

## Why Do You Need a Board?

All nonprofit organizations need a board. Although the specific responsibilities may vary due to mission focus and different phases of an organization's existence, the basic role and purpose of all nonprofit boards remain the same. There are legal, ethical, and practical reasons to build a board when a nonprofit is created. These reasons shape the foundation for good governance.

### Legal reasons

State laws are explicit to indicate that nonprofit corporations need a board to assume the fiduciary role for the organization's well-being. These laws designate overall responsibility and liability to that board. In addition to the board's responsibilities as a governing body, *individual* board members are bound by their legal obligations: the duties of care, loyalty, and obedience. These duties serve in the courts as the test for their compliance if a board member's performance or decisions ever become a legal issue.

State laws generally stipulate the minimum size for a board — varying between one and three members — and other *de minimis* requirements that define how boards may function or be structured. Some state laws define the lowest acceptable number of independent (i.e., devoid of personal benefit or attachment) board members, but normally the laws do not address board composition issues. The organization's articles of incorporation and bylaws define the internal authority within the nonprofit and clarify the board's role on top of the decision-making hierarchy. (Naturally, in a formal membership organization the members have certain rights to approve major board decisions.)

The federal law is even less specific in determining how the board should be structured, but it does expect this fiduciary body to serve as the gatekeeper for the organization. When applying for recognition of tax-exempt status, board members for the new nonprofit must be listed to allow the IRS to determine whether proper oversight has been established.

In complying with federal law, one of the board's roles is to ensure that no inappropriate private inurement takes place deviating organizational assets into the hands of individuals who can influence the affairs of the nonprofit. Intermediate sanctions regulations directly designate the board as the body to approve all the major financial transactions in the organization.

### Ethical reasons

One of the key ethical reasons to build a board is to create a structure that functions to assure the public and all individual stakeholders that the organization is in good hands. The board assumes the responsibility for the achievements, or lack thereof, within the organization. Its role in this

capacity is to go beyond the legal requirements and ensure that the organization not only does things right, but does the right thing.

The board acts as the agent for the organization's constituents. When a supporter, client, or customer relies on the organization to use its funds appropriately or provide trustworthy and quality services, the board sees to it that these expectations are met. Board members are not there to benefit personally from their affiliation; during decision making they are expected to place the interests of the organization above any other considerations.

Oversight is a primary duty for all boards. It consists of working closely with management to ensure that goals are met and that ethical principles serve as the guidelines for all activities of the organization. As overseers, board members also spell out the expectations and evaluate the results. The board is there to go above and beyond the status quo, keeping the organization viable and able to grow by reacting to and anticipating stakeholders' needs.

## **Practical reasons**

The board's role is not limited to control and supervision. A board is made up of individuals who, at one time or another, become worker bees to assist the organization in getting its work done. This is particularly the case in start-up boards that, for example, regularly help draft the organizational documents, hunt for supplies and equipment, and procure funding. Before staff is hired, board members usually manage the daily affairs and run the programs of an all-volunteer organization. They wear various hats depending on the need of the moment.

In most nonprofits, as soon as the situation allows, the board hires the first staff person — often the first chief executive — and delegates the daily affairs to him or her, with the necessary support and guidance. At this point the board can devote its time to governing, providing direction, and securing that the mission of the organization stays on course.

The board also represents the stakeholders of the organization. A board that is familiar with the constituency and its needs is better able to steer the organization in a direction that is helpful to those it serves. If its composition reflects that of the constituency, this becomes an easier task for the board to accomplish.

As a detached body from the daily affairs, the board is able to differentiate the trees from the forest — to look at the organization as part of its larger sphere and not just as an office that carries out the strategic plan. The perspectives that board members bring to the boardroom complement those of the chief executive. Together, they should be able to ask the probing questions necessary to avoid stagnation and keep the organization moving forward.

And finally, the board is the body that provides continuity to the organization. Individuals come and go but the board as an entity remains. When good practices are institutionalized, the changing of the guards does not adversely affect the good work that has been accomplished.

## **References**

- Lakey, Berit M. *Nonprofit Governance*. BoardSource, 2000.