

Board of Directors Resource Digest

March 2008

ABOUT AAHSA

The members of the American Association of Homes and Services for the Aging (www.aahsa.org) help millions of individuals and their families every day through mission-driven, not-for-profit organizations dedicated to providing the services that people need, when they need them, in the place they call home. Our 5,800 member organizations, many of which have served their communities for generations, offer the continuum of aging services: adult day services, home health, community services, senior housing, assisted living residences, continuing care retirement communities and nursing homes. AAHSA's commitment is to create the future of aging services through quality people can trust.

All of the Internet addresses cited in this digest were active links at the time the digest was compiled. If you encounter a link that is no longer active, try a Google search for the title of the cited work, or the organization credited as its source. We will update nonworking links periodically as we become aware of them.

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Board of Directors Resource Digest

Introduction

Strong boards form the backbone of not-for-profit organizations and are crucial to their success. But strong boards don't materialize by themselves. Organizations build them carefully and deliberately over time, by recruiting and appointing strong board members, educating them about their varied responsibilities, developing their leadership skills and providing the board as a whole with the guidance and information it needs to govern well.

The work of not-for-profit boards is challenging. First and foremost, each board member must act as a fiduciary, careful to ensure that the organization uses its resources efficiently and effectively. Board members are also expected to identify and uphold the mission and values of the organization, develop open and trusting relationships with community stakeholders, hire and evaluate the chief executive officer, conduct long-range planning and make strategic decisions – all the while meeting the highest standards of ethical behavior.

Fortunately, boards need not struggle in isolation as they work to build their capacity to carry out these and other responsibilities. Many fine resources exist to help boards do their jobs well. This digest introduces board members to a variety of those resources, most of which are available on the Internet.

The *Board of Directors Resource Digest* contains summaries of recently published articles, guides, scholarly papers and policy briefs that focus on the challenges and responsibilities of not-for-profit boards. It also contains practical tools, such as sample governance documents, checklists and questionnaires, which boards can adapt for use in their own organizations.

Fully aware that not-for-profit board members are often active community leaders whose time is limited, AAHSA purposely designed this bibliography for easy skimming. The digest is organized into three major sections to make it easier to find specific resources:

- The Board's Commitment to Mission and Accountability.
- The Board's Commitment to Build Its Capacity.
- The Board's Commitment to Carry Out Its Duties.

Once you've selected the section you wish to review, scan the descriptive headlines that introduce each resource to find articles, papers and reports that peak your interest. Read the summary provided and click the Internet link to access the original resource.

AAHSA presents this resource collection in the hope that the materials it contains will help to enhance the skills of individual board members, build the capacity of the boards on which those members serve and, ultimately, strengthen the aging services organizations that those boards govern. We invite feedback from those who use this digest, and welcome suggestions for additional resources on effective governance.

I. The Board's Commitment to Mission and Accountability

MISSION AND VALUES

1. *Nobody likes writing them, but Mission, Vision and Values statements are worth the effort.*

“Mission, Vision, Values.” Jane Logan. *The Canadian Association*, March 2004.

Mission, vision and values are vitally important to organizations, but you'd never know it by the lack of enthusiasm that board members have for visioning sessions. The process of developing a mission statement can be painful, admits author Jane Logan. And the result is often disappointing if the organization's new mission statement ends up looking like its last one, or like every other organization's statement. Despite the challenges, Logan suggests that the visioning process is well worth the effort it takes, simply because mission, vision and values statements signal the intent and direction of the organization to those who do its work. Logan offers some tips on doing the job right and shares some amusing examples of statements that fall short. Don't wordsmith your statements, she says. Take the process as far as you can go and then pick a group to finalize the wording. Focus on developing three to five mini-visions instead of a single vision. Think big by outlining your higher purpose and describing the kind of world you're trying to help create. Write statements that are meaningful enough to help you make decisions. And then, says Logan, “learn it, live it, align it.”

http://www.axi.ca/TCA/Mar2004/associatearticle_1.shtml

2. *Use your Vision, Mission and Values statements to make decisions.*

3 Statements That Can Change the World: Mission/Vision/Values. Hildy Gottlieb. 2007. Community Driven Institute.

The mission, vision and values statements are the simplest and most effective governance tools you could find, says author Hildy Gottlieb. Your vision statement is “visionary”—it defines what is possible for your organization and community. Your mission statement turns your vision into practice, by outlining what it will take to make your organization's vision come true. Your values statement outlines how you will do your work. It communicates the universally shared values that bind your organization's stakeholders together. All three statements can help the board makes its decisions. That's why Gottlieb suggests starting each board meeting by reviewing all three statements. Have copies of each statement on the table. This will set the tone and the context for board discussions and allow board members to refer to the statements if they need direction. Get in the habit of asking, “How will this decision fit our vision, mission and values?”

http://www.help4nonprofits.com/PDF_Files/ARTICLE-3_Statements_That_Can_Change_the_World.pdf

3. *Build a brand identity that is mission-driven and communicated widely.*

Building the Nonprofit Brand From the Inside Out. Carlo M. Cuesta. 2003 Creation in Common LLC.

If you think that “brand identity” refers only to the creatively packaged products you see on store shelves, think again. Author Carlo M. Cuesta says that nonprofit organizations

must develop a brand identity too. Your brand identity communicates instantly why someone should invest in your work or use your programs and services. Build your brand identity by:

- Cultivating a shared understanding among your board and staff of why your organization exists and the guiding principles you plan to follow.
- Devising a set of promises that declares how you plan to act on your mission.
- Making sure you have the resources to deliver on your promises. If not, reframe your promises or find more resources.
- Consistently communicating the value you are delivering.

<http://www.ashanet.org/centralnj/conference/2007/docs/BuildingtheNonprofitBrand.pdf>

COMPLIANCE WITH GOVERNMENT LAWS AND REGULATIONS

4. *Do you have tax-exempt status? Each year, you've got to convince the IRS you deserve it.*

Stay Exempt: Tax Basics for 501(c)3s. Internal Revenue Service.

Meet Tim, who is the treasurer of a charitable organization; Emma, who works at the organization; Isabelle, an independent contractor; Vernon, a retiree and volunteer; and Coach, “a brilliant, straight-talking IRS agent.” These are the characters in an IRS-hosted online course designed to help not-for-profits comply with the tax rules governing 501(c) 3 status. Gaining and holding onto that status involves maintaining adequate records and completing Form 990, which gives the IRS information about your organization’s programs and activities. Almost all of the information on Form 990 is open to public inspection and many state agencies that regulate not-for-profits use it to satisfy their own filing requirements. Form 990 is broken into 10 different parts, and this tutorial takes you through each one. It also explains your chances of being audited—and what an audit will involve.

<http://www.stayexempt.org/>

5. *Checklist to Assess a Nonprofit's Legal Activities.*

Checklist for an Assessment of Legal Activities in U.S. Nonprofit Organizations. Carter McNamara, MBA, PhD. Greater Twin Cities United Way.

Use this checklist to rate whether your organization is operating in compliance with applicable laws and regulations. The checklist is written specifically for nonprofits in Minnesota but much of the information contained here is applicable to nonprofits in other states.

http://www.managementhelp.org/org_eval/uw_legal.htm

6. *Have you checked your bylaws lately? You may be surprised at what they contain.*

Learning Tools: Bylaws and Policies. The Institute on Governance.

Every nonprofit organization must have a set of bylaws, but that doesn't mean that board members necessarily know what's in the bylaws, who wrote them and when, or how they were formulated. In some cases, the bylaws may have simply been “borrowed” from another organization or drafted by the organization’s legal advisors using a standard fill-in-the-blanks template. An old set of bylaws may not even be applicable to your

organization today. This primer on bylaws suggests that any board interested in improving its governance must take a fresh look at this core document. As you review the bylaws document, make sure that it accurately reflects the way in which your organization and board are structured. Then, evaluate if this structure is in the best interest of your organization. For example, many bylaws limit the chair to a one-year term in office. If your bylaws read this way, you may want to consider amending them, this resource suggests, maintaining that an annual shift in leadership makes it difficult for an organization to sustain any program of reform.

http://www.iog.ca/boardgovernance/html/byl_byl.html

7. *Need some ideas for your bylaws? Here's a sample.*

Sample Bylaws for Nonprofit Boards. Mel Gill. 2002. Institute on Governance.

Staring at a blank piece of paper is hard enough when you're beginning a letter or starting a committee report. But when it comes to writing bylaws for your organization, that blank piece of paper could stop the governance reform process in its tracks. Jumpstart the board's thinking by taking a look at this sample set of bylaws. Adapt the suggested bylaws to suit your organization and its approach to governance. Be sure to have your legal counsel review the final copy.

http://www.iog.ca/publications/sample_bylaws.pdf

SETTING POLICY TO ENSURE ETHICAL BEHAVIORS BY BOARD AND ORGANIZATION

8. *National panel makes recommendations to help nonprofits meet the highest ethical standards in governance, fundraising and overall operations.*

Strengthening Transparency, Governance and Accountability of Charitable Organizations: A Final Report to Congress and the Nonprofit Sector. June 2005. Washington, DC: Panel on the Nonprofit Sector.

The Panel on the Nonprofit Sector was convened in October 2004, at the encouragement of the U.S. Senate Finance Committee, to help the nonprofit sector meet the highest ethical standards in governance, fundraising and overall operations. This report from the panel presents a host of recommendations for government, nonprofit organizations and the nonprofit sector. It recommends that a nonprofit board of directors:

- Include individuals with some financial literacy in its membership.
- Review the Form 990 or 990-PF filed by its organization annually.
- Review its organizational and governing instruments, key financial transactions, and compensation policies and practices at least once every five years.
- Require that the full board approve, annually and in advance, the compensation of the CEO.
- Review its size periodically to ensure it is appropriate.
- Ensure that the positions of chief executive officer, board chair and board treasurer are held by separate individuals.
- Provide detailed information about its operations to the public.
- Adopt and enforce a conflict of interest policy consistent with the laws of its state.
- Establish policies and procedures that encourage individuals to come forward with credible information on illegal practices or violations of adopted policies.

http://www.nonprofitpanel.org/Report/final/Panel_Final_Report.pdf

9. Panel follows up with principles for ethical practice that nonprofits can implement.
Principles for Good Governance and Ethical Practice A Guide for Charities and Foundations. 2007. Panel on the Nonprofit Sector.

As a follow-up to its 2005 report to Congress (see #8, above), the Panel on the Nonprofit Sector produced this report to examine how nonprofits themselves might advance the state of governance and self-regulation. The report includes 33 principles for boards and staff leaders to examine and, the panel hopes, apply to their own operations. The principles fall into four main categories: legal compliance, effective governance, strong financial oversight and responsible fundraising.

http://www.nonprofitpanel.org/report/principles/principles_guide.pdf

10. Board members are ethically and legally bound to avoid conflict of interest.
How Does a Nonprofit Safeguard Against Organizational Conflict of Interest?
BoardSource Knowledge Center.

Members of your board of trustees are probably affiliated with other organizations in your community. So it may not be unusual for conflicts of interest to arise during board deliberations. As a member of your board, a board member is required to put the interests of your organization above his or her own interests. This approach is ethically sound, since board members who fail to exercise reasonable care for your organization are not living up to the public trust. But it may also be a *legally* sound approach, since a 1974 court decision known as the "Sibley Hospital case" confirmed that board members can be held legally liable for conflict of interest. Your board members should agree, by signing a Conflict of Interest Policy, to fully disclose their connections with groups doing business with the organization. In addition, board members who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between that group and the nonprofit.

<http://www.boardsource.org/Knowledge.asp?ID=3.389>

11. A Code of Ethics will prevent intentional and unintentional ethical problems.
"Ethical Guidelines for Board Members of Not-for-Profit Organizations." Allan Lowe.
The Canadian Association, March 2004.

Ethical standards should communicate the expectation that board members will:

- Be loyal to the organization and its members.
- Avoid conflict of interest, including direct gains that could come to the member as a result of actions or decisions he or she makes as a board member.
- Deal ethically, fairly and straightforwardly with the organization's public, staff, clients and fellow board members.
- Speak positively of the organization in public.
- Foster friendly and positive working relationships between volunteers and staff.
- Maintain the confidentiality of board business.

http://www.axi.ca/TCA/Mar2004/guestarticle_4.shtml

12. Having a code of ethics on file won't prevent unethical behavior. The organization's leaders also need to embrace ethical decision making.

How Ethical Is Your Nonprofit Organization? Elizabeth Schmidt. 2004. GuideStar.

If you think a Code of Ethics alone will protect your organization from unethical behavior, consider the case of Enron. That company, which has become synonymous with unscrupulous corporate actions, had adopted a 64-page ethics policy before its now-famous scandal erupted. Author Elizabeth Schmidt suggests that Enron's problems started at the very top, proving that a truly ethical organization can only exist when its leaders embrace ethical decision making and recognize the importance of values. How does a board make ethical decisions? When making a decision, ask three questions, suggests Schmidt: Would you want to be treated in the same way? Would you be comfortable seeing your decision on the front page of the local newspaper? Will one individual profit from this decision? No one individual should ever profit from a nonprofit organization, she maintains.

<http://www.guidestar.org/DisplayArticle.do?articleId=827>

13. Sample policies can guide your efforts to demand ethical behavior from board members.

These sample Conflict of Interest policies may provide guidance as your board develops its own policy.

- *Sample Conflict of Interest Policy*. Internal Revenue Service.
<http://www.irs.gov/instructions/i1023/ar03.html>
- *Nonprofit Boards: Conflict of Interest*, Minnesota Council of Nonprofits
http://www.mncn.org/info/basic_gov.htm#conflict%20of%20interest
- *Model Board Member Code of Conduct*, Midwest Society of Association Executives.
<http://www.msae.com/displaycommon.cfm?an=1&subarticlenbr=25>
- *Sample Governance Policies*, Institute on Governance.
http://www.iog.ca/publications/sample_policies.pdf

14. Quiz: Would you recognize a conflict of interest in your boardroom?

Fundamentals of Effective Board Involvement: Crush Conflict of Interest. Mentoring Canada, Big Brothers Big Sisters of Canada.

Would you spot a conflict of interest if you saw one? Find out by taking a quiz developed by Big Brothers Big Sisters of Canada. The quiz lists eight situations that could occur in a nonprofit organization. If you think the situation represents a conflict of interest, you click on a picture of a gavel to "crush the conflict." Does the situation seem okay to you? Click on the trophy to indicate the situation is a "win-win." The computer program tells you immediately if you're on the right track.

http://www.mentoringcanada.ca/training/boards/modules/3_exercise_crush_conflict.html

15. Ethics policies should address how the organization treats its employees.

Our Moral Imperative: Creating an Ethical Workplace. 2006. Washington, DC: Commission on Ethics in Aging Services, American Association of Homes and Services for the Aging.

How employees are regarded, treated, advanced and compensated reflects the moral fiber of nonprofit aging-services providers, according to this white paper by AAHSA's Commission on Ethics in Aging Services. The paper encourages executive and board leaders to creatively develop and implement ethical workforce policies as a moral and sound management practice. It includes recommendations and self-assessment questions and checklists to help boards evaluate their organizations' existing practices, priorities and policies in the workforce area.

http://aahsa.org/pubs_resources/papers_articles/documents/Ethics_Whitepaper_WEB.pdf

PRACTICES THAT CREATE AN ATMOSPHERE OF ACCOUNTABILITY

16. Sure there are laws to follow. But your organization's reputation will also be based on its voluntary efforts to act ethically.

Standards for Excellence: An Ethnics and Accountability Code for the Nonprofit Sector. 2004. Baltimore, MD: The Standards of Excellence Institute.

The success of nonprofit organizations depends on public confidence and broad public support. While some of that public confidence comes from a not-for-profit's compliance with government laws and regulations, it also must come from voluntary efforts on the part of the organization to meet standards of honesty, integrity, fairness, respect, trust, compassion, responsibility and accountability. The Standards of Excellence Institute has developed 55 standards that describe how nonprofits should act to be ethical and accountable in their programs, operations, governance, human resources, financial management and fund raising. The standards cover such areas as mission and programs, governance, conflict of interest, human resources, financial and legal, openness, fund raising and public policy.

http://www.standardsforexcellenceinstitute.org/public/html/documents/nationalstandards_000.pdf

17. Take these steps to reassure your stakeholders that you are committed to upholding the public trust.

Checklist for Accountability. 2005. Independent Sector.

There are several steps your organization can take to reassure its stakeholders that it is committed to upholding the public trust—and that it recognizes that building trust is vital to earning support for your organization and fulfilling your mission. Once you've decided how you will build that trust, it's important to review your accountability practices periodically to ensure that they are still working for you. Each charitable organization should:

- Develop a culture of accountability and transparency by adopting a Statement of Values, a Code of Ethics, and a Conflict of Interest Policy.
- Teach employees, volunteers and board members about your principles.
- Make sure the board of directors understands and can fulfill its financial responsibilities, and conducts independent financial reviews, particularly audits.

- Ensure the accuracy of and make public your organization's Form 990.
 - Be transparent so your donors, volunteers and staff know how you do your work.
 - Establish and support a Whistleblower Protection Policy.
 - Remain current with the law so your organization remains in full compliance.
- http://www.independentsector.org/issues/accountability/Checklist/Checklist_Full.pdf

18. Answer questions about transparency before they can even be asked.

“The Accountability Factor.” Jacklyn P. Boice. *Advancing Philanthropy*, March/April 2004.

The nonprofit sector used to be able to base its reputation on good works alone. Not anymore. Your organization's integrity is its most valued asset, and what the public thinks of you will affect your overall success. Building that integrity means following the law, but it also means answering questions about transparency before they can even be asked. In addition, it means communicating better what you do for your community and, by doing that, creating a greater appreciation of your work.

http://www.afpnet.org/content_documents/marap04cover.pdf

19. Accountability starts with the board.

“When Boards Embrace Accountability, Good Things Happen.” Lyn McDonell, MA, CAE, C.Dir. *Nonprofit Boards and Governance Review*, Oct. 18, 2006.

Boards of trustees play a pivotal role in establishing an organization's accountability, but most boards don't pay attention to this aspect of their responsibility because they don't know exactly to whom they are accountable, for what, and how to meet those responsibilities. That's unfortunate, because organizations that are ahead of the accountability curve will be the leaders of tomorrow. Boards send a strong message to people both inside and outside the organization when they take the right actions regarding accountability issues. If the board ignores issues of accountability, so will everyone else in the organization. Lead the charge on accountability by:

- Hiring people and recruiting board members who have integrity.
- Outlining a framework for how your organization will be accountable.
- Developing an accountability scorecard so you can track your progress.
- Make sure everyone in the organization knows the importance of accountability.
- Build up trust with stakeholders by reporting meaningful information to them.
- Be transparent about the board's work.

<http://charitychannel.com/publish/templates/?a=11530&z=19>

SOCIAL ACCOUNTABILITY: BRINGING BENEFIT TO THE COMMUNITY

20. AAHSA members must take individual and collective action to rekindle public confidence in the not-for-profit sector.

The Not-for-Profit Responsibility: Changing Lives, Enlarging the Hearts of Communities. American Association of Homes and Services for the Aging.

Not-for-profit organizations have played a crucial role in American society for more than 250 years, earning trust and respect because their missions are rooted in charity, philanthropy and volunteerism, not in the private interests of investors and managers.

Unfortunately, the environment in which not-for-profit organizations operate has changed dramatically in recent years and the public's confidence in these organizations has eroded. This paper recommends both collective and individual actions that AAHSA members can take to address this erosion. It suggests that not-for-profit organizations need to work collectively to correct current misconceptions about their sector, improve the operations of organizations within that sector and advocate for measures that will help rebuild public trust. Individual not-for-profits, on the other hand, need to take an in-depth look at the contributions they make to their local communities and to society as a whole, quantify and communicate those accomplishments to the public and recommit themselves to full disclosure regarding fiscal and care policies.

http://www.aahsa.org/pubs_resources/papers_articles/documents/Notforprofit_responsibility.pdf

21. A social accountability program can reinforce the benefit you offer to your community.

A 60-Minute Guide to Social Accountability Planning for the Busy Aging-Services Organization Manager. American Association of Homes and Services for the Aging.

Social accountability programs can help aging services organizations identify and alleviate unmet community needs while reinforcing the benefit they offer to the community and enhancing their not-for-profit status. These programs don't take as much time to launch as one might imagine—about 60 minutes of executive leadership should get the program off to a good start. Some first steps:

- **Think about AAHSA's Quality First.** How does your social accountability program link to the association's framework for earning public trust in aging services?
- **Plan to call your board chair.** Your social accountability program will need support from the highest level of your organization's leadership.
- **Plan to meet with senior staff.** Ask them to define the community you serve, identify unmet needs and inventory services you already provide.
- **Request help from the Board of Trustees.** Ask the chair to appoint a board committee to prioritize the unmet needs identified by staff.
- **Assign a team** to implement the social accountability program.
- **Tell your story.** Schedule meetings with your mayor, county social services agency and local newspaper to talk about your social accountability program.
- **Spread the word.** Make social accountability a topic for discussion with residents and clients, in your printed materials and on your Web site.
- **Monitor your progress.** Keep the board involved and continue to keep staff on track.

http://www.aahsa.org/pubs_resources/papers_articles/social_60.asp

22. Three criteria can help not-for-profits identify the benefits they provide to communities.

"Community Benefit: What It Is and Isn't." Natalie Dean and Julie Trocchio. *Health Progress*, July/August 2005.

Organizations that provide benefits to their communities must also find a way to define, categorize and report the extent and type of those benefits. In this article, the authors report on efforts by the Catholic Health Association and its partners to develop definitions, categories and reporting guidelines for the community benefits they provide. Community benefits are activities that respond to an identified community need and meet

at least one of three criteria: they generate a low or negative margin, they respond to needs of special populations, or they supply a service that would be discontinued if the decision were made for purely financial reasons. Using these criteria, the authors outline myriad activities that “count” as community benefits—and others that don’t. For example, you can count community health services that extend your services beyond patient care activities. You can also count community health education activities, like training home caregivers. Health education classes designed to increase your market share don’t count as a community benefit.

http://findarticles.com/p/articles/mi_qa3859/is_200507/ai_n14775875/pg_1

23. Don’t just do good things ... talk about them too!

“Do Good and Talk about It.” Donna Meyer and Raymond Wei. *Health Progress*, July/August 2005.

Make sure that when community members visit your organization’s Web site or read your printed literature, they come away with a clear idea of what your organization contributes to the community. By telling your story, your organization strengthens the public’s perception that it is socially conscious. Start telling your story within the organization and encourage employees, health professionals, board members and other stakeholders to tell the story to others they know. Set institutional policies that make community benefit a core function of your organization. Add additional policies to ensure that there is a formal mechanism to solicit input about community benefit from community stakeholders, and to disseminate information about community benefit to those stakeholders.

http://findarticles.com/p/articles/mi_qa3859/is_200507/ai_n14775892

24. If your board isn’t diverse, it’s probably because you’re not engaged enough in your community.

Board Diversity: A Bigger Issue Than You Think. Hildy Gottlieb. 2005. Community Driven Institute.

Stop trying to add diversity to your board, says author Hildy Gottlieb. Instead, look at the real reason behind your lack of diversity. You may lack meaningful community engagement at the very core of your organization because you are working “for” the community rather than “with” the community. Working “for” the community means you’re doing your program planning in-house. Working “with” the community means that you’re designing your programs with the community’s help, knowledge and wisdom. Take a different approach to community engagement, says Gottlieb, and diverse individuals will flock to your board. Have a candid board discussion about how to engage the community in your work, develop a community engagement plan, and make a sincere effort to involve community stakeholders in your strategic planning efforts.

http://www.help4nonprofits.com/NP_Bd_Diversity_Art.htm

25. Nonprofit organizations are allowed to take part in lobbying activities. But the board should talk about it first and follow the law.

Make a Difference for Your Cause: Strategies for Nonprofit Engagement in Legislative Advocacy. 2006. Washington, DC: Center for Lobbying in the Public Interest.

Your organization may be able to make a big difference in your community by working with elected officials to devise solutions to important challenges in the field of aging services. This kind of lobbying by nonprofits is legal and “okay” with the IRS, according to this booklet. Regulations issued by the IRS in 1990 confirm specific lobbying activities in which nonprofits can participate, and set spending limits for those activities. For example, nonprofits can do direct and grassroots lobbying to change laws and regulations, but they can’t endorse or oppose political candidates or align themselves with a political party. There are other dos and don’ts for lobbying, and this booklet outlines them all. In addition, it suggests some discussion questions to help boards decide whether to take on lobbying activities.

http://www.clpi.org/CLPI_Publications.aspx

II. The Board's Commitment to Build Its Capacity

CHOOSING A MODEL OF GOVERNANCE

1. *Like effective leaders, board members must operate in multiple governance modes.*

Governance as Leadership: Reframing the Work of Nonprofit Boards. 2005. Richard P. Chait, William P. Ryan, and Barbara E. Taylor. Hoboken, N.J.: John Wiley & Sons.

Effective board members can't take a narrow view of their responsibilities, operating only as fiduciaries, strategists or critical thinkers. Rather, to be successful, board members must operate in three distinct modes, often simultaneously:

- **In the fiduciary mode**, board members act as stewards of the organization's tangible assets and focus on oversight and accountability. They ensure that the organization remains faithful to its mission, is accountable and complies with applicable laws and regulations. Failure in this mode could bring very real harm to the organization.
- **In the strategic mode**, board members focus on strategic thinking and planning and are primarily interested in identifying the organization's primary purpose or core task. In this mode, the board works with management to set the organization's priorities, chart its course and ensure that necessary resources are available to follow that course. Failure in this mode leaves the organization with little power or influence.
- **In the generative mode**, board members work with the executive to frame problems and issues facing the organization and to make sense of challenging situations. Working within this mode helps the board to think critically and to creatively devise strategies, develop plans and make decisions. Failure in this mode means that board members become bystanders, rather than governance leaders.
http://books.google.com/books?id=sAPa_UaVXlgC

2. *Theoretical models of governance need to be adapted to a particular organization.*

"Confused About Governance Models? You're not alone!" Mel Gill. *Nonprofit Boards and Governance Review*, Nov. 3, 2005.

Research conducted by author Mel Gill has identified nine basic board types used by nonprofits, ranging from models in which boards are heavily involved in operations to models in which boards have little involvement in such matters. Many boards have hybrid approaches that draw on two or more models. While boards can gain insights from studying specific theoretical models, those models need to be adapted to a particular organization. In the final analysis, effective boards will have the same basic characteristics, regardless of their particular governance structure. Those essential characteristics are: clarity of roles, trust, mutual respect, honest communications and collaborative relationships.

<http://charitychannel.com/publish/templates/default.aspx?a=7285&z=19&page=1>

3. Policy Governance focuses the board on “ends” not “means.”

Carver's Policy Governance® Model in Nonprofit Organizations. 2001. John Carver and Mariam Carver.

John Carver’s sometimes-controversial “Policy Governance” model relies heavily on the distinction between “ends” and “means.” The board controls the “ends,” which Carver describes as decisions that affect the organization's impact on the world and justify its existence. But the means by which the ends are accomplished are left to staff, as long as those means are prudent and ethical. Carver believes that it is to the board’s advantage to give the staff maximum range of decision-making about means. This allows the board to hold the staff fully accountable for whether ends are achieved; it also gives staff the freedom to use the skills for which they were hired.

<http://www.carvergovernance.com/pg-np.htm>

EXTERNAL CHALLENGES FACING BOARDS

4. Crises can challenge an organization, but the fallout can be minimized.

Practical Tips: Dealing with Crises. Institute on Governance.

How many ways can things go wrong in your organization and with your board? The Institute on Governance counts the ways in this article, which identifies eight events that can cause crises. These might entail a prospective merger with another organization, loss of key board members, or turnover of a significant number of board members. Crises may also be caused by a major public controversy, a turnover in the CEO position, attempts to make significant shifts in organizational culture, major external or internal conflict, or significant changes in the financial, political or policy environment. Crises can challenge a board and create turmoil in the organization for years to come. Yet, fallout from the crisis can be minimized. How? Follow the approved governance practices of your organization. Always keep the future of your organization in mind. And don’t limit your options.

http://www.iog.ca/boardgovernance/html/practice_key_dea.html

5. Change can’t be avoided, prepared for or controlled. But with the right mindset, boards can guide their organizations through it.

“Advice for Leading an Organization Through a Major Change.” Vince Hyman. *Tools You Can Use*, Oct. 6, 2006.

Managing change is one of the most compelling challenges facing boards of trustees. This article, based on the Fieldstone Alliance publication, *The Nonprofit Mergers Workbook Part II: Unifying the Organization After a Merger*, suggests that organization leaders must understand that change is not something that they can avoid, fully prepare for or control. Instead, leaders must be ready to ride out the change and direct others through it by adopting four mindsets. They must view change as an opportunity rather than something to dread. They must hold tight to the organization’s mission, but be open to negotiating everything else. They must focus on serving the organization’s clients and communities, not making board members and staff comfortable and happy. Finally, they must explain the reason for the change to stakeholders in an open and honest way. Once these mindsets are adopted, leaders must help people in the organization accept the

change by involving them in the change process. Make a strong case for the change, send a clear and consistent message about the change, and get buy-in from the people who will carry out the change.

http://www.fieldstonealliance.org/client/client_pages/tools_you_can_use/10-06-06_managing_change.cfm

INTERNAL CHALLENGES FACING BOARDS

6. *Common—and preventable—barriers can stand in the way of an effective board.*

Building an Effective Board of Directors. Frank Martinelli. The Center for Public Skills Training.

Examining common—and often preventable—barriers to board effectiveness can be the first step in revitalizing an existing board or building a board from scratch. According to author Frank Martinelli, those barriers include:

- **Micro-management:** The average board has 24 hours of meeting time each year to make all its major decisions. It can't afford to spend time on trivia.
- **An ineffective nominating committee.** This committee, which determines who will lead the board for many years to come, is often disorganized and unfocused.
- **No plan for rotation.** The organization won't be able to attract new blood and new ideas if members don't rotate on and off the board.
- **Failure to remove unproductive members.** Members who don't carry out their commitments are major blocks to the board's effectiveness.
- **Wrong size.** It takes 11 to 21 members to do the work of the board, says the author.
- **Poor committee structure.** The work that supports board decision making takes place in committees. If committees are weak, the board will be too.
- **No strategic plan.** Without a plan, the board will spend too much time talking about topics that don't matter.
- **No plan for orientation of new and old members.** Orientation sessions are the best place to blend new and old board members into a well-functioning team.

<http://www.createthefuture.com/Board%20of%20Directors.htm>

7. *Prevention may be the most effective cure for board dysfunction.*

"Dysfunctional Board or Council?" Eli Mina. *The Canadian Association*, November 2004.

Is your board dysfunctional? Author Eli Mina suggests that a dysfunction is a "systematic condition or personal behavior that can undermine the substantive quality of a board's decisions or the decision-making process or both." There are four types of dysfunctions. In an "apparent dysfunction," board members may be argumentative, interrupt each other often, or not listen to what others have to say. In a "hidden dysfunction," seemingly cooperative boards may make quick decisions that come back to haunt them later on. A "dormant" dysfunction—like a set of poorly written bylaws—may be just lurking under the surface to wreak havoc on the board. Finally, a "perceived dysfunction" may not be a dysfunction at all. For example, a new board member may ruffle feathers by asking tough questions and raising concerns; the situation may slow the board down, but it may be the best thing that has happened in years. Mina has several suggestions for dealing with dysfunction, from waiting it out, intervening mildly, or intervening more drastically. But the best approach to dysfunction may be to devise systems to help prevent it. Arrange a

well-focused board orientation program, she suggests. Or, appoint a “Board Effectiveness Cop” to observe meetings and share observations.

http://www.axi.ca/TCA/nov2004/guestarticle_6.shtml

EVALUATING THE BOARD

8. *Board evaluations have potential as well as pitfalls.*

How Good is Our Board? How Board Evaluations Can Improve Governance. Tim Plumptre. Institute on Governance Policy Brief No. 25, February 2006.

In the wake of corporate scandals, even nonprofits are under increasing pressure to evaluate their organizations and their boards of directors. But author Tim Plumptre suggests that evaluations have potential as well as pitfalls. He outlines both in this policy brief. Plumptre suggests that an evaluation should examine three basic areas of board activity: *participation*, which assesses the involvement of individual board members; *process and system*, which evaluates how the board and its committees operate; and *performance*, which judges the results or outcomes brought about by the board. Because an evaluation should lead to tangible improvements, it's best to figure out beforehand how you will handle the evaluation process and how you use the results. Depending on your approach, the process could lead to a better understanding of the board's role or it could lead to denial or finger pointing. To avoid a possible backlash, it might be advisable to hire an outsider to conduct the evaluation.

<http://www.iog.ca/publications/policybrief25.pdf>

9. *Evaluating your board? There is plenty of help out there.*

Many experts familiar with issues affecting nonprofit boards have devised instruments you can use to evaluate the effectiveness of your board. As you devise an evaluation form that reflects the unique characteristics and concerns of your organization, you may find it useful to borrow some questions from each of the instruments listed below.

- *Aging-Services Providers' Checklist for AAHSA Quality First*
http://www.aahsa.org/qualityfirst/assessment/documents/providers_checklist.pdf
- *Governance Effectiveness 'Quick Check'*, The Institute on Governance.
<http://www.iog.ca/boardgovernance/html/quick8.html>
- *Checklist to Evaluate a Nonprofit Board of Directors*, Greater Twin Cities United Way
http://www.managementhelp.org/org_eval/uw_brd.htm
- *Governance Check-up*, Nathan Garber and Associates.
http://garberconsulting.com/governance_checkup1.htm

STRENGTHENING THE BOARD

10. Boards should launch a three-year cycle of capacity-building activities.

“A Strategy for Building Governance Capacity.” Nathan Garber. *Nonprofit Boards and Governance Review*, Jan. 16, 2003.

Author Nathan Garber remarks at the beginning of this article that even with poorly performing boards, most nonprofit organizations still manage to deliver their programs and services fairly well. Garber says this suggests that an organization will not fall apart if the board takes some time away from its regular business to build its own capacity. Board responsibilities fall into three categories: assuring integrity and accountability; planning and evaluation; and acquisition and management of financial resources. The board should institute a three-year cycle during which it devotes an entire year to each category. In year one, for example, the board would focus on how it selects, trains and evaluates board members and the executive director, how it accounts to stakeholders, and how it ensures compliance with government requirements. In year two, the board would focus on the organization’s mission, vision, values and strategies, and how it assesses progress. In year three, the board would work to improve its ability to acquire and manage the organization’s financial resources. In year four, the board would begin the cycle again by revising the board’s policies and practices related to integrity and accountability. Keeping this cycle going will help to focus the board on governance issues, provide direction to its work and lead to continuous improvement in its performance, writes Garber.

<http://charitychannel.com/publish/templates/?a=602&z=19>

11. Before moving to good governance, your organization must be ready for change.

“Moving to Good Governance: Digging Into Organizational Change.” Carol Humphries. *The Canadian Association*, May 2003.

Your board may want to govern well but is your organization ready to move to good governance? That’s the question Carol Humphries asks in this article—and then provides six questions to help you determine if your organization is ready.

- *Is there clear and corporate understanding of the outcome of change?* Decide what good governance looks like, who uses it, why and how.
- *Does your organization have the capacity to change?* Determine whether your organization can easily implement good governance at this stage in its development.
- *Could your organization make a corporate commitment to change?* All key people should be involved in the decision.
- *Is your organization able to manage the process of change?* Remember that good governance takes years to achieve.
- *Is your organization able to manage the challenges of change?* It needs to keep going, even when the going gets tough.
- *Can your organization bring an end to change?* Perpetual change isn’t healthy, so you’ll need to put a limit on it.

http://www.axi.ca/TCA/May2003/associatearticle_1.shtml

12. Strengthening the board takes time and involves many steps.

So You Want to Strengthen Your Board Governance. Where to Begin? Institute on Governance.

The Institute on Governance doesn't hold back when sharing 18 tips for strengthening board governance. Among them:

- **Governance:** Build your governance framework around your mission and make sure that framework is well-suited to your organization's unique characteristics, mission and vision.
- **Recruitment:** Seek members with strategically relevant experience through a fair and transparent nominating process, and provide a thoughtful and deliberate orientation for new members.
- **Teamwork:** Encourage constructive conflict, preparing board members for meetings and structuring meetings to provide an opportunity for meaningful debate.
- **Board chair:** Choose a board chairperson who has good leadership skills, exercises good judgment, and knows how to run a good meeting.
- **Roles:** Make sure all board members are clear about their roles and responsibilities, their fiduciary obligations, and where the board's work stops and the CEO's work begins.
- **Patience:** Don't feel that you need to tackle everything at once. Strengthening board governance requires time, persistence, patience and strong leadership.

http://www.iog.ca/boardgovernance/html/prg_gov.html

13. One small change in the board's meeting agenda could mean big changes in board effectiveness.

The Consent Agenda: A Tool for Improving Governance. 2006. BoardSource.

A consent agenda could help boards of trustees get more business accomplished during their meetings by allowing them to focus on the most important items. This agenda is a bundled package of several routine business items that don't need explanation or discussion and that are accepted by the board with one vote. The consent agenda might include the minutes of the previous meeting, confirmation of a decision that has been discussed previously, the chief executive's report, committee reports, and routine correspondence. (Consent agendas should *never* include audits, financial reports or executive committee decisions.) Before each board meeting, the board chair and executive director recommend items that can be included in the consent agenda, and send supporting materials to the board for review. Once the consent agenda is introduced at the meeting, a board member can request that an item be removed if he or she can't approve it as part of the bundle. Whatever remains in the consent agenda is then accepted by the board in one vote. In this way, agenda items that might have taken an hour now only take five minutes.

http://www.boardsource.org/dl.asp?document_id=484

14. Educate your board, 15 minutes at a time.

Ongoing Board Education: Ensuring Board Members Have the Knowledge They Need. Hildy Gottlieb. 2005. Community Driven Institute.

How do you train a board that doesn't think it needs training? Author Hildy Gottlieb has found that you can get past board resistance to training by beginning incrementally, one

narrow area at a time. Start off the process by giving the board a quiz about the organization, its programs and how the board operates. Make the quiz simple and don't be surprised if board members get most of the answers wrong. After you discuss the quiz answers, ask board members what areas they feel they should learn about, and then plan on devoting 15 minutes of each meeting to one of those topics. You could even ask board members to read an article about board governance and then discuss the article during that 15-minute education segment.

http://www.help4nonprofits.com/NPLibrary/NP_Bd_OngoingBoardEducation_Art.htm

RECRUITING AND ORIENTING NEW BOARD MEMBERS

15. Board recruitment is a year-round function.

Building an Effective Board of Directors. Frank Martinelli. The Center for Public Skills Training

Recruiting new board members shouldn't be viewed as a short-term process that focuses on filling vacancies for the current year. Rather, it requires a long-range plan for the development of board leadership over the next five years. Board recruitment and nominations should be handled by a year-round committee. Recruitment activities need to be linked to the organization's strategic plan so you know in advance the kinds of skills and knowledge new board members should have. You'll need to analyze the current shape of the board and identify the gaps that must be filled. And don't forget to write a job description for board members. Review and update that description regularly.

<http://www.createthefuture.com/Board%20of%20Directors.htm>

16. Be “cool” when looking for prospective board members.

Eleven Cool Ideas for Finding Hot New Board Members. Becky Andrews. 2007. Fieldstone Alliance.

While it may be a stretch to associate board recruitment with the word “cool,” author Becky Andrews offers outside-the-box strategies for finding good candidates for vacant board seats. For example, she suggests forming a “one-meeting nominating committee.” Make a list of 20 well-connected people you would want on the board but who you suspect wouldn't agree to join. Invite them to lunch, tell them about your organization, and ask them for the name of one person they think would be a good board member. The next day, call each of those nominees and begin by explaining who nominated them. There are 10 other ideas contained here and they range from taking out a “Help Wanted” ad in your own or your neighborhood newsletter, to contacting community leaders who are profiled in the local newspaper, and asking your social and professional network for suggestions.

http://www.fieldstonealliance.org/client/client_pages/tools_you_can_use/11-01-07_find_new_board_members.cfm

17. Recruit board members like you would hire an employee.

Recruiting for Board Members: Process? What Process? Hildy Gottlieb. 2005. Community Driven Institute.

When boards recruit new members, they are actually hiring a person to do an important job—a job that deserves a strong recruitment process. That process consists of several important steps, including:

- Decide what qualities and skills a board member should have.
- Recruit a pool of candidates for *each* vacancy.
- Spread the word—everywhere—that you’re *always* looking for good board members.
- Maintain control over whom you select. Let candidates know you are interviewing others. Ask board members to explain why they are recommending a candidate.
- Get to know each prospect. Ask them to fill out an application. Interview them.
- Have your new board member sign a contract, disclose any conflict of interest and attend an orientation.

http://www.help4nonprofits.com/NP_Bd_Recruit_Article.htm

18. Look for personal traits that will help the person be effective.

Six Traits of Effective Board Members, a speech by Susan V. Berresford, President and CEO of the Ford Foundation. Oct. 12, 2007. BoardSource Leadership Forum.

What personal characteristics will make new board members effective participants in your organization? Susan V. Berresford, president and CEO of the Ford Foundation, draws on her years of experience working with boards to paint a portrait of the effective board member. Good board members, she says are partners, listeners, consensus builders, ethical watchdogs, naïve questioners and discreet ambassadors. They are also energetically and enthusiastically engaged.

<http://www.boardsource.org/Workshops.asp?ID=43.321>

19. Be creative with board orientation so new members will pay attention.

Practical Tips: Board Orientation. Institute on Governance.

By the end of their orientation, board members should understand the objectives of your organization, the role of the board within that organization, and what their specific responsibilities will be. The best orientations take place in person. If you opt instead to send orientation materials to the board member, make sure those materials are written clearly and concisely. As an alternative, consider posting a board training kit on your Web site. Get board members’ attention by planning a facility tour or a visit to program delivery sites. Use creativity when developing a board manual. If the material and its presentation don’t capture the interest of board members, they won’t read it.

http://www.iog.ca/boardgovernance/html/practice_key_boards.html

HELPING PROSPECTIVE MEMBERS MAKE THE RIGHT DECISION ABOUT JOINING YOUR BOARD.

20. Prospective board members should review important documents.

Right From the Start: Responsibilities of Directors and Officers of Not-for-Profit Corporations. Andrew M. Cuomo. 2005. New York: Office of the Attorney General.

This booklet by New York Attorney General Andrew M. Cuomo outlines what a prospective board member should know before joining a board. The booklet may be a good resource for board members who are considering becoming a part of your board. Or, you may want to make a practice of providing prospective board members with the resources Cuomo recommends, including your organization's:

- Certificate of incorporation, bylaws and board minutes for the last year.
- IRS Form 990 or 990 PF.
- Audited financial statements for at least the last two years.
- Mission statement and information about programs.
- Organizational chart and information about your organization's accountability structure.
- Conflict of interest and code of ethics policies.
- Current year's budget and cash flow projections.
- Insurance coverage, including Directors and Officers' liability and employee fidelity insurance.

http://www.oag.state.ny.us/charities/not_for_profit_booklet.pdf

21. Adapt this sample form to tell prospective board members about their job.

What You Need to Know About the Board of Directors of ABC: A Help Sheet. Nathan Garber and Associates.

Consider providing each prospective board member with a standard chart that outlines the role of board members in your organization and the expectations you will have for them. This sample form, developed by a private consulting firm, includes information about board members' term of office and fund-raising responsibilities. It provides a detailed outline of the time required for board service; describes the board member selection process; spells out the organization's approach to governance, as well as its mission, values and beliefs; and includes a Code of Behavior that board members must sign.

<http://garberconsulting.com/what%20you%20need%20to%20know.htm>

22. Invite your board candidates to take online training to determine their readiness to serve.

Fundamentals of Effective Board Involvement: Your Commitment to the Board. 2005. Mentoring Canada, Big Brothers Big Sisters of Canada.

To make sure prospective board members are prepared well enough to make a commitment to your organization, you may want to suggest that they go online and take this training module. It takes prospective board members through several interactive exercises to help them discern whether serving as a board member would be beneficial to the organization and rewarding for them. The training program guides individuals to consider their own motivations and goals for volunteering; the skills, knowledge and expertise they have to offer the board; what they know about the organization; and what

they need to find out. Then it helps them to decide how well their objectives and assets match what the organization needs and has to offer.

<http://www.mentoringcanada.ca/training/boards/modules/index.html>

FOSTERING LEADERSHIP SKILLS IN BOARD MEMBERS

23. Effective leaders demonstrate 12 competencies.

“12 Leader Competencies: What It Takes In Times of Transition.” Kerry Bunker. *Leading Effectively*, October 2005.

In the face of transition and turmoil, people need good leaders who are “simultaneously strong and vulnerable, heroic and open, demanding and compassionate.” What does it take to be a leader like that? Author Kerry Bunker identifies 12 competencies that effective leaders use to create and sustain an environment of trust during periods of change and transition. Those leaders:

1. Encourage others to rally around a cause.
2. Are in touch with their own emotions and reactions to transition.
3. Take action when necessary to keep things rolling.
4. Are patient and know when to slow the pace so people can cope and adapt.
5. Make tough decisions with little hesitation.
6. Take the perspectives of others into account.
7. See the positive potential of challenges.
8. Speak the truth and admit personal mistakes.
9. Are willing to step up and tackle most new challenges.
10. Trust others to do their part.
11. Apply their strengths to new situations and circumstances.
12. Are willing to go against the grain and get out of their comfort zone.

<http://www.ccl.org/leadership/enewsletter/2005/OCTcompetencies.aspx?pageId=1370>

24. The board’s effectiveness often depends on the leadership of its chair.

Not a Rocking Chair! How Board Chairs Can Provide Strategic Leadership to Public Purpose Organizations. Tim Plumtre. 2007. Institute on Governance.

Whether a board of directors makes a significant contribution to its organization will often depend on the leadership provided by the board chair. Author Tim Plumtre examines what the chair can do to help the board aspire to excellence. Chairs have many tools to help them exercise their responsibilities. The chair can set board priorities, shape board culture, evaluate the board, organize the board’s calendar and agenda, establish how board meetings are run, oversee committee appointments, attract new members, strengthen external relationships, and review the CEO’s performance. An effective chair will use these tools for the greater good of the organization. Plumtre maintains that a chair needs to bring to the job a considerable array of attributes, including foresight, tact, communications ability, diplomacy, the capacity to summarize complex discussions, political smarts, coaching skills and leadership ability. In addition, according to Roméo Malenfant, it also helps if the chair is good-humored, self-assured, respected in the community and able to deliver on a mandate.

http://www.iog.ca/publications/2007_not_a_rocking_chair.pdf

25. Leaders in aging services need to demonstrate transparency, trustworthiness, connectivity, accountability, empowerment and optimism.

Key Leadership Behaviors That Support Culture Change. Michele D. Holleran, Ph.D. 2007. Washington, DC: American Association of Homes and Services for the Aging.

Recent research has uncovered six leadership themes that seem critical to culture change in aging services. They are: transparency, trustworthiness, connectivity, accountability, empowerment and optimism. While it would be tempting to embrace these themes as what the author calls “a new super-sized leadership theory,” she cautions that leadership is dynamic and continuously evolving. The aging-services leader who seeks to encourage deep culture change must possess a broad set of leadership styles. Knowing how and when to emphasize different leadership themes during different stages of the culture change process is part of the art of leadership.

http://www2.aahsa.org/pubs_resources/papers_articles/documents/leadership_behaviors_culture_change.pdf

III. The Board's Commitment to Carry Out Its Duties

GENERAL DUTIES OF THE BOARD

1. ***Board members may not always realize it, but their primary role is to be a fiduciary.***

“The Special Role of Nonprofit Board Members.” Barbara Krasne and Judy Plows. *Nonprofit Boards and Governance Review*, Sept. 15 and Oct. 6, 2005.

Board members may see themselves primarily as unpaid volunteers; as advisors who furnish a particular expertise that the organization lacks; as representatives of a unique constituency; or as ambassadors who actively introduce the organization to potential funders and supporters. These roles are important, but none is the most important role that board members fulfill. Rather, each board member is required by law to act primarily as a fiduciary. That job involves providing oversight to ensure that the organization uses its funds efficiently and effectively within the scope of its mission and that it delivers the best programs it can to the people it serves. Fiduciaries ask difficult questions and make hard, even unpopular decisions. They are also responsible for ensuring the board's own health, effectiveness and sustainability.

<http://charitychannel.com/publish/templates/?a=6539&z=19>

<http://charitychannel.com/publish/templates/default.aspx?a=6840&z=19>

2. ***Board duties fall into three categories: care, loyalty and obedience.***

Right From the Start: Responsibilities of Directors and Officers of Not-for-Profit Corporations. Andrew M. Cuomo. 2005. New York: Office of the Attorney General.

This booklet by the Attorney General of New York defines the three basic duties of a board member and identifies a variety of specific tasks that board members must undertake in order to fulfill each duty. Those duties include:

- The *duty of care*, which requires a director to be familiar with the organization's finances and activities and to participate regularly in its governance.
- The *duty of loyalty*, which requires that any conflict of interest, real or possible, be disclosed in advance of joining a board and when those conflicts arise.
- The *duty of obedience*, which requires board members to make sure the organization complies with applicable laws and regulations.

http://www.oag.state.ny.us/charities/not_for_profit_booklet.pdf

3. ***Some board tasks are non-negotiable.***

Coloring Outside The Box – One Size Does Not Fit All in Nonprofit Governance. Kim Sundet Vanderwall and Ellen Benavides. 2007. MAP for Nonprofits.

It's not always clear why boards do what they do. Sometimes the responsibilities of a particular board are related to what previous board members learned from books and trainers. In other cases, the board operates according to habits or practices that have become accepted over the years for reasons no one seems to remember. A variety of other factors can help define the specific responsibilities that fall to board members. For example, the board of a large organization will have a different structure and responsibilities than the board of a small nonprofit. Despite this variation, there are a

number of responsibilities that all nonprofit boards are bound by law to carry out. By law, boards must:

- Consist of no fewer than three members.
- Uphold the organization’s mission and use its resources wisely.
- Make certain information available to the public.
- Comply with all federal, state and local fundraising, employment and lobbying laws and regulations.
- Expend funds responsibly in compliance with conditions attached to funding.
- Acknowledge in writing all donations above a certain level.
- Refuse to share, trade or sell donor contact information without prior permission.
- Ensure that financial statements are audited, certified and prepared in accordance with sound accounting practices.

<http://www.mapfornonprofits.org/vertical/Sites/%7B876C4FB8-E997-480F-BF5B-AFAA0F113D9D%7D/uploads/%7B3093A1A5-B485-4CCC-A80E-EC9983505BF0%7D.PDF>

4. ***Boards have specific tasks in the areas of finance, relationships, performance, communication, advocacy, planning and governance.***

From Jeans to Jackets: Navigating the Transition to More Systematic Governance in the Voluntary Sector. Tim Plumptre and Barbara Laskin. 2003. Institute on Governance.

As organizations grow and become more complex, they may find themselves moving from an informal to a more formal approach to governance. As these evolving boards decide what their governance structure will be, they must identify the tasks that the board needs to carry out in order to serve the organization well. These include:

- Ensuring the organization’s financial health by making sure sound accounting systems are in place and by working with a reliable auditor.
- Ensuring sound relationships with funders, community groups, members, clients, volunteers and stakeholders.
- Ensuring good performance among staff by deciding what good performance means and how it should be measured.
- Communicating or advocating effectively with the community, local government and other stakeholders.
- Developing and updating a long-term plan.
- Ensuring the existence of a sound governance framework through bylaws, articles of incorporation and policies.

<http://www.iog.ca/publications/JtoJ.pdf>

5. ***A board can still govern effectively when individual board members are serving as volunteers.***

“Working Board vs. Governing Board?” *Board Café*, Jan. 17, 2008.

Refer to a “working board” and you’re probably describing a situation in which board members actively do the organization’s work. They may take clients on outings or keep the organization’s books. When a board concludes that it has to become less of a working board and more of a “governing board,” members usually switch their focus from doing the actual work of the organization to overseeing that work. This issue of *Board Café* suggests that becoming a “governing board” doesn’t necessarily mean board members have to do less volunteer work. The authors draw a distinction between what the board does as a body and what board members do as individuals. An organization’s governance

structure should be able to combine the strategy and oversight work of the board (working as a body) with the talents of board members (working as individual volunteers).

<http://www.compasspoint.org/boardcafe/details.php?id=107>

HIRING AND EVALUATING THE CEO

6. *Plan for succession even if no one is expecting a vacancy at the top.*

“Succession Planning for Nonprofits of All Sizes.” Jan Masaoka and Tim Wolfred. *Board Café*, Aug. 1, 2005.

An executive director transition can be a moment of both vulnerability and opportunity in the life of a nonprofit organization. That’s why boards need to talk about that transition before it happens—even before anyone is anticipating a change. To start the succession planning process, the board should ask itself questions about what will happen if the executive is suddenly unable to serve. Is there someone who can act as the executive until a new one can be found? Do current board members know something about the hiring process or does the board need to recruit new board members who have skills in this area? Is it time to review the executive’s job description and salary? Finally, are there any obvious candidates to replace the executive? It may not be a good idea to groom an associate director or program director for the top job in your organization. However, the board should discuss the possibility. Clearly, write Masaoka and Wolfred, it’s time to put succession planning on your board’s agenda.

<http://www.compasspoint.org/boardcafe/details.php?id=9>

7. *Has your executive director resigned? Hire a TEO to help you through the transition.*

“Transition Executive Bridges the Gap During Change,” Connie Knight. *Nonprofit World*, September/October 2000.

When an executive director leaves the job unexpectedly, some boards will decide to go without an executive while they search for a new one. In other cases, a board might decide to appoint a current staff person to serve as an interim CEO. Well-meaning board members might even volunteer to take over the duties of the executive director on a temporary basis. Author Connie Knight explains clearly why each of these options is a poor decision that could lead the board to hire a new executive too quickly and without proper planning and deliberation. As an alternative, Knight suggests that boards consider hiring a “transition executive officer” (TEO). TEOs are seasoned management professionals who are especially skilled in the transition process. During a personnel crisis, a TEO can step into your organization and direct its operations, provide a stable environment for staff and help the board conduct the planning necessary to begin its search for a new executive. The board can find a qualified TEO by soliciting recommendations from its nonprofit network, foundations that support its work, national nonprofits, or a nonprofit clearinghouse.

<http://www.knightassoc.com/Transition%20Executive.PDF>

8. ***Take the hiring process one step at a time.***

“Hiring a Director for a Nonprofit Agency: A Step-by-Step Guide.” Kurt J. Jenne and Margaret Henderson. *Popular Government*, Summer 2000.

When faced with a transition in the organization’s top staff position, many boards are unsure just how to begin the complex search for a replacement. Authors Kurt J. Jenne and Margaret Henderson suggest that the first step should not be to write the copy for a “Help Wanted” ad. Instead, a resignation should signal the beginning of a board-led assessment of where the organization is going and what kind of executive can help it get there. That’s step one of a multi-step process that also calls on boards to develop a profile of the ideal candidate; make interim arrangements for the organization’s management; recruit, screen and assess candidates; make a hiring decision; and build a good relationship with the new executive.

<http://ncinfo.iog.unc.edu/pubs/electronicversions/pg/pgsum00/article4.pdf>

9. ***Evaluating the CEO is a key responsibility of the board.***

“Effective CEO Evaluation.” *The Canadian Association*, May 2004.

While conducting a periodic evaluation of the organization’s CEO is one of the board’s key responsibilities, boards often feel uncomfortable with the process. Members may be shy about criticizing the chief executive, and may fear that introducing the idea of an evaluation implies that the board lacks faith in its chief employee. If the executive lacks a job description, the process of setting and evaluating performance targets becomes even more difficult. Despite these obstacles, boards can undertake the evaluation process by appointing a small committee to take the lead. That committee should:

- Design the evaluation process with input from the executive.
- Set mutually understood expectations for the executive.
- Commit to open and honest communication.
- Maintain strict confidentiality.
- Focus on the executive’s successes as well as areas for improvement.
- Begin the process by asking the CEO to submit a self-evaluation.
- Separate the evaluation process from salary negotiations.
- Use benchmarks of organizational success as indicators of the CEO’s performance.
- Provide a written evaluation to the CEO.
- Assess the evaluation process and resolve to improve it next year.

<http://www.axi.ca/tca/may2004/featurearticle.shtml>

DEVELOPING A STRATEGIC PLAN FOR THE ORGANIZATION

10. ***Everything you wanted to know about strategic planning but were afraid to ask.***

Frequently Asked Questions: Strategic Planning. Alliance for Nonprofit Management.

Need a refresher course on the basics of strategic planning? Want to prepare new board members for an upcoming strategic planning process? The Alliance for Nonprofit Management provides basic information about strategic planning through its answers to 15 “Frequently Asked Questions.” Find out what strategic planning actually is, review key concepts and definitions, and become familiar with the basic steps of the strategic planning process. Learn the definitions of mission statement, vision statement, situation

assessment, competitive analysis, and strategies. Most important, get tips for increasing the chances that you'll actually implement your plan.

http://www.allianceonline.org/FAQ/strategic_planning

11. How well have you been planning up until now?

Checklist for a Planning Assessment for Nonprofit Organizations. Carter McNamara MBA, PhD. Greater Twin Cities United Way.

Before you take on a strategic planning process, it might be a good idea to take a look around your organization to assess how well your planning activities have worked in the past and how they could be improved this time around. This checklist, developed by the Greater Twin Cities United Way, identifies 31 questions your board should be asking about planning. For example, has your organization ever evaluated whether its mission and activities provide benefit to the community? Are your organization's programs integrated to provide more complete services to clients? Does your organization evaluate its activities each year and are the results of that evaluation reflected in the strategic plan?

http://www.managementhelp.org/org_eval/uw_plng.htm

12. Focus on the future when writing your strategic plan ...

Create a Strategic Plan for Your Nonprofit. Peri H. Pakroo. 2007. Nolo.com.

A strategic plan helps your board focus on exactly what it hopes to accomplish and what it can realistically expect to get done based on your organization's available resources. The plan provides you with a concrete "to do" list that can move the organization toward the future. Having a clear strategic plan in place can also help you raise money and build community support. The plan should include: a mission statement; an outline of goals, objectives and activities; an assessment of current resources; and a strategic analysis that assesses the organization's strengths, weaknesses, opportunities and threats and helps the board make decisions about how it will make the best use of the organization's resources to achieve its goals.

<http://www.nolo.com/article.cfm/pg/1/objectId/0B0C50E1-EDFD-41B1-A5D3C9DC03ADFC33/catId/CE94A6B3-EFB6-4036-8498D5414328FD73/111/262/ART/>

13. ... But don't forget to look at the past, too.

"Eyes Front...and Back. Carol Humphries. *The Canadian Association*, November 2004.

Strategic planning is all about the future, right? Not so, says the author of this article, who suggests that organization planners need to look at the past before they can move into the future. Study the history of your organization and use your planning sessions to remember and correct past blunders. Unfortunately, organizations don't often refer to their histories because they don't have them written down. Here are some tips for changing that:

- Declare the value of your history and decide which parts you'll start on.
- Identify the variety of historical records you have, including anecdotes, memories and archives.
- Decide on the level of time, money and effort you will give to the project.
- Designate a curator to be accountable for keeping the history.
- Celebrate the milestones of your past to keep them alive and known.

http://www.axi.ca/TCA/nov2004/associatearticle_1.shtml

14. Pay attention to societal changes that could affect your organization—and its planning for the future.

“Six Generational Trends that *Will* Affect Your Nonprofit,” Vince Hyman. *Tools You Can Use*, Feb. 21, 2007.

The nonprofit community will undergo critical changes as the baby boom generation prepares to retire. That generation still runs the nonprofit sector’s largest institutions. In a matter of years, these individuals will become major consumers of the nonprofit services they once delivered. This article, based on the FieldStone Alliance book, *Generations: The Challenge of a Lifetime for Your Nonprofit*, suggests six emerging generational trends that will profoundly affect the operations of nonprofit organizations. Nonprofits will need to adjust their operations to take advantage of, and mitigate problems caused by:

1. A social safety net stressed by retiring baby boomers.
2. New dependence on and expectations regarding technology.
3. Increased diversity among employees and clients.
4. New definitions of what constitutes a family.
5. Increasing numbers of mid-life adults who are rethinking their work-life balance as they enter their late 50s and early 60s.
6. The growing expectation among consumers that services will be designed and delivered exactly the way they want them. Nonprofits that can find cost-effective ways to customize their services will accomplish their missions with greater ease than those who do not, says author Vince Hyman.

http://www.fieldstonealliance.org/client/client_pages/tools_you_can_use/02-21-07_generational_trends.cfm

15. Use scenario planning to prepare for uncertainty.

The Long and Winding Road: Histories of Aging and Aging Services in America, 2006-2016. 2006. American Association of Homes and Services for the Aging and Decision Strategies International Inc.

Scenario planning suggests that the only confident prediction we can make about the future is that it will look different from the world we inhabit today. How quickly or slowly the landscape will change remains highly uncertain. In the midst of that uncertainty, providers of aging services need to prepare for a variety of future scenarios. This report portrays four such “futures.” Aging services providers could experience any of these scenarios by the year 2016, depending on how certain variables change the operating environment:

- **Can’t Buy Me Love:** In this scenario, the future is characterized by demanding and disruptive consumers, strong funding and medical breakthroughs, high demand for technology and a scarce talent pool.
- **Here Comes the Sun:** In this scenario, vocal and motivated consumers fight for what they want in a world characterized by revolutionary medical breakthroughs and an adequate talent pool.
- **Yesterday:** Consumers in this scenario are content with gradual change but inhabit an unsettling American environment short on technological innovation and talent

- **Strawberry Fields:** Consumers in this scenario are also content with gradual change, but they inhabit a stable political-economic world with adequate funding and few staffing shortages.

Throughout the scenario planning process, organizational leaders ask themselves important questions about each identified scenario, including how the organization would fare in that scenario and what capacities it needs to develop in order to succeed in that scenario.

http://www.aahsa.org/pubs_resources/documents/Scenario_Intro.pdf

16. *Make planning meaningful by focusing on the “Big Jobs.”*

“Critical Path for the Board.” *Board Café*, March 21, 2006.

Getting boards engaged and excited about their work is often a challenge, but strategic planning can be a good way to accomplish that goal. To be successful, simplify the planning process by helping the board find its “critical path.” The term “critical path” was first used in the field of project management to describe a series of milestones that a project must follow to finish in the shortest amount of time. Each year, the board should identify the critical path for its organization by naming the most important two or three “big jobs” that the organization must accomplish in the following 12 months. Once these jobs are identified, the board then asks two follow-up questions: What will it take to get the job done? What do board members need to know in order to get the job done? Incorporating the critical path into your strategic plan can help the board tackle the most important issues, challenges and problems facing your organization.

<http://www.compasspoint.org/boardcafe/details.php?id=94>

17. *“Strategic Living” may help you bring your planning process into the 21st century.*

“Living Strategy: Guiding Your Association Through the Rugged Landscape Ahead.” Paul Borawski and Arian Ward. *Journal of Association Leadership*, Winter 2004.

Are you planning as if it were still the 1960s? According to authors Paul Borawski and Arian Ward, that’s exactly what you’re doing if you’re using traditional strategic planning. The world has changed so dramatically in the past decades—and the environment in which nonprofits operate has become so uncertain—that organizations need to create strategies that flex, adapt and evolve. The authors call this process “living strategy.” Some of the distinctions between strategic planning and living strategy include:

- Strategic planning attempts to predict the future. Living strategy says you can’t predict the future but you have to be ready for and adapt to whatever it brings.
- Strategic planning is an annual, linear process. Living strategy is ongoing.
- Strategic planning is done by a select group of leaders and experts. Living strategy emerges from and supports the organization’s stakeholders.
- Strategic planning produces static text documents. Strategic living involves dynamic vignettes, images and dialogue to excite stakeholders’ passion and imagination.
- Strategic planning tends to move as quickly as possible to solutions and action. Living strategy emphasizes reflective thought and conversation.

<http://www.asaecenter.org/PublicationsResources/JALArticleDetail.cfm?ItemNumber=16208>

18. *Manage strategically all year long.*

Make Strategic Planning a Way of Managing, Not an Annual Episode. Jane Logan. 2006. Logan Strategy Inc.

There's nothing strategic about investing time and resources to develop a strategic plan that sits on the shelf for 12 months, says author Jane Logan. Planning should be an ongoing process that allows you to enhance problem solving, accomplish what you need to do, and measure your progress. Logan offers three suggestions for managing strategically all year long:

1. Stay on top of the latest industry trends by collecting current data, quarter by quarter, and assessing its implications.
2. Hold departments and individuals accountable for strategic planning results at every board meeting. Use the objectives in your strategic plan as their performance targets. Celebrate and reward progress in meeting those targets.
3. Make adjustments to the plan when needed. Adjust for changes in the external environment as well as for what you learned along the way.

<http://www.charityvillage.com/cv/research/rstrat37.html>

PRACTICING FINANCIAL STEWARDSHIP

19. *Make financial literacy a requirement for board service.*

"The Dirty Little Secret of Nonprofit Boards." Hildy Gottlieb. 2003. Community Driven Institute.

Every board throughout the world has members who can't read a balance sheet, a profit and loss statement, or any other financial reports. This means that board members are voting on budgets without really understanding them, and making decisions without knowing whether the organization can afford them. Author Hildy Gottlieb makes three simple recommendations to help move your board into financial literacy: (1) adopt a policy that all board members must show that they have knowledge of basic financial information; (2) change your bylaws to prohibit anyone without a certain level of financial knowledge from serving on the board; and (3) make financial training a part of board orientation. Curious how you would measure up to Gottlieb's standards for financial knowledge? Try answering some of the financial questions she poses in this article. They cover such areas as economics, basic nonprofit information, balance sheets, profit and loss/income/and cash flow statements, and budgets.

http://www.help4nonprofits.com/NP_Bd_DirtyLittleSecrets_Art.htm

20. *Board and staff must work together to ensure the organization's financial integrity and accountability.*

"A Board-Staff 'Contract' for Financial Accountability." Jan Masaoka. *Board Café*, Nov. 21, 2000.

Every board of directors takes on the very serious job of ensuring that its organization uses its funds efficiently to fulfill its goals. Boards can't do this job alone; they need the help of the organization's staff. A working financial partnership between staff and board begins with a contract that spells out the distinct jobs and responsibilities that both groups must fulfill as they work together for financial accountability. Author Jan Masaoka outlines what that contract might entail, and lists more than 50 promises that staff and

board members should make to one another in the areas of tax and legal responsibilities, accounting, cash flow projections, financial analysis, audit and internal controls, and budget. Generally, says Masaoka, board members must promise to give serious attention to financial information and to be understanding when problems occur. They need to work as problem solvers as well as governors, asking tough questions but also respecting the difficulty of the work and expressing appreciation to staff when appropriate.

<http://www.compasspoint.org/boardcafe/details.php?id=64>

21. *Is your board doing all it can to ensure your organization's financial accountability? Use this checklist to find out.*

Checklist to Assess Financial Activities in Nonprofit Organizations. Carter McNamara, MBA, PhD. Greater Twin Cities United Way.

Is your board doing all it can to ensure the public and your constituents that you are using your funds effectively to carry out your organization's mission? For example, does your organization have a written fiscal policy and procedures manual and does it use these documents to guide its work? Has your organization established appropriate reserves to cover expenses? Does your organization make training available for board and staff on relevant accounting topics and are all appropriate persons encouraged to participate? These and other questions, contained in this Checklist to Assess Financial Activities in Nonprofit Organizations, will challenge your board and spur it to assess and improve your organization's systems for effective financial oversight.

http://www.managementhelp.org/org_eval/uw_fnce.htm

22. *Everything you wanted to know about financial management but were afraid to ask.*

Frequently Asked Questions: Financial Management. Alliance for Nonprofit Management.

Need a refresher course on the basics of financial management? The Alliance for Nonprofit Management provides basic information about financial management in its answers to 29 "Frequently Asked Questions." Find out the elements of an accounting system and the difference between nonprofit and for-profit accounting. Learn what an audit is and how to prepare for it, the board's responsibility in investment, what financial statements nonprofits are required to issue, and how to interpret financial statements.

http://www.allianceonline.org/FAQ/financial_management

23. *Roll up your sleeves and delve into the details of financial accountability.*

For those interested in exploring the technical aspects of financial oversight, there's help available online. Check out these resources:

- *Making the Decision to Finance: A Primer on the Borrowing Ability of Nonprofit Organizations.* Gerald M. Swiacki. Lancaster Pollard & Co.
http://www.lancasterpollard.com/assets_LPC/WP/NP-I-Borrowing-Ability.pdf
- *The Sarbanes-Oxley Act and Implications for Nonprofit Organizations.* 2006. BoardSource and Independent Sector.
http://www.boardsource.org/dl.asp?document_id=558

- *Audit Committee Guide for Not-for-Profit Organizations: National Public Sector Practice*. 2004. McGladrey and Pullen, LLP.
<http://aahsa.org/qualityfirst/documents/NFPAuditCommitteeGuide.pdf>

PARTICIPATING IN FUNDRAISING ACTIVITIES

24. *Is your board doing all it can to run an effective fundraising initiative? Use this checklist to find out.*

Checklist to Assess Fundraising Activities in Nonprofit Organizations. Carter McNamara, MBA, PhD. Greater Twin Cities United Way.

Has your board established a committee charged with developing, evaluating and reviewing fundraising policies, practices and goals? Is there direct communication between the marketing and accounting departments and other administration support functions that assist in fundraising efforts? If an outside professional fundraiser plans to contact potential donors directly, has your organization reviewed the fundraising materials to verify their accuracy and to ensure that public disclosure requirements have been met? These and other questions, contained in this Checklist to Assess Fundraising Activities in Nonprofit Organizations, will help you ensure that your organization is running an effective and ethical fundraising campaign.

http://www.managementhelp.org/org_eval/uw_fndrs.htm

25. *Board members insure the future of the organization when they participate in fundraising activities.*

The Nonprofit Board's Pivotal Role in Philanthropy. Barbara L. Ciconte and Roberta A. Healey. Washington, DC: American Association of Homes and Services for the Aging.

Many board members are nervous about fundraising. Authors Barbara Ciconte and Roberta Healey maintain that it's not that trustees don't think they can do the job; they simply don't know how. Most board members believe that fundraising only involves asking for money when, in fact, board members who help with fundraising spend most of their time cultivating relationships and advocating for the mission of their organizations. They also aid the fundraising effort by giving personally and generously to the organization, thus setting the pace for other donors. Follow these steps to involve board members in the organization's fundraising efforts:

1. Include fundraising and giving in the job description of board members.
2. Teach board members that development is a process of building relationships, and is related to the organization's mission, programs and services.
3. Train board members in the basics of fundraising and provide them with the tools they need to raise funds.
4. Use the development committee to encourage and coach members in their fundraising duties.
5. Recognize and reward board member and volunteer efforts.

http://www.aahsa.org/qualityfirst/resources/governance_accountability/nonprofit/documents/Governance_Philanthropy_Whitepaper1.pdf

26. *Small-scale fundraising: Board members can raise \$1,000 for your organization using these ideas.*

“Fifty-Three Ways for Board Members to Raise \$1,000.” Kim Klein. *Grassroots Fundraising Journal*.

Imagine that the chair of your organization’s development committee just asked each board member to raise \$1,000 or more. How would you do it? Author Kim Klein has a few ideas—53 to be exact. They include the following:

- Give part of the money yourself. Then ask your friends to match your gift.
- Give the organization something that is worth \$1,000, like a new computer.
- Have a fancy dinner at your home, charge \$40 per person and invite 25 guests.
- Sell your frequent flyer miles to friends or donate them to the organization for a raffle. (Check first to see if your airline allows this.)
- Create a take-off on the “adopt-a-highway” program by announcing that certain of your organization’s budget items are available for adoption.

http://www.grassrootsfundraising.org/howto/v15_n1_art03.pdf

27. *Large-scale fundraising: Send one message over many channels.*

Multi-Channel Fundraising: Tips of the Trade. David Lawson. 2007. GuideStar.org.

In today’s competitive market, a nonprofit organization can’t afford to use only one communications method to reach potential donors. Your fundraising messages must be broadcast on a variety of “channels,” including direct mail, Internet, telephone and face-to-face conversations. How can nonprofits determine the appropriate combination of messages and media? Author David Lawson suggests some tips:

- **Ask your constituents.** Some donors might prefer to receive appeals by direct mail, while others may prefer a telephone call. Once you receive donor feedback, segment your database according to those preferences and carry out narrowly focused mini-campaigns.
- **Create multidisciplinary campaign teams.** Bring together fundraising, technology, program and administrative staff to devise the most effective multi-channel strategy.
- **Let constituents respond in their own way.** Make sure all fundraising materials give donors the option to get in touch by calling, sending an email, visiting a Web site or sending a postcard.
- **Maintain consistent messaging.** Your overall message and image should remain consistent across all of your chosen channels.

<http://www.guidestar.org/DisplayArticle.do?articleId=1163>