October 2016
bob@rchcae.com

Doomed at the Start

Four association scenarios that signal trouble for the year ahead.

Governance Isn't My Thing

At a leadership forum for officers and executives, I asked an executive director if she had brought her chief elected officer. I was surprised by her answer.

"No, the president said governance is something he's not comfortable with and suggested I attend on his behalf."

The primary role of the elected president is governance; if discomfort exists it should be resolved before taking office. Governance is generally defined as advancing the mission in accordance with governing documents to achieve results on behalf of members.

When a person is nominated or installed they must understand their role; rising through the board chairs would make one assume they are comfortable with governance.

The job requires the chief elected officer to be a model of good governance. Other directors will follow his or her example.

Governance is different from management. An executive director is responsible for managing the organization; the chief elected officer leads the governance.

Directors unfamiliar with governance tend to slide into micromanagement. Their discussions become tactical, bordering on staff and committee work.

Fiduciary duties bolster governance. Directors are fiduciaries acting as agents for members to make sound decisions. A fiduciary must use the utmost care and preservation of the organization's assets to advance the mission.

Some organizations refer to their directors as "trustees." It is a reminder that members should be able to trust that directors are working on behalf of their interests.

To hear an officer say "Governance is not my thing" is a sign the year may be difficult.

Not Good with Finances

The board is responsible for the assets of the association.

In this scenario, the financial statement was distributed at the board meeting. Several directors began questioning the merits of a $75 line item. (The deep dive often starts with a director saying, “I just have a question…..”)

The $75 expenditure had to do with memorial service flowers. Directors deliberated for an hour questioning the purpose, continuation and offering viewpoints. Eventually a motion was made to increase the line item to $500 to take care of memorial service needs for members.

After the robust discussion I asked the board president why he allowed an hour for a discussion that was slotted for a 10 minute on the agenda. He said, “I’m not good with finances and didn’t fully understand their questions.”

In this case, the association’s assets were $2.4 million as indicated on Form 990 and the board’s quarterly financial statements. They had more than $1.4 million in savings.

But directors focused on the smaller line items rather than the organization’s comprehensive assets.

I questioned why they had amassed an amount far exceeding the annual budget. He said, “It is our rainy day fund.” Current directors were afraid to spend what had been built up before them.

That was regretful because the strategic plan as well as the executive director had suggested spending a small portion of the savings (less than three percent) on technology and a needed staff position.

I offered that the board might spend less time on $75 line items and focus more on the $2.4 intended to advance the mission and goals.

I Should Have Asked, Do we have a Strategic Plan?

The president who had served nearly half of his term turned to the executive director and said, “I should have asked, do we have a strategic plan?”

Before taking office this president developed a lengthy to-do list for the staff. He explained to the executive that he wanted to “leave a legacy.”

During weekly calls with the executive director the conversation was about what staff was doing and how his to-do list was being advanced.

The association had developed a strategic plan 18 months earlier. But this president had missed that retreat and indicated he didn't think it represented his interests.

Do we have a Foundation?

The association had developed subsidiaries in the past decade: A foundation to support research and scholarship efforts and a political action committee to increase influence.

The foundation shared the association's logo and a few directors served on both boards.

I asked how the foundation was doing and several directors replied, "I didn't know we have a foundation?" There was no reference of it in the board manual, orientation, organizational chart or meeting agendas.

While they didn't have a direct responsibility for the governance of the foundation, its purpose was to complement the association's efforts. (I noted the foundation had not filed IRS Form 990 in the past four years.)

The four scenarios are nearly verbatim examples of associations that could be doomed at the start.

# # #

Note: Bob Harris, CAE, provides governance tips and templates at www.nonprofitcenter.com.