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Strive for the Best: Building and Maintaining an Excellent Board

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About Commonfund Institute

Commonfund Institute houses the education and research activities of Commonfund and provides the entire community of long-term investors with investment information and professional development programs. Commonfund Institute is dedicated to the advancement of investment knowledge and the promotion of best practices in financial management. It provides a wide variety of resources, including conferences, seminars and roundtables on topics such as endowments and treasury management; proprietary and third-party research such as the NACUBO–Commonfund Study of Endowments; publications including the Higher Education Price Index (HEPI); and events such as the annual Commonfund Forum and Commonfund Endowment Institute.

Strive for the Best: Building and Maintaining an Excellent Board

Excellent boards are made, not born. Achieving excellence in board governance requires success in four crucial areas: capable leadership, a sound organizational structure, attention to fiduciary duties and a culture that binds the board members to each other in a cohesive unit.

Introduction

The nature of trusteeship has changed markedly in the new century. In addition to the mission-related and financial issues with which fiduciaries have always dealt, trustees of nonprofit organizations are now regularly required to make decisions in response to media scrutiny, challenges from regulators, demands from stakeholders and constituents, the requirements of increasingly complex investment strategies, the priorities of donors, and reputational threats to board members and the organizations they serve.

In contrast with the past, boards are being held to an ever-higher standard in which "getting by," "muddling through" or "preserving the status quo" no longer suffice. Board seats are no longer viewed as honorary rewards for service or financial contributions, nor can the trustee's oversight role be viewed as one of passive observation. How well a board functions determines, in large measure, the fortunes of the organization it governs. Mediocre or middling performance may enable an organization to survive, but rarely to thrive, while weak or dysfunctional boards may jeopardize their organization's very existence. Governance may have been a subject of less prominence in the past, but the current era is one in which regulators, the media, whistleblowers and dissatisfied constituents are quick to bring potentially harmful issues into sharp focus, scrutinizing both activity and inactivity. Only a high level of board performance can create and sustain the energizing, inspiring and motivating environment in which the organization and its constituencies can excel.

All boards should, in principle, aspire to a place in this upper tier of governing bodies. But what does excellence mean for a nonprofit board, and how is it measured? More important, how does a board map a path to that goal?

This paper attempts to serve as a guide for trustees and boards that aspire to excel, with particular emphasis on the board's fiduciary role. We identify the practices and policies of excellent boards and the steps that nonprofits can take to put them into practice. While reviewing the functions of a board and its members, we also attempt to show what boards look like when they are at the top of their game.

The Board's Purpose and Roles

Overview

What makes a board "excellent"? One answer lies in the crucial difference between governance and management.

The board's role is strategic, not tactical. Its primary responsibilities are to establish and clearly articulate the mission of the organization, to hire a management team to run the organization in accordance with policies and objectives that further that mission, and to monitor progress toward the mission's fulfillment.[1] The execution of ongoing operations and the development and implementation of institutional programs are the responsibility of management and staff, not the board. On an ongoing basis, the board's role is one of oversight, in which it reviews and assesses management's success in carrying out its job.

Indeed, once the mission of the organization has been defined in its charter and bylaws, fiduciary principles require that the board guard that mission as it has been defined. In particular, the chair and trustees need to beware of situations in which, perhaps because new trustees have a point of view at odds with the organization's traditional role, the organization is led to diverge from its original charter in impermissible ways.

While the board does not manage, it does not simply preside. The board engages in active supervision of management and staff: this means setting standards that are clear and objective, being sure that position descriptions are known and understood, and ensuring that the actual running of the organization is well supervised by senior staff members. The board needs to have confidence that management is effectively running the organization and that staff are competently executing those actions that advance the mission. It is in this role of defining the mission and monitoring progress that the board provides purpose and direction for the staff, while in its oversight duties it remains focused on governance and avoids becoming involved in operations.

Fiduciary Principles as Guides to Behavior

A brief review of fiduciary duty, an important part of the English common law tradition that has been incorporated into state law throughout the U.S., emphasizes the need to remain aware of these key principles. The classic definition of a fiduciary is one who acts in a position of trust or confidence on behalf of another. Fiduciaries are expected to handle the affairs of others with the same care and prudence that they apply to their own affairs.

From a nonprofit board's point of view, fiduciary responsibility is traditionally expressed in terms of three fundamental duties: care, loyalty and responsibility.[2]

- The ***duty of care*** requires that trustees not treat their role casually, but instead attend meetings, take reasonable steps to become well acquainted with all of the information and pertinent facts under the board's purview and bring their best judgment to bear in the board's deliberations and decisions.
- The ***duty of loyalty*** requires that trustees place the interests of the organization above their own. Where conflicts of interest do occur – whether with trustees' own interests or with the interests of another organization with which they are involved – policies must be in place to ensure that the conflict is disclosed and neutralized. The practice of recusal, in which the conflicted trustee takes no part in the decision – to the extent of leaving the room while the matter that is the subject of the conflict is discussed and voted upon – has become standard practice in the nonprofit sector.[3]
- The ***duty of responsibility*** requires that trustees maintain the organization's adherence to the purposes described in its charter and by-laws, following its policies in a disciplined and consistent manner in addition to complying with relevant laws and regulations.

Fiduciary Duty Embodied in Law

At endowed nonprofits, these three duties come into play most prominently in relation to the policies and practices that govern the investment and spending of the organization's perpetual funds. Responsibility for these matters is frequently delegated to an investment committee, subject to oversight by the full board. The

1 This may include modifying or revising the mission statement under certain circumstances.

2 The duty of responsibility is sometimes also referred to as the duty of obedience.

3 For example, among the 835 colleges and universities participating in the 2013 NACUBO-Commonfund Study of Endowments, the 56 percent that permit trustees to conduct business with the institution also report that they have a process for resolving potential conflicts; of this group 44 percent, or more than three-quarters, use recusal and disclosure and a further three percent use recusal only. Use of these policies is observed in similar proportions in parallel Commonfund studies of foundations, operating charities and independent schools.

Uniform Prudent Management of Institutional Funds Act (UPMIFA), introduced in 2006 and now the law in nearly all states[4] and the District of Columbia, provides guidance in the investment and spending of donor-restricted funds. UPMIFA's governance language not only addresses the standard of prudence, which lies at the core of the law, but also guides fiduciaries by providing concise lists of issues that must be considered in investing, spending and delegating authority to third-party agents with respect to donor-restricted funds. Fiduciaries are guided to give a thorough airing to these matters through discussion and evaluation, and to record the process in written minutes. UPMIFA thus aids fiduciaries in understanding what they should do in order to reasonably assure themselves that they are in compliance with the law and with prudent standards of good governance.

Changes in the Nature of Board Service

The increasing attention that has been paid to these fiduciary duties by courts, regulators, lawmakers, stakeholders and the general public in the last decade has meant that board service has become more demanding. The type of person recruited for board membership, and the nature of the board commitment itself, have also changed. While in the past it was acceptable for busy people to "lend their name" to an organization by agreeing to become trustees, today there is no longer room for such "decorative" members. Harder-working boards are the norm: those who do not have the time or desire to play a full part can seek recognition and a measure of satisfaction on other, non-fiduciary, advisory boards that the organization may establish. For their part, trustees who have made the commitment to be fully engaged in and be supportive of the organization's mission contribute effectively to the board's deliberations and decisions and derive satisfaction from knowing that their contribution is not a casual one.

Beyond these fundamental governance duties, board members are increasingly being called upon to fulfill other important roles. One is to be the public voice of advocacy, articulating the case for the institution and its mission. Closely linked to this is the task of bringing the full benefit of their personal and professional contacts to the fiduciary function. This is one important reason – though not the only one – that boards seek diversity of experience and talents in recruiting new members.

4 Pennsylvania has its own law, which is similar in spirit.

The institution's mission can be fulfilled at a higher level if board members are able to call upon a broad range of social and business connections, not just for fund-raising but to enable the institution to benefit from the efficiencies created through the best use of all its resources.

Fiscal Health and the Board

One of the most important functions of the board– though often overlooked – is the preservation of the fiscal health of the institution. This is often interpreted to mean donating to the organization and raising funds on its behalf, but more is involved.

Fund-raising is obviously an important part of fiscal stability. In that regard, some degree of financial contribution, proportional to a trustee's means, is usually required of board members. Not every donor, however, wants to become a fiduciary or has the time and skill to govern a nonprofit organization. For this reason, major donors should not automatically be invited to become board members.

The idea of a separate, nonfiduciary, advisory board has recently gained currency as a body that can benefit the organization by giving donors recognition and an opportunity to express their support for the organization while insulating them from fiduciary responsibilities and their attendant potential liability. Non-trustee advisory boards also present a useful way to respond to individuals who may promise gifts in expectation of an opportunity to influence the direction of the organization, and to allow the board to assess a potential board candidate's qualifications for future board membership.

Board Structure, Composition and Other Key Attributes

The structure of a board can help or harm its effectiveness, and consideration of these matters is important to improving a board's performance. In this section, we discuss the dynamics related to the structure and membership of effective boards.

Size

Until recently, boards were frequently quite large. Boards with 20 or more members were common, and those with upward of 30 trustees or more were not unheard of. The presence of honorary members – often substantial donors – was also customary. These practices have changed. According to BoardSource, the average size of a nonprofit board in the U.S. is now 16 members.[5]

While there is no "right" size for all organizations, the guiding principle has become that smaller boards are generally thought to function better, particularly with respect to efficient workflow and process management. In such bodies it can be easier to schedule meetings, secure a quorum and communicate among members. Smaller boards may also share a greater sense of camaraderie – a crucial characteristic of superior boards – and the costs related to board activities will likely be lower. In order for smaller boards to avoid becoming overburdened, the chair may establish ad hoc committees or working groups to deal with specific issues and make recommendations to the full board; the non-fiduciary advisory panels discussed in the previous section can also fulfill this function for specific issues within their area of expertise by assisting in the work of committees.

The Board Chair

The single most crucial factor in the success of this model is the selection of the individual who will serve as the board chair. The diligence, commitment and character of the chair determine the board's agenda and the way committees are populated, and help to ensure that board and staff view the mission in the same way.

Leader, spokesperson, advocate, facilitator, source of authority: the role of the chair is the most important on the board, and the most demanding and time-consuming. The chair is a guarantor of board effectiveness, enabling individual board members to contribute meaningfully to its work. At the most basic level, the chair:

- Presides at board meetings
- Facilitates the work of the committees, often serving as an ex officio committee member
- Serves as the chief liaison with the president or executive director of the organization
- Works with the board's executive committee and the president or executive director to prepare the agenda for board meetings
- Protects and defends the mission of the organization and maintains the integrity of the bylaws
- Inspires board members and senior staff to perform their work in pursuit of the mission of the organization
- Is a good listener, creating and maintaining a culture conducive to teamwork, collaboration and mutual respect
- Serves as mentor to new and experienced members of the board who may be confronted with a difficult task or decision
- Leads periodic board self-assessment exercises to build on board strengths and identify and strengthen deficiencies
- Advocates internally and externally for the organization before beneficiaries, regulators, legislators, donors, news media and the public, forging links with key constituencies

Board Recruitment and Diversity

If a board is to be successful, the board chair and trustees must be identified, nurtured and sustained. Successful boards thus begin with the recruitment process.

It is important that there be a strong nominating committee or board development committee to vet potential members. The central functions of such a committee include identifying and communicating candidly with potential trustees, explaining to them the role of the board and their own roles and responsibilities as prospective trustees, and probing to understand why the individual wants to serve. Beyond recruitment, however, the committee has a more strategic role in shaping the board as a strong, dynamic entity that understands its function and actively seeks to improve its performance.

To take one example, a board should ideally be composed of people with varying backgrounds, perspectives, experiences and expertise. A board that is too homogeneous will not benefit from the range of perspectives that leads to vigorous, well-

5 BoardSource Nonprofit Governance Index 2012, Data Report 1: CEO Survey of BoardSource Members, p. 10 (2012). http://www.boardsource.org.

rounded discussion and examination of key issues and decisions. There can be exceptions. Audit committees are frequently populated by CPAs, auditors and lawyers. Similarly, investment committees benefit from having members with specialized knowledge and relevant industry experience. Even then, however, it is not necessary for every member of the investment committee, whether a trustee or a non-trustee member, to be an investment professional. Laypeople may raise issues that provoke deeper discussion and prod the committee to take a second look at questions that may have been dismissed too easily.

Training and Ongoing Education

New board members who are thoughtfully recruited and carefully vetted are the lifeblood of the high-functioning board. It cannot be assumed, however, that new trustees coming from a business or professional background – no matter how successful they may have been – will automatically grasp the nuances of nonprofit governance, which may frequently seem foreign to them.

Board orientation is the first crucial step. In the weeks leading up to their first meeting as trustees, new board members should attend, as a class, a briefing led by the board chair or the nominating or board development committee along with the chief executive officer. The format may vary; a popular setting is a day-long or weekend-long retreat prior to a full board meeting, but there might instead be a series of shorter sessions focused on specific topics. It is beneficial if some or all incumbent board members attend in order for the new trustees to meet and begin the process of bonding with their colleagues. One highly useful practice is for an incumbent board member to be assigned to mentor an incoming trustee, thereby accelerating and smoothing the transition to a comfortable role on the board. This process of assimilating new trustees can also assist in increasing their retention for further terms of board service.

A range of materials should be provided to the new board member before and during formal orientation. These include fundamental organizational documents such as the organization's and board's policy manual or handbook, the bylaws, a copy of the most recent annual report, the strategic plan, the current budget, the investment policy statement, a history of the organization and its traditions, a calendar of board and committee meetings, and a definition of the roles and responsibilities of fiduciaries. It may be helpful to request that the organization's legal counsel be made available to address the latter topic and, at the same time, to discuss rules and regulations and important but sensitive issues such as how the organization's policies on conflicts of interest apply to the board.

Committees of the Board

Much of the real work of effective boards is carried out at the committee level. Common types of standing committees include those overseeing the audit, investment and finance functions; also frequently found are committees devoted to strategic fund-raising (sometimes called development or institutional advancement), governance or board development, compensation and human resources, and strategic planning. Many boards also have an executive committee, which can be empowered to decide certain types of issues between meetings of the full board. According to BoardSource, nonprofit boards have an average of 5.5 committees.[6]

Governance Committee

This committee, to which we have referred previously, is sometimes also referred to as the board development or nominating committee and is charged with seeing to the long-term health of the board, evaluating the board's, and board members' current performance and anticipating future needs. This committee seeks to ensure that the mix of experience and skills of current and future trustees is matched with the evolving needs of the organization. It also addresses weaknesses or shortcomings in the current board and, importantly, seeks to identify individuals who may in the future serve as board chairs.

Development Committee

For organizations that seek to raise funds on an ongoing basis, the development or advancement committee leads efforts to enhance the organization's endowment, to support long-term strategic or programmatic initiatives and to fund capital projects. While fund-raising has traditionally been regarded as a comparatively tactical function, with episodic campaigns punctuating periods

6 BoardSource Nonprofit Governance Index 2012, Data Report 1: CEO Survey of BoardSource Members, p. 11 (2012). http://www.boardsource.org.

of relative inactivity, most organizations now recognize that the cultivation of donors at all levels (and especially of major donors) has become a strategic function and have increasingly taken steps to recruit and staff the development office at a level appropriate to the organization.[7]

Finance Committee

The finance committee assists the board with its fiscal responsibilities by overseeing the organization's ongoing financial operations, reviewing budgets and periodic financial reports, and forecasting future financial needs, usually in coordination with the organization's internal financial staff. At endowed organizations the need for close coordination between this committee and the investment committee is self-evident, and joint meetings once or twice a year, supported by regular ongoing communications, have become a feature of effective boards.

Investment Committee

The investment committee, found at organizations that possess endowments or other long-term pools, is charged with fulfilling the intentions of donors with respect to donor-restricted funds and of maintaining the endowment fund's purchasing power, ideally into perpetuity. Duties of this committee include creating and maintaining an investment policy, setting the investment portfolio's policy asset allocation, developing an appropriate spending policy, rebalancing the portfolio on a regular basis and providing an annual report to the board on the state of the endowment. As noted, the investment committee should work in close coordination with the finance committee and the organization's senior staff; at smaller nonprofits, the investment committee is often a subcommittee of the finance committee. Together, these two groups should determine and recommend to the board a sustainable spending practice for the endowment.

Audit Committee

The audit committee oversees the organization's external audit function, primarily through selecting and working with an independent outside audit firm. Its role is broader, however, and encompasses the integrity of the organization's financial reporting process. In particular, since 2002 the influence of the federal Sarbanes-Oxley Act has meant that nonprofit organizations, like the for-profit public corporations for which the law was originally written, have tended to make the audit committee independent. Furthermore, in many organizations the audit committee has become the body authorized to deal with issues such as enforcement of the organization's policies regarding ethical conduct and whistle-blowing and ensuring that the organization is in compliance with all legal and regulatory requirements. For these reasons, recruitment of an individual of integrity and character to serve as audit committee chair has become a crucial matter.

Human Resources Committee

The human resources committee focuses on the policies and practices that support and govern the nonprofit's staff and employees. Special attention is paid by this committee in particular to the senior executives of the organization who are charged with implementing the board's mission and vision.

Strategic Planning Committee

The strategic planning committee reviews and assesses internal organizational strengths and weaknesses and external long-term opportunities and threats in the context of the environment in which the organization must function in the future. In carrying out its charter, this committee coordinates closely with other board committees and staff in recognition of the fact that effective strategic planning is a collaborative effort. The strategic planning process is discussed more fully below.

Documentation of Committee Structure

Documentation of committee responsibilities is an important part of a properly-functioning board. There should be written job descriptions for the main officers of the board—typically the chair, vice chair, treasurer and secretary—and for the chairs of standing committees.

These standing committees should be identified in the bylaws, and for each there should be a written charter or description of its function and responsibilities. Ad hoc committees, formed to accomplish specific projects or

7 See, e.g., J. Griswold and W. Jarvis, "Essential Not Optional: A Strategic Approach to Fund-Raising for Endowments", Commonfund Institute, 2012. https://www.commonfund.org/InvestorResources/Publications/Pages/WhitePapers.aspx.

tasks, should receive their charters in the form of board resolutions and their reports should be recorded in the minutes of the board meeting at which they occur.

The Executive Director or President

Perhaps the most critical task for the board is to select, hire, support, evaluate and, if necessary, replace the president or executive director of the organization. This individual has primary responsibility for carrying out the institutional priorities established by the board and for enabling the institution to achieve its strategic goals and objectives by staff members to execute specific plans and programs.

Paramount to the success of the ongoing relationship between the executive director and the board are a clear position description and agreed-upon goals and objectives. Without them, it is difficult to know if the executive is satisfying the board's expectations.

The likelihood of retaining an effective staff leader is enhanced when:

- There is a positive and trusting relationship with the board chair and individual trustees
- The board has confidence in the chief executive's ability to inspire and motivate staff, maintain focus on mission and objectives and use resources wisely
- Communications between the executive and the board are open, honest and frequent
- The parties work as partners, with each respecting the other's roles and responsibilities (an effective board will delegate rather than try to interfere in the work of the chief executive).
- A constructive annual evaluation of the chief executive, including a self-evaluation, is conducted

Strategic Planning

One of the board's central functions is strategic planning. While sometimes mistaken for an exercise in unconventional thinking and visionary thought, strategic planning is in fact nothing more than being able to see the organization clearly in its current environment, assess its strengths and weaknesses honestly, and calibrate what it will need to continue to thrive and fulfill its mission in the future.

A Word on Senior Staff Recruitment

Identifying, hiring and retaining a talented president or executive director are all critical tasks for the high-functioning board. A search committee, often assisted by an outside consultant, is usually formed to lead this recruitment process, but it should seek input from members of the standing board committees as it creates the position description and identifies the qualifications and personal qualities it wants in this person. Once that individual has been identified, an essential step prior to hiring should be a thorough background check including input from previous employers, a check of credit history and confirmation of the candidate's educational background and professional qualifications.

What is (and is not) a Strategic Plan?

Three important characteristics can help to define an organization's strategic plan:

- First, it is not a short-term operational plan. Operational plans are needed and can serve as stepping stones in implementing the long-term strategic plan, but they are usually part of the larger strategic plan, not a separate document.
- Second, a strategic plan is not to be placed on a shelf once the review process is completed. It is a living document that should be reviewed and refined every two or three years. Such a review need not involve complete or drastic change unless it is warranted, but the plan needs to evolve with the needs and capabilities of the organization.
- Third, a strategic plan should not be wordy, complex or convoluted. Here, simplicity is a virtue. Planners should avoid falling into the trap of creating a document that may not be well understood and which, therefore, may be less than enthusiastically supported by those responsible for implementing it.

A standing committee of five to eight people, made up of both board and senior staff members, should be responsible for creating and maintaining the strategic plan. This group may call upon consultants or other external resources (including, if required, an outside facilitator) and should also reach out to relevant internal and external constituencies to encourage a process that is both broad and deep.

The process should involve a review of the organization's long-term mission and position in its community, an attempt to define the critical issues confronting the organization and an examination of how changes in the external environment are expected to affect the organization in the future. The classic analysis of strengths, weaknesses, opportunities and threats (sometimes called a SWOT analysis) is a good place to start. Ultimately, the strategic plan should embody in writing the organization's mission statement, set goals for the future, articulate the strategies by which the organization intends to achieve those goals, and define appropriate measures of progress.

Putting it All Together

How does a board take the necessary steps toward improvement? Some measures are administrative – for example, reviewing the board's committee structure and decision-making process, creating charters and descriptions of roles for committee chairs and a position description for the chief executive. Perhaps the greatest positive impact, however, comes from cultural forces inside the board and organization. What are the elements of a culture that can support a first-rate governing board?

First and most important is trust among the board members, the chair and the senior staff. This binding together of the individuals on the board yields several specific beneficial outcomes. One is the elimination of functional silos and narrow mindsets that can result in turf battles or in refusal to become involved outside the well-defined limits of a particular committee or function. This climate of trust must be created from the top, with the board chair serving as the role model and this behavior as the template for committee chairs and committee members.

According to Jeffrey Sonnenfeld of the Yale School of Management:

> It's difficult to tease out the factors that make one group of people an effective team and another, equally talented group of people a dysfunctional one; well-functioning, successful teams usually have chemistry that can't be quantified. They seem to get into a virtuous circle in which in one good quality builds on another. Team members develop mutual respect; because they respect one another, they develop trust; because they trust one another, they share difficult information; because they all have the same, reasonably complete information, they can challenge one another's conclusions coherently; because a spirited give-and-take becomes the norm, they learn to adjust their own interpretations in response to intelligent questions.[8]

It follows, as we have noted, that recruitment remains crucial to the task of creating a board that can excel. Effective board members need not be heroic leaders or deep visionary thinkers, but they must be thoughtful and authentic individuals who can inspire by example and motivate others in a non-threatening way.

The experience of serving on a high-functioning board can be tremendously uplifting. The knowledge that one's fellow trustees are united in the pursuit of something that none could accomplish alone represents for many the peak of service, in which the whole is indeed greater than the sum of its individual parts. Conversely, without that spirit of cooperation and unity, many crucial goals and objectives can remain beyond reach.

8 "What Makes Great Boards Great," Harvard Business Review, September 2002.

On Transparency

- In the wake of corporate scandals such as Enron, Tyco and WorldCom in the early 2000s, there has been an increasing push for greater transparency among for-profit and not-for-profit organizations alike.
- Transparency is very often mistaken for its near-synonym, disclosure, but they are not the same. Disclosure – the communication of material information – is familiar as something required under law and many codes of ethics. Transparency, on the other hand, is one of the beneficial outcomes of a culture of trust. At its highest level, it nurtures in the organization a culture of inquiry in which appropriate communication and discussion of all topics is permitted and openly encouraged.
- Issues such as compensation or money matters, or the challenges of dealing with trustees or staff who may not be performing well, can be addressed by a strong board chair resolved to improve the environment in a constructive way. Such an individual can make it clear, politely but firmly, that there is an appropriate way to raise such matters within the board environment.
- One tool for increasing transparency is candor, a quality that is sometimes misunderstood as rudeness or pushiness but can, in cases involving governance, more often take the form of an honest expression of puzzlement or a request for more information. In this context, while not every member of the board needs to be an expert on every single agenda topic, the exercise of fiduciary duty requires trustees to balance deference to expertise with the ability to inquire, thereby fulfilling their responsibility for oversight.
- While transparency is central to good governance, the board must be discerning and cognizant of those times when the need for confidentiality is critical. For example, when legal counsel is advising a nonprofit's trustees or officers it is important that the advice not be shared with third parties in order to maintain the protection of the attorney-client privilege. In sum, transparency should prevail in the conduct of board affairs, with confidentiality being the exception when mandated by circumstances.

Finally, it is essential to create a measurement system for the board that is comprehensible, relatively simple and not susceptible to manipulation. While overall organizational success can be measured in relation to the organization's mission as well as in financial terms, boards need reasonably objective methods of assessing their own accomplishments, recognizing areas for improvement and developing appropriate action plans. Board self-assessment is a field that is still developing; despite its imperfections, however, a board should attempt on a regular basis to obtain a comparatively objective set of measurements by which it can judge its success against the goals it has set for the organization and itself.

Excellent boards are built on a clear understanding of their duties as fiduciary and governing bodies of nonprofit organizations. Rooted in that foundation, a board is positioned for maximum effectiveness when it can benefit from strong leadership by the chair, a properly structured committee system, engaged and committed members and a sound relationship with senior staff managers, most importantly the president or executive director. Cultural attributes such as leadership, trust, transparency and candor are an essential adhesive that binds the board together and constitutes the indispensable ingredient in the formula for success. As more boards work to improve their operations and those of the institutions they serve, these tangible and intangible characteristics of successful boards can serve as guideposts to measure their progress toward excellence.

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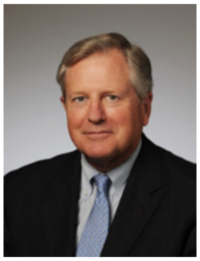

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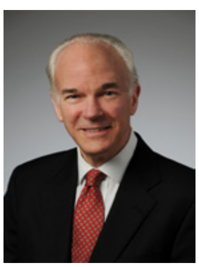

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