

Board Development

Roles and Responsibilities of Not-for-Profit Boards

When you become a member of the board of directors of a not-for-profit society, you want to have a positive experience. In order to do the best work for your organization, you need to understand:

- The type of governing board that your organization has, and the difference between a policy governing board and an administrative governing board
- The roles, responsibilities, and functions of a governing board
- The roles and responsibilities of volunteers in your organization
- The standards of performance for board members

The Governing Board of a Not-for-Profit Society

People create not-for-profit societies in order to provide programs and/or services that address specific needs in the community. The society's mandate is established through its incorporating documents: the objects and the bylaws. These documents specify what the society can do, and how the society does its work.

As a new board member, one of your first tasks is to become familiar with the objects and bylaws of your organization. The bylaws specify the structure of the board of directors. The board is the governing authority of the organization, and is responsible for directing, influencing, and monitoring the organization's business. *Governance* is the way in which the board exercises its authority, control, and direction over the organization. The board carries out its governance role by developing and monitoring policies, and it organizes its work through committees.

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There are three levels of authority for the functions of a society: governance, management, and implementation. The authority for governance always rests with the board, whether it is a policy board or an administrative board.

Types of Governing Boards and Levels of Authority

There are two types of governing boards: *policy governing boards* and *administrative governing boards*. Both types of boards are working boards, and are responsible for creating policy for the organization. Both types of boards have the same roles, responsibilities, and functions.

However, there is a difference in the way in which each type of board carries out its functions:

- **POLICY GOVERNING BOARD**

A policy governing board sets policy, and hires an executive director to implement the policy.

The executive director is responsible for carrying out the day-to-day work of the organization, with the assistance of paid staff and/or service volunteers. The executive director is directly accountable to the board, and is responsible for hiring, supervising, and releasing both paid staff and service volunteers.

- **ADMINISTRATIVE GOVERNING BOARD**

An administrative governing board sets policy, and then appoints either the executive committee or a standing committee to implement the policy.

The committee carries out the day-to-day work of the organization. If an administrative board has paid staff, the staff are responsible only for administrative and/or program duties; they do not manage the organization.

There are three levels of authority for the functions of a society: *governance*, *management*, and *implementation*. The authority for **governance** always rests with the board, whether it is a policy board or an administrative board. The board sets the tone for the organization, and directs the organization's future by developing policy and strategic direction.

The authority for **management** depends on the type of board. A policy board gives authority for management to the executive director. An administrative board gives authority for management to the executive committee. Management includes:

- Interpreting and supervising the implementation of board policy
- Planning and coordinating the organization's day-to-day operations
- Allocating resources according to board policy

The authority for **implementation** also depends on the type of board. A policy board gives authority for implementation to paid staff and/or service volunteers through the executive director. An administrative board gives authority for implementation to paid staff and/or service volunteers through the executive committee.

Implementation includes:

- Carrying out the day-to-day operations
- Putting the organization's activities into place

What type of board does your organization have? How can you find out? Many organizations start out with an administrative board, and then move towards becoming a policy board as the organization grows. Many boards find themselves in transition, and are still involved in some administrative tasks. When you ask questions for clarification on this issue, you are also helping other board members to develop clarity.

Board Roles, Responsibilities, and Functions

ROLES:

The board is responsible for the highest level of decision-making and legal authority in an organization. By law, it is ultimately accountable for, and has authority over, the organization's resources and activities. The board articulates and communicates the organization's vision to the membership and the community. Through policy, the board defines the parameters within which the organization will carry out its work.

RESPONSIBILITIES:

Governing boards have the ultimate responsibility for the organization's:

- **Purpose**, by establishing and implementing the organization's mission and vision
- **Continuity**, by providing continuity for managing and implementing the organization's affairs
- **Progress**, by setting the rate of progress that the organization takes in reaching its mission and vision
- **Identity**, by securing the community support and appreciation for the organization's objects, beliefs, vision, mission, and long-term direction

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Relationship of Board Responsibilities to Functions

The board:

- *Meets its responsibility for purpose through its framework governance function*
- *Meets its responsibility for continuity through its board self-governance function*
- *Meets its responsibility for progress through its operational governance function (program, personnel, finance)*
- *Meets its responsibility for identity through its advocacy governance function*

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Principles of Governance

All boards need to incorporate principles of governance into their operations. To do this, the board:

- *Articulates and communicates the vision of the organization*
- *Focuses on strategic planning and direction*
- *Focuses on the whole organization, rather than on issues of interest to individuals*
- *Is a corporate body, with board members working together as a whole*
- *Speaks with one voice*
- *Directs the organization's work by approving policy and monitoring its impact*
- *Is responsible for its own management through self-governance*
- *Hires, supervises, and releases only one employee: the executive director*
- *Avoids making management and operational decisions*

FUNCTIONS:

The main function of the board is **governance**. The board carries out this function by establishing, directing, and influencing the implementation of policy in four areas:

- Framework governance
- Board self-governance
- Operational governance (program, personnel, finance)
- Advocacy governance

Framework Governance

Framework governance covers the broadest policy areas of the organization, such as the mission, the vision, and the strategic direction. The focus is on *results*, rather than on the methods used to achieve them. Through framework governance, the board defines the mission, the expected outcomes, and the future direction of the organization.

Framework policies include:

- Organizational value(s) and belief statement(s)
- Vision statement
- Mission statement
- Target statements(s)
- Aims or strategic directions

To fulfil its framework governance function, the board:

- Makes sure that there is a strategic plan
- Monitors the framework policies to make sure that they reflect community needs
- Evaluates the organization's progress, as outlined in the framework policies and the strategic plan

Board Self-Governance

Board self-governance includes defining how the board will organize itself to get its work done, how the board will govern, and the board's relationship to its membership and to the community.

Board self-governance policies include:

- A process for policy-making
- The governing style to be used by the board
- The process for the Annual General Meeting
- The board's relationship to the membership
- Recruiting, selecting, orienting, training, and evaluating board members
- Roles, responsibilities, and functions of the board, board members, and committees
- The board structure
- A board member code of conduct
- The board chairperson's role (and the role of other executive members of the board)

To fulfil its self-governance role, the board:

- Fulfils its legal mandate, as defined in its objects and bylaws
- Develops, implements, and monitors board self-governance policies
- Describes lines of communication and authority
- Plans and conducts the Annual General Meeting (AGM)

Operational Governance

Operational governance directs the organization's programs and/or services, personnel, and financial resources, and sets the rate of progress that the organization takes towards its vision. There are three areas of operational governance:

- Program governance
- Personnel governance
- Financial governance

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The Annual General Meeting

The Annual General Meeting is an occasion for electing new board members, and reporting to the membership about the organization's finances, programs, and services, as well as actions taken by the board on behalf of the membership over the past year. The AGM is an opportunity for the board to get feedback and support from the membership about proposed bylaw changes, and positions on issues and legislation that affect the organization.

Program governance

To fulfil this function, the board:

- Monitors the community to make sure that programs and services are relevant to users
- Makes sure that a viable strategy is in place to achieve the mission and goals
- Allocates resources for programs and services
- Monitors and evaluates the *results* (not the operation) and the cost-effectiveness of the programs and services

An administrative governing board also assumes the responsibility for managing and implementing programs. A policy governing board delegates the responsibility for managing and implementing programs to the executive director.

Who is Responsible?

The board chair is responsible for the board's performance; the executive director is responsible for the staff's performance.

Personnel Governance

To fulfil this function, the board develops policies concerning the executive director and other staff. The board:

- Defines the board's relationship to the executive director
- Delegates authority to the executive director
- Develops policies that define the role, responsibilities, and functions of the executive director
- Makes sure that the executive director has the necessary skills to carry out the mission
- Sets compensation and benefits for the executive director
- Makes sure that a competent replacement for the executive director is available when necessary
- Hires, evaluates, and releases the executive director
- Sets policies for staff salaries, grievance process, compensation, benefits, and health and retirement plans
- Establishes policies for the use of volunteers
- Promotes good board and staff relations

An administrative governing board also develops personnel policies for all administrative staff program and service volunteers. A policy governing board delegates this responsibility to the executive director.

Financial governance

To fulfil this function, the board:

- Establishes policies for budgeting and financial reporting
- Monitors the budget
- Oversees, and participates in, fund-raising activities
- Makes sure that the assets of the organization are protected and cared for
- Sets policy for the use of contracts
- Makes sure that there are enough resources to operate the organization
- Makes sure that facilities are maintained, and that they meet the organization's needs
- Makes sure that there is an annual financial audit

Advocacy Governance

Through advocacy governance, the board secures the community's support for the organization's beliefs, vision, mission, and long-term direction. Advocacy governance also establishes the organization's response to matters that affect its relationship to the community and to society.

To fulfil this function, the board:

- Interprets the organization's beliefs to the community, and encourages support for them
- Develops community awareness of the organization's unique role
- Represents the organization to the community, government, foundations, corporations, and funding agencies
- Monitors government legislation, and advises government officials on the impact of current and proposed policies
- Supports the organization's work in the community
- Participates in clarifying and resolving issues
- Develops policies that describe the organization's position on relevant issues

Does your board have a policy manual that you can review? If not, you may want to take on this task. By gathering together all of the board's policies, you can learn a great deal about the organization. Many boards have *unwritten* policies; you can contribute greatly by writing these down for formal approval. Do you have a special interest and/or skills in any of the areas of responsibilities and functions listed here?

A Conflict of Interest?

In Alberta, it is not illegal for one person to serve as both a board member and a paid staff person in the same organization.

*However, this practice is generally viewed unfavourably by the public, funding agencies, and/or the membership. Even if there is no actual conflict of interest, there is a **perceived conflict of interest**, and the community may view the organization negatively.*

Types of Volunteers in Not-for-Profit Organizations

People volunteer with organizations for a wide variety of reasons. The majority of volunteers care deeply about the organization's work and purpose, or mission. People often volunteer from *enlightened self-interest*; they want to work hard for the organization, but they also want to reap personal benefits from volunteer work.

There are two types of volunteers in not-for-profit organizations: *board volunteers* and *service volunteers*. These volunteers have different roles and responsibilities:

- **Board volunteers** are responsible for governance, through policy development.
- **Service volunteers** are responsible for policy implementation. They do this by carrying out the programs and/or services of the organization, according to board policy.

In many organizations, board volunteers work as service volunteers as well. This can cause confusion, because the lines of authority and accountability are different for board volunteers and service volunteers. Board volunteers are accountable to the board chair, according to the framework policies of the organization, which include a board member job description.

Service volunteers are supervised by another authority. If your organization has a policy board, the executive director supervises service volunteers. The executive director may also authorize staff members to supervise volunteers. If your organization has an administrative board, the executive committee supervises service volunteers. The executive committee may also authorize paid staff to supervise volunteers. To avoid confusion, make sure that your organization has clear job descriptions for both board members and service volunteers.

Do you understand the difference between the board volunteer's function of *governance*, and the service volunteer's function of *implementation*? Often, service volunteers are invited to become board members because they have demonstrated a commitment to the organization. If this is the case, you need to make sure that you balance your service volunteer responsibilities with your increased work load as a board volunteer. As well, you need to be very clear about your role and the lines of authority when you are acting as either a board volunteer or a service volunteer.

Pyramid Power

*Three brick layers were asked what they were doing.
One said, "I'm laying bricks."
The second replied, "I'm building a wall."
The third stated, "I'm constructing a temple."*

Anonymous

Standards of Performance for Board Members

The board expects its members to carry out their duties in an ethical and professional manner, including proper use of authority. Meeting appropriate performance standards makes it possible to do the work of the board in an efficient and effective way.

Performance standards expected for board volunteers include:

- Being loyal to the organization and its membership
- Avoiding conflict of interest
- Not exercising individual authority over staff or the society
- Dealing with the public, clients, staff, and each other in a fair, ethical, and straight-forward manner
- Fostering friendly, positive working relationships between volunteers and staff
- Being prepared for, and actively participating in, meetings
- Maintaining confidentiality of board business
- Speaking positively of the organization to the public

Legal Implications for Board Members

Board members are **required** to carry out their roles, responsibilities, and functions with a full understanding and appreciation of the considerable legal responsibilities that go with the position.

As a new board member, your best protection is prevention. Make sure that you:

- Are aware of your legal responsibilities as a board member
- Know that policies are in place to guide the actions and behaviours of both board members and staff
- Manage the organization's affairs as you would your own
- Participate in completing annual liability checklists

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Job Descriptions for Board Members

Providing board members with a job description has definite benefits.

A job description:

- *Saves time and promotes good relations between board members and staff*
- *Makes tasks more manageable*
- *Shows board members how they fit into the organization*
- *Gives clear expectations*
- *Makes board recruitment easier*
- *Provides a basis for evaluating performance and recognizing achievement*
- *Explains a process for releasing a board member*

A job description contains:

- *Position title*
- *Authority and responsibility*
- *Requirements*
- *Term and process for release*
- *General duties*
- *Evaluation*
- *Review and approval date for the job description*
- *Qualifications and skills*
- *Benefits*
- *Time and financial requirements*

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A Source of Legal Advice

The Lawyer Referral Service offers one 1/2 hour of FREE legal advice from three different lawyers.

How not-for-profit organizations can receive this service:

1. *Dial 1-800-661-1095.*
2. *Speak to the operator, and provide the area of law in which the not-for-profit organization needs help:*
 - Societies Act
 - Companies Act
 - Labour law
 - Civil law
 - Criminal law or other legal matters
3. *Give a brief description of the problem.*
4. *Give the requesting organization's name and location.*
5. *The not-for-profit organization will receive the names of three lawyers.*
6. *The not-for-profit organization **MUST** tell each lawyer that they received their name from the Lawyer Referral Service to get the FREE 1/2 hour of services.*

Individual board members are generally not held liable for the debts or obligations of the organization. However, board members can incur personal liability if they do something that shows a lack of reasonable care in fulfilling their roles and responsibilities.

The most common difficulties that can arise are:

- Non-management
- Negligence or willful mismanagement
- Conflict of interest and self-dealing

When a board member does not fulfill individual and/or board responsibilities, he or she is guilty of **non-management**. An example of non-management is failure to attend board meetings on a regular basis.

When a board member conducts board duties poorly, improperly, or dishonestly, he or she is guilty of **negligence or willful mismanagement**. Hiring unqualified staff, or poorly managing the organization's finances are examples of negligence or willful mismanagement.

When a board member stands to gain personally from a transaction made by the organization, he or she is guilty of **conflict of interest or self-dealing**. An example of conflict of interest or self-dealing is selling and purchasing property on which you can make a personal gain.

Many boards include a lawyer as a member, so you have a resource if you have any questions about legal issues for board members. When you approach your role as a board member in a conscientious and professional manner, you minimize your risk of liability.

As a new board member, you have the right to ask questions, and the responsibility to learn as much as you can about your role, responsibilities, and functions. By preparing yourself, and taking the initiative to contribute in a meaningful way to the organization, you will maximize your chance of having a positive experience.

The following checklists provide an opportunity for board members to examine their current practices and reduce their liability.

How Do You Measure Up?

A Board Member Liability Checklist

Review this check list with your board to minimize your liability.

In order to minimize liability, each **board member** must:

- Know and support the organization's beliefs, vision, mission, target, and aims statements
- Attend all board meetings and assigned committee meetings
- Read pre-meeting material before each meeting
- Be familiar with the board's policies
- Be familiar with the minutes of the board and assigned committees
- Know the responsibilities and functions of the board and its committees
- Know who is authorized to sign cheques, and for what amounts
- Monitor the community's response to the organization's programs and services
- Participate in approving the annual budget, audit, annual financial report, and periodic financial statements

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For More Information on Related Board Development Topics

Contact the Board Development Program to receive other issues of *Board Development* Information Bulletins.

Other topics include:

- *Effective Organizations Call for Effective Chairs*
- *Building Better Boards*
- *Where, Oh Where, Did Our Membership Go?*
- *Meetings that Work*
- *Sustaining Healthy Boards*
- *Financial Responsibilities of Not-for-Profit Boards*
- *Maximize Your Time and Efforts – Collaborate!*
- *Hiring the Right Executive Director for Your Organization: One Size Does Not Fit All*
- *Evaluating Your Executive Director's Performance*
- *Strategic Planning & Governance*
- *Developing Policy*
- *So You Want to be a Board Member*
- *Understanding Financial Statements*
- *Committees*
- *The Board's Role in Fund Development*

All Information Bulletins are also posted on www.albertabdp.ca

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Board Development Self-Guided Workbooks

The Board Development Program has published a series of self-guided workbooks on board development issues.

- *Developing Job Descriptions for Board Members of Nonprofit Organizations*
- *Drafting and Revising Bylaws*
- *BOARD BUILDING: Recruiting and Developing Effective Board Members for Not-for-Profit Organizations*
- *Financial Responsibilities of Not-for-Profit Boards*
- *Hiring and Performance Appraisal of the Executive Director*

You can purchase these books from:

- **In Edmonton:**
The Resource Centre for Voluntary Organizations
780-497-5616
(www.rcvo.macewan.ca)
- **In Calgary:**
Volunteer Calgary
403-265-5633
(www.volunteer@volunteercalgary.ab.ca)

How Do You Measure Up?

A Board Liability Checklist

Review this check list with your board to minimize your liability.

In order to minimize liability, every **board** must:

- Give the required notification for the annual general meeting
- Notify the membership of proposed bylaw changes
- Complete the annual incorporation filing requirements (federal and provincial)
- Approve, and annually review, personnel policies
- Maintain up-to-date contracts with the executive director and staff
- Develop and implement an evaluation process for the executive director
- Maintain receipts and disbursements, according to financial and business policies
- Make sure that the membership approves the annual audited financial statements
- Purchase adequate insurance
- Make sure that committee reports are submitted in writing
- Develop written job descriptions for board members