

Effective Governance - Board Handbook

Kae Rader

National Governing Bodies are Nonprofits

Unlike a business that drives to the bottom line, nonprofit organizations are formed to fulfill purposes (missions) that promote the betterment of society. In this sense, nonprofits are said to “hold public trust.” As a result, nonprofits and their board members are subject to strict ethical guidelines and public scrutiny.

National governing bodies are nonprofit organizations and are subject to the same basic standards as other nonprofits.

The Board's Role

NGB boards represent the interests of their sport communities and athletes in the United States by providing policy, guidance and strategic direction. The board is the highest authority in an NGB, and as such, focuses on long-term impacts. It doesn't concern itself with day-to-day operations. Instead, it hires a chief executive to co-create and implement strategy and to manage staff and operations.

Board members play an important oversight role. They take time to understand the NGB, ensure legal compliance, and embrace governance best practices.

Legal Responsibilities

Board members must meet three well-established nonprofit legal standards of conduct when carrying out board responsibilities.

They are:

- Duty of Obedience
 - Duty of Care
 - Duty of Loyalty
- *Duty of Obedience* ensures that operations and resources are aligned to fulfill the mission. Programs and services must support the mission. This relates directly to upholding the "public trust."
 - *Duty of Care* requires responsible financial and legal stewardship when making board decisions and taking action. Specific stewardship activities are included in the sample board member job description that follows.

- *Duty of Loyalty* requires sole commitment to the organization. Examples of actions that violate the Duty of Loyalty are self-dealing (using a board position for personal gain) and favoring the interests of a particular stakeholder group above the interests of the organization. For example, a coach who serves as a board member can and should voice the perspectives of fellow coaches in board discussions. But when voting, that coach must consider all relevant facts, including other constituent voices, and vote for what is best for the entire organization.

Avoiding real or perceived conflicts of interest is a major board imperative. The board must adopt a code of ethics and an ethics and conflict of interest policy that is applicable to staff, volunteers, board and committee members. Every person must annually certify compliance with the code, which may include completion of conflict of interest disclosure forms.

Board Member Self-Assessment

In addition to assessing the chief executive's performance every year, the board assesses its own performance. A survey can be administered by paper at a board meeting or through a simple online tool. Individual board members evaluate the board's performance as a whole compared to responsibilities and best practices. Results are reported and discussed at a meeting.

Many effective assessment tools are available on the Internet.

Fund Raising

Increasingly, NGBs are engaging in direct fund raising activities. Typically staff manages fund raising efforts, but board members assist. They are well aware of fund raising goals and can readily articulate reasons to give. They provide contact information for potential donors, make personal appeals in-person or through notes. It is a standard best practice for every board member to contribute personally. Many funders require 100% board giving before considering a funding request.

Setting Strategic Direction

NGBs that achieve organizational and sport success year after year work within a strategic framework that focuses on priorities, articulates expectations, and rewards performance. The value of strategic planning lies not only in creating a plan document, but also in the planning process itself. If done well, this process provokes productive thought, sparks compelling dialogue, and fosters collaboration and commitment. The strategic plan becomes an invaluable blueprint, rather than a dusty ornament on the shelf.

An effective strategic plan includes the following components:

- Inspiring vision and compelling mission
- Laudable core values
- Environmental analysis, which yields key success factors
- Goals and strategies that, if achieved, represent significant progress on the mission
- Detailed operating plan that includes measurable objectives and tactics, persons accountable for achieving them, and timelines
- Evaluation process that regularly assesses overall plan performance, and facilitates updates

A brief description of each plan component follows.

Vision and Mission

The vision describes the ideal future--what the world looks like if the mission is accomplished. The mission reflects the NGB's purpose--the role it plays in creating the ideal future.

Core Values

Core values articulate the principles and ideals that guide decisions and behaviors.

Key Success Factors

Key success factors are the three to five key things that must be addressed to ensure significant progress on the mission. They are the basis for formulating strategic direction. They are derived from a SWOT analysis. By considering how to maximize organizational **S**trengths, minimize **W**eaknesses, capitalize on external **O**pportunities, and neutralize **T**hreats, planners identify factors key to success.

Job Descriptions for Key NGB Roles

Effective NGBs establish job descriptions that articulate roles and responsibilities for board members, officers, chief executives, and committee chairs. High level duties are codified in the bylaws.

Sample job descriptions:

- Board Member
 - Determines the mission and reviews it periodically to make certain it is still relevant in the current environment and serving stakeholders appropriately and well;
 - Implements procedures to orient new board members, educates all members on business and governance affairs, and evaluates board performance annually;
 - Selects, compensates, supports, and evaluates the chief executive, and plans for management succession;
 - Reviews and approves the strategic plan and annual operating plans, budget, business plans, and corporate performance;
 - Sets policy and provides guidance and strategic direction to management on significant issues;
 - Reviews and approves significant corporate actions;
 - Oversees the financial reporting process, communications with stakeholders, ethical integrity, and legal and regulatory compliance;
 - Oversees effective, ethical corporate governance;
 - Approves capital structure, financial strategies, borrowing commitments, and long-range financial planning;
 - Reviews and approves financial statements, annual reports, audit and control policies, and, upon the recommendation of the Audit Committee, selects independent auditors;
 - Monitors to determine whether assets are properly protected;
 - Monitors compliance with laws and regulations and the performance of its broader responsibilities;
 - Enhances the NGB's public standing; and
 - Ensures that board and management are properly structured and prepared to act in case of an unforeseen corporate crisis.

- Chair/President
 - Sets all meetings and meeting agendas with chief executive;
 - Presides over board meetings;

- Helps guide and mediate board actions and governance concerns;
 - Encourages board's role in strategic planning;
 - Reviews organizational priorities with chief executive;
 - Appoints committee chairpersons in consultation with other board members and chief executive;
 - Plays a leading role in fundraising activities;
 - Acts as spokesperson with chief executive;
 - Manages chief executive's formal performance evaluation; and
 - Manages annual board self-assessment.
- Vice Chair/President
 - Acts in the absence of chair/president; and
 - Performs other responsibilities as assigned by the chair.
- Board Treasurer
 - Oversees effective management of organization finances and fiscal priorities; and
 - Performs other responsibilities as assigned by the chair.
- Secretary
 - Keeps the minutes of the proceedings of the board;
 - Sees that all notices are duly given in accordance with the provisions of bylaws or as required by law;
 - Is a custodian of the corporate records;
 - Performs all duties incident to the office of secretary; and
 - Performs such other duties as from time to time may be assigned to the Secretary by the chief executive or board.
- Assistant Secretary (Optional)
 - Performs responsibilities listed in the secretary's job description - this position is filled by a staff person instead of a board member.

Note: some NGBs have only one officer--Chair/President. Staff performs duties of other officers as appropriate.

- Committee Chair

- Sets tone for committee work;
 - Ensures that committee members have information needed to do their jobs;
 - Oversees the logistics of committee's operations;
 - Reports to board chair;
 - Reports to full board on committee's decisions/recommendations if requested;
 - Works closely with chief executive and other staff as agreed to by chief executive;
 - Assigns work to committee members, sets the agenda, runs the meetings, and ensures distribution of meeting minutes;
 - Initiates and leads the committee's annual evaluation (if standing committee); and
 - Performs other responsibilities as assigned by the chair.
- Chief Executive (Chief Executive Officer/Executive Director)
 - Leads with vested authority to make decisions on behalf of management;
 - Is responsible for all staff functions directly and indirectly;
 - Oversees the hiring, firing of staff and staff's ethical and competent implementation of board policies, guidance and strategic direction;
 - Determines size and compensation of professional staff in accordance with NGB's compensation policies and guidelines established by the Board;
 - Co-creates strategic direction with the board;
 - Develops a strategy for achieving the mission, goals and objectives, and presents the strategy for board approval;
 - Is responsible for resource generation and allocation;
 - Coordinates international activities;
 - Acts as spokesperson with the chair;
 - Prepares and submits quadrennial and annual budgets to the Board; and
 - Performs all functions as usually pertain to a chief executive.

Developing Goals, Strategies and an Operating Plan

High-level, long-term goals are derived from the key success factors. Goals are broad, directional, and fundamental to the mission and, as such, they may remain the same year after year.

NGBs are generally best served by establishing no more than five goals. Goal wording should be simple and concise. Examples of effective organizational goals are: raise revenue, enhance the brand, provide valued programs and services, and govern and manage effectively.

Questions to ask when developing goals are:

1. Would accomplishing these goals result in significant progress on fulfilling the mission?
2. Do these goals accurately reflect NGB priorities and responsibilities?
3. Do they serve stakeholders appropriately?
4. Are we prepared to align systems, structures, budgets, programs, and people to support goal achievement?

Strategies are developed for each goal. Ideally, each strategy represents a single, distinct approach to achieving all or part of the goal. Like goals, strategies are directional. For example, a strategy under the “Raise Revenue” goal might be to “Increase membership.” Another might be to “Secure sponsors.”

Strategies are updated as the plan unfolds and environmental conditions change. Just as accomplishment of goals represent significant progress on the mission, accomplishment of strategies represents significant progress on goals.

While goals and strategies are directional, objectives are specific, measureable actions. They are created and implemented annually to support strategies. Objectives become the basis for an operating plan.

Operating Plan

Developing a strategic plan is only half of the equation. Creating an operating plan each year that identifies measurable action steps (objectives and tactics) brings the strategic plan to life. The operating plan transforms visionary ideas into reality. It is a blueprint that systematically facilitates high performance and positive organizational results. Without an operating plan, a strategic plan cannot succeed.

In an operating plan, objectives and tactics are assigned to specific individuals with deadlines for accomplishment. Many organizations have performance management programs that tie individual performance and rewards to operating plan achievement. This creates a concrete understanding of who is supposed to do what, and for what purpose, which provides clarity and

inspires commitment. It fosters shared vision and teamwork. In short, setting sound individual goals builds a solid high performance culture to move the entire NGB forward.

Typically, the board and chief executive set strategic direction and establish the strategic plan framework. The chief executive fleshes out strategic plan detail for board approval. Once the strategic plan is approved, the chief executive develops an operating plan each year to support the strategic plan. Only high level objectives of the operating plan need board approval. Implementation is the purview of the chief executive. Plan progress is measured by achievement on objectives, rather than micromanagement of tactics.

A chart depicting strategic and operating plan components follows.

Strategic Plan vs. Operating Plan

Plan Type	Purpose	Components
Strategic <i>(Directional)</i>	Sets long-term strategic direction	<ul style="list-style-type: none"> • Vision • Mission • Core Values • Goals • Strategies
Operating <i>(Measureable)</i>	Action plan that supports strategic plan	<ul style="list-style-type: none"> • Vision* • Mission* • Core Values* • Goals* • Strategies* • Objectives • Tactics • Tasks • Persons responsible • Timelines • Measures

**Note: Vision, Mission, Core Values, Goals and Strategies from the strategic plan are the foundation of the operating plan.*