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Just another resource tool Focused on governance and management

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Just a few good governance resources

Some of my favorites:

John Carver, 1990: *Boards That Make a Difference – A New Design for Leadership in Nonprofit and Public Organizations*

Simone Joyaux, 2014. *Firing Lousy Board Members – And Helping the Others Succeed*

Chait, Ryan, Taylor, 2005: *Governance As Leadership: Reframing the Work of Nonprofit Boards*

Definitely check out governance and management articles in *Harvard Business Review*

P.S. There are sooooo many good books and articles. Do your research. Find them.

P.P.S. This document does not not not focus on boards, board members, and fundraising. Of course, there are tons of articles and books on that topic. But not in this document.

Miscellaneous Essential Key Points Which are too often ignored

Some tough – even bad – news.

This governance / management stuff is one of the most difficult subjects in the nonprofit industry.

The distinctions between governance and management are often a matter of subtle degree. The general content of governance and management are often (usually!) the same. The difference is “the matter of degree”...the ability of the board (the collective) and the CEO to make the best judgements.

The organization’s CEO should be highly knowledgeable about the similarities and distinctions. The CEO should continually learn about governance and management, too. And the board and its individual board members should accept highly knowledgeable expertise from the CEO.

And by the way...Remember that governance is a collective activity. No single board member (or any board committee) has any authority. It’s the collective that does governance.

1. Board and Board Members:

- No single board member – or the board itself – actually supervises the chief executive.
- No single board member has any more authority than any other board member.
- The board acts as a group – and only has authority as a group.
- No board committee has any authority over the board or the chief executive.

2. CEO Performance Evaluation

In the nonprofit world, there is sometimes a tendency among less-experienced board members to see the CEO review as an opportunity to delve into his/her/their personality, leadership style or behaviors ... Rather than focusing on the performance of the organization as a whole.

The point of the recommended changes is to focus on the annual plan as it ties to the organization’s strategic plan, to increase transparency, and to turn the board’s focus from personal attributes to performance objectives.

3. Comparability data and the market analysis

Nonprofit organizations operate under IRS restrictions regarding compensation. This means that the organization must establish a “rebuttable presumption of reasonableness” in the CEO’s compensation.

The recommended timeframe for a reasonableness opinion is every 5 years. This reasonableness opinion is best done through an independent HR expert/firm.

Every 2-3 years, the organization should conduct salary surveys to ensure that the organization is paying salaries based on the marketplace, the organization’s particular industry, comparable organizations, nonprofit sector sources¹, etc.

¹ Sample sources: GuideStar’s annual Nonprofit Compensation Report. State Nonprofit Data and Reports from the National Council of Nonprofits. Nonprofit associations in various states.

4. **And in this day and age... It's way past time to examine such issues as:**

- Employee composition: Diversity and inclusion including race, sexual identity, gender², age, etc.
- Values of the organization.
- Awareness of societal issues – and the implications and applications for the organization. For example: Racism and Black Lives Matter. Inequitable pay. Awareness and acceptance of sexual identity, trans, etc.
- With respect to the treatment of paid staff and volunteers, the CEO and the Board will not cause or allow conditions that are unfair or undignified.

5. **CEO performance appraisal process**

The performance appraisal tool and process should be developed by an HR expert who is neither an employee nor board member of the organization.

The Board of Directors and CEO review the draft tool and process – provided by the HR expert – to confirm that this adequately represents the organization's mission and scope of work. This serves as the process approval. However, always remember that the HR expert's expertise is paramount!

The performance appraisal process and tool are formally adopted by the Board of Directors and the process and tool(s) do not change annually or even regularly.

Every single board member is expected to complete the CEO performance appraisal survey. As always, if a board member does not participate in the group process – e.g., completing the performance appraisal tool – her/his/their voice will not be heard or considered.

The CEO prepares a self-evaluation, a narrative document – with no direction or questions provided the board. In this document, the CEO also outlines his/her/their areas of focus for the coming year.

The Board Chair establishes an ad hoc performance appraisal task force to conduct the evaluation process. The Board Chair provides the tabulated survey results and the CEO self-evaluation to the members of the ad hoc task force.

The Board Chair facilitates the ad hoc task force meeting. Based on the task force conversation, the Board Chair drafts the Performance Appraisal Report. The role of the Board Chair – both in the appraisal process and in all other areas of Board work is to maintain impartiality...to focus on distinctions between governance and management...and to stop inappropriate behaviors by individual board members and the board as a whole.

This Performance Appraisal Report is highly professional in nature. The report includes the successes of the CEO and the expected improvements.

The appraisal report is approved through consensus of the ad hoc task force. No individual voice dominates or wins.

² The USA ranks #53 in gender parity worldwide. (A few years ago, the US ranked #45.) Right now, that means that there are 52 countries in the world that are ahead of the USA in equity for women.

One final element in the Performance Appraisal Report: Any salary adjustment for the coming year. If not a salary adjustment for the next year, does your organization provide bonuses?³

- Special note #1: In the nonprofit world, there is sometimes a tendency among less-experienced board members to see the CEO review as an opportunity to delve into his/her/their personality, leadership style or behaviors ... Rather than focusing on the performance of the organization as a whole.

The point of the recommended changes is to focus on the annual plan as it ties to the organization's strategic plan, to increase transparency, and to turn the board's focus from personal attributes to performance objectives.

- Special note #2: One of the biggest failings in a fair and useful CEO performance appraisal is the insufficient knowledge of the Board (the collective) and its individual board members. Too many boards and their individual board members do not adequately understand and apply the distinctions between governance and management.

Once the ad hoc task force completes its work, the full Board of Directors – at a Board meeting – reviews and acts on the Performance Appraisal report and financial component.

This review and action is an “executive session” of the Board. Scheduled as the last item on that Board meeting agenda, all staff leave the meeting. ALL STAFF. The CEO, the individual who takes the minutes, etc. There are no public minutes of this portion of the meeting.

After this executive session, the Board meeting is adjourned.

Immediately following adjournment of the Board's executive session, the Board Chair then meets with the CEO to present the results of the CEO performance appraisal. Only the two of them: Board Chair and CEO. No one else – no other Board member participates.

³ Talk to an HR expert about the concept of a bonus. What's the distinction between a salary increase and a bonus? Why would an organization use a bonus rather than a salary increase?

And if your organization plans to use bonuses, develop such a policy with that HR expert!

By the way, bonuses in fundraising/for fundraisers should adhere to fundraising/fundraising codes of ethics. A bonus as a % of dollars raised is actually prohibited in most fundraising ethical codes. Fundraisers can be “grieved” by fundraising professional bodies.

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Compiled from various CEO job descriptions

Insights from multiple colleagues From various types and sizes of organizations

[None of the examples is fully comprehensive for any particular organization. Just selections from various organizations.]

Example #1

Position and Key Responsibilities

An executive who will partner with the Board and staff ... leading the organizational change process to build on past accomplishments and further expand the impact.

Reports to the board. Provides leadership to the organization and manages its day-to-day affairs. Responsible for working closely with the community, cultivating financial and other support, managing the programs, and overseeing paid staff and volunteers.

Key responsibilities include:

1. Provide overall strategic leadership and vision to the organization in partnership with the board.
2. Provide leadership to and key involvement in fundraising.
3. Nurture and expand the organization's key external relationships.
4. Provide advice, counsel and support to the board of directors and help maintain and fully engage a powerful board.
5. Manage the organization's resources and ensure fiscal responsibility and security.
6. Oversee the programs, business operations, and finances through a management team, and build and lead the entire organizational team.

Experience and Attributes

Ideal candidates for this position will share a commitment to the organization's mission and will bring a variety of experiences and attributes to the organization, including:

1. Proven leader and manager with experience in building and leading a management team and staff through change processes.
2. Demonstrated networking skills and ability to sustain and build partnerships and collaborations.
3. Compassion, integrity, and ability to relate to people of varied economic, racial, ethnic, and religious backgrounds.
4. Strong written and verbal communication skills for internal and external communications.
5. Experience working with or serving on nonprofit boards of directors.
6. Entrepreneurial and focused, with experience motivating, direction and organizing people and projects with limited resources.
7. Financial management skills, including responsibility for developing and managing budgets.

Compensation will be competitive and commensurate with preparation and experience.

Example #2

Scope of Position

Reporting to the organization's Board of Trustees, the CEO serves as the leader of the organization and its primary public representative. The CEO works in partnership with the Board to ensure that the organization fulfills its mission – and to create strategies that ensure the organization's future success.

The CEO serves under the general supervision of the organization's Board of Trustees but works with a high degree of independence.

Principal Duties and Responsibilities

- **Fiscal management:**
 - Rigorously manages finances and securing charitable contributions.
 - Oversees staff in developing annual budgets that support operating plans and submits budgets for Board approval.
 - Prudently manages the organization's resources within budget guidelines according to current laws and regulations.
- **Planning**
 - Develops and monitors strategies for ensuring the long-term financial viability of the organization.
 - Creates annual operating plans that support strategic direction set in partnership with the Board.
- **Management and leadership**
 - Oversees the operations of the organization and manages its compliance with legal and regulatory requirements.
 - Works with the senior management team in establishing and achieving goals and objectives for the organization. Provides professional support to management team members.
 - Promotes a culture that reflects the organization's values, encourages good performance, and rewards productivity.
 - Hires, manages, and fires staff according to authorized personnel policies and procedures that fully conform to current laws and regulations.
- **Board Support and Leadership**
 - Serves as an ex-officio member of the Board and its committees.
 - Supports Board operations by advising, informing, and interfacing with the Board.

Job specifications

- Judgment, initiative, and resourcefulness to take acceptable risks, make appropriate decisions, exercise proper authority. Ability to present clear explanations of established policies and procedures. Ability to think and act appropriately under pressure. Judgment, willingness, and ability to grant logical exceptions to policies and procedures when warranted. Willingness to maintain confidentiality when appropriate and to be held accountable.
- Working knowledge of current management and leadership best practices – and the ability apply these to the organization.
- Ability to assume a leadership role in a group setting.

Example #3

Position Summary

The President/CEO shall perform all duties commonly incident to and vested in the Office of the President and CEO of a for-profit corporations ... and such other duties as the Board and Board Chair may designate.

The President/CEO serves as the organization's chief spokesperson.

The President/CEO shall manage, supervise, and control the business, property, and affairs of the organization. In partnership with the Board, the President/CEO shall be the primary force in moving the organization to realize its opportunity for service and fulfillment of its obligations to its constituencies.

The President/CEO is responsible for the overall impact of the organization. The President/CEO is expected to serve as an active Board member – and works closely with the Board to craft and adapt strategy to achieve increased impact.

Strategic Management

The President/CEO serves as the principal resource to the Board and its key committees and gives strong direction in policy formulation and interpretation.

Organization Management

The President/CEO assesses organizational capacity to implement strategies and identify gaps in systems and staffing. Directly supervises senior leadership and establishes individual goals. Work with the chief financial officer to manage organizational spending, monitor budget compliance, and mitigate financial risks. And, ensures that goals of inclusiveness and diversity among staff and volunteers are met.

Core Competencies

- Mission-focused
- Collaborator
- Brand steward
- Team-builder
- Business acumen
- Relationship-oriented
- Results-driven
- Visionary
- Outward turning
- Network oriented

Sample Limitation Policies From colleagues and inspired by John Carver

John Carver: Governance guru. See his book *Boards That Make A Difference: A New Design for Leadership in Nonprofit and Public Organizations*, 1990. (I don't agree with all of Carver's stuff. BUT...So much of it is just brilliant! And, certainly, a must-read for those who are ambitious!)

From Carver himself: "Except for a few unique functions of the board, almost all organizational activities are performed by staff...Nonprofit and public organizations have chronic problems with the CEO function, resulting from its being over or underpowered."

More from Carver: See page 111 of his book *Boards That Make A Difference*. Exhibit 11. Naperville Park District Policy: "Delegation to the Executive Director."

"To facilitate optimum effectiveness, the Board of Commissioners recognizes the board's responsibility as being generally confined to establishing topmost policies, leaving implementation and subsidiary policy development to the Executive Director."

And now, check this out – also from Carver: "Should the Executive Director deem it necessary to violate a board policy, he or she shall inform the board. Informing is simply to guarantee no violation may be intentionally kept from the board, not to request approval. Board response, either approving or disapproving, does not exempt the Executive Director from subsequent board judgment of the action nor does it curtail any executive decision."

Policy Type: Board-Staff Relationship | Policy Title: Unity of Control

Only decisions of the board acting as a body are binding on the CEO.

Accordingly:

- Decisions or instructions of individual board members, officers, or committees are not binding on the CEO except in rare instances when the board has specifically authorized such exercise of authority.
- In the case of board members or committees requesting information or assistance without board authorization, the CEO can refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds, or are disruptive.

Policy Type: Board-Staff Relationship | Accountability of the CEO

The CEO is the board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

- The board will never give instructions to persons who report directly or indirectly to the CEO.
- The board will refrain from evaluating, either formally or informally, any staff other than the CEO.
- The board will review CEO performance as identical to organizational performance, so that organizational accomplishment or board-related "ends" and avoidance of board-proscribed means will be viewed as successful CEO performance.

More limitations policies

In general

1. To ensure optimum effectiveness of the organization, the board recognizes that its authority is limited to governance.
2. Only the board, by majority vote, has authority over the chief executive. No other officer, committee, or individual Board member may direct or intervene in the decision-making, actions or authority of the CEO.
3. The chief executive shall manage and direct all activities of the corporation within the limits and direction established by the Board of Directors.

The board and its committees

1. In accordance with the concept of governance, the board cannot delegate its legal or moral obligation to any other entity. Board committees and task forces shall not encroach upon the concept of the board as a collective and shall not compromise the board's authority for strategic conversation and decision-making.
2. Board committees may not speak or act for the Board except when formally given such authority for a specific and time-limited purpose. The Board must clearly state its intent and distinguish between assignments made to other entities including the chief executive officer.
3. Committees / task forces do not advise or exercise authority over staff. Only the Board provides direction – and only to the chief executive officer. Also, actions by the chief executive and other staff do not require committee approval.

Limitations of the individual board member and the board itself

1. The board recognizes itself as a collective and understands that it only has authority as a group.
2. The Board understands that it only carries out governance while together meeting, whether virtual or in person.

Officers of the board

1. Officers of the organization's board serve and report to the board. Officers are confined by the board's wishes, follow board direction, and have no actual authority just as individual board members have no authority.
2. Officers are members of the board and are subject to all the rights and responsibilities, performance expectations, behaviors and policies articulated for any other board member.

Limitations of the individual board member and the board itself

3. The board recognizes itself as a collective and understands that it only has authority as a group.
4. The Board understands that it only carries out governance while together meeting, whether virtual or in person.

Adapted from various resources by Simone P. Joyaux, ACFRE, Adv Dip, FAFP. 2008. 2013.

Sample Job Description for the CEO⁴

[Developed by Simone P. Joyaux, Joyaux Associates ... sometime in the early 2000s!!!]

Position Title: Executive Director

Reports to: Board of Directors

Reporting to this position: Depends upon the organization

Job Summary

The Executive Director serves as chief executive of the organization and, in partnership with the Board, is responsible for the organization's success. Together, the Board and Executive Director assure the organization's relevance to the community, the accomplishment of the organization's mission and vision, and the accountability of the organization to its diverse constituents.

The Board delegates responsibility for management and day-to-day operations to the Executive Director, and s/he has the authority to carry out these responsibilities, in accordance with the direction and policies established by the Board. The Executive Director provides direction and enabling to the Board as it carries out its governance functions.

Accountabilities

1. Legal and regulatory compliance

- a) Assures the filing of all legal and regulatory documents and monitors compliance with relevant laws and regulations.

2. Mission, policy and planning

- a) In partnership with the board, defines the organization's values, mission, vision, and short- and long-term goals.
- b) In partnership with the board, monitors and evaluates the organization's relevance to the community, and the organization's effectiveness, results, and impact.
- c) Keeps the Board fully informed on the condition of the organization and on all the important factors influencing it.
 - Identifies problems and opportunities and addresses them; brings those which are appropriate to the Board and/or its committees; and, facilitates discussion and deliberation.
 - Informs the Board and its committees about trends, issues, problems and activities in order to facilitate policymaking. Recommends policy positions.
- d) Keeps informed of developments in the organization's area of work, and also in nonprofit management and governance, philanthropy and fund development.
- e) Assures that the appropriate policies are in place to guide the organization's work in all areas.

⁴ CEO refers to the chief executive officer ... also called President/CEO. Executive Director. Managing Director. No matter the title, the position is that of chief executive officer for the nonprofit corporation.

3. Management and administration

- a) Provides general oversight of all the organization's activities, manages the day-to-day operations, holds staff accountable while directing and delegation the day-to-day operations, and assures a smoothly functioning, efficient organization.
- b) Assures program quality and organizational stability through development and implementation of standards and controls, systems and procedures, and regular evaluation.
- c) Assures a work environment that recruits, retains and supports quality staff and volunteers. Assures process for selecting, developing, motivating, and evaluating staff and volunteers.
- d) Recommends staffing, staff compensation, and financing to the Board of Directors. In accordance with Board action, recruits personnel, negotiates professional contracts, and sees that appropriate salary structures are developed and maintained.
- e) Specifies accountabilities for management personnel (whether paid or volunteer), ensures ongoing feedback, and conducts formal performance appraisal annually.

4. Governance

- a) Helps the Board articulate its own role and accountabilities and that of its committees and individual members, and helps evaluate performance regularly.
- b) Works with the Board President / Chair to enable the Board to fulfill its governance functions and manages the Board's due diligence process to assure timely attention to core issues.
- c) With the Board President / Chair, focuses Board attention on long-range strategic issues.
- d) Works with the Board officers and committee chairs to get the best thinking and involvement of each Board member and to stimulate each Board member to give his or her best.
- e) Recommends volunteers to participate in the Board and its committees.

5. Finance

- a) Promotes programs and services that are produced in a cost-effective manner, employing economy while maintaining an acceptable level of quality.
- b) Oversees the fiscal activities of the organization including budgeting, reporting and audit, and assures adequate controls.
- c) Works with Board to ensure financing to support short- and long-term goals.

6. Philanthropy and fund development

- a) Fosters a culture of philanthropy throughout the organization and assures a donor-centered organization that nurtures loyalty through a comprehensive relationship-building program.
- b) Assures an effective fund development program by serving as the chief development officer or hiring and supervising an individual responsible for this activity.
- c) Assures a comprehensive gift management system, analysis, and reporting to support quality decision-making.

- d) Assures the availability of materials to support solicitation.
- e) Provides leadership in developing and implementing the organization's fundraising plan and monitoring the plan's progress.
- f) Helps ensure that Board members carry out philanthropy and fund development activities.
- g) Participates actively in identifying, cultivating and soliciting donor prospects.

7. Relationship building

- a) Identifies the key relationships necessary to support an effective organization and assures proper planning, relationship building and communications to develop and maintain these.
- b) Facilitates the integration of the organization into the fabric of the community by assuring the use of effective marketing and communications activities.
- c) Acts as an advocate, within the public and private sectors, for issues relevant to ABC, its services and constituencies.
- d) Listens to clients, staff, volunteers, donors and the community in order to improve services and generate community involvement. Assures community awareness of ABC's response to community needs.
- e) Serves as chief spokesperson for ABC, assuring proper representation of ABC to the community.
- f) Works with legislators, regulatory agencies, volunteers and representatives of the nonprofit sector to promote legislative and regulatory policies that encourage a healthy community and address the issues of ABC's constituencies.

Executive Limitations: See relevant Board policies. [John Carver, author of *Boards That Make A Difference*, uses the concept of "limitations policies" to manage the scope of work, authority, and accountability of staff, committees, and the board itself. See Carver's useful work.]

Qualifications:

A Bachelor's Degree is required, with a minimum of 5 years experience in a senior management position. As chief executive officer, this individual demonstrates critical competencies in four broad categories: commitment to results, business savvy, leading change, and motivating.

Commitment to results: The Executive Director is a systems thinker who is customer focused and goal driven. This individual identifies relevant information and helps transform this information into individual and organizational knowledge and learning. The chief executive is action oriented and innovative. S/he translates broad goals into achievable steps. S/he anticipates and solves problems and takes advantage of opportunities, is a self-starter and team player.

Business savvy: As the organization's leader, this position requires an individual with knowledge of and experience in management and administration. The position requires demonstrated experience in integrating and coordinating diverse areas of management.

- Knowledge in the following areas is required: [the organization's mission / service], and general business management

- Effective performance in the following areas is required: High level of personal skills and comfort with diversity are required to deal effectively with people from all community segments.
Ability to effectively communicate orally and in writing. An excellent negotiator
- Some experience in the field of governance and the nonprofit sector is expected. And, if not available at the time of hiring, the individual must acquire this knowledge.
- Some general knowledge of philanthropy and fund development is preferred.

Leading change: The chief executive possesses the skills and implements the functions of a leader. S/he shares ABC's values, mission and vision. S/he consistently displays integrity, models behavior, develops people, and builds productive teams. This individual deals effectively with demanding situations and designs and implements interventions. S/he leads the continuous improvement effort.

Motivating: The chief executive manages continuity, change and transition. This individual knows how to influence and enable others. S/he addresses the impact of attitude and action on the ABC and its participants.