

13

THIS CHAPTER COVERS

- Establishing the Corporation's Purpose
- Determining Your Management Type
- Direct-Management Corporations
- Delegated-Management Corporations

WHAT THE BOARD DOES

Your Board of Directors has an incredibly important job to do—it makes sure that your organization achieves its mission. While the way your Board handles that job will change as your organization grows and adds professional staff to take on management responsibilities, the Board will continue to hold ultimate responsibility for obtaining and using resources wisely, operating lawfully, and accomplishing your goals.

This Chapter will discuss *what* the Board does to manage your nonprofit corporation. Chapter 14 discusses *how* your Board carries out its responsibility to manage the corporation. Once you understand what it is your Board does and how to do it, Chapter 15 helps your Board understand how it finds, selects, trains, and, if necessary, removes the people on the Board. Chapter 16 describes how the Board manages itself. Chapter 17 covers when Board members may be personally liable for their actions and how the Board can protect itself.

Part III is intended to serve as a “Board manual” that you can use to recruit and orient new Directors and to educate your current Directors about what their duties are and how they should carry them out.

If you would like to obtain reprints of the five chapters in Part III to give to your Directors, please visit the website of co-author Cindy Cumfer at www.cumfer.net or co-author Kay Sohl at www.kaysohlconsulting.net for information.

Your Board is charged by law with the ultimate responsibility for managing the affairs of your nonprofit corporation. (Your Articles of Incorporation can assign some or all of these duties to another person or entity but this is very rare and should only be done with professional help and after careful consideration of the risks and liabilities involved.) Corporate management can involve tasks as lofty as defining the purpose (mission) for the corporation and as detailed as ensuring good financial controls.

The Board in every corporation is responsible for approving the big picture for the corporation—that is, what the corporation’s purpose is and, hopefully, a long-range map for how it plans to realize this purpose.

The Board then needs to figure out the most practical way to implement its vision and plan. How the Board does this in a particular organization depends on the type of corporate management that the Board adopts. We distinguish between two major types of nonprofit corporate management—direct management and delegated management corporations. Many corporations operate with a variation of one of these models. The type of management that the Board chooses will depend in significant part on the size and complexity of the corporation.

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Many consultants talk about Boards as the governing authority for nonprofit corporations, and they are. Governance refers to the highest level decision-making, direction-setting, and oversight, which is part of managing the corporation that the Board is charged by law to do. Applying this concept to this Chapter, Boards that chose direct management are Boards that carry out both the responsibility for high-level governance and the direct responsibility for administration of the corporation as part of their management of the corporation. In contrast, Boards that have chosen delegated management generally will focus most of their work on high-level governance functions, one of which is to oversee the work of those to whom they have delegated administration to be certain that they are carrying out their responsibilities appropriately. These Boards who have chosen delegated management do much less or no administration of the corporation.

Another note on terminology: those who serve on the Board are called Directors or Board members. Be careful not to confuse the Board’s Directors with the Executive Director (sometimes also called “Director”). The Executive Director’s role is discussed later in this Chapter.

Establishing the Corporation's Purpose

The Board's most fundamental responsibility in a new corporation is to articulate the purpose of the corporation. The purpose is the corporation's answer to why it exists and should be stated in the Bylaws. The Board is charged by law with devoting the resources and energies of the corporation to this purpose.

Example: Many cities contain large populations of Native American people living separately from their traditional nations who encounter a number of problems because of this separation and because of discrimination. When a group of urban Native Americans found the Native American Resource Center, they establish its mission: "to bring Native Americans into a community that offers them support and resources."

Ideally, the Board then considers what the organization will do in the next five years or so to move toward realizing its purpose and strategizes about how it will do this. Boards may engage in this planning in collaboration with members or an Executive Director but ultimately should approve the plan. In practice, many newer Boards begin by jumping right into the more concrete details like raising money and getting programs started.

As time passes, the Board should review the corporate purpose to be sure that the corporation continues to follow its purpose. If the corporation has added programs or moved away from its purpose, the Board will need to determine whether to correct the drift or amend its purpose. If the Board did not make a strategic plan at the beginning, many Board find it helpful to do so after the organization is more established. Boards who did make a strategic plan should be reviewing progress toward the plan and need to make corrections, as needed, to the plan.

Determining Your Management Type

The Board works toward advancing the corporate purpose and plan, if one was made, by managing the corporation's activities so that the purpose is realized. The role that Board members play in implementing its plan for the corporation is very different in direct management and delegated management corporations. Your Board members should start by being clear about which type of corporate management is in place in order to understand their job in carrying out the corporate purpose and plan.

In some corporations—generally smaller ones without employees—the Board sets the direction for the corporation *and* handles the implementation of its direction in the day-to-day activities of the

corporation. In this book, we call these corporations *direct management corporations*. In some of these corporations, the Directors do absolutely everything. In others, Directors and other volunteers carry out the activities the corporation but the Board retains the authority over the administration of the corporation. Occasionally, the Board of a *direct management corporation* hires an employee or a few employees for specific jobs but retains its authority to administer the organization. All lines of authority flow directly to the Board.

The critical distinction between a direct management and a delegated management corporation has to do with whether the Board has delegated its administration of the corporation to someone other than the Board as a whole.

Organizations that grow in size and complexity will reach a point where the Board cannot possibly directly manage all of the corporate activities in a responsible way. In some cases, Boards in smaller corporations with adequate resources choose not to be directly involved in the administration of the corporation. In these corporations, the Board delegates some or all of the administration of the corporation to an administrator, usually an Executive Director. The Board then provides the direction for the corporation and oversees its management. The Executive Director is occasionally a volunteer but in most cases is paid. We call these *delegated management corporations*.

The critical distinction between a direct management and a delegated management corporation has to do with whether the Board has delegated its administration of the corporation to someone other than the Board as a whole. In a direct management corporation, none of the Board members, volunteers, or employees function as a chief management official overseeing the administration of the corporation. Instead, each Board member, volunteer, or employee may carry out a specific task or tasks, such as running a program or fundraising. Some of these individual volunteers and employees may report to an particular Board member or another volunteer but the Board as a whole makes the administrative decisions that individual Board members and others carry out. Any activity that has not been assigned remains the responsibility of the Board to perform.

In a delegated management corporation, the Board delegates the management of the corporation to an Executive Director, though the Board may keep some aspects of administration for the Board to handle. Typically, the Board considers that any administrative matter that the Board does not retain has been delegated to the Executive Director. Except to the extent that the Board has retained responsibility for management, the lines of authority for carrying out the work of the corporation run through the Executive Director. The Executive Director, or someone designated by the Executive Director, makes the administrative decisions for those matters delegated to him or her. The Executive Director then reports to the Board about the corporate operations and the Board oversees the Executive Director's performance.