

D R A F T – Feb 20

USFHA Board Orientation

March 6, 2015

What is Governance?

Means in which the leading authority, often the board of directors... **guides and monitors the values and goals** of its organization through policy and procedures.

www.pfc.ca/cms_en/page1112.cfm



What is a Board?

- “an organized group of people with the authority collectively to control and foster an institution that is usually administered by a qualified executive and staff.”

Source: *Governing Boards*, by Cyril O. Houle, 1989 Jossey-Bass & NCNB

Board Service

All nonprofits

- Legal duties
 - Care, loyalty and obedience
- Compliance with legal requirements
 - IRS
 - State Nonprofit Corporation Statute
 - Charitable registration
 - Contractual obligations

Organization specific

- Governing versus operating board
- Leadership role expectations (including participation on committees)
- Leadership succession
- Term limits
- Decision-making authority (entire board vs. Executive Committee)
- Professional ethics

Governance & Risk

- **Who** – Do we have the diversity of perspectives we need to advance our mission? Do we have the skills we require to discharge our oversight responsibility?
- **What** – How do we govern? Are current governance practices appropriate (mission-advancing) given our size, scope and the constantly changing environment?

Policy Setting vs. Operations

Policy: determining what needs to be done

- Focusing on the big picture goals and strategies of the organization, critical challenges and material risks
- Deciding on the future direction of the organization
- Monitoring plans to achieve objectives

Operations: doing what needs to be done

Power

- Executive: directs operations – “immediate power”
- Board: - the board has “ultimate power”



Effective Governance

- Nimbleness – is the organization poised to seize opportunities?
 - example: flexible succession plan, proactive board recruitment
- Strategic focus – does the Board focus on the direction of the organization?
- Collaboration – is there an effective, working partnership between volunteer leaders and staff?

Source: *The Will to Govern Well*, 2nd Edition, ASAE

Asking Tough Questions...

One of the most important roles of the board is to ask questions.

For example:

- What events or trends impact our ability to deliver our mission or achieve our goals?

Great Governance Questions

- What do we need to know before we make a decision? Do we have all of the information we need?
- How sound are the assumptions behind our decisions?
- What are the organization's principal risks?
- How will we monitor progress towards achieving our goals?
- What have we learned from past experience?

Great Governance Questions

- How do events outside affect our ability to achieve our mission?
- How will the organization achieve its objectives?
- How will we measure success?
- What is the budget philosophy?
- What does the board need to know before approving the operating plan and budget?

Best Practice Concepts

1. Intentional Governance

- structure is intentional, not accidental
 - Are committee roles and responsibilities clear? Are decisions deliberated in an environment of mutual respect? Does the Board operate efficiently? Does the board have the skills it requires to be effective?
- structure enables the organization to cope with changing circumstances
 - For example, leveraging new opportunities and meeting challenges, ensuring thoughtful leadership transitions, exploring the expansion of mission/programs/scope of responsibility, etc.

2. Clarity in board / staff division of labor

- “Constructive partnership”
- **“mindset of interdependence... culture of shared responsibility”** – Jeff DeCagna
- Recognition of Board / Staff interdependency
- Lack of clarity may result in duplication of effort, frustration, inability to realize important goals (performance falls under target), etc.

3. Strategic thinking

- The Board regularly engages in strategic thinking

For example:

- What big risks should the organization consider/take to advance our mission?
 - What are the overarching assumptions that underlie our major strategies? Have we tested/questioned those assumptions?
- “Nose in, fingers out”
 - Do we devote enough time to strategic thinking?

4. Culture of Candor

- “Duty of dissent”
- Institutionalizing a **culture of inquiry**:
 - Constructive discussion leads to shared decision making
 - The Board seeks more information, questions assumptions, and challenges conclusions – in an environment of mutual respect

Governance Best Practices

- Custom-tailoring results in a better fit
- Attempts to legislate good governance have met with mixed results



How Will We Govern?

- *Division of labor*: board vs. management
- *Mechanics of governing*: how often will we meet, what committees are required to govern, etc.
- *Accountability*: how will we hold ourselves, and the CEO accountable?

Fiscal Oversight

- Ensuring that early warning signs are visible and acted upon
- Determining measures of good health
 - Relationship to short-term and long-term goals
 - What’s “normal” and appropriate for this organization?
 - Dashboard – what indicators will help us see and understand warning signs, ask thoughtful questions, and monitor results against our goals?

Board Participation in Fundraising

- A growing number of boards embrace the “give or get” philosophy (“wealth or wisdom”)
- Many boards discuss and agree on a goal for board donations, with results tracked against the goal in the annual budget

Legal Duties – all nonprofit boards

- Duty of Care
- Duty of Loyalty
- Duty of Obedience



Compliance – all nonprofit boards

- Requirements stemming from activities
 - e.g., Charitable registration
- Obligations that arise from contracts
 - e.g., ensuring that restricted funds are spent as directed by the donor
- Requirements due to structure and legal status
 - e.g. filing of IRS Form 990

Did you know?

- **One Size Doesn't Fit all MEMBERSHIP:**
“More and more, associations offer members greater choice, with multiple tiers of benefits and dues rates to choose from, because members join an association for different reasons.”

Did you know?

- Membership is a **MEANS to an end**, not the END.
- Over time, boards often **lose touch** with the typical member experience.

Three Modes of Governance

Generative – the first items of board business: *robust dialogue*.

- Goal: to observe and converse, to expose rather than to inspect. To see what comes into focus. To prepare for the important decisions to com.

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Strategic – the strategic plan and recommendations of work groups

Strategic Priorities should always take precedent over “new business”.

The **vision statement** should appear at the top of the agenda. Note action items for each agenda item.

Fiduciary. Consent agenda and operational should be last.

- Key Financial Statements:
 - Statement of Financial Position
 - Statement of Activities
 - Statement of Cash Flows
- PLUS: Fiscal Dashboard



Board of Directors Meeting Agenda (Location)

Vision: Metal is the construction material of choice for the building envelope

1. **CALL TO ORDER** – John Miller, Chairman (8 am)
2. **WELCOME AND OPENING REMARKS** – Miller
3. **ANTI-TRUST BRIEFING** – John Kelly, Esq.
4. **GENERATIVE DISCUSSION**
 - **Implications of Commercial Construction Rebound in 2015**
Where is MCA vulnerable with the forecast of another year of no growth in the market: membership, tradeshow, and other programs? What are the implications of no growth to member companies?
 - **Projected Skilled Workforce Shortage**
How are member companies impacted – their employees, their customers' workforce? In five years will there be enough skilled workers to install our high-end products?

5. STRATEGY

- **ADVOCACY/PUBLIC POLICY**

MCA is the recognized leader influencing public policy affecting the use of metal in the building envelope.

Legislative Issues – Committee chair & staff liaison

Action: Discuss and approve position statement on energy tax credit

Research and Code Initiatives – Committee chair & staff liaison

Action: Discuss strategy for 2015 code meetings

- **MEMBERSHIP**

MCA's membership has grown in quality and engagement through penetration of new and existing industry segments.

Membership Discussion – Committee chair & staff liaison

Action: Discuss and approve new membership category

Communications Discussion - Committee chair & staff liaison

Action: Discuss and approve messaging strategy

6. 2014 BUDGET

Action: Discuss and approve budget

7. CONSENT AGENDA

- a. Approval of Prior Meeting Minutes
- b. Committee Reports
- c. Financial Dashboard

8. ADJOURNMENT – John Miller, Chairman (11:30 am)

What to Do

- “Construct a board meeting agenda that promotes effective leadership with a simple change: Put the most important stuff first and routine items later.”
 - Anne Cordes and Mark Engle

Small Group Exercise

- Small groups of 3-4 members
- Discussion questions:
 - What aspects of governance are daunting?
 - What have you learned from prior board experience that you will bring to your role on the board of USA Field Hockey?
 - What have you heard today (thus far), that is new, or somewhat new? How might that information help you as a board leader?

Key USFHA Governance Policies

- Conflicts of Interest
- Others?

Board Members as Ambassadors

- Traditional approach – the “elevator speech”
- Increasingly common: explaining why you support the organization; why the mission of USFHA is meaningful

Board Meeting Norms

- Keep in mind: it's up the board to decide how it will operate
- Robert's Rules of Order: pros and cons
- Common challenges:
 - Extroverted vs. introverted members (veterans vs. newcomers)
 - The Board agenda
 - Respectful dissent

Dialogue vs. Debate

- Dialogue is collaborative. Multiple sides work toward shared understanding.
- In dialogue, one searches for strengths in all positions.
- Dialogue assumes that people have pieces of answers and that cooperation can lead to workable solutions.
- Debate is oppositional. Two opposing sides try to prove each other wrong.
- In debate, one submits one's best thinking and defends it against a challenge to show that it is right.
- Debate assumes a single right answer that someone already has.

Financial Authority

BOARD (Finance & Audit Cmte)

- Provides guidance to the Executive Director for the preparation of the budget.
- Reviews and transmits the budget to the Board.
- Reviewing all contracts (including employment) in excess of \$50,000 and making a recommendation for action to the Board.
- Reviewing all Sponsorship contracts in excess of \$100,000 and making a recommendation for action to the BOD Chair & ED.
- Reviewing budget variances in excess of 10% of approved budget and making a recommendation for action to the Executive Committee or Board.

CEO / Executive Director

- Prepares and manages the budget.
- Prepares and issues accurate, timely Financial Reports (standard: to F&A by the 15th of the month; quarterly reports to F&A and the Board by the 21st of the month).
- Enters into contracts up to \$50,000 and Sponsorship contracts up to \$100,000; submits contracts in excess of \$50,000 and Sponsorship contracts in excess of \$100,000 to the F&A Committee review.
- Submits all budget variances in excess of 10% of approved budget to the F&A Committee for review.

Ethics and the Board

- Question your motivations: “why am I taking on this role? What do I hope to gain.” Consider motivations in order to identify vulnerabilities.
- Scan the agenda to items where you may have a conflict to declare, and also for items where you may be perceived to be conflicted or bias.
- “Vigilance, diligence, and broadness of vision are all essential for you to model the highest standard of ethics.” – Susan Dorn and Jennifer Druliner, U.S. Green Building Council

Board Dynamics & Discourse

- The board will sometimes disagree
- Healthy boards are comfortable with disagreement, including the need to share diverse points of view

Code of Ethics

- **2.1: Ethical Behavior.** Ethical behavior is a commitment to do what is right; to obey all laws, rules and regulations; to behave with integrity and honesty; to avoid conflicts-of-interest and perceived conflicts-of-interest; to treat people fairly and to avoid discrimination, to respect diversity; to avoid behaving in a way that does (or could be perceived to) constitute sexual or other harassment; to accept accountability; to communicate openly, to behave appropriately when interacting with minors and juniors in a supervisory role; and to always behave in a way that is above reproach.

2.2: Conflicts -of-Interest.

A conflict-of-interest is a situation in which an individual (including a corporate entity) who, contrary to the obligation and absolute duty to act for the benefit of an organization, exploits a relationship for personal benefit. Personal benefit“ is here defined as a personal, family or business financial gain; a future consideration; a „quid pro quo“; or a „hold“ or undue influence over an individual (or corporate entity).

5.2 Function of the Board.

- USFHA Board of Directors shall represent the interests of the field hockey community for USFHA in the United States and of its athletes by providing **policy, guidance and strategic direction**. The Board shall oversee the management of USFHA and its affairs, but it shall not manage USFHA. The Board shall select a well-qualified and ethical Executive Director and diligently oversee the Executive Director in the operation of USFHA. **The Board shall focus on long-term objectives and impacts rather than on day-today management**, empowering the Executive Director to manage a staff-driven organization.

USFHA Board Duties

- **5.2.1** Implement procedures to orient new Board directors, to educate all directors on the business and governance affairs of USFHA, and to evaluate Board performance
- **5.2.2** Select, compensate, and evaluate the Executive Director and plan for management succession

- **5.2.3** Develop policies related to planning and development of a strategic plan for USFHA and review and approve USFHA's strategic plan, as well as the annual operating plans, budget, business plans, and corporate performance
- **5.2.4** Set policy and provide guidance and strategic direction to management on significant issues facing USFHA

- **5.2.5** Review and approve significant corporate actions;
- **5.2.6** Oversee the financial reporting process, communications with stakeholders, and USFHA's legal and regulatory compliance program;
- **5.2.8** Approve capital structure, financial strategies, borrowing commitments, and long range financial planning;
- **5.2.9** Review and approve financial statements, annual reports, audit and control policies, and, upon the recommendation of the Board's Finance and Audit Committee, select independent auditors;

- **5.2.11** Monitor USFHA's compliance with laws and regulations and the performance of its broader responsibilities
- **5.2.12** Ensure that the Board and management are properly structured and prepared to act in case of an unforeseen corporate crisis.

Governance Projects

- Board Self-Evaluation
- Governance Structure review
- Governance Policies review and development
 - What works? What doesn't?

SAMPLE

Board Self-Assessment Survey

Assign yourself—and the board as a whole—a grade in each of the categories listed below. Except where indicated, use the following grading scale: 1 = poor; 3 = good; and 5 = excellent.

	Me	<u>The Board</u>
Fully understand(s) the mission, programs, goals <u>and</u> aspirations of USFHA and my role as a board member.	_____	_____
Demonstrate(s) commitment to USFHA by attending <u>and</u> participating in board and committee meetings.	_____	_____
Familiar with the structure, staffing, key programs <u>and</u> principal funding sources of USFHA.	_____	_____
Take(s) advantage of opportunities to explain the <u>mission</u> and programs to prospective USFHA <u>members</u> and other stakeholders.	_____	_____
Provide(s) helpful information, resources, support <u>and</u> feedback to the CEO/Executive Director.	_____	_____

Board Self-Assessment Survey

Assign yourself—and the board as a whole—a grade in each of the categories listed below. Except where indicated, use the following grading scale: 1 = poor; 3 = good; and 5 = excellent.

	Me	<u>The Board</u>
Focus on strategic issues before the board, versus <u>operational</u> issues that are the responsibility of staff.	_____	_____
I have refrained from giving direction to members of <u>the</u> USFHA staff, and I have honored the collective authority of the board.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

In your view, what areas require focus and improvement?

For myself _____

|
For the board as a whole _____

Small Group Exercise

- Small groups of 3-4 members
- Discussion questions:
 - What aspects of board service are daunting?
 - What assistance or support would help you excel as a board member of USA Field Hockey?
 - What aspects of board service do our believe will be most rewarding?
 - What are appropriate measures of your contributions to the mission and governance of USA Field Hockey?