

Nonprofit Governance: Defining the Role of the Board vs. the CEO

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One of the most important aspects of nonprofit management governance relates to the different, yet intertwined roles and responsibilities of the board members and CEO. Get it right and your organization can soar like an eagle.

But when board members and the CEO are out of sync, it can seriously derail an organization's ability to fulfill its mission. Books have been dedicated to this topic, so given the concise nature of this column, I want to offer some basic insights.



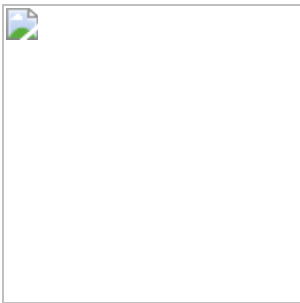
The board is the governing body of any nonprofit organization.

They are responsible for forming the organization, as well as creating and amending the organization's mission statement, purpose, vision and overall strategic direction.

The board creates, maintains and amends the documents that govern the organization, including the bylaws and a wide range of policies. Because the board is responsible for ensuring the financial well-being of the organization, the board should develop and ensure compliance with fiscal policies, including adequate internal controls.

The board also hires auditors to review the organization's financial statements as well as reviews and approves the organization's annual operating budget. The board alone is responsible for hiring, evaluating, compensating and, in some unfortunate circumstances, firing the CEO of the organization.

As fiduciaries of the organization, all board members are expected to live up to the duties of care, obedience and loyalty. This means they are legally bound to act in good faith, exercise good business judgement and make informed decisions that are free of any conflicts of interest. They must do their best to protect the organization from harm, put the best interests of the organization first, and receive no personal benefit through their decisions or actions. Finally, board members are expected to ensure that the organization follows all applicable laws and regulations and fulfills its charitable purpose.



The CEO reports to the board and is responsible for overseeing and managing the day-to-day operations of the organization.

They are expected to provide regular progress reports to the board and ensure that the organization is staffed appropriately. The best CEOs understand they are the board's representative to the staff, not the staff's representative to the board. For CEOs who are promoted from within, this can be a difficult transition since their loyalties may have been to their colleagues/peers in the past.

I have also observed that it can be difficult for some board members to resist the urge to tell the CEO which staff members to hire, fire and promote. This is not best practice as the only employee who works for a nonprofit board is the CEO.

In summary, the role of the board is to manage the macro-implications of the day-to-day management, whereas the CEO and their staff are responsible for the day-to-day management itself. Keeping these two balances in check, like two powerful wings, will allow your organization to soar like an eagle!

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