

Roles, Responsibilities & Accountabilities for NFP Directors

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Agenda

- Today's Environment for NFP's
- Factors Affecting NFP Board Success
- What is Governance?
- Symptoms of Weak Governance
- Principle Based Governance
- Board's Job Description



Changing Environment In Which NFPs Operate

- Increased competition for board members
- Increased need for self-generated income
- Increased expectations for accountability
- Increased competition from for-profit services
- Increased professionalization of non-profit managers



Governance

Today we routinely use the word “governance” to differentiate the role of the board from that of managers.



Governance Difficulties for NFP's

Trying to keep boards out of management and managers out of governance is easy to do in books but ignores the realities of the not for profit sector.



Factors Affecting the Responsibilities of Directors

Extent to which:

- The organization depends upon board members for delivery of programs
- The focus of the organization is on fundraising vs. direct service
- There is risk involved in the service & vulnerability of the clientele
- There is stability of income & the ways it is generated



Factors Affecting the Responsibilities of Directors

- The stability of the political, social & economic environment in which the organization operates
- The skills of the executive team & staff
- The diversity of the community & clientele
- The extent to which the organization is subject to external oversight



NFP Mismanagement

Recent Issues

- MADD in the news
- Softball BC
- The question being asked:

WHY DIDN'T THE BOARD ACT?



NFP Mismanagement

- The reality is most NFP boards are ineffective in their governing function. Only when gross mismanagement occurs does a failure of governance come to the fore.



Role Dichotomy

- As part of a “team” the board stands with their well-intentioned organization as it operates in a demanding world.

BUT...

- In their governing role the board must stand outside the organization and hold it accountable to the public interest.



What is a Corporation/Society?

- A corporation/society is an entity created by legislation. This entity is considered to be a legal “person” separate and apart from its members and directors.



What is Governance?

- Governance means the processes and structures used to direct and manage an organization's operations and activities
- Another definition – “the art of steering societies and organizations”
- Good governance results in organizational effectiveness, and financial stability
- It helps organizations use their resources more effectively and ensure that they are managed in the best interests of their principal stakeholders



What is Good Governance?

- In the Not-For-Profit context, good governance is also about achieving results in the “right way” – shaped by the values of the organization
- Does not mean NFPs cannot or should not operate in a business like manner
- How well charitable & NFP corporations operate depends more on their governance than their legal status

In Simple Terms...

**Purpose of the Board and Good
Governance**

is to

**“ENHANCE EXECUTIVE DECISION
MAKING”**



How?

Key Behaviour = Ask Questions

- OK to ask detailed questions
- Not micro managing if the intent is strategic versus operational

Good test:

“NIFO” – Nose In, Fingers Out



Board of Directors

- Boards of Directors are responsible for the governance of their organization
- Directors are responsible for managing the business and affairs of the “corporation” in accordance with relevant legislation and the bylaws
- Board of Directors bear ultimate responsibility and liability for the NFP corporation

Symptoms of Weak Governance

- Deadwood directors
- Conflicts of interest or factionalism among board members
- Excessive CEO “ownership”
 - Board becomes irrelevant
- Directors reluctant to help with fundraising
- Poor communication with important stakeholders
- Interference in management



Symptoms of Weak Governance

- Inadequately prepared, unproductive board meetings
- Difficulty recruiting credible board members
- Rapid depletion of reserve funds
- Underground communications
- Decision deadlock
- Disrespect for organizational norms and policies



Duties

- Directors of NFP's are subject to the same standard of care as that of a trustee
 - Two main elements:
 - Standard of Care
 - Fiduciary Duty



Duties- Fiduciary

- Directors of NFP's are held to a high standard of conduct. Directors are seen as having fiduciary duties to the society – a duty to act primarily for another person's benefit



Duties- Fiduciary

- Directors are required to act in good faith and in the best interest of the NFP and, at all the times, avoid conflicts of interest
- Duty to keep the NFP's information confidential
- Duty to act in the best interests of the NFP and not in the interests of any particular member or group of members



Duties- Standard of Care

- Directors must handle the organization's property with the “care, skill and diligence that a prudent person would use” and treat it the way a careful person would treat their own property



Standard of Care

- Each Director must exercise the degree of skill that may reasonably be expected from a person of his or her knowledge and experience
- Each Director's liabilities will depend on their particular background and experience. In general a higher degree of skill will be expected from an experienced business person than from a lay person.

Standard of Care

- Use common sense, act carefully and deliberately, try to foresee the consequences of actions
- Ensure you fully understand the issues brought before you by insisting on accurate, timely and comprehensive information
- It is the responsibility of each Director to ask probing questions to make sure they feel they have all the information necessary to make their decisions

The Board's Job Description

- Set and modify the mission and overall strategy
- Ensure financial health
- Ensure sound relationships with stakeholders
- Monitor organizational performance and hold management accountable
- Select, evaluate, support, replace ED/CEO
- Advocate effectively for the organization and build support within the community



Director's Responsibilities

- Challenge and contribute to the development of the strategic plan
- Scrutinize CEO performance in meeting agreed upon goals and objectives
- Ensure that financial information is accurate, financial controls and systems are in place
- Oversee and participate in fundraising
- Ensure there are enough resources to operate the organization



Directors Must Be Prepared to:

- Know and support the organization's beliefs, vision, mission, target and aims
- Attend all board meetings and assigned committee meetings
- Read pre-meeting materials
- Be familiar with the board's policies
- Know the responsibilities and functions of the board and its committees
- Participate in approving the annual budget, audit, and financial statements



The Challenge

- Don't assume that watching other board member's actions is a good role model for your behaviour...

Learn Your Responsibilities



Online Resources

- www.culture.alberta.ca: Alberta Government Information
- www.managementhelp.org: free management library
- www.blueavocado.org: the cafe
- rickchristiaanse@gmail.com/604.830.8888

