

Insight and Ideas for Nonprofit Governance

# BOARD MEMBER®

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# Leading the Sustainability Charge



Last fall, in my article, “The New Future of Governance,” I invited you to commit to “transformative governance” — to engage in breakthrough thinking that embraces emerging trends and developments and ask, “What does this mean for governance?” Since then, BoardSource has been exploring this topic further on our Web site, in the pages

of this publication, and in my new executive blog, always encouraging others to weigh in. The new future is complex and multifaceted, and it is only through wide-ranging dialogue and debate that we’ll be able to envision it.

One of the most important — if not *the* most important — facets is sustainability. I therefore direct your attention to this issue’s feature article, “Governing Green,” which was written by Peter Soyka, an environmental management and strategy consultant who is dedicated to promoting sustainable business practices. Soyka believes that board members are in a position to lead the sustainability charge within the nonprofit sector — and that it can start within our own organizations. I agree and encourage you to consider implementing Soyka’s suggested action steps, as BoardSource itself is doing. Some of the most rewarding work we can undertake over the next few years is guiding our organizations to a more sustainable and effective future.

This is the second digital issue of *Board Member*.® While we expected some of our members to voice a preference for the print version, I’m happy to report that did not happen. Soyka opens his article by stating, “Nearly everyone wants to have a healthy environment, and many feel obligated to contribute toward this goal.” When it comes to our members, he’s obviously right.

LINDA C. CROMPTON  
President & CEO, BoardSource

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# From Board Book to Board Portal



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While many nonprofit organizations have embraced advanced information technology, their boards often have remained the last bastion of old-fashioned communications.

Today, that’s changing as more boards adopt “board portals” to deliver materials to board members and expedite information flow between the chief executive, staff, and the board and among board members themselves.

What is a board portal? It’s a Web-based, online workspace devoted exclusively to the board. It offers board members confidential access to board materials and provides tools that make it easier to prepare for board meetings. Typically, the portal includes security controls that keep board documents and members’ communications with each other protected and confidential. It also includes tools that greatly reduce the time and cost of producing and managing board materials and scheduling board work.

### Key features

A well-designed board portal is easy to use. It’s possible to navigate intuitively among all features, to print the entire board book with a single click, or to print separate documents as needed. While each vendor offers its unique suite of services, key features often include:

**Document access and management.** Board members have access to confidential board materials and communications. When traveling, they can download materials before or during the trip and review them in locations that don’t have Internet access.

**Board books and document controls.** Portals typically include robust tools for creating a board book and centrally managing organizational documents. Portal administrators can broadcast materials to all board members or to a specific committee or selected individuals.

**Reliable security.** Board members have user-level defined access to board and committee materials. Portals use a variety of methods to maintain strong security, such as multiple passwords, scramble pad, or key fob. Support staff have user-level access matched with their scope of work, keeping all other materials confidential.

**Alerts.** Support staff can send out alerts about new materials. Some portals take board members directly to new materials when they log in.

**Calendar management and meeting scheduling.** Portals show the complete board calendar, including all meetings and events. Some tools link calendars to materials for each scheduled meeting.

**E-mail and discussion tools.** Depending on the portal's capabilities, e-mails can be kept among board members and stay within the portal, with confidentiality controls. Access is limited to appropriate staff.

**Survey and voting tools.** Portals often include survey tools for polling board members and conducting board assessments. The board chair even can call for online voting, if permitted by law.

**Note-taking.** Some tools allow board members to make online notes as they review the meeting packet and to access their notes during meetings, just as they would with a paper document.

**Reliable support.** The portal is a hosted environment, and the vendor provides software, servers, storage, and backup systems that ensure business continuity. Some vendors offer 24/7 support.

**Searchable archives.** Most portals provide unlimited storage for key organizational information, such as the board manual, bylaws, minutes, meeting materials, financial reports,

dashboards, and strategic plans. Materials can be searched by keyword, topic, committee, and date.

#### **Portals in use**

Board portals are still an innovative approach to governance support with benefits and drawbacks.

Saint Alphonsus Regional Medical Center in Idaho started using a portal three years ago. The board uses an

electronic voting feature for relatively minor decisions that can't wait for the next board meeting and developed preliminary annual goals using a secure discussion area within the portal. Each board member identified three top priority goals and then engaged in significant give and take. "They were able to review and comment on the previous discussion on their own timeline," says Cinda Perkins, executive assistant to the



chief executive. “We took a summary of that discussion to the board meeting that set the final goals.”

Shore Memorial Hospital in New Jersey has board members with a wide range of computer skills. In 2004, they began using a secure in-house board Web site that includes board packets, minutes, and the board calendar. However, board members have been reluctant to use the in-house portal, and the hospital still sends out paper packets.

A little more than a year ago, executive staff members came across an external product that provides a more convenient way of dispersing information to board members. The hospital is now in the process of transitioning to this product, with the goal of going paperless by the end of the year. “I believe our board members will have greater comfort with this portal’s reliability,

then decided to examine a number of external options. Both tech-savvy and tech-phobic board members participated in the search.

In March 2009, the chosen portal went live. Now, board meetings are paperless. Inexpensive laptops are completely set up in the boardroom when board members arrive. In addition, board members can access materials before or after meetings on their home or work computers. Recently, when a member had trouble logging on at 11:30 p.m., the portal’s account representative fixed the problem at 1 a.m. “I thought that was phenomenal,” says Matthew Van Patton, chief of staff to the board. “They promised us support, and they’ve kept their word.”

Board portals have gone through three generations of development, making them a stable technology. While there often is a transitional

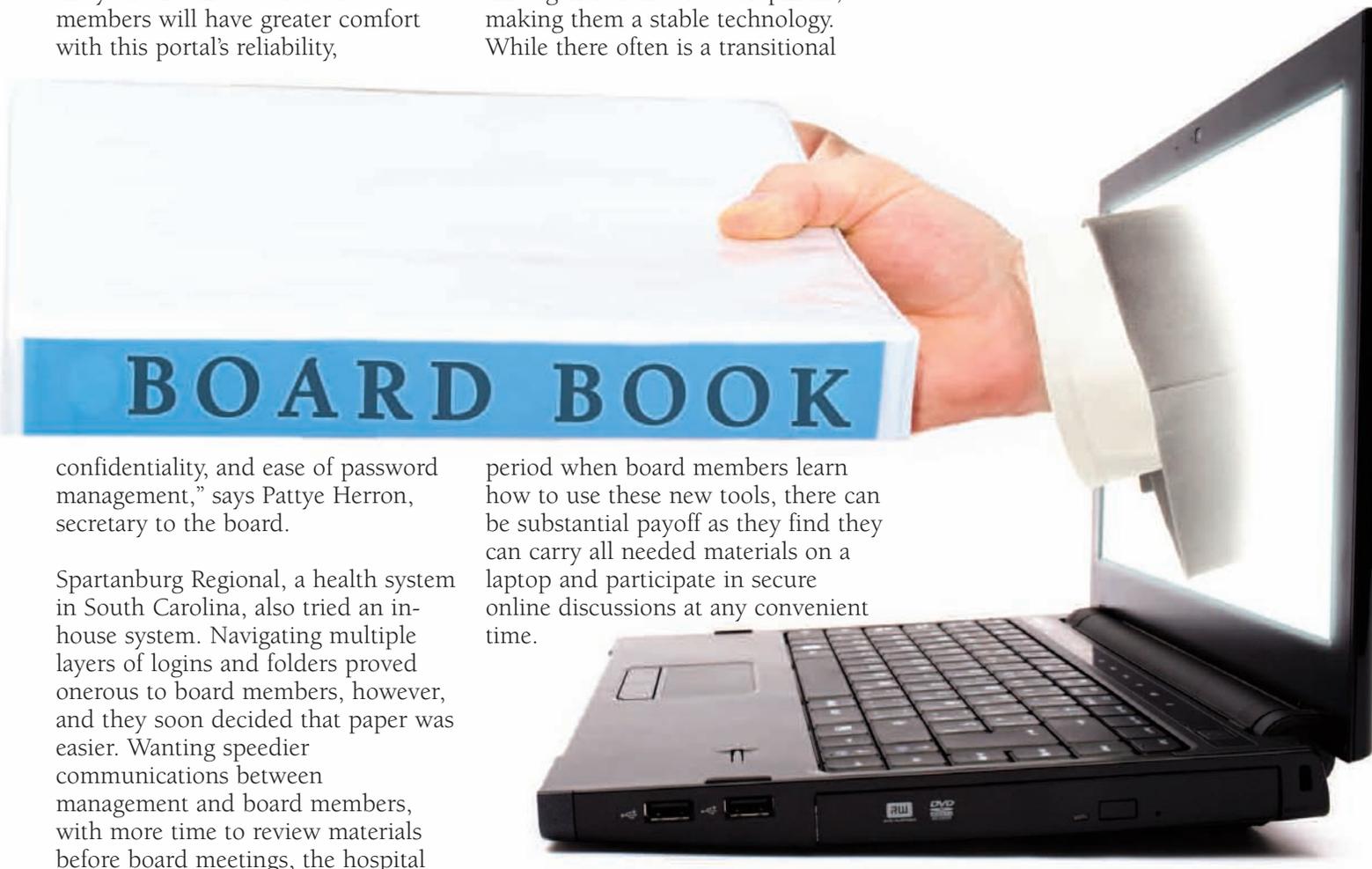
*Adapted from “Using E-Governance to Make Board Work Easier” and “Great Boards Buyer’s Guide to Board Portals.” Bader and Associates, 2009.*  
[www.GreatBoards.org](http://www.GreatBoards.org)

**Editor’s note:** BoardSource members now receive a discount when purchasing portal products from BoardEffect ([www.boardeffect.com/boardsource](http://www.boardeffect.com/boardsource))

and BOARDnetWORK (<http://insurancefornonprofits.org/bnwboardsource.htm>)

**RESOURCE:**

*Meeting, and Exceeding Expectations: A Guide to Successful Nonprofit Board Meetings, Second Edition, by Outi Flynn. BoardSource, 2009.*



## BOARD BOOK

confidentiality, and ease of password management,” says Pattye Herron, secretary to the board.

Spartanburg Regional, a health system in South Carolina, also tried an in-house system. Navigating multiple layers of logins and folders proved onerous to board members, however, and they soon decided that paper was easier. Wanting speedier communications between management and board members, with more time to review materials before board meetings, the hospital

period when board members learn how to use these new tools, there can be substantial payoff as they find they can carry all needed materials on a laptop and participate in secure online discussions at any convenient time.

# A Symphony in G



JOSEPH MCKENNA  
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*By changing its governance structure, a regional orchestra positioned itself for a dramatic organizational transformation.*

In 2006, Florida's oldest continuing orchestra was known as the Florida West Coast Symphony. The organization had 58 board members.

Today, that orchestra is known as the Sarasota Orchestra. Through a strategic reorganization, the board now has 18 board members.

While we obviously have experienced dramatic change in the past four years at the Sarasota Orchestra, the story of our transformation really begins nine years ago, in 2001 — the year I joined the symphony and the year in which we committed to recast the organization for the 21st century.

## First Movement: Allegro

In 2000, subscription and ticket sales began to show subtle declines at Florida West Coast Symphony — even as the population and personal wealth of Sarasota's local residents grew, and as newspaper reviews and subscriber surveys praised the orchestra's performances. This situation was just one of many, however, that required the organization's attention. So, a few months into my tenure, I recommended to the board's executive committee that we take a look at the entire organization in terms of where it was going, what it wanted to be, and whom it wanted to serve. That led, in the summer of 2001, to the

start of an exhaustive strategic planning process that took the better part of nine months to complete.

In May 2002, we presented the plan to the full board. It was, basically, a capacity-building plan that focused on converting the Florida West Coast Symphony from a small business and community orchestra model to a mid-size business and regional orchestra model. In short, we planned to embark on a lifecycle change — a change that would impact every part of the organization, including the size and structure of the board itself.

## Second Movement: Andante

Though it was common in 2002 for orchestras to have large boards that canvassed a cross-section of their communities and served social as well as philanthropic purposes, Florida West Coast Symphony's board size was unmanageable. Its 58 members met six times a year. Its executive committee, which comprised 18 members, met 10 times a year and



acted as a board within a board. The symphony had many board members who were disengaged and disenfranchised and staff members who spent much of their time putting together meeting packets and board reports.

During the summer of 2002, the board recognized that to achieve the organization's next level of professionalism and artistic success, it was going to have to make some dramatic changes in how it governed the organization. Fortunately, most of the members' excitement about the overall strategic plan overshadowed their anxiety about the forthcoming governance changes.

During 2003 and 2004, we commenced the change by working on parts of the plan that excited the board — artistic changes, technology improvements, and staffing — while advising the board about the benefits of best governance practices. Sandy Hughes, a respected consultant who was affiliated with BoardSource for many years, steered the board into seeing that change, though difficult, can be exciting. Then, in 2005, with a visionary board chair as its champion and Hughes as the guide, the change was accelerated.

## Third Movement: Scherzo, Allegro

The first thing we did as we picked up steam was roll out, in November 2005, the Maestro Society, a giving society that features special events for its members. We began to use this

“social club” as a way to significantly reduce the board’s size. As board members completed their service, we invited them to remain engaged with the organization through the Maestro Society. The society also enables us to build and maintain excellent relationships with donors and prospective board members.

The big component of the change — the development of a strong, accountable board committee structure — was next on our to-do list. In late 2005 and early 2006, we decided on a structure that would feature five standing committees — finance, audit, governance, development, and endowment — and eliminated the executive committee. We developed charters for each committee, carefully chose committee chairs (matching their strengths and experience), and supported the chairs in their new roles and responsibilities as well as on how to work in sync with key staff members. Then, in April 2006, with precise and strategic execution, we opened the curtains on our new governance structure.

#### Fourth Movement: Presto

As dramatic as it was to adopt this new governance structure, the board and organization started down the path toward another seismic event within the year. In December 2006, the earlier, subtle changes in sales patterns could no longer be dismissed, so we initiated a research project to explore causes for our declining ticket sales.

We learned that prices, programming, and competing cultural pursuits had little to do with the decline. Our predominantly “mature” audience was declining due to age-related issues. So through demographic surveys and psychographic analysis, we turned our attention to attracting new audiences from the Baby Boomer and Millennial (aka as Echo Boomers and Generation Y) demographics. What, we asked, would entice them to attend our concerts? The answers: interactive programs, a wider range of musical experiences, a change in our image, and less formality.

Our findings led to a top-to-bottom reinvention of the organization’s brand, which has included the redesign of programs; the creation of a new multimedia series; the rollout of new marketing vehicles, including digital media; and finally a name change. And the board has been keenly involved every step of the way — this was, after all, its first major initiative as a “new” board. The new structure and size enabled the board to be nimble and strategic with the research and with orchestrating and implementing the branding initiative that led to the Sarasota Orchestra.

Today, the Sarasota Orchestra continues its pursuit of “best practice” transformational change by facing three major issues:

1. The continued advancement of the demographic change.
2. The role of technology as an accelerating agent of change.

3. The organizational redefinition caused by the global economic landscape.

Had the organization not embraced a pioneering spirit, which started with the board moving to a contemporary best-practice structure, we would not be as well positioned for this new world. The road ahead requires — within the board, the orchestra, and the staff — a heightened ingenuity to compose a successful future for the organization.

#### RESOURCES:

“Size of the Board.”

[www.boardsource.org/knowledge.asp?ID=1.242](http://www.boardsource.org/knowledge.asp?ID=1.242)

*Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders* by Paul M. Connolly. BoardSource, 2006.



# Measure Results, Not Activities



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*Do you struggle with setting annual goals for your chief executive? Here's some step-by-step advice.*

Does your board struggle to identify significant results-oriented goals to hold the chief executive accountable? If you answered “yes,” you are not alone. While most boards recognize the significant governance responsibility of annual performance appraisals and goals setting, most do not find it easy. Think about your own chief executive's annual goals. Are they linked to the organization's vision and mission, measurable, and focused on results? They should be, and, better yet, can be. Just follow my lead.

## 1. Focus on results linked to the vision of your organization.

When I assist a board with setting goals for the chief executive's evaluation, I first ask the board and chief executive to walk me through their organization's vision and strategic plan. Boards often do a great job helping develop the strategic plan but then forget to refer to it when determining the annual goals that the chief executive must meet to achieve this agreed-upon plan.

I then ask everyone — including the chief executive — to select one key result that if not accomplished in the coming year would put the strategic plan at risk. Many times the strategic plan covers so much that it can split the board's focus to too many activities and initiatives rather than narrow it. And

remember, because some strategic goals take years to achieve, the board may need to dissect a large goal into annual actionable steps that over time will lead to the achievement of the goal.

Effective goals focus on one or a few targeted results or outcomes. Keep in mind that an activity — implementing a new marketing plan, for example — or a behavior — such as communicating effectively — is a means to a result. Activities and behaviors are important but they aren't what the board should hold the chief executive accountable for. It's results that count! Many boards attempt to identify all the activities and behaviors they expect the chief executive to perform rather than isolating the key results required for the success of the organization.

Identify the three most important result-oriented goals. Some boards then find it helpful to pause and ask: Are these the three goals that above all others need to be accomplished? Are these goals the

ones the chief executive should be held accountable for or should any of them be assigned elsewhere?

## 2. Consider if the goals are sustainable and balanced.

Most organizations do not have the luxury to spend time and money on short-term results. Therefore, goals must be sustainable. For example, any organization can improve its profitability and achieve cost savings by laying off staff, eliminating services, or postponing initiatives, but at what cost? After the goals are established, ask yourselves: Are we achieving these results to the detriment of other results? Are these results sustainable for at least five years?

## 3. Identify auxiliary goals for others to accomplish.

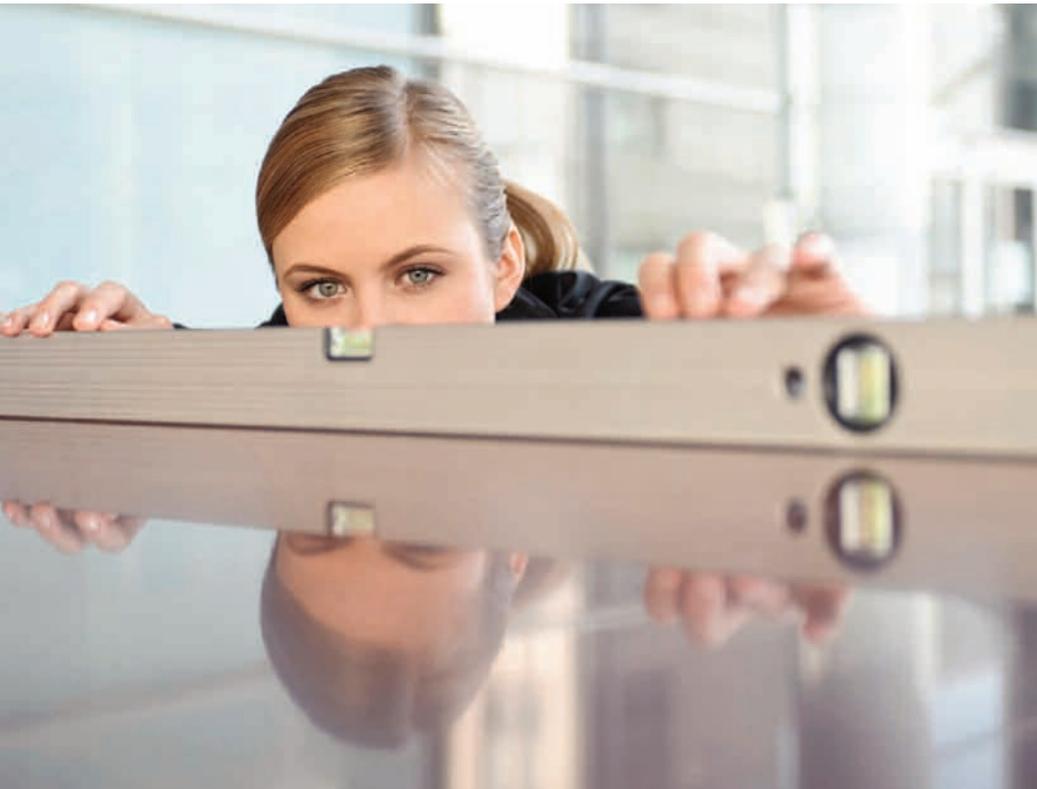
When identifying goals for the chief executive, it's important to realize that his or her success in attaining results often depends on others meeting related sets of goals. These auxiliary goals support the chief



executive's goals, and are the responsibility of others, such as the board itself or various members of the organization. Examples include goals related to a capital campaign or the introduction of a new product or service. These goals, like the chief executive's, should be based on results, not activities.

#### 4. Scan for potential obstacles or hurdles.

If your organization developed a strategic plan recently, it's likely that an environmental scan



identified the external and internal influences for the organization. Using that information, while also incorporating fresh impressions and data, you now should identify potential obstacles or hurdles that could prevent the chief executive from achieving his or her goals. Identifying these obstacles or hurdles will help the board understand what needs to be supported and funded to enable the chief executive's success.

Some chief executives habitually abandon their goals. It could be that he or she does not think they are the right ones or are unattainable, does not believe the

board will actually hold him or her accountable, or just does not want to be held accountable. The board can avoid this by including the chief executive when identifying goals and by gaining agreement that he or she will be accountable for those goals.

#### 5. Clarify metrics and dates.

It's essential to include metrics or measurements in the chief executive's goal statements. This is the only way you will know if he or she has attained the results. It's also

important to indicate when you expect the results to be achieved. It may be that benchmarks are needed each quarter leading up to the cumulative success at the end of the year. These are crucial steps — without these two added specifics, you will not be able to effectively evaluate the chief executive's performance.

#### 6. Cascade and communicate the goals throughout the organization.

Chief executives who are most effective in achieving their annual goals make them shared goals at all

levels of the organization. "Cascading" the goals — a term coined by Angelo Kinicki — creates horizontal and vertical alignment in an organization, helping to minimize conflict and build interdependent focus on the outcomes.

A large nonprofit I worked with was able to cascade the goals — one of which was increasing the organization's name recognition — from the chief executive to all 50 of its affiliate organizations. Each affiliate in turn cascaded the goals to its direct reports, making the focus on the goals over 350 people strong rather than that of the chief executive alone. The end result was that the organization increased its name recognition by 15 percentage points nationally and, in some markets, by 20 percentage points.

Goal setting is vital to not only the chief executive performance evaluation process but, more important, to the long-term success of the organization. When goals link to the organization's vision and strategic plan and are results-oriented, measurable, balanced, and agreed to by the board and the chief executive, the board's work at performance evaluation time will be easy.

#### RESOURCES:

"Critical Conversations" by Jacqui Cook. *Associations Now/The Volunteer Leadership Issue*, January 2010.

[www.asaecenter.org/publicationsResources/ANowDetailLeadershipIssue.cfm?ItemNumber=46651](http://www.asaecenter.org/publicationsResources/ANowDetailLeadershipIssue.cfm?ItemNumber=46651)

*Assessment of the Chief Executive: A Tool for Nonprofit Boards* by Joshua Mintz and Jane Pierson. BoardSource, 2005.

More in the BoardSource Knowledge Center about chief executive assessment

# Bylaws Rule!

*Your bylaws can encourage your board members to attend meetings.*

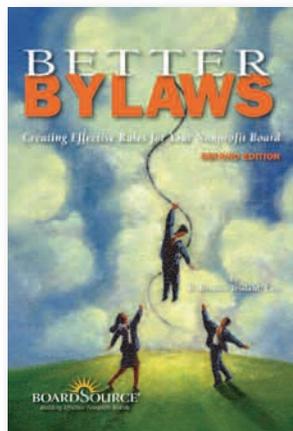
To discharge their fiduciary duties, board members must attend meetings. Deliberation and participation are integral elements of board service.

To encourage attendance, some nonprofit organizations have bylaw provisions that allow the automatic removal of members who miss a specified number of meetings (either in a year or in a row). Such provisions sometimes contain references to “excused” or “unexcused” absences, although this raises the issue of what will be considered an excused absence, who has the power to excuse that absence, and whether many excused absences are any less detrimental to board decision making than a few unexcused ones.

To avoid these issues, some organizations treat all absences the same. Of course, one danger of a strict attendance policy is that it could result in the removal of a good member who has missed several meetings simply because of a period of extended illness. On the other hand, one would hope that a member with an extended serious illness would acknowledge his or her inability to give proper attention to board duties and would voluntarily resign. But if a member with several absences does not take steps to resign, the board chair may need to be proactive and politely encourage the member to do so for the good of the organization (as well as to protect the nonparticipating member from personal liability for dereliction of duty).

Given that state laws normally allow a member to be counted as “present” if the person participates in a meeting by telephone, and given that most people have cell phones that arguably allow them to call into a board meeting from nearly anywhere in the world, there should be little excuse for members being absent from most board meetings that have been announced sufficiently in advance. Therefore, there is some merit in having some type of reasonable attendance policy in the bylaws and enforcing it. Alternatively, the bylaws could provide that board meeting attendance will be strongly considered in determining whether a member will be reelected to another term.

*Excerpted from Better Bylaws: Creating Effective Rules for Your Nonprofit Board, Second Edition, by D. Benson Tesdahl, Esq. BoardSource, 2010.*



## Executive's CORNER



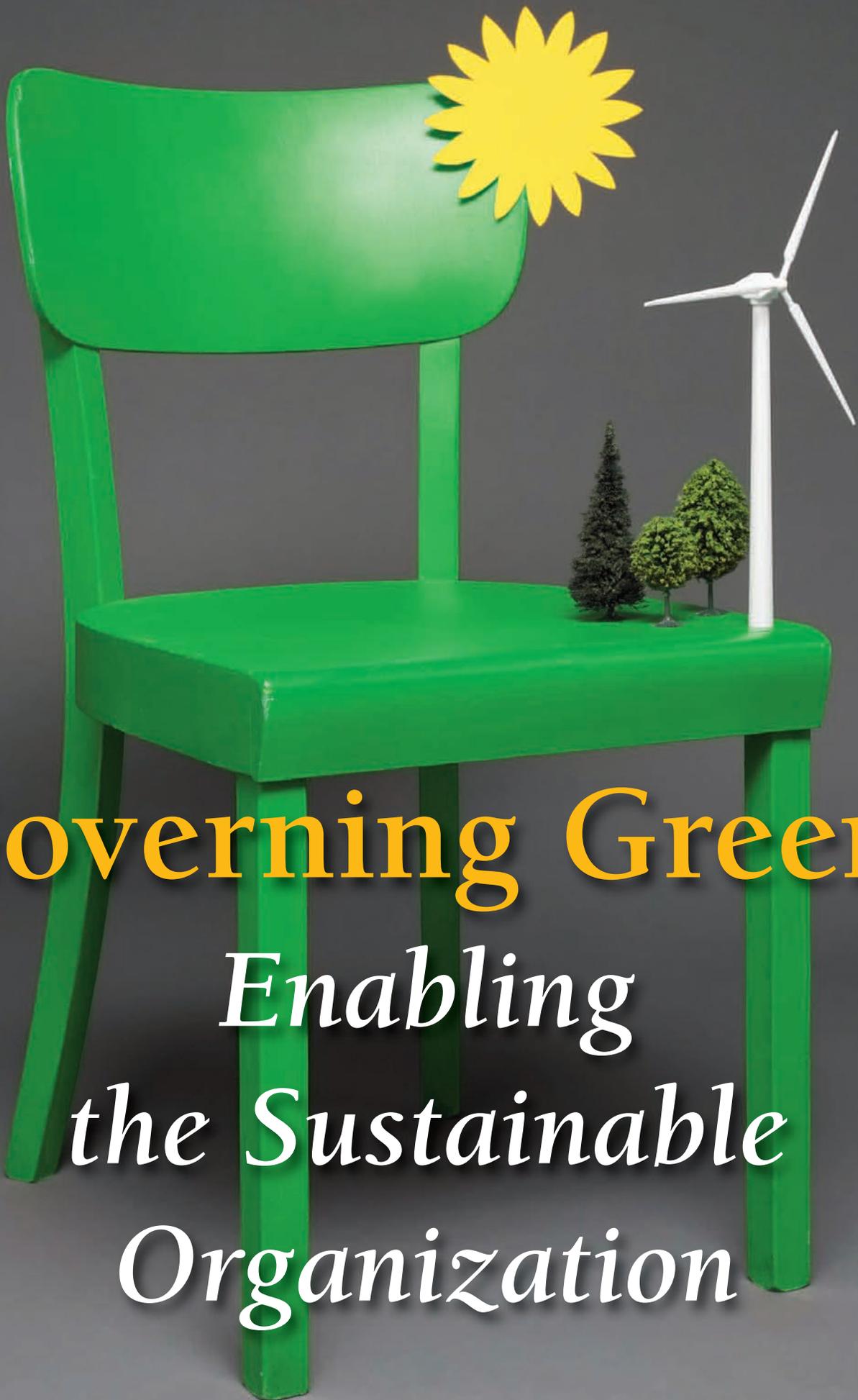
LOU ELLEN HORWITZ  
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**It's harder than you might think to push someone off a cliff.** What if she doesn't grab that branch partway down? What if he doesn't realize he has a parachute? Then again, what if he or she actually CAN fly?

As leaders, pushing people off cliffs is part of our job — as our boards should be reminding us on a regular basis. It's our responsibility to create opportunities for our young staff members to develop their own leadership skills, to try out their own wings. It's scary for us, however, because we don't really know what's going to happen. We also are giving up control and parts of our own power when we teach staff members to do without our constant help and supervision. Nevertheless, without purposely created opportunities to fall (at least part of the way), how can our staff members learn to lead and voluntarily take that leap the next time?

I also believe that, in most instances, we should provide those we're pushing with branches and parachutes and sometimes even a large net (we are the net!). Challenging our staff members should not be a death sentence! It's OK to start small and work up to an actual cliff, but the element of risk and responsibility needs to be there. Sometimes, however, it even makes sense to forgo the net and let them fall.

I watched one of my risk-taking employees SOAR away from me today — it was one of the hardest but most rewarding experiences of my career.



**Governing Green:**  
*Enabling  
the Sustainable  
Organization*

## Test your environmental knowledge



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*Is your organization practicing good stewardship toward the environment? It's up to the board to lead the way.*

In less than two generations, there has been a sea change in attitudes toward the environment. Today, nearly everyone wants to have a healthy environment, and many feel obligated to contribute toward this goal. We also expect corporations and other institutions to conduct their affairs in a way that does not impose undue burdens on the environment and that complies with all pertinent environmental regulations.

The expectation of good stewardship toward the environment applies to nonprofit organizations as surely as it does to for-profit corporations and calls for vigilance as well as sound policies and approaches. Managing such issues proactively therefore requires leadership and direct board ownership and involvement.

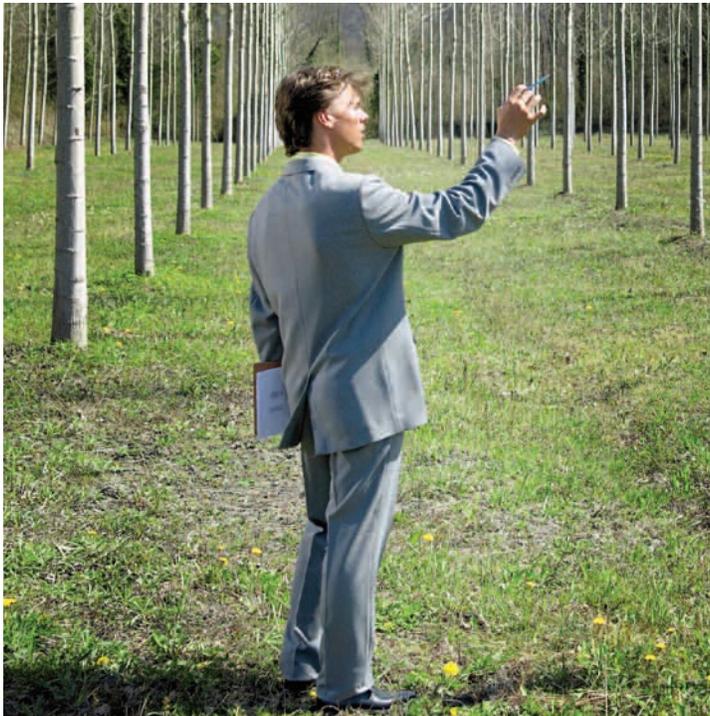
For many nonprofit leaders, this can present a quandary. You may be unclear how an environmental issue relates to your organization's mission or the degree to which you can control or even influence your

organization's environmental aspects. You also may be confused by the many competing voices and abundant information (and misinformation) making claims about environmental issues. In total, the situation can be very vexing, making it difficult to know what to do or even where to begin.

Fortunately, nonprofit board members can effectively leverage their talents and limited time by focusing on the following actions:

### 1. Define the nature of your organization's relationship with the environment.

The first and, in some respects, most important board activity is to



evaluate environmental issues within the context of your organization's mission, vision, and values. The extent to which environmental protection/enhancement are consistent with, support, or further your organization's reasons for being should define the degree to which you view environmental activities as new *opportunities* or as *obligations*.

The distinction is vital, and your organization's posture on this point will flow through all of your subsequent decisions and activities, even if only implicitly. The board should take a clear position on this question very early in the development of any new environmental initiative.

### 2. Develop a policy.

Regardless of how the environment is viewed in the context of your organization's ongoing work, your board should establish or direct the development of an organization-wide environmental, sustainability, or social responsibility policy. The policy is the cornerstone of effective organizational environmental programs and establishes the position, aspirations, and commitments of the organization and all of its members.

While this task may seem intimidating, in practice, adoption of a limited number of widely recognized principles and practices will yield a solid and workable policy:

- Comply with the law and your organization's own commitments.
- Determine and control your organization's significant environmental effects.
- Prevent pollution at the source, where possible.
- Conserve resources where feasible.
- Check progress and improve over time.
- Address stakeholder input and transparency.

Note that none of these principles require your organization to address environmental issues that do not apply or to invest resources to reduce/eliminate environmental effects unless doing so is both an effective response and is financially feasible.



The policy also should include provisions that speak to application and implementation:

- The policy applies to all employees and locations.
- The policy is overseen, enforced, and periodically reviewed and improved, as appropriate, by the board.
- In evaluating the environmental significance of your organization's activities, it considers all lifecycle stages of the products, materials, and services it uses and provides.

Adopting these provisions will form an effective base for any new environmental program or initiative.

### 3. Establish long-range goals.

Having established your organization's intended environmental posture and commitments, the next logical step is to establish a few long-range objectives. These should serve as guideposts showing the principal thrusts of your organization's environmental improvement activities and future points of reference to ensure that progress and overall direction are on track. These objectives should be aspirational, reflect the environmental/sustainability policy and commitments, be focused on the medium-long term, and be challenging but reasonable in scope

and rigor. Board members should either lead or be intimately involved in the development and approval of these long-range goals.

### 4. Assess your environmental effects.

Prior to delving into specific goals and making decisions about program focus, you should identify and assess your organization's actual environmental effects. This can be done using an Environmental Aspects Analysis, a key component of formal environmental management systems (EMS) used by large and small companies and government organizations around the world. The aspects analysis comprises several sequential steps:

- Review all activities, products, and services, and how they intersect with the environment.
- Determine the extent to which your organization has control or influence over each. Then set aside those that are outside the organization's control or influence.
- Define and evaluate the "significance" of each point of intersection (organization-environment). At minimum, the following types of intersections should be evaluated:
  - pollutant emissions to air, water, or land
  - solid waste generation
  - land alteration
  - use of natural resources (e.g., energy, water)
  - local or community concerns or issues

When correctly applied, this simple yet deceptively powerful approach yields a clear (and usually, small) set of environmental issues that are the most important for your organization to address. This small issue set then becomes the focal point for all subsequent performance improvement efforts, helping to prevent attention and

resources from being diverted to issues that simply don't matter to your organization's environmental performance.

### 5. Establish specific goals or targets.

Next, assign specific goals/targets to each significant environmental aspect. These should indicate progress toward the defined objective(s), be specific and quantifiable, and have associated time frames for attainment. For each, the organization, led by your board, should define one or a few performance measures/metrics that are understandable to staff and stakeholders, verifiable, responsive to stakeholder concerns, consistent with the defined goals/targets, and, of course, environmentally meaningful. A properly designed and implemented set of metrics and data collection methods will yield results that are accurate, complete, and comparable, hence both useful for decision making and credible inside and outside the organization.

Board involvement in establishing both goals and measurement processes is very important to the overall success of any coherent environmental improvement initiative.

### 6. Review investments.

Another area in which board involvement is essential involves investments. In many organizations, board members either serve as or oversee the actions of fiduciaries responsible for investments. Historically, fiduciary duties have been interpreted as limiting investing activities to those that maximize returns given a defined level of risk, or conversely, minimize risk while attaining at least a stated level of financial return. Under this interpretation, fiduciaries have taken the position that they are prohibited from considering the environmental (or social) characteristics of firms in which they might invest. This posture has impeded the practice of environmental or, more generally,

“socially responsible” investing (SRI), which makes use of corporate environmental, social, and governance (ESG) data.

During the past several years, two major works of legal research and analysis commissioned by the United Nations have completely altered how fiduciary duty has been interpreted in the United States and several other developed countries. The second of the two reports, released in late 2009, goes so far as to suggest that fiduciaries have a duty to consider responsible investment strategies; that integrating ESG issues into investment and ownership is part of responsible investment; that such integration is required to manage risk and properly evaluate long-term opportunities; and ESG issues materially affect both company-level and systemic risk and cannot be ignored by the prudent investor.

The implication is that board members who neglect to consider environmental (and relevant social) factors when managing (or overseeing the management of) investment accounts may be subjecting themselves to risks and, possibly, future legal liability.

### 7. Direct the formation and operation of programs.

Your boards and individual board members also can play a vital role in leading the development of internal programs, formal or otherwise, to achieve your organization's environmental goals and improve its environmental performance over time. Several issues are of particular interest:

**Building space.** Building energy use is often a major (or the most important) source of an organization's pollutant emissions. Fortunately, many cost-effective improvements can be made to buildings that reduce energy consumption and associated emissions. While there may be only limited short-term opportunities to make significant changes to



physical space, you should consider reviewing the space occupied by your organization and attendant energy/environmental characteristics when evaluating lease renewal or searching for new building space. Your board can play a supportive, if not catalytic role, in stimulating this type of thinking and ensuring that available opportunities to improve the environmental performance of your organization are captured.

**Travel.** Trips, particularly long-distance, can be an organization's most significant environmental aspect, mainly because of the energy and pollutant emission intensity of airplanes, and, to a lesser degree, motor vehicles. Clearly, the issue's importance hinges on the frequency and typical distance of travel by your organization's employees, the relative importance of travel to fulfilling your organization's mission, and the environmental impacts of other organizational activities. If, however, long-distance travel can be reduced through such techniques as video- and Web-conferencing, your organization can both reduce its environmental footprint and likely save money as well.

**Document management.** The issue here is how best to use paper and electronic communications and in what proportions. Making smart and efficient use of whatever paper is employed will produce both some level of environmental benefits and reduce costs. Simple steps such as recycling office paper (and other materials, where appropriate) and using double-sided printing are obvious places to start.

**Material use.** Your organization may procure and use many different types of materials. Depending upon the nature and quantities of such materials, your board may wish to ensure that your organization's energy and pollutant intensity, sources, and post-use management are evaluated and understood. At a general level, you may wish to

ensure that your organization is purchasing and using greener products and services when and where quality, availability, and cost are comparable to existing offerings. Simple examples of where this type of approach can be applied include office equipment (EnergyStar® labeled), office paper (recycled content and/or SFI, FSC, and/or PEFC certified), cleaners (low-VOC, low toxicity), and pesticides (integrated pest management).

In the years to come, all organizations, nonprofits included, will be expected to operate in an environmentally sound manner. Because of the importance and complexity of these issues, board involvement in how they are managed is essential to the long-term success and sustainability of your organization. While many activities

can and should be delegated to management and staff, there are a number of logical places for board entry and involvement that will ensure that the capabilities of board members are properly leveraged while not unwisely consuming their limited time. And while creating some form of environmental program from scratch may seem overwhelming, there are many useful models and examples that can help to show the way.

#### RESOURCES:

*Green Nonprofits*  
[www.jolera.com/greennonprofits/default.htm](http://www.jolera.com/greennonprofits/default.htm)

*Transformative Governance*  
[www.transformativegovernance.org](http://www.transformativegovernance.org)

### SAMPLE ENVIRONMENTAL POLICY

*This policy applies to the Canadian company, Aspire Sports Supplements Inc.*

The Aspire Green Policy reflects the philosophy of Aspire and our commitment to reduce the impact that our organization has on the environment and to ensure compliance with all environmental legislation. With a focus on the four principles of "Reduce, Reuse, Recycle, and Recover," Aspire has set specific guidelines for its business activities, including:

**Compliance with environmental regulations.** We seek not only to comply with safety and environmental regulations but also to implement in-house standards to improve our environmental performance and prevent pollution.

**Efficient use of resources.** We seek to reduce environmental loads by attempting to efficiently use resources, save energy, reduce waste, and encourage material recycling in our operations.

**Use of recyclable materials.** We endeavor to minimize environmental impact by using recycled paper for all our promotional materials and ensuring all product containers are recyclable.

**Choosing green partners.** Wherever fiscally possible, we attempt to work with similar-minded, environmentally oriented organizations and to adopt environmentally friendly technologies for the ordering and shipping of our products to customers and the purchase of required resources.

**Educate employees regarding the environment.** We endeavor to raise our employees' environmental awareness and to ensure that they recognize the essence of this Green Policy by actively addressing environmental concerns.

**High-level environmental standard for our manufacturer's production facilities.** Our manufacturer has been registered to internationally recognized manufacturing standards, which provides our customers with additional assurance of the quality of our products and services and our commitment to environmental responsibility.

**Support for nonprofit environmental programs.** Our corporate responsibility policy requires that we make social contributions in partnership with local communities by supporting community health programs and/or environmental initiatives.

# Ask Our CONSULTANTS

**Q** Our board committees rely heavily on staff members to do the administrative tasks. Is this OK? What is an acceptable way to involve staff on board committees?

**A** The board/staff relationship is one that has tremendous potential — for constructive partnership or for misunderstanding and conflict. Like all relationships, it must be attended to. The best way to do this is to clarify roles, responsibilities, and mutual expectations and to challenge assumptions.

Because this question refers specifically to board committees, let's begin by agreeing upon a working definition of a board committee. Here's one for your consideration:

*Board committees are the board's workforce. They report to the board and help carry out the board's mandate to oversee the organization, ensure its financial security, and plan for its future. Board committees generally do not include staff members (except, in some cases, the chief executive), though they are often supported by staff. Examples of board committees include executive, finance, compensation, and governance committees.*

Often, the chief executive assigns a staff person to support a board committee. Although the chief executive should always be viewed as the primary link between board and staff, a designated staff person working directly with a board committee allows for more efficient and practical communication. This is especially true when board committees' oversight roles dovetail with specific staff responsibilities, such as finance. It is important to note, however, that the staff person assigned to work with a board committee is not a member of the committee; he or she supports the committee while continuing to work for the chief executive.

There are multiple ways staff can bring real value to board committees and their work. Staff can, for instance, provide context, explain standards in the field, or help with background information. When appropriate, the staff member also may serve as the secretary to the committee to take notes, follow up on administrative tasks, and coordinate logistics. Board committees can be particularly productive when



TONY SCUCCI  
BoardSource Senior  
Governance Consultant

they have professional staff support, but there must be clarity regarding roles, responsibilities, and mutual expectations among the committee chair, committee members, chief executive, and the staff person who supports the committee. If a board committee appears to be squandering staff time on redundant or unnecessary tasks, the chief executive should talk with the committee's chair to determine how the supporting staff member's workload might be lessened. In some instances, board committee members handle their committee's administrative tasks and utilize staff only as liaisons between the committee and the organization.

Finally, if the relationship between the committee and the staff person is going well, ask "How can we do even better?" But if it feels like things are going awry, they probably are. Don't wait for things to work out on their own; they seldom do. Attend to the task at hand, but also attend to the relationship; it is within that relationship that the task gets accomplished most efficiently and most effectively.

## RESOURCES:

"The Power of Committees" by Laurie Larson. *Trustee*, February 2009.

[www.trusteemag.com/trusteemag\\_app/jsp/articledisplay.jsp?dcrpath=TRUSTEEMAG/Article/data/02FEB2009/0902TRU\\_FEA\\_CoverStory&domain-TRUSTEEMAG](http://www.trusteemag.com/trusteemag_app/jsp/articledisplay.jsp?dcrpath=TRUSTEEMAG/Article/data/02FEB2009/0902TRU_FEA_CoverStory&domain-TRUSTEEMAG)

*Getting the Best from Your Board: An Executive's Guide to a Successful Partnership* by Sherrill K. Williams and Kathleen A. McGinnis. BoardSource, 2006.

The responses to the "Ask Our Consultants" questions are based on our consultants' experience working with nonprofit boards throughout the country. If you would like to improve your board's effectiveness, please consider contacting BoardSource's consulting team for assistance via e-mail ([consulting@boardsource.org](mailto:consulting@boardsource.org)) or call 877-892-6293.

# Looking at the Big Picture

The Rapid Rivers Museum of Art strives to be a place for artistic discovery, education, and entertainment. Six galleries present historic and contemporary art by local, regional, and national artists; an education program offers organized tours, lectures, classes, and special events for children and adults; and a permanent collection is representative of the Rapid Rivers region. The museum receives state and federal funding; seeks corporate sponsorship of programs, exhibits, and events; earns revenue through individual giving, a membership program, and some of its educational programs; and utilizes volunteers to help run the museum. Visitors are encouraged, but not required, to pay a general admission fee. A registration or entrance fee is associated with special exhibits.

The center is governed by a board of 15 residents of the region; it meets quarterly. At the board's fall meeting, the members will review the following dashboard. Based on data contained within the dashboard, Samantha Smith Suarez, the chief executive of the center, expects the board to have a robust discussion.

What questions do the following indicators raise? What issues might the board discuss at its meeting? And what action might it take to address the overall direction of the center?

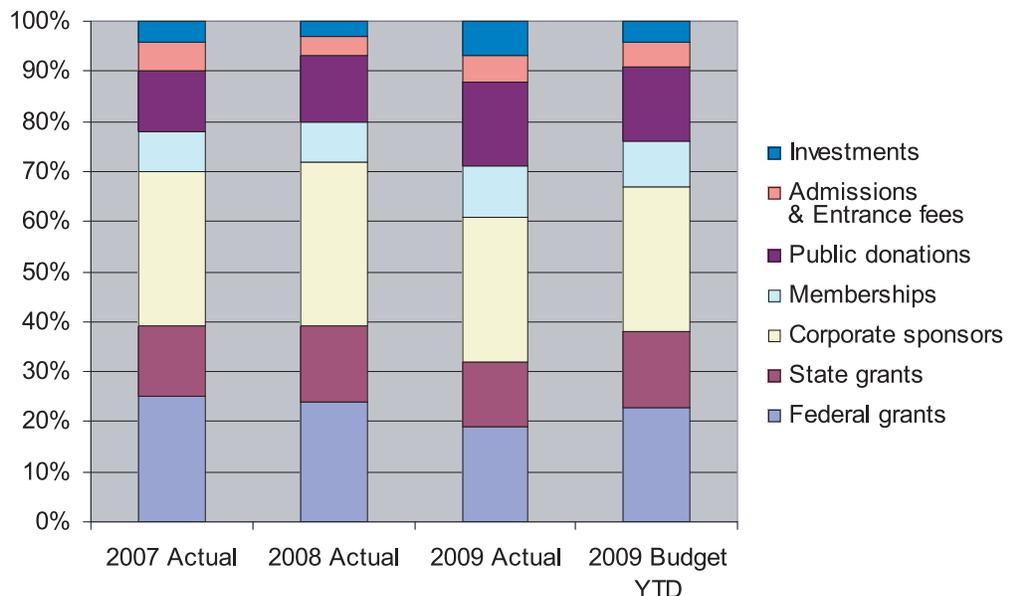
**RESOURCES:**

“A Nonprofit Dashboard and Signal Light for Boards” by Jeanne Bell and Jan Masaoka. *Blue Avocado*, July 1, 2009. [www.blueavocado.org/content/nonprofit-dashboard-and-signal-light-boards](http://www.blueavocado.org/content/nonprofit-dashboard-and-signal-light-boards)

*The Nonprofit Dashboard: A Tool for Tracking Progress* by Lawrence M. Butler. BoardSource, 2007.



**Income Sources**



## DEFINING DASHBOARD METRICS

There is no single set of right things to measure for every organization and for every board; each board must choose what's best in regard to its current circumstances, and refrain from making it overly complicated. Where a board falls in its lifecycle may have a lot to do with what the board considers important to measure. A founding board may have a set of concerns related to institutional establishment, formation, and initial survival. The board of an organization with a deeper history may want to assess its impact on a clientele or population group. Issues of outcome may be the primary focus for those organizations whose purpose is the promotion of particular, definable changes in the behavior, condition, or status of a population group.

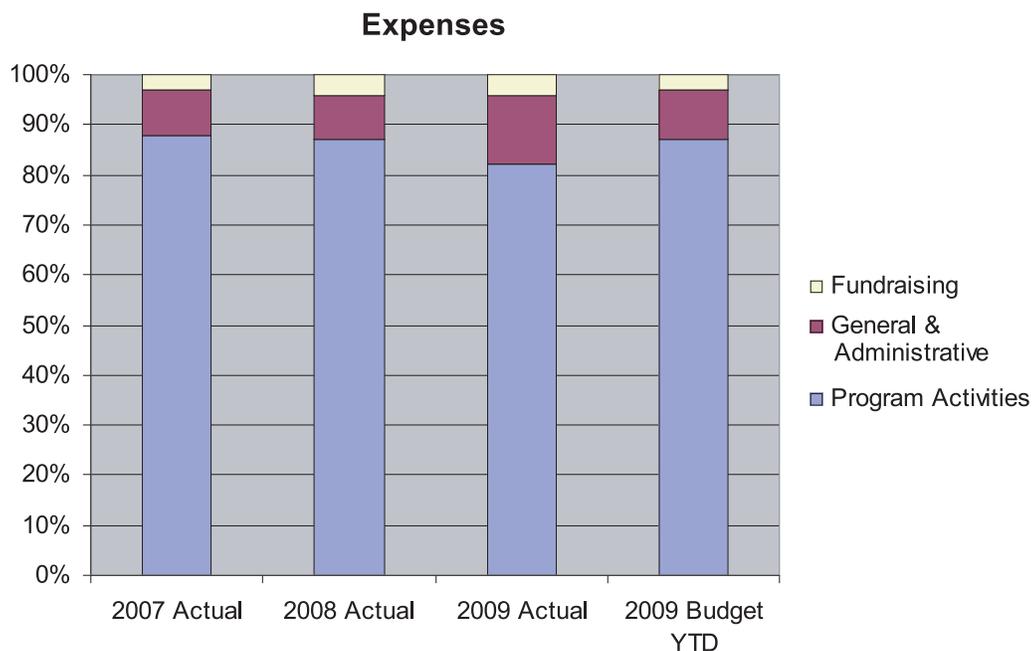
Organizations with more amorphous purposes of societal betterment may choose to focus on the quality of their services and the satisfaction levels of those they serve. And, because all boards have clear fiduciary obligations regardless of their institutional purpose or lifecycle change, there may well be a common set of measures that assure any board of the financial solvency and ongoing viability of the enterprise.

Having acknowledged the challenge of defining dashboard metrics and the varied perspectives that can be brought to bear, there are still ways of proceeding that can help get a board started on this important step. The following suggests six approaches to defining dashboard metrics.

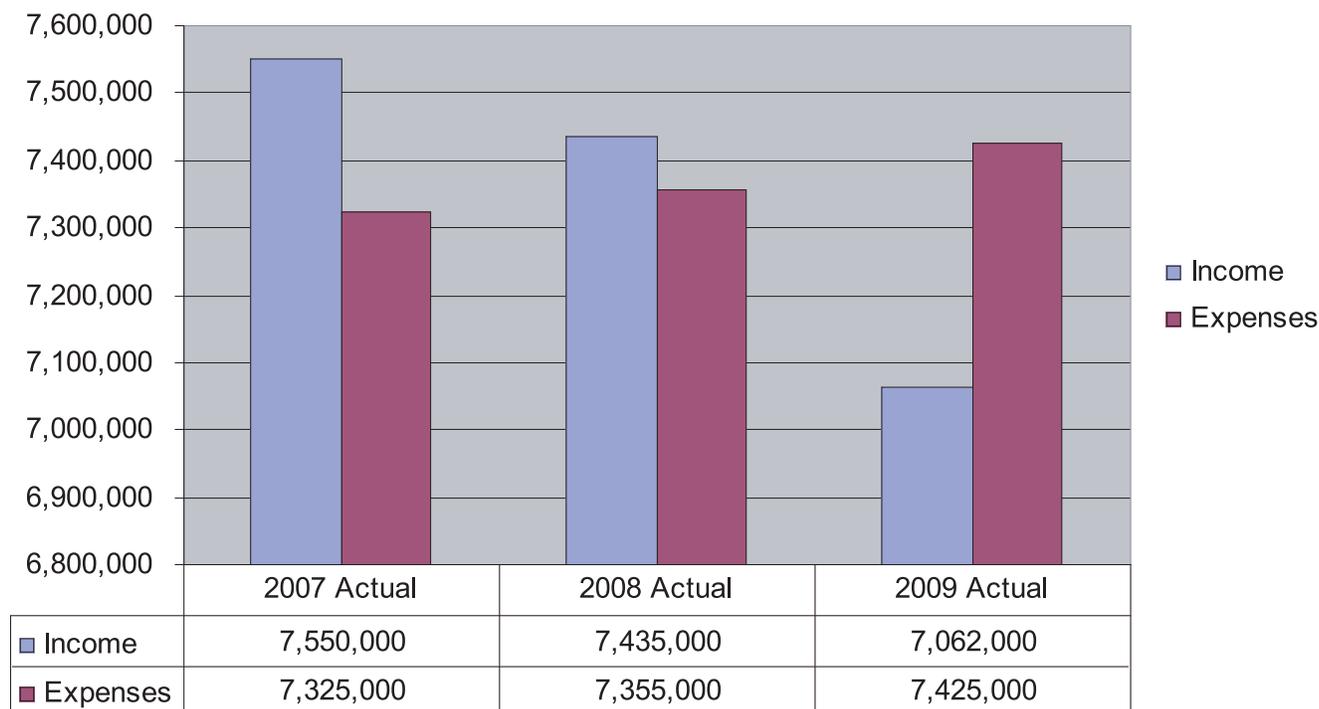
1. Outcomes
2. Mission as spine
3. Strategic initiatives
4. Drivers of success
5. Risk factors
6. Service/resource matrix

These approaches are neither exhaustive nor mutually exclusive. Each offers a way to systematically identify performance indicators that are high level in terms of their significance for institutional (or program) success, informative as to key aspects of organizational performance, and sensitive to critical changes, especially negative changes. Staff leadership, in collaboration with the board, should feel free to choose among these approaches and, if considered appropriate to their particular organizational experience and needs, combine features of these different approaches in moving toward a manageable set of meaningful dashboard metrics.

More



## YTD Operations



**LIAL JONES**  
Director  
Crocker Art Museum  
Sacramento, CA

The dashboard presented to the Rapid Rivers Museum of Art's board omits some of the critical information needed to support a robust board discussion, such as data about monthly visitation, membership, program participation and demographics, and attendance at special exhibits. This type of information would allow the board to consider financial measures of success in the context of mission-based activities.

This dashboard does indicate, however, that budget projections are considerably out of line with actual income and expense, raising questions about the state of the organization's operations and its budget process. Why were expenses

not managed more prudently in the face of the income shortfall? What precipitated the drop in income, and was it unexpected? Did the board adopt an unrealistic budget?

It also is clear that state and federal grant funding is below projections and the level of previous years, while membership, public donations, and admissions are up. This is good news: There is an increasing level of audience engagement. The fiscal situation is precarious, however — the surplus from the 2007 and 2008 budget years cannot cover the current deficits, and it would appear that not many other resources are available. At the same time, fundraising expenses are down. Considering the current shortfalls, the board should consider directing more resources into fundraising, not less.

To steer the museum back onto a calmer financial surface, the board might include instituting or increasing program fees, charging admission, and seeking new and increased donations and

sponsorships. During these challenging times, the board also should track the museum's funding progress more frequently than just at its quarterly meetings.



**ARTHUR H. WOLF**  
Board Chair  
Desert Wetlands  
Conservancy  
Las Vegas, NV

Samantha and her board need to have that robust discussion. The dashboards indicate some worrisome trends: investment income, admission fees, and state grants are all down versus expectations. Federal grants and public donations are up, and it looks like general administration and fundraising have either cut or purposely underspent their budgets to date. We don't know, however, if there is a reserve fund built from past operating surpluses, or if there are large program expenses that have

been prepaid during the year for special exhibits that will bring in additional admission revenue in the fourth quarter. The dashboards also don't address cash flow requirements or uncollected reimbursable grant expenses.

The board might discuss the timing of exhibit and program expenses; expectations for fourth quarter performance, including fundraising and annual giving by the public; the proportion of program activities funded by restricted state, federal, or corporate funds; and the prospects for continued funding given the current volatility of government and corporate grantmaking.

The board should take this opportunity to review progress on the current strategic plan and discuss course corrections that can mitigate the financial volatility while continuing to engage the Rapid Rivers community. These might include slowing down the merry-go-round of traveling exhibits, finding interesting new ways to interpret the permanent collection, establishing a modest mandatory admission fee, and taking steps to inspire community participation through social media and visitor-created experiences. The board might also use this discussion to decide what measures are most important to include in future dashboard reports.



GAIL ANDERSON  
President  
Gail Anderson &  
Associates  
Novato, CA

While the Rapid Rivers Museum of Art is experiencing a significant decrease in income and an out-of-balance increase in spending that requires immediate course

correction, the larger issue may be the apparent decrease in public engagement with the museum and, possibly, the lack of relevancy and alignment of the institution with its community.

But first, what has caused the high level of expenditures in excess of income? Why is there a heavy emphasis on program expenses and very little for administrative and fundraising costs? What accounts for the low attendance fees and contributed income? Has there been a change in earned-income activities?

Immediate steps are required to mitigate the situation. These might include a shift in how the chief executive spends her time, an increased board role in fundraising, a moratorium on significant and non-essential expenses, and the modification of programs and exhibitions.

The dashboard prompts other questions as well. How do the board and the chief executive stay in touch about the museum's overall health? Are quarterly financial reports frequent enough? What level of expense or income generation (or lack thereof) triggers a change in strategy? What level of reserves must be in place to cushion the operation? Should the dashboard be reconfigured to provide more forward-looking and balanced information about different aspects of operations beyond just financial tracking? And what is the role of the museum relative to its community and constituent base?

The current state of the museum's income and dramatically increasing expenses is a wake-up call; tackling it now is the prudent course of action for future stability.



D'ANA DOWNING  
Board Member  
Rebuilding Together  
Howard County  
Columbia, MD

**When I became the newest and youngest member** of a nonprofit board, I was anxious about my lack of governance experience but confident that I would learn and grow. I looked forward to being mentored by an experienced member and using my fundraising experience and expertise to benefit the organization. And I prepared by learning as much as I could about the organization and educating myself about governance.

So why was my entry onto the board difficult? And why are other young professionals having similarly rocky experiences? It comes down, I think, to issues of respect and trust.

Seasoned board members are sometimes resistant to bringing on young "new blood." There is fear of change, fear that the new member does not share their commitment to the organization, and fear of an outsider's perspective — especially an "outsider" with considerably less life experience. The results can be ugly. I have seen and heard of seasoned board members challenging, undermining, and resisting all ideas brought to the table by their board's newest members — members who have expertise or insights the board is lacking. There is nothing more discouraging for a young professional hoping to contribute in a meaningful way.

So, to seasoned board members, I say: Trust that you made the right decision in bringing on a new, young board member; please respect our expertise and insights — as we will yours; and know that we are truly committed to advancing the organization's mission and strengthening our communities.

## BOARD MEMBER

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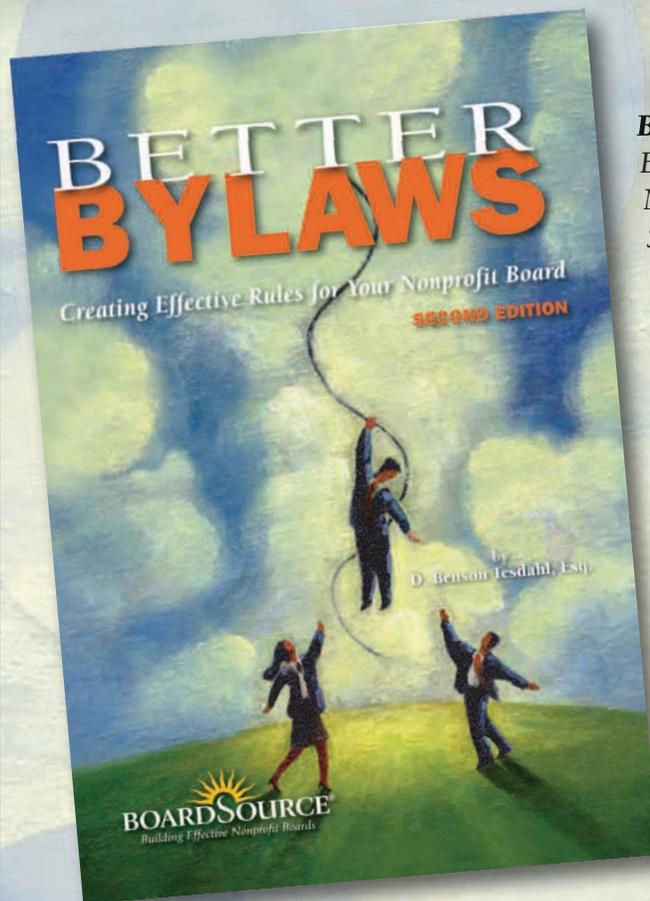
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# Are you giving your bylaws the attention they demand?



## **Better Bylaws: Creating Effective Rules for Your Nonprofit Board, Second Edition**

Most nonprofits begin their existence by filing articles of incorporation with the state. Another critical step is to draft an initial set of bylaws to establish key governance rules — how to call meetings; what constitutes a quorum; how to elect, add, and remove board members; how to form committees; and more.

Founding board members often get bogged down in drafting the initial bylaws, struggling to get the first set perfect and cover every conceivable issue that might arise in the future. Or they blindly borrow a bylaws example, even though it may not fit their needs.

A helpful approach is to start with very basic bylaws that cover major issues surrounding meetings and elections and then gradually amend those bylaws over time as the nonprofit matures and as new governance issues arise that were not clearly covered by the initial bylaws.

*Better Bylaws* will help you draft workable rules. The book includes

- a definition of bylaws
- an overview of the issues and areas bylaws should address
- examples illustrating the relationship between state laws and bylaws
- samples that can be used as a starting point or to revise existing clauses
- helpful advice on how to choose among alternative bylaws provisions
- instructions on how to amend bylaws

Carefully crafted bylaws and adherence to them can help ensure the fairness of your board decisions and provide protection against legal challenges. Give your bylaws the attention they demand.

**By D. Benson Tesdahl, Esq. 102 pages. Includes CD-ROM. 2010. (#386)  
\$34.00 members; \$51.00 regular price**