures for evaluating the executive director, which allow input from both the board and the ED.
- ✓ Have regular board training on the roles of each party.
- ✓ Allow time for strategy sessions between the board chair and the ED whenever a new person is brought into either role in the organization.
- ✓ Jointly develop board meeting agendas.
- ✓ Consult on committee chair nominees.
- ✓ Agree on clear written guidelines about the role of staff members serving on board committees.
- ✓ Rotate the board chair position every few years to ensure new and fresh perspectives, keep the chair from experiencing burnout, and keep members who may have the desire to one day lead the organization interested.
- ✓ Appoint vice chairs for a year with the intent of promoting them to board chairs in time.
- ✓ Let the full board set the frequency and nature of meetings to be held between the ED and board chair. Avoid frequent, one-on-one meetings that only include these two people. While it might intuitively seem that meeting with only these two will help cultivate a strong relationship, the risk is too high that the relationship could become highly personalized and confusing to other board members. Minutes should be kept of all meetings between the ED and board chair and shared with the entire board.
- ✓ Never conceal information from the rest of the board. Board members may prefer to keep certain information confidential among board members and not tell the ED, but these occasions should be very rare. The ED should never conceal information from the board — all board members have a right to any information about the organization.
- ✓ Celebrate accomplishments, including naming the key people involved in successes. Often these people include the board chair and executive director.

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Evaluating an Executive Director

Before you begin your evaluation process, it will be helpful if the board and organization have accomplished several things. These include:

Establishing clear and appropriate bylaws — Nearly every nonprofit organization has bylaws. They can facilitate the supervision and evaluation of the executive director by providing guidance on the relationship between the ED and the board. Is the ED a member of the board? Does the ED have sole authority over the rest of the staff? Is there a standing committee or an individual with specific responsibility for communication with and evaluation of the ED? These questions can be answered with a good and current set of bylaws.

Establishing a strategic plan — The plan should review the organization's internal strengths and weaknesses, evaluate the opportunities and threats apparent in the environment in which it works, and establish general goals and specific objectives for the organization over several years. The objectives of the plan should include a timetable for their accomplishment and a delegation of responsibility within the organization.

Developing an annual plan — This involves a review and update of the strategic plan, with the specification of objectives for a single year.

Creating business plans — This is particularly important if an organization is engaged in more than a single business line (such as housing development and housing management). The business plan examines the competitive environment in which that particular enterprise must operate. It evaluates the strengths and weaknesses of the organization as they relate to the particular business. It generally includes both capital and operating budgets for the particular business line. Like the strategic plan, it covers several years of the development of the business.

Writing a job description for the executive director — The job description establishes the general areas of duty and responsibility for the person holding that position. It may also address the relationship of the ED and board, including prescribing required communications and reports.

CHARACTERISTICS OF THE PROCESS

With as many of these in place as possible, and a consciousness on the part of the board of what they say, the creation of an evaluation process for the executive director can begin. A strong process for evaluating the executive director has three important characteristics. It must be:

- Ongoing
- Forward-looking
- Clarifying

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An ongoing evaluation process is not an annual spasm of activity by the board or a few of its members. Rather, it is a continuous process throughout the year. It begins with establishing performance objectives and continues with regular reviews of the ED's progress toward those objectives. The process culminates in a formal performance review at year's end, which also sets the stage for establishing a new set of performance objectives. These objectives should draw from, and be consistent with, the organization's other planning activities, including the strategic plan and, if it exists as a separate document, the annual plan.

The evaluation process must also be forward looking, guiding the ED in performing on the job. It should also help in planning how the organization's resources are invested to enhance the ED's professional capacity. While it looks back to determine the ED's strengths and weaknesses, it does so primarily to determine the proper approach to enhance future performance.

In short, it is part of a continuous improvement process for the individual and the organization. Finally, the process should clarify communication between the board and the executive director. It should assist the latter in understanding the board's expectations and help the former appreciate the challenges faced by the ED and that person's skills and talents in addressing them.

DEVELOPING A PROCESS

Your evaluation process should enhance the likelihood that the three characteristics — ongoing, forward-looking, clarifying — are present. Start by identifying who among the board of directors should be involved. The short answer is that the entire board is likely to be involved in some part of the process. However, there are certain aspects that may be accomplished best by a committee of the board (executive committee, personnel committee or an *ad hoc* committee established for this particular purpose) or by an individual member (usually the board's president).

There are several major steps in the process:

Developing performance standards — Using the other planning efforts of the organization to help, determine what the executive director should have accomplished, and what is important in his or her performance. Standards are usually generated by a committee and approved by the full board. This step is completed at the beginning of the review year.

Determining who should conduct the evaluation — The full board should assign this responsibility, usually to a committee of the board. The committee (probably the same one that developed the performance standards) should include both the board chair and treasurer.

Gathering information for the annual review — The committee should determine who among board members, staff and outside partners of the organization should be

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asked to complete individual evaluations (assessments) of the executive director. In general, all board members should complete assessments. The rest of the list should be carefully thought through by the committee and reviewed with the ED.

The executive director should be required to write a self-evaluation. Creating the form for the written appraisals and self-evaluation is an important committee task.

Tabulating and reviewing responses — The committee then has the responsibility of tabulating the individual appraisals, together with the executive director's self-evaluation, and summarizing them as a coherent evaluation of the ED's performance.

Presenting the evaluation — The evaluation (including the committee's compensation recommendation) is then presented to the executive director, usually in the form of a meeting with the board chair. The ED may respond to certain points in the evaluation and should be afforded the opportunity to draft written comments for attachment to the final evaluation report. This meeting should generate the outline of a plan for investment in the ED's further professional development. Finally, the ED and board chair may discuss the development of performance standards for the new year.

Approving the evaluation by the full board — A well-developed and executed process should require no amendment at this stage. With the annual evaluation complete, the committee may turn its attention fully to the drafting of an appropriate set of performance standards for the executive director for the coming year.

DEVELOPING PERFORMANCE STANDARDS

The board's first task is to develop a set of performance standards for evaluating the executive director. We mentioned earlier the sorts of planning and documentation that can be helpful in this regard: bylaws, a strategic plan, an annual plan, business plans and a job description for the executive director. To the extent each of these exist, they contain information that can be used to establish standards by which to measure the ED's job performance. It is essential that the performance standards be consistent with other organizational planning; otherwise, the ED will be confused as to what the board really expects him or her to accomplish.

The annual plan and business plans may be the most useful in developing performance standards for the ED because many of the performance standards to which the executive director will be held will mirror specific strategic or business plan objectives. In them, the board will have identified the organization's goals and objectives, established timelines for accomplishing them and delegated responsibility. As the leader of the entire staff, the executive director is likely to bear much of the responsibility for accomplishing these goals and objectives.

Strategic and business plans may not address everything an executive director needs to do, as they are likely to focus on the organization's production and resource development. Often, support functions, such as employee supervision and office

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management, will not be addressed substantially unless the plans contemplate major changes in how such functions are approached.

For this reason, it's important to take stock of each of the ED's areas of general responsibility. These should be outlined in a job description. They may vary from organization to organization, but the following list includes those areas most common and important to nonprofit community developers:

- Providing leadership and assistance to the board in developing and reviewing the organization's mission and strategy
- Managing and directing the organization's operations, business lines and other activities
- Implementing board policy and directives
- Reporting the organization's activities to the board
- Ensuring the organization's financial resources are properly managed and reporting the organization's financial position to the board
- Hiring, supervising and evaluating staff
- Developing and implementing plans for staff development, retention and compensation
- Communicating the goals, purposes and programs of the organization to partner organizations, the news media and other audiences
- Assisting the board in developing and implementing a fund-raising and resource development plan.

DECIDING WHAT TO MEASURE

In considering each of these areas of responsibility, it is important to answer the question:

What do we want to measure? Just as it is important to establish clear and measurable objectives in your strategic and business plans, the performance standards to which you hold your executive director must also lend themselves to objective review.

Suppose your organization has determined it is important to improve its visibility with several critical audiences. Rather than saying that the executive director is responsible for improving the organization's public communications, you might establish the following as a performance goal:

Example

The executive director will increase the frequency of written and in-person communications initiated by the agency with local government policymakers, including quarterly reports to the director of Community Development and the chair of the City Council's Development Committee on the agency's accomplishments and needs.

This is a goal with specificity. The ED's performance can be objectively measured against it and it also helps guide the director in achieving the board's directive.

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Example

The executive director will develop a plan for approval by the board, by the end of the first quarter, with budget and timetable, for increasing the positive exposure of the organization in news media that reaches our target market of consumers.

This goal does not say what the media outlets should be, nor does it establish how many news stories will be generated. That is the purpose of the media plan. The critical measurement is that a plan be created by a certain date with a certain purpose. In evaluating the ED, we need to know: *Was the plan created?*

A committee of board members is probably best suited to developing these performance standards.

It would translate the strategic and business plans, the ED's job description and other specific directives into a specific set of objectives for the ED. The full board, however, should be asked for its approval of the committee's draft.

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SAMPLE EVALUATION FORM

Here is an example of an evaluation form for use with the executive director of a nonprofit community development organization. While we provide a sampling of questions in various likely areas of responsibility, an actual form could include questions more specifically addressing particular aspects of the performance standards established for the executive director at the beginning of the year being reviewed.

Instructions to the respondent: The response form is grouped into sections corresponding with major responsibilities of the executive director. Each section includes several statements relating to particular performance objectives for the executive director in that area. For each of the statements, please respond as follows:

- 1 = Exceeds major requirements of this area of responsibility
- 2 = Achieves major requirements of this area of responsibility
- 3 = Needs to improve in this area of responsibility
- 4 = Fails to meet major requirements of this area of responsibility
- N = Not sure; I lack firsthand knowledge in this area

Each section also contains an area for comments regarding strengths the executive director exhibits and opportunities for improvement in his or her performance in that particular area of responsibility. We encourage your responses.

Note: “Not sure” is a useful category if the evaluation respondent group includes individuals who are donors or otherwise key partners outside the organization. If more than 25 percent of board members provide this response, it may indicate an important communication problem between the executive director and the board.

SECTION 1: STRATEGY & PLANNING

- The executive director has worked with the board to develop a clear vision for the organization and understands his or her own leadership role.
- The executive director has organized the development of a written strategic plan, including measurable goals and objectives, consistent with the organization’s mission.
- The executive director organized the strategic planning process as a collaborative effort involving volunteers, staff, community leaders and potential donors.
- Up-to-date business plans exist for each of the organization’s main business lines.

What are the major strengths of the executive director in this area?

What can the executive director do better in this area?

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SECTION 2: PROGRAM MANAGEMENT

- The executive director demonstrates substantive knowledge regarding the organization's programs and services.
- Programs and business lines are operating in accordance with their respective business plans.
- The executive director recommends new programs and business lines and the modification or discontinuance of current programs and business lines, as appropriate.

What are the major strengths of the executive director in this area?

What can the executive director do better in this area?

SECTION 3: PERSONNEL MANAGEMENT

- The executive director selects and cultivates qualified senior staff, models effective behaviors and skills, and builds morale among staff and volunteers.
- The executive director delegates tasks and responsibilities effectively.
- Clear and attainable performance standards are established for staff members.
- Annual performance reviews are conducted with staff members.
- A professional development plan in support of staff is in place, and appropriate training is provided to encourage competency and develop new skills.

What are the major strengths of the executive director in this area?

What can the executive director do better in this area?

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