Establishing a Board of Directors
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WHAT is a Board of Directors?

A Board of Directors is the legal responsible party for all actions of a corporation
- Carries out the mission and philosophy of the organization
  - Guiding long-term corporate strategy
  - Putting key agents in place to implement the strategy
  - Monitoring performance
- All corporations must have a governing Board of Directors
  - For-profit (owners = stockholders)
  - Not-for-profit (owners = public)
- Number of meetings depends on the corporation and work to be done, but should be at least semi-annually

Purpose of the Board
1. *Traditional structure, nonprofit status necessary for funding*
2. *Organizational credibility ➔ including respected community members on the BoD of a grassroots organization will let the community know it’s legitimate*
3. *Connections with the community ➔ visibility of the corporation*
4. *Attract good people to your cause ➔ someone who might not volunteer could be willing to serve on the Board because it’s an honor*
5. *Using Board members’ talents and skills*
6. *Organizational balance*
7. *Safeguarding the mission ➔ institutional memory and continuity*

Roles and Responsibilities of the Board
- Oversee financial operations
  - Provide for fiscal accountability, approve the budget, formulate policies related to contracts from public or private resources
- Select and appoint a chief executive
  - Review and evaluate his/her performance regularly; determine whether to retain or dismiss the executive
- Provide continuity for the organization
  - Set up a corporation or legal existence; represent the organization’s point of view through interpretation of its products and services
- Govern the organization by broad policies and objectives
  - Work with the chief executive and employees to determine these
- Acquire sufficient resources for the organization’s operations
- Account to the stockholders (in the case of a for-profit) or public (in the case of a nonprofit) for the products and services of the organization and expenditures

Positions within the Board
- Non-profits are required to have a Chair and Treasurer, but Vice-Chair and Secretary are highly suggested
- No board member should occupy more than one officer position at a time
- Executive Director should not have a leadership position on the Board in non-profits
WHO is on the Board of Directors?

Board composition depends on the specific purpose and goals of the corporation—there is no 'one size fits all' model

- The most important thing when recruiting a new board member is that s/he is in line with the philosophy and values of the corporation
- Size of the Board depends on the purpose and composition of its members
  - Most range from 3 to 33
  - Average size for publically traded company is 9.2
- Effective boards are typically comprised of individuals from the following categories:
  - People you know: friends, acquaintances, and supporters of the organization
  - High-profile people (legislators, media people, celebrities, etc.) who have commented publicly and positively about the organization's issue
  - Those who have a vested interest in the issue (example: teachers for a literary initiative)
  - Members or staff of organizations which are natural allies (example: Jena Nardella from Blood:Water Misson on the VIGH board)
  - People who may benefit if the organization achieves its goals (example: homeless or poorly-housed individuals for an affordable housing program)

Recruiting New Members

- Usually begin with a nominating committee
  - Subcommittee within an existing Board
  - If starting from scratch, begin with people you know who have an interest in your vision
- Put expectations clearly in writing
  - Time commitments: number of meetings, retreats, fundraising events, etc. that Board members are expected to attend
  - Financial commitments
- Diversity is extremely important
  - Consider diversity in terms of race, ethnicity, gender, social class, sexual preference, religion, disability, age, or area of expertise
  - Heterogeneity fosters creativity and innovation; minimizes ‘group think’
  - Avoid tokenism
  - It's important to strive for as much diversity as possible within a Board while maintaining meaningful representation of the corporation’s constituencies
- If staff membership on the Board is necessary, limit inclusion to the Executive Director, who should not serve in a leadership position
- All members should declare conflicts of interest from the beginning

Length of Term

- Again, depends on the corporation
- As the corporation grows and evolves, it’s important for the Board to change to match the organization’s needs
  - Fresh ideas, new skills, untapped networks
  - Avoids ‘Founder’s Syndrome’
- Literature suggests that members should serve no more than 9 consecutive years
  - Set term limits from the beginning (length of term, number of terms)
  - Sometimes helpful to require a one-year hiatus before new term
Evaluation of the Board is critical for accountability purposes and to make sure it is meeting the needs of the corporation

- Audit committees
- Group evaluations → should be done annually, retreats can be an effective format
  - Does the Board have the right skill-set, decision-making processes, and tools?
  - Are the interests of the Board members aligned with the shareholders or the CEO?
  - Do we have the knowledge and tools to manage and improve our own performance as a governing Board?
- Exit interviews → as Board members’ terms end, ask individuals to reflect on the evolution of the corporation, where it looks like the organization is going, etc.
- Self-evaluations should be done annually. Examples:
  - Rate your involvement in terms of:
    - Time commitment;
    - Participation via meetings, committees, through advocacy, etc.;
    - Educating yourself on the purpose and needs of the organization;
    - Keeping current on trends and issues affecting the organization.
  - What can the Board do to:
    - Increase your level of satisfaction?
    - Increase your level of involvement?
    - Improve relationships among Board members?
  - What do you like best (and least) about serving on the Board?

References

- University of Kansas Workgroup for Community Health and Development: “The Community Tool Box,” http://ctb.ku.edu