



# Enterprising Rural Families™

This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact [information@eRuralFamilies.org](mailto:information@eRuralFamilies.org) or go to <http://eRuralFamilies.org/>.

## TIP OF THE MONTH:

### BOARD OF DIRECTORS DUTIES

1. Provide continuity for the organization by setting up corporation or legal existence; represent organization's point of view.
2. Select and appoint chief executive with responsibility for administration of the organization.
  - Review & evaluate his/her performance regularly on basis of job description.
  - Offer administrative guidance & determine whether to retain or dismiss.
3. Govern the organization by broad policies and objectives, formulated and agreed upon by the chief executive and employees.
4. Acquire sufficient resources for the organization's operations and to finance the products and services adequately.
5. Account to the public for the products and services of the organization and expenditures of its funds.
  - Provide for fiscal accountability, approve budget, & formulate policies related to contracts.
  - Accept responsibility for all conditions & policies attached to new, innovative or experimental programs.

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## THE BOARD OF DIRECTORS

By: Bill Taylor, Northeast Wyoming Community Development Extension Educator

Often board members are appointed or elected to their position with little or no knowledge of what their responsibilities are legally or ethically.

Corporations, whether for-profit or non-profit, require a governing Board of Directors. Governing Boards have certain legally required duties, including duties of care, loyalty and obedience. Governing Boards can have a variety of configurations, e.g., "working," "collective," "policy," "Policy Governance," etc. All are types of Governing Boards.



Recent illegal activities, particularly in large, for-profit corporations, have brought much attention to the roles and responsibilities of Boards, especially to their degree of effective oversight ("oversight" as in ensuring strong, effective organizations), ethical operations and approach to compensating senior executives.

In the aftermath of every news story is the question: Why didn't the Board do something?

The overlooked reason is that the prevailing "team" model for the relationship between boards of directors and their staff is only half of the story. "Team" members are understood to bring different skills and play different roles to support and build the organization, working toward common goals. But while board members should and do act as supporters and builders, they have another role to play as questioners and monitors of the organization. As part of the team, the board stands with their well-intentioned organization as it operates in a demanding world. In contrast, in their governing role, the board must stand outside the organization and hold it accountable to the public interest.

Both these roles - supporting and governing - are critical to effective work by organizations. Rather than try to eliminate the contradictions and tensions of their governance role, boards must find techniques for strengthening their independence and creatively using this tension for the good of the organization and the purpose it was created to serve.



## What is governance?

The two roles of support and governance encompass different tasks. In the role of supporters board members strive to ensure the success of the organization. Boards raise money, bring contacts and clout to the organization, provide special skills such as in law or accounting, and act as ambassadors to the community. The many books, articles and seminars on the subject testify to the emphasis on helping boards help - on strengthening organizations by means of board assistance.

The governance role, on the other hand, has as its goal protection of the public interest. Governance responsibilities for boards include selecting the top executive (the Chief Executive Officer) and assessing his or her performance, reviewing and authorizing plans and commitments, ensuring compliance with legal and contract requirements, and evaluating the organization's work.

Both of these board roles are distinguished from that of management, the province of the Chief Executive Officer.

Simply put, a board of directors is a group of people legally charged with the responsibility to govern a corporation. In a for-profit corporation, the board of directors is responsible to the stockholders -- a more progressive perspective is that the board is responsible to the stakeholders, that is, to everyone who is interested and/or can be effected by the corporation.



## Major Duties of Board of Directors

Brenda Hanlon, in *In Boards We Trust*, suggests the following duties (as slightly modified by Carter McNamara to be "nonprofit/for-profit neutral").

1. Provide continuity for the organization by setting up a corporation or legal existence, and to represent the organization's point of view through interpretation of its products and services, and advocacy for them
2. Select and appoint a chief executive to whom responsibility for the administration of the organization is delegated, including:
  - to review and evaluate his/her performance regularly on the basis of a specific job description, including executive relations with the board, leadership in the organization, in program planning and implementation, and in management of the organization and its personnel
  - to offer administrative guidance and determine whether to retain or dismiss the executive
3. Govern the organization by broad policies and objectives, formulated and agreed upon by the chief executive and employees, including to assign priorities and ensure the organization's capacity to carry out programs by continually reviewing its work
4. Acquire sufficient resources for the organization's operations and to finance the products and services adequately
5. Account to the public for the products and services of the organization and expenditures of its funds, including:
  - to provide for fiscal accountability, approve the budget, and formulate policies related to contracts from public or private resources
  - to accept responsibility for all conditions and policies attached to new, innovative, or experimental programs

## Major Responsibilities of Board of Directors

BoardSource, in their booklet "Ten Basic Responsibilities of Nonprofit Boards", itemize the following 10 responsibilities for nonprofit boards. (However, these responsibilities are also relevant to for-profit boards.)

1. Determine the Organization's Mission and Purpose
2. Select the Executive
3. Support the Executive and Review His or Her Performance
4. Ensure Effective Organizational Planning
5. Ensure Adequate Resources
6. Manage Resources Effectively
7. Determine and Monitor the Organization's Programs and Services
8. Enhance the Organization's Public Image
9. Serve as a Court of Appeal
10. Assess Its Own Performance

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Information from the Free Management Library found at [www.managementhelp.org](http://www.managementhelp.org). Specifically this material has been taken from three articles in the library: *Free Complete Toolkit for Boards*; *Frequently Asked Questions (What is the role of governance?)*; *Overview of Roles and Responsibilities of Corporate Board of Directors*. Materials in this topic apply to both nonprofit and for-profit Boards in the USA and Canada.

## BOARD OF DIRECTORS

A 'Board Of Directors' may be huge as in the World Bank, or smaller as in your local bank.



However, the duties remain the same:



They are a group of individuals that are elected as, or elected to act as, representatives of the company/stockholders to establish corporate management related policies and to make decisions on major company issues. Such issues include the hiring/firing of executives, dividend policies, options policies and executive compensation. Every public company must have a Board of Directors.



*Enterprising Rural Families*<sup>TM</sup>

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