Building & Operating an Effective Board of Directors

THE WINGS CENTER AT EAGLE RANCH

ONE OF THE MOST CRITICAL FOUNDING STEPS OF A NONPROFIT ORGANIZATION IS ESTABLISHING AN EFFECTIVE BOARD OF DIRECTORS.

Every Founder/Executive Director has areas of natural giftedness as well as areas where they lack the needed knowledge and skills to start and operate a successful organization.

Therefore, establishing and appropriately leveraging a Board of Directors can make all the difference. Selecting the right board structure, recruiting individuals with wisdom and expertise, and leveraging their skills are critical steps in creating a solid foundation.

This information has been prepared to help you and your Board of Directors understand and thrive under a Committee Board structure and to share critical information that will assist you in this important founding step.

THE FOLLOWING SECTIONS INCLUDE INFORMATION ON:

- Selecting Board Members
- An Evolution of a Board
- Structuring your Board
- Operating Board Meetings
- Building an Effective Board of Advisors

SELECTING BOARD MEMBERS

Selecting individuals to be on your Board of Directors should be an intentional and prayerful process. Keep in mind the following guidelines when selecting board members who can best serve your organization:

BOARD MEMBERS ARE THE "GATEKEEPERS" OF THE VISION.

Recruit committed Christians with appropriate skillsets who firmly align with the mission. These individuals will help drive strategic direction; their alignment with the vision and core values of your organization is critical.

THE BOARD OF DIRECTORS SHOULD FUNCTION AS A STRATEGIC OVERSIGHT ENTITY, NOT A TACTICAL OR MICROMANAGING ENTITY.

In a healthy organization, the Board operates at a strategic level unless it's leveraged tactically for a specific purpose. A micromanaging Board of Directors is an indication of a Board's lack of trust in the Executive Director. In the early years when staff is lean and/or non-existent in certain functional areas, the Board members are frequently used tactically for their areas of expertise.

STRONG BOARD MEMBERS WILL ATTRACT OTHER STRONG BOARD MEMBERS.

Talented board members will help you recruit other talented board members. Once you have a strong player in each area, they will be instrumental in bringing other like-minded contributors with appropriate skills and beliefs to the board.

WISDOM, WORK, AND WEALTH.

Each board member should bring at least two of the following three dimensions to your organization: wisdom, work, and/or wealth. Wisdom and work are especially important in the early years. Wealth or connection to wealth can be leveraged through individuals on your Advisory Board.

INVEST IN NEW BOARD MEMBERS.

Take time to invest in each individual as they come on to the board to bring them up to speed on the organization. Create a robust onboarding orientation for your new board members that educates them on your organization's history, mission, programs, and vision for the future.

THE EXECUTIVE DIRECTOR SHOULD NOT SERVE ON THE BOARD.

The Executive Director, even if he/she is the Founder, should not serve on the Board of Directors. This will allow for a greater accountability in the relationship dynamic between the board and the Executive Director. In addition, many individuals, corporations, and foundations will not give to organizations whose Executive Director serves on the Board of Directors. (An exception to this rule is in the first year or two as you are developing your board).

DO NOT PUT YOUR ORGANIZATION INTO A CATEGORICAL BOX WITH BOARD SELECTIONS.

Board members should also represent multiple church denominations (consistent with your Statement of Faith). Otherwise your organization could be identified with a specific denomination which might limit funding sources. Be especially cautious about selecting ministers as board members.

Use politicians cautiously, as that could be polarizing and define your ministry as being affiliated with a certain political party. Be careful about recruiting "activists" of any persuasion to serve on your board. Your organization cannot be viewed or leveraged as a platform for social activism.

Family members or friends serving on the board could compromise healthy accountability.

AN EVOLUTION OF A BOARD

PRE-BOARD PHASE

I encourage people wanting to start a nonprofit to begin by surrounding themselves with a minimum of three "truth tellers" (as opposed to cheerleaders!) that will give them candid feedback on their undertaking. This "gathering" is before forming a board. These "truth tellers" can also be used in the incorporation process and eventually serve on your board.

PHASE ONE: FOUNDER INFLUENCED (YEAR 1)

In this stage, the Executive Director has inordinate influence over the board and usually serves on the Board of Directors for a very limited time. This phase occurs in the earliest years of the organization's existence as the Executive Director is closest to the mission and is in the process of building a board.

PHASE TWO: OPEN (YEARS 2-3)

In this stage, the goal is to acquire 6-8 talented people to your board. At this point, there is limited strategic thought as to cognitive diversity; the hope is to get talented and committed people on your team who can make immediate impact and bring credibility.

PHASE THREE: COMMITTEE (YEARS 3 AND ON)

In this (final) stage, you make intentional appointments of board members to position them on a specific committee depending on their specialty. These individuals are selected for their respective skillsets and cognitive diversity in each area such as communication, human resources, finance, program services, or development.

REASONS FOR A COMMITTEE BOARD STRUCTURE:

1. Disciplines you to recruit board members with specific skill sets that match the key "process" areas of the organization.

2. Allows the board to make informed decisions because they understand the workings of the organization in their functional areas.

3. Builds a greater sense of ownership and contribution, because board members are operating in their areas of expertise.

4. Facilitates succession planning. This is particularly true in an unplanned transition when the board needs to "stand in the gap" for a period of time and operate the organization until the next leader is chosen.

STRUCTURING YOUR BOARD

BOARD COMPOSITION: BIGGER IS NOT BETTER

The size of your board depends in large part on the processes that are inherent to your organization. For instance, a university or hospital will have significantly more processes than most nonprofits. Eagle Ranch's scale is probably representative of most nonprofits.

Keep in mind that although the board is the owner of the mission, the executive director is responsible for collaborating with the board. Being successful at this requires nurturing board relationships, which takes time and intentionality. Having a smaller board makes it easier for the executive director to engage with individual members and still attend to all their other duties. Having a smaller board also tends to foster increased ownership by board members.

At maturity, we recommend a 12-to-14-member board – three for each of four committees (or four for each of three committees) and one Chairman of the Board.

A critical step in the process is to choose a well-respected and gifted individual for each committee who will serve as the chair of their committee. They in turn will help identify others in their field who could bring value to their committee. Remember, strong individuals will attract other strong individuals. The Chairman of the Board and the chairs of each committee serve as the Executive Committee.

Building a board takes time. Don't push to get the full complement of board members too quickly; consider six to ten board members in the early years. In addition, ad hoc committees can be empowered to address different niche issues and report back to the board of directors. Recruiting ad hoc committee members is not difficult because of limited time requirements and specific goals. These committees can also be an effective way to identify future board members.

STAGGERED BOARD ROTATION IS A KEY

A typical term for a board member is three years, and members may serve two consecutive terms before rotating off for a year. This gives them an end to their "season" of service and allows you a natural point to change board composition. A staggered rotation system ensures greater continuity since each year only a few board members rotate off or are added on.

As your board matures, we recommend 50 percent of your board members having institutional knowledge (i.e., board members who rotate back onto the Board of Directors).

AT LEAST INITIALLY THE EXECUTIVE COMMITTEE SHOULD SERVE AS THE NOMINATING COMMITTEE

BUILDING COMMITTEE

Your organization has specific areas that you should form committees around. For example, we have five key areas of expertise that reflect the processes of Eagle Ranch: finance, development, communications, personnel, and program services. The following chart lists examples of the types of individuals who could fill out positions in each committee:

FINANCE	PERSONNEL/PROGRAM SERVICES	COMMUNICATION/DEVELOPMENT
CFO CPA Wealth Manager Insurance Agent Attorney	CEO COO Human Resources Industry Expert School Administrator	Public Relations Marketing Graphic Designer Fundraiser Entrepreneur

**Please note that in the beginning years of building your organization, you may also need to form an ad hoc Site Development/Construction Committee (Builder/General Contractor, Developer, Engineer, Land Planner, Architect, etc.). This particular ad hoc committee usually only exists in the early years when this depth of expertise is particularly valuable.*

In later years the Communication/Development committee can split into two separate committees, as can the Personnel/Program Services committee.

THE BOARD CHAIR AND VICE CHAIR DYNAMIC

We recommend a one-year term* for the Chair of the Board who works in tandem with the Vice Chair (the incoming chair).

Many Boards prefer multi-year terms for their Chair, because it allows for leadership continuity. But multi-year Chair terms can lead an organization to become somewhat myopic in decision making. In addition the executive committee, which should operate as a dynamic/cross functional entity, could become less engaged if most of the strategic thinking is done between the Chair of the Board and the CEO of the organization.

The Chair/Vice Chair partnership over the span of a year helps contribute to a seamless leadership transition when the Vice Chair moves into the Chair role.

*This term can be extended beyond a year to provide continuity in extraordinary circumstances such as significant growth or an organizational crisis.

OPERATING BOARD MEETINGS

MEETING SCHEDULE

Four quarterly meetings per year are appropriate to deal with ongoing operational matters. One of those meetings, an annual retreat, is scheduled to discuss the strategic direction of the organization and set important milestones to be met in the following 12 months. All board meeting dates should be set a year in advance. Individual board committees can meet as needed between scheduled board meetings.

In the early years, you may need to meet as a full board more often (i.e. monthly or every other month) to address critical development issues.

A TYPICAL BOARD MEETING

12:00 PM – 1:00 PM	Lunch & Learn (staff report on different aspects of your organization)
1:00 PM – 2:30 PM	Committees Meet
2:30 PM – 4:00 PM	Full Board Meets (Executive Director report and committee reports)
4:00 PM – 4:30 PM	Closed Session (Senior staff is dismissed and the Executive Director meets with the Board to discuss especially sensitive topics)

COMMITTEE AGENDA/REPORTS

We recommend that a senior staff leader be siloed with a specific committee and, in conjunction with the chair of that committee, produce a committee agenda for discussion. The senior staff leader or chair will provide a summation of their committee meeting to be presented at the full board meeting.

For example, the organization's staff CFO will meet with the chair of the Finance Committee to determine the Finance Committee's agenda.

The Executive Director will "float" between different committees during the committee meeting times.

PROCESSING NEW ISSUES

Do not raise a new issue, program, or initiative for approval at a board meeting without laying the proper groundwork ahead of time. Executive Committee vetting beforehand is paramount in this process. The board would not be good stewards of their role if they approved these issues without appropriate processing and consideration of the long-term impact on the organization.

We recommend that the Executive Committee meet prior to board meetings (two weeks in advance) to create the board agenda and discuss sensitive issues that will be presented to the full Board.

BUILDING AN EFFECTIVE BOARD OF ADVISORS

An Advisory Board should be different and distinct from a Board of Directors. Very influential people who cannot contribute the time required for a seat on the Board of Directors can effectively serve on the Advisory Board. Typically, advisors (6-10 members) serve much longer terms (potentially in perpetuity) than your Board of Directors. Be very selective and strategic about who you ask to serve in this capacity. Too many people on the Board of Advisors lessen their influence and just become
a roster of names.

YOUR ADVISORY BOARD SERVES THREE PRIMARY ROLES:

1. Door Openers: These individuals "open doors" to individuals and/or groups which you could not yourself open.
2. Add Credibility to the Vision: Their association with your organization increases your credibility.
3. Add Expertise in a Valuable Niche: Think of specific skills/areas of expertise that would be valuable for you to call upon at a time where you need guidance (especially in the early years), such as a psychologist, wealth manager, or communications expert.

MEETINGS WITH ADVISORY BOARD MEMBERS

Never hold formal Advisory Board meetings. Advisors of course would be welcome at board meetings, but most are too busy for that level of involvement.

Instead, communicate with your Advisory Board members on a regular basis – send them quarterly reports, provide synopsis of board meetings, etc. – so when others ask about their association with your organization, they can answer questions competently.