



# Action Steps for Effective Governance: Test Yourself

Check to see how well you're governing and leading.

By Alyson Ball

**M**ost definitions of board governance are broad and theoretical. But a practical definition includes six areas of focus. These elements help board members work effectively with their CEO and staff. Below are the six fundamentals of good board governance – and action steps you can take to achieve them. Measure yourself against these steps to see how well you're governing and leading.

## 1. Ensure that the organization is adhering to its mission.

**Make certain that there's a crisp, clear, one-sentence mission statement** for the organization.

**Eliminate any projects not within the scope of this mission statement.** If any potential funding or programs fall outside the mission, discuss them thoroughly and gain board approval before proceeding.

“Measure yourself to see how well you're leading.”

## 2. Approve and follow a strategy for the organization.

**Prepare a strategy for the future** (a minimum of three years out). Any changes to the strategy require board approval.

**Debate thoroughly** any funding, programs, or projects that fall outside this strategy.

**Agree on the key milestones** you expect to achieve and their due dates.

**Know how the organization** is evolving and why.

## 3. Maintain a financially sound organization.

**Establish an annual expense budget** and an annual fundraising budget.

**Ask the CEO to present** the actual vs. budget (both expenses and fundraising) at every board meeting. Make sure the entire board understands these reports.

**Provide financial training** for board members.

**Create financial policies** (cash handling, rainy-day funds, and investments) and be sure they're followed.

**Hire an outside auditor** to perform an annual audit.

“Be sure the CEO, staff, and board receive training.”

#### 4. Approve all policies, and be sure they're being followed.

**Put policies** in place. At a minimum, you should have an ethics policy, conflict of interest policy, and values statements.

**Be sure the entire board approves** the following policies: financial policies, human resource policies, donor policies, operations policies.

#### 5. Inspire and manage the CEO.

**Set up annual objectives (of accomplishments)** for the CEO.

**Be certain that the board chair reviews the CEO** annually (both verbally and in writing).

**Insist on training and development** for the CEO (and all staff members) each year.

**Talk about the CEO's career path** each year, and make sure it's on track.

#### 6. Create board sustainability.

**Develop meaningful committees** that work closely with the staff. Each committee should provide both oversight (governance) and organizational support.

**Devise a brief, annual action plan** for the work that each committee will achieve.

### Seven Steps to a Strong Nonprofit: An Overview for the CEO

1. **Revisit** your articles of incorporation, bylaws, conflict of interest, and code of ethics to be sure they're current and work for you.
2. **Inspire** people with your mission, vision, and values statements.
3. **Know** where you're headed. Standardize expense and fundraising budgets, operating plans, and strategic views.
4. **Understand** board roles, board-staff-relationships, and board committees.
5. **Start** things off right with professional board recruitment. Then continue to engage board members with ongoing board orientations.
6. **Create** organized processes for your board meetings and board-staff retreats.
7. **Ensure** that board members are successful by their own personal standards.

**Know what skills** are required on your board, and have a plan in place to fill those needs.

**Establish an annual system** of recruitment and orientation that replenishes the skills of the board members whose terms are expiring at the end of each year.

**Conduct a board self-evaluation** annually.

**Create a strong, supportive team** that enjoys working together.

Not only is the board legally responsible to address these key areas, but it makes sense for leaders to focus on these basics. Send this article to your board chair today. Sit down and discuss how you can work together to create a board that governs wisely and thoroughly. [S](#)



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**DON'T MISS** the board-room advice in upcoming issues of *Nonprofit World*. You'll learn proven ways to:

- **get board members to actually care** about financial matters
- **gain invaluable information** from the board member who's leaving
- **assure that 100% of your board** will give generously to your organization.

### Move into Action

For details on putting the action steps into practice, see these articles at [NonprofitWorld.org](http://NonprofitWorld.org):

- Do Your Board Members Know Their Fiduciary Responsibilities?** (Vol. 33, No. 1)
- Training Programs Need More than Good Information** (Vol. 21, No. 2)
- Evaluating the Top Administrator: A New Approach** (Vol. 15, No. 4)
- A Board Member Self-Assessment** (Vol. 15, No. 6)
- Navigating Tough Conflict of Interest Situations** (Vol. 27, No. 1)
- Do You Have These Four Crucial Committees?** (Vol. 32, No. 4)
- How to Find the Perfect Auditor** (Vol. 22, No. 3)
- Defining Your Board's Needs** (Vol. 26, No. 1)