

Governance and Management:

Exploring the Relationship Between
Board and Staff Leadership

CCUSA Annual Conference- FRC Institute



Jason Flanders, CC Milwaukee
Kelsey Vatsaas, CliftonLarsonAllen

Learning Objectives

- Share best practices for good governance
- Recognize and discuss common governance vs. management situations
- Identify resources to take back to your organization

Agenda

- Introductions
- Scenarios
 - Budget
 - Hiring and firing
 - Board's role in fundraising
- Tools and resources



INTRODUCTIONS

Name, Role

Organization

3 words to describe your board/staff



SCENARIO 1

Creating, Reviewing, and Approving Your Annual Budget

Scenario 1: Budgeting

Your organization is in the midst of the annual budget process.

You have historically struggled to have a healthy budget discussion without going too far into the weeds.

This year, as the CFO (or CEO) of your organization, you want to be very intentional about preparing for and managing content dissemination and conversations to ensure the proper division of management and governance.

Scenario 1: Budgeting

Background info:

- A. Despite negative trends in both individual giving and programmatic revenues over the past three years, your management team is optimistic that both will go up by 10 percent this year over prior year.
- B. The administrative office plans to “go lean” this year and increase efficiencies while choosing not to rehire for the open operations director.
- C. While the organization originally planned to reroof three facilities this year, management decided the work could wait one more year.
- D. The organization plans to switch program evaluators due to quality concerns with the previous evaluator. The new evaluator would cost \$5K more per year.

Discussion:

Of the four pieces of background information, which do you feel should be discussed at each level:

- Management team
- Finance committee
- Board of directors

Scenario 1: Budgeting

Information and Transparency:

Your finance department prepares the following budget information:

1. Organization-wide budget and two years of actuals — by high-level, natural groupings
2. Departmental budgets and organization-wide summary — by high-level, natural groupings
3. Departmental budgets with line-item details
4. Statement of assumptions by department
5. Statement of assumptions — organization-wide summary
6. Capital budget
7. Projected balance sheet
8. Projected statement of cash flows

Discussion:

Which information should be shared at each level?

- Management team
- Finance committee
- Board of directors

SCENARIO 2

Hiring and Firing Key Positions



Scenario 2: Hiring and Firing

Your organization hired a new executive director in the past 12 months. During that time, one of your long-time staff, a member of the senior leadership team, decides to leave your organization.

Upon leaving, this senior leader has a standard exit interview with the executive director, who also manages HR-related concerns for your organization. He has some suggestions for improvement for the new ED, but doesn't feel he can express them directly to the ED.

Discussion:

If you were part of the board of directors, would you/how would you go about collecting this valuable information from the staff member?



SCENARIO 3

CEO Oversight

Scenario 3: CEO Oversight

Your organization's policy is that the CFO reviews and approves all expense reimbursements and credit card statements, including the CEO's.

Your board is very careful to toe the line between management and governance and feels that expense approval is a management function.

Discussion:

Are there times when governance should be involved in management? In this example, what issues could arise if governance doesn't step in?

CLA's Top Five Tips

- 1. Focus on the future:** Try to keep the majority of your board discussions forward-looking. One way for the board to hold itself accountable to this is to keep a visual tally when the board discusses future-oriented topics vs. talks about what has already happened.
- 2. Have board leaders lead the board:** It is easy for the executive staff to default into leading the board meeting. Pre-empt this pitfall by having the executive director and board chair carefully co-plan each meeting and specify who will lead each conversation. Also consider having board members do committee reports with staff as backup instead of vice-versa.

CLA's Top Five Tips

- 3. Evaluate conflicts of interest often:** Instead of having your board sign a conflict of interest statement annually and hoping they raise it if they have a conflict throughout the year, ask at the start of each board meeting if any members have conflicts regarding items on the agenda. Document the responses at each meeting.
- 4. Meet during the meeting:** One of the worst habits a board can form is having the “real meeting” in the parking lot after the board meeting. Ensure people feel comfortable raising questions and expressing opinions during the meeting.

CLA's Top Five Tips

- 5. Define governance vs. management:** At key inflection points (annual retreat, start of year, etc.) conduct an exercise or review/update board policies to ensure all board members and staff understand the line between governance and management at your organization — and how that is practically applied.

Questions?