

Top Five Best Practices in Nonprofit Governance

To explore the best practices in nonprofit board governance, let's define "best practice." Merriam-Webster describes a procedure, proven by research and experience to produce optimal results, that is established or proposed as a standard for widespread adoption.

While numerous techniques to enhance board effectiveness are recognized as highly effective and essential, they frequently are not employed. Perhaps they seem too abundant, so let's pare it down to five.

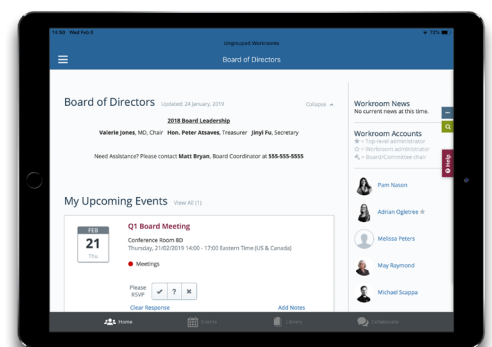
Let's also ensure relevance in a current context. Even if board responsibilities never change, cultural norms, risks, tools, external influences and board members' lives certainly do. We must consider best practices in the context of *modern governance*, which is the practice of empowering leaders with the technology, insights and processes required to fuel good governance today.

Finally, we'll look throughout – and beyond – the nonprofit sector for input. Within each field of specialty, there can be unique reporting and regulatory requirements for boards to manage, but overall governance functions are universal. Let's explore what boards in fields such as education, healthcare, social services and even the corporate sector can teach us about best practices in nonprofit governance.

The short list, while culled, is deceptively simple. Each of the following best practices encompasses broad concepts, reach and implications for nonprofit boards, which we will explain as we proceed:

1. **Align strategies, goals and capacity.**
2. **Build the board effectively.**
3. **Define how the board will work.**
4. **Provide appropriate oversight.**
5. **Promote accountability and engagement.**

Now let's unpack the significance of each recommended best practice:



1. Align Strategies, Goals and Capacity

Since a nonprofit's strategies and goals should be inextricably linked to its mission, it makes sense to start here. Maintaining a strategic focus at the board level is essential, yet not automatic, as board attention frequently yields to oversight and fiduciary responsibilities. According to [The Center for Association Leadership](#), a strong strategic orientation is among the qualities that set the highest-performing boards apart. In fact, their research showed high-performing boards were twice as likely to include strategic considerations in board meetings and 99% of such boards were guided by a strategic plan that was likely developed jointly with staff. As a result, these organizations reported greater impact, growth and leadership stability.

By contrast, a strategic plan developed by staff without board involvement typically focuses on operational priorities, as it is the nonprofit board that is charged with the responsibility for determining an organization's mission, vision, direction and intended impact. That said, the staff certainly must play an integral role in planning to inform strategy development and keep goals realistic. Without integrating staff perspective, boards often develop strategies or plans that cannot be implemented due to lack of resources or misalignment with organizational capacity.

It is no surprise that [Diligent](#) identifies the alignment of strategies and goals as one of the top five best practices in corporate governance as well. Corporate boards oversee both short- and long-term strategy and execution, ensuring the achievement of organizational goals while leveraging new opportunities as they arise.

2. Build the Board Effectively

Nearly every discussion of best practices for any board begins with board recruitment. A best practice for corporate boards, as Diligent has noted, is the "development and maintenance of a competent and diverse board." Exactly what that looks like for any organization should change over time, just as strategies, goals and times themselves do. According to [JWC Partners](#), technology skills are a top issue now in boardrooms, as "digital fluency is increasingly expected at all levels."

Diversity in the nonprofit boardroom means ensuring an appropriate range of professional skills, expertise, representation and demographics that bring credibility and capacity to the board. The [Journal of Accountancy](#) cites the recruitment of highly skilled and engaged board members as essential to achieving a board's mission. In addition to knowledge and experience, board members must bring a true understanding of the nonprofit's mission, what it means to constituents and how the nonprofit business model works in order to govern effectively.

To attract the right board members, nonprofits must employ effective recruitment practices that start with defining board recruitment needs, informed ideally by strategic priorities. Board recruitment should not rely upon the chief executive or any one member of the board, but rather a governance or board development committee that drives a thoughtfully designed search and vetting process.

Defining board roles and responsibilities is critical in building an effective board. As noted in the best practices identified by the [Emerson Collective](#), the board needs clear job descriptions for board members (as well as officers and committee chairs),

along with board member agreements that include financial giving expectations. Also essential are conflict of interest policies to ensure that board members understand appropriate boundaries.

3. Define How the Board Will Work

Best practice does not end there, as building an effective board requires additional tools. Mechanisms for effective orientation and ongoing education – about board functions, like fund development, as well as mission-related topics – are equally critical. The board’s job is to ensure that its members are equipped, willing and enabled to perform all board functions well.

To that end, the nonprofit board must be intentional about how it works. Board culture, process and structure are essential components of board effectiveness. As a reminder from **Bridgespan**, knowing what the organization aims to accomplish helps to inform optimal approaches to the cultivation of board culture and design of board processes and structure.

Culture

To be effective, the board must create and integrate sets of values and practices that foster intended outcomes. For instance, creating a “culture of philanthropy” leads the board to support and encourage fund development within the organization. Similarly, creating a culture of assessment leads the board to monitor impact and engage in regular self-assessment to uncover its own strengths and development needs. Board self-assessment itself is recognized as a best practice among experts in nonprofit governance, so incorporating it into board culture ensures its annual occurrence.

Other aspects of culture might speak to a board’s willingness to enforce or ignore term limits, engage

in or avoid difficult discussions, and partner with or defer to executive leadership. Board culture is an invisible, yet powerful, tool to promote effectiveness.

Process

As noted, board self-assessment is essential and should be designed thoughtfully to ensure usefulness and validity. It also is but one essential process within the umbrella of board development. An optimal board also gives careful consideration to these processes:

- Election of board members and officers, as well as selection of committee chairs.
- Board decision-making.
- Board education and leadership development.
- Information sharing and communications (both internally and with external stakeholders).
- Creation of board and committee meeting agendas.
- Organizational performance and outcomes assessment.
- Cultivation of productive partnership between board and chief executive.

Like elections, there are other board processes linked to policies. Document retention and destruction and whistle-blowing, for example, are Sarbanes-Oxley requirements that require both policies and appropriate processes. Succession planning, too, is critical with regard to both the chief executive and board leadership, yet many boards avoid designing processes for it in advance.

Structure

The board development or governance committee was referenced earlier as the entity that should be responsible for driving board recruitment. That requires board intentionality about its own structure. Board size and committee configuration

are key elements. The board must determine how many board members are needed to govern the organization in advancing its mission. The board also must determine what board committees are needed to facilitate board work (in contrast to operational activities) and what authority will be delegated to those committees.

4. Provide Appropriate Oversight

As cited previously, the *Journal of Accountancy* considers training for board members on how to provide effective oversight as one of three top governance priorities. When “no one is minding the store,” nonprofits fail and responsibility lies with the board. Bridgespan also notes the “regulatory bar on board performance is going up, throwing an increasingly bright spotlight on the board’s oversight responsibilities.”

A first step in providing proper oversight is distinguishing governance from management functions. Board members, by job training, are often drawn toward operational activities, but their role in the nonprofit organization is to ensure certain functions are happening and to review outcomes, not to overstep. The danger for some boards is a temptation to over-emphasize the oversight role at the expense of strategy and other functions of the board.

As **BoardSource** explains, board members function as “trustees of the organization’s assets and must exercise due diligence and oversight” to ensure that the organization is well-managed and financially sound. Key aspects of oversight include understanding the business model, establishing and monitoring financial indicators and control systems, overseeing the budget, and ensuring both legal compliance and ethical integrity.

5. Promote Accountability and Engagement

The **Association for Governing Boards** includes a focus on accountability among the top 10 characteristics and habits that indicate high performance. Once implemented, all the best practices above lead the board toward greater accountability. Strategic direction, clarity about board roles, and processes for communication and outcomes assessment set the stage for the board to own its responsibilities in governance.

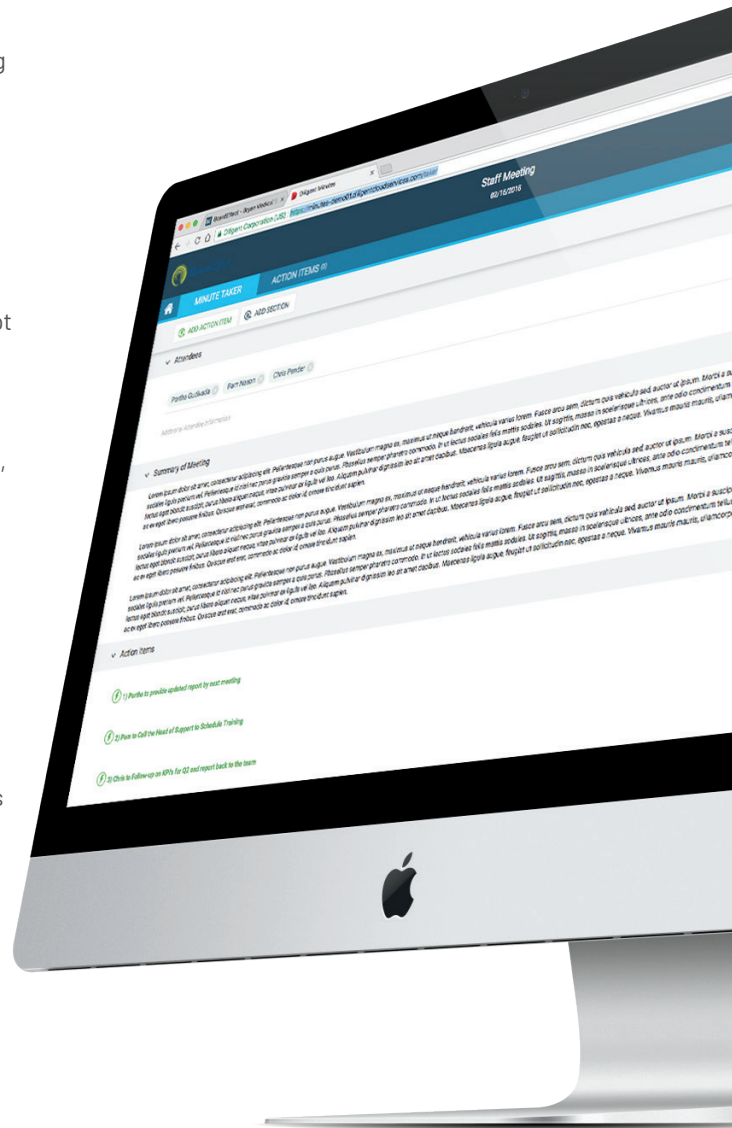
Accountability gets weakened, though, when board members are not engaged. To foster effective decision-making, board members obviously must participate in meetings and discussions. Given their overall responsibilities for organizational effectiveness and sustainability, boards also must be active in leadership activities, such as building relationships with stakeholders and raising funds. Engaged board members complete their board terms, contribute skills and resources to their organizations, and enable the board to function effectively as a governing body.

How Technology Supports Board Governance Best Practices

Embedded within our top five best practices for nonprofit boards seem to be references to most of the essential board functions and activities. In essence, that means nonprofit boards do not get to select which responsibilities they will assume or forego, as all are necessary for effective governance. It does suggest, however, a useful way to organize the board. By ensuring these five best practices are in place, fostered on a continual basis and supported by the right technology partner, every nonprofit board can enhance its effectiveness in governance.

Beyond providing a secure document repository, full-featured board portals can augment your board's governance practices – including facilitating online voting, consent agenda approvals, collecting e-signatures, remote meeting collaboration and automated anonymous questionnaires. As the governance software industry has matured, there are now vendors with strong track records of investing in ongoing product innovation, ensuring the solution you select will be able to grow and adapt to your board's evolving governance needs.

BoardEffect strives to provide solutions that support nonprofit board governance best practices, addressing the challenges organizations of all sizes and industries face with board governance. BoardEffect offers robust training options from in person to self-service; we work with you to define an implementation strategy to fit your needs. We are leading the industry in defining governance management software platforms. Overall, BoardEffect's commitment to innovation puts you in control of an intuitive environment that improves efficiency, collaboration, communication, security and board governance.



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