



What Are the Board's Three Essential Functions?

A surprising number of board members can't answer this vital question. Make sure your board can!

BY ANDREW SWANSON

There are three bedrock functions of any nonprofit board of directors:

1. Establish the purpose, mission, and mission-related goals for the organization.

- The **purpose** tells why the organization exists and what ultimate result is expected because it does exist. Example: The purpose of the Ghengis County Literacy Program is to eliminate illiteracy in Ghengis County.
- The **mission**, derived from the purpose, tells us what the organization will do to achieve the purpose. Example: In pursuit of its purpose, the mission of the Ghengis County Literacy Program shall consist of the following mission-related goals.
- **Mission-related goals** are an explication of the mission. Bearing in mind that determining results is the board's responsibility and using methods to achieve those results is the CEO's and staff's responsibility, we call these "mission-related goals" to distinguish them from method-related goals, which the staff might establish. Example:

- A cadre of volunteer tutors shall be recruited and trained in the techniques of teaching illiterate individuals to read.
- The preferred ratio of tutor to student shall be one to one.
- Fees for tutoring services shall be consistent with the ability to pay. No one shall be turned away due to a lack of ability to pay.

When the board has set these mission-related goals, it has established its results expectations of staff. These results expectations will be the primary criteria by which the board will monitor and evaluate organizational and staff performance.

Once the board has formulated purpose, mission, and mission-related goals, it has made its contribution to the planning process. The completion of the plan, being methods-oriented, will be the staff's responsibility.

2. Assure that purpose, mission, and mission-related goals are achieved.

To do the work that results in achieving the purpose, mission, and mission-related goals is the responsibility of staff. The board assigns accountability and then, throughout the year, monitors performance. It can do so in several ways:

- **Examine regular reports** from the CEO.
- **Review financial policies** against whatever control policies the board has established in the financial area (such as a floor under the current ratio, income arriving as planned, tracking of the budget, and so forth). Avoid becoming bogged down in minutia, however.
- **Initiate an annual audit**, not only of accounting practices but also of the CEO's compliance with the board's control policies.
- **Review the CEO's policies and activities** against the board's control policies. These control policies might include the following types of statements, for example: The CEO's personnel policies will be humane, fair, and in compliance with local, state, and federal statutes and regulations. The CEO's compensation plans shall not significantly exceed competitive and applicable local, regional, or national levels.
- **Keep eyes and ears open**, and observe what takes place around you. Note how the phone is answered. Observe staff morale and turnover. Don't take this suggestion, however, as an invitation to meddle. Quizzing of employees



Quizzing of employees by board members about the CEO's performance is out of order at any time.

by board members about the CEO's performance is out of order at any time.

- **Formally review the CEO's performance** through an annual evaluation. You need such a formal record on file for protection of both the board and CEO.

3. Think creatively—dream—about the future of the organization, and lead the organization into that better future.

As a former colleague was fond of saying, "Leaders of organizations need to spend a good bit of their time looking out of the window." He meant that reflecting and thinking deeply about the organization's future is a primary concern of leadership. Yet few boards seem to find the time for this kind of creative reflection. The primary reason is that too many boards get bogged down in details, involving themselves in activities such as developing budgets (the CEO's responsibility), involving themselves in personnel policies (again, the CEO's responsibility), and so forth. Their view is directed inward rather than outward toward the communities they serve.

Also, too many boards are what might be called inbred. Arts boards are often made up solely of devotees of the particular art form involved. Many mental retardation boards are over-loaded with parents or guardians of people who are mentally retarded. There is a real danger in any board being made up of too many of the same kinds of people. A healthy diversity is central to good creative thinking.

Here are some ideas to help you get a start on the creative thinking process:

- **Strive for broad** community representation. Such a mix fosters a more outward view of the world and promotes networking with other organizations with whom collaborative efforts might prove mutually beneficial. By opening your doors to the world, you may be pleasantly surprised by the ideas that come in.
- **Hold occasional joint meetings** with boards that have mutual interests—or even boards whose interests just might possibly be similar to yours. It's more than likely that you will learn at least something! Many successful CEOs have developed networking into an art form that their boards would do well to emulate.
- **Get to know** the community you serve. One board has a practice of meeting every other month in a different section of its rather large service area. These meetings are open and, while some board business is done, most of the time is spent in learning about the needs of the immediate area and seeing how their organization might better serve those needs.
- **Send board members out to speak** at organizations such as the Rotary, Kiwanis, Lions, and Junior League. Be sure that in their talk they allow time for questions and suggestions.

These and other techniques ought to provide a lot of information that you can mull over when reviewing your vision for the future. You will learn much that will help you

build a better organization in the future. And, a collateral benefit, it will certainly give a boost to your fundraising efforts. ■

Selected References

- Allen, Michael B., "The Ethics Audit: A Tool Whose Time Has Come," *Nonprofit World*, Vol. 13, No. 6.
- Curry, Timothy, "What Is the Board's Role in Managing Risk?," *Nonprofit World*, Vol. 15, No. 5.
- Muehrcke, Jill, ed., *Board Leadership & Governance, Leadership Series*.
- O'Neil, Michael, "Preparing for Today's Nonprofit Audit," *Nonprofit World*, Vol. 13, No. 4.
- Razek, Joseph, et al., "Protecting Your Organization's Assets: A Primer on Internal Control," *Nonprofit World*, Vol. 9, No. 2.
- Ross, Frank, "The Audit Committee: Why You Need One, How to Form One," *Nonprofit World*, Vol. 6, No. 6.
- Ruiz, Rosemary, "Are You Fulfilling Your Financial Trust? The Three Key Financial Roles in Every Nonprofit," *Nonprofit World*, Vol. 16, No. 4.
- Society for Nonprofit Organizations, *Volunteer Liability and Risk Management*.
- Sopher, Marti, "Setting Up a Control System for Your Organization," *Nonprofit World*, Vol. 16, No. 3.
- Swanson, Andrew, "Safeguarding Your Assets: A Board's Obligation," *Nonprofit World*, Vol. 14, No. 4.
- Vogt, Jean, "Demystifying the Mission Statement," *Nonprofit World*, Vol. 12, No. 1.
- Winzeler, Heidi, "How to Be Sure Compensation Is Reasonable," *Nonprofit World*, Vol. 17, No. 1.

These publications are available through the Society for Nonprofit Organizations' Resource Center, www.snpo.org.

Andrew Swanson (P.O. Box 31708, Tucson, Arizona 85751, phone/fax 520-760-0282, andrew@azstarnet.com) has been a board development consultant since 1976.