MANAGEMENT MODEL
Associations • Chambers • NonProfits

- Staying Organized
- Best Practices
- Governing Documents
- Inventory, Assess & Improve
- Risk Management
- Board Development
- Strategic Direction

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About the $20 Contribution

The Management Model document is not copyrighted and is intended for an executive to save and share with colleagues. The $20 contribution benefits Alexey’s Dream Foundation.1

I am mentoring a young Executive Director from the Republic of Belarus near Russia – Alexey Talai. He is an ASAE member and recently attended the Great Ideas Conference as well as many state SAE and CCE meetings.

His foundation serves orphans and children with disabilities. He has built the organization – including the physical headquarters – on his own in a country that has few nonprofit models. He is passionate about helping others and organizational excellence.

His website is www.AlexeysDream.com. He does not let the challenge of having lost his arms and legs to an abandoned World War II landmine slow him down.

His website includes PayPal. Any funds sent by mail are forwarded by Western Union. (Payable to “Bob Harris” 335 Beard St., Tallahassee, FL 32303 with the subject line: Alexey’s Dream.)

1IRS determination pending.
The Management Model
For Associations, Chambers and NonProfits

Preface
There are nearly 2 million nonprofit organizations in the USA. The principles of free enterprise, small business, innovation, consensus and compromise are bolstered by nonprofits. Much of the greatness of America can be traced to nonprofit organizations and their boards.

All nonprofits have common elements. The mission statement defines the purpose for existence. A board of directors governs while advancing and protecting interests. And a professional staff manages.

The Management Model is written from the perspective of staff who are focused on organizational excellence.

Core Competencies
Staff members are often motivated by passion for the organization’s mission and its causes. Yet management requires a resolute business approach.

In a tough economy nonprofits try to “do more with less” - often at the risk of sabotaging their efforts. When staff cannot see the forest for the trees, or it feels like every day is “putting out fires,” it’s hard to focus on excellence.

The Management Model identifies three major components for excellence in any nonprofit.

I. Staff Management
II. Board Governance
III. Strategic Direction

Each of the components requires understanding, development and implementation by the staff – board partnership. Additional resources are available free at www.nonprofitcenter.com.

Definitions
In the USA, the Internal Revenue Service (IRS) regulates exempt organizations. In 2011, the IRS revoked the tax exempt status of 275,000 nonprofits. Clearly there is a new scrutiny on nonprofit purposes, boards and operations.

The Agency defines the concepts of governance and management.

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2 An organization recently closed their professional office space, reduced the staff to one person and reduced the size of the board to save money; and then wondered why they had insufficient workforce to carry out their programs.
“Board of Directors\(^3\) is the **governing body** serving as the group of persons authorized under state law to make governance decisions on behalf of the organization and its members or stakeholders.”

“Executive Director\(^4\) is the chief management official who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization.”

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**MANAGEMENT**

**Professional Staff**

**Management – Professional Staff**

The first component of *The Management Model* is an effective and efficient staff.

**Franchise Model\(^5\)**

While the organization may be designated as *not-for-profit*\(^6\) and *exempt* from federal income tax, these characteristics should not be the model for management.

Consider the franchise model as described in *The E-Myth Revised*.

Franchises are known for their brand awareness, sustainability, consistent customer service and profitability --- especially when contrasted to independent businesses. Statistics indicate that 75% of franchises prosper while 80% of independent businesses fail within five years.

Franchises identify each step in a process, create best practices, and document the process in a manual. A nonprofit can be organized similar to a franchise by following these four steps.

1. **Identify** the recurring responsibilities, for example quarterly board meetings, monthly newsletters, yearly nominations and conferences.

2. **Document the steps** that fulfill the processes most efficiently and effectively. Eliminate steps that take short-cuts, waste time or create risks.

\(^{3}\) *Board of Directors* may also be identified as board of trustees among other names.

\(^{4}\) Other titles for the *chief paid staff* person may include administrator, president, executive vice president or executive director. It is important to note that in the management model, the staff work under the chief paid person, *not* for the board of directors.

\(^{5}\) *E-Myth Revised* by Michael Gerber.

\(^{6}\) *Not for profit* is a legal or formal reference to nonprofit.
3. Enumerate or **bullet the steps** associated with successfully carrying out every task. For example, to publish the newsletter in a timely manner it may require 12 steps over 45 days. Make a bank deposit may require just 2 or 3 steps\(^7\).

4. **Store** the best practices in one of six manuals recommended for nonprofit organizations.

**Six Manuals**
Organizations need an efficient method for archiving and retrieving information. Manuals serve the purpose and can be used for board and staff training. They promote sustainability in the transition of volunteers and staff.

- **Leadership Notebook**
  Also known as the *board book*, it is a guide for volunteers. It is distributed at board orientation or upon election or installation. Sections may include history, bylaws, strategic plan, committees, org chart, budget, responsibilities, rosters and calendars, for example.

  Some organizations maintain a leadership manual as a virtual document on their website, protected by password. Others distribute it as a CD or memory stick. Staff members should be familiar with the contents of the leadership manual.

- **Procedures Manual**
  The procedures manual describes what the organization believes is the best way of conducting every project, responsibility and process.

  It documents activities and processes through bulleted or enumerated lists. It is staff driven --- *not an interest of the board*. The manual ensures consistent operations, quality controls and standardized procedures, while reducing risk. It may also be known as the operating manual, standard operating procedures (SOP) or best-practices manual.

  Create a procedures manual by drafting a table of contents. Then use the staff job descriptions and the annual calendar of events. Have staff document the steps as they complete projects. Documenting processes can range from the smallest (how to back up the computer data each day) to the largest (how to plan the annual conference.)

  The executive director should create a format or template for staff to use in documenting tasks. Within months the procedures manual will be assembled and serve as one of the most valued guides.

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\(^7\) Often the biggest fear is a bookkeeper’s unexpected departure, leaving the executive director without notes on passwords, accounts and processes.
• **Policy Manual**

Policies represent the wisdom of the board for current and future governance needs. The manual archives the board-approved policies. Without the manual, the policies tend to exist only as motions in the prior minutes --- or get buried in the bylaws, (which should remain broad in scope; not littered with policies.)

Policies may arise spontaneously in a board discussion, “We need to adopt a policy on that....” or be directed to a committee or staff to research and recommend a policy. All policies are recorded as motions in the board minutes.

If no policy manual exists, take the last five years of board minutes, highlight the motions that read as policies, add the policies to the manual and create a table of contents. Policy manuals that are cumbersome can undergo a *sunset review*.

If the bylaws have become cluttered with policies, review them with the intent of transferring policies into the policy manual. When entering new policies, note the date of adoption so that board meeting minutes can be referenced. Since 2008, IRS Form 990 has queried nonprofits about having policies in these areas:

- Compensation
- Public Records
- Financial Audit
- Conflicts of Interest
- Whistleblower
- Record Retention

**Note:** It is best not to combine a “Policies and Procedures” manual. Procedures are the responsibility of staff, focusing on operations. Policies are the domain of the board.

• **Emergency Preparedness**

The emergency notebook protects the organization, provides a crisis communications plan, safeguards documents and supports business continuity, if the office is damaged or destroyed.

It contains the essential documents that would take months to replace. It may take the form of a virtual document; a CD-ROM, external memory or notebook, so long as it is stored off-site. Be sure key persons know of its location in an emergency (i.e. lawyer or CPAs office, safety deposit box.)

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8 A process where policies are cleaned up and will expire unless reaffirmed by the committee or board.
• **Style – Communications Manual**
The style manual or communications guide is used to describe the appropriate (and inappropriate) uses of the organization’s logos, key words, styles, PMS color, preferred typeface, etc. Its purpose is to maintain a consistent image and brand.

It may include information on lines of authority and who speaks for the organization. It should serve as a guide for staff, chapters, webmaster and printers.

• **Personnel Manual**
Also known as the HR manual, it details, formalizes and communicates employee expectations and regulations. For example, it details items such as sick leave, vacation time, issuance of office keys, overtime, dress code, sexual harassment, credit cards, and filing complaints.

Personnel manuals are based on state and federal laws and should be prepared by a labor-law specialist and/or attorney. Avoid “borrowing” a personnel manual from another state, as the labor laws and definitions vary from state to state.

Do *not* combine the personnel manual with any other manual – it should stand on its own in case of a lawsuit or subpoena.

**Risk Management**
“We are volunteers --- what risks could there be?” The statement is often heard at board tables.

Yet nonprofits find themselves in lawsuits for issues such as harassment, defamation, copyright infringement and antitrust violations, for instance. Staff and board must manage risks through continual awareness, mitigation, insurance and evaluation.

**Volunteer Immunity**
State and federal law provides limited protection through the doctrine of *volunteer immunity*. The concept applies to the duties of the board and would not cover the cost of defense if the organization were sued. (This is another reason that it is critical to provide the governing documents to volunteer leaders.)

**Insurance Coverage**
Insurance is one form of risk management. Though the board may have volunteer immunity, it is prudent to rely on insurance coverages10:

- General Liability
- Directors and Officers Liability
- Surety Bond
- Meeting Cancellation

10 Be sure to rely on insurance professionals.
Risks in Nonprofits
Be familiar with these risks and the mechanisms to reduce or eliminate liability.

- Antitrust Violations
- Copyright Infringement
- Financial Audits
- Conflict of Interest
- Public Records Requests
- Apparent Authority-Communications
- Discrimination
- Harassment
- Intellectual Property
- Embezzlement

Inventory, Assess and Improve
A technique to improve the organization (and manage risk) is to periodically conduct an audit of management processes. By conducting an internal evaluation, staff can identify the key documents and processes, evaluate gaps and waste, and take steps to improve.

Outcomes include development and enhancement of systems, identification of omissions, and training of staff. A 50-question evaluation tool (PDF) is available free at www.nonprofitcenter.com.

Performance Measures
Successful organizations “keep their eye on the ball” by monitoring performance. When board and staff agree on KPIs\(^1\), they may be reported visually as a dashboard to assess how the organization and programs perform.

Performance measures might include:

- Member Market Share
- Savings to Budget Ratio
- Retention Rate
- Event Attendance
- Dues to Non-Dues Ratio
- Member Satisfaction
- Website Visitors
- Strategic Goal Achievements

\(^1\)KPI = Key Performance Indicator.
Governance – The Board of Directors

The second element of The Management Model is highly effective board of directors.

The board is responsible (and accountable) for governance. The term governance is derived from a verb meaning, “to steer.” The board has four fundamental purposes:

I. **Set Strategic Direction** – Positioning the organization for the future in serving its members.

II. **Develop Policy and Positions** – Establishment of policy and positions to guide decisions today and into the future.

III. **Fiduciary Duties** – Acting in the best interests and care of the organization.

IV. **Governance** – Acting upon and within the authority of the governing documents and laws.

Because volunteers are often more confident in their management skills than governance they may slip into inappropriate management tasks (A.K.A. micromanagement.) The aim is to develop and maintain a board that understands governance and keeps a 50,000 foot perspective --- leaving the more detailed decisions to committees and staff.

**Tapping Volunteer Leaders - Nominations**

Some boards are weak because they have no succession plan or depth on their bench. They recycle directors or select unmotivated volunteers to fill empty seats at the table.

One way to build a more competent board is to identify the traits needed to strengthen the board. For example, seeking persons respected in the community, financial experts, good communicators, prior board service and motivated individuals. Create a matrix to identify the current board’s strengths and weakness --- using the analysis to identify future leaders.

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12 **Fiduciary** - Refers to a relationship in which one person has a responsibility of care for the assets or rights of another person. A fiduciary is an individual who has this responsibility. The term "fiduciary" is derived from the Latin term for "faith" or "trust."

13 The bench represents the strengths and skills of the governing body.
Nominating Committee
The nominating committee has long term impact. Too often the committee doesn’t take its work seriously or is composed solely of past presidents. Its composition should represent the diversity of the membership and combine emerging and experienced leaders.

Arm the committee with the knowledge to inform candidates of their duties, including the bylaws, leadership manual and conflict of interest statement. Nominees should be well aware of expectations.

Some organizations have transformed their nominating committee to have broader duties as a Board Development Committee. The BDC takes responsibility for carrying out the nomination process, as well as conducting board self-evaluation, developing the leadership notebook and planning the director orientation.

Finally, “don’t forget to ask.” Nearly every volunteer leader remembers the day when they were honored because a leader from the organization reached out and suggested they consider a position as a committee member or director.

Board Orientation
Training improves understanding, confidence and outcomes. Plan an annual comprehensive orientation. By including the whole board (not just new directors) a healthy discussion of expectations, changes in the environment, and priorities can be had.

Orientation typically requires two hours to a full-day to cover four areas:

I. About the Organization
II. Duties of the Board
III. Strategic Direction
IV. Risk Management

Information should be presented by the chief elected and chief staff positions, supported by staff reports. Invite legal, accounting and insurance counsel to expand on topics.

Governing Documents
It is said, one must “read to lead.” An understanding of the governing documents is critical. Documents should be included in the Leadership Notebook or on a board portal.

- **Mission Statement** – Relationship to the IRS, federal government; the purpose of existence.

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14 The “Board Responsibilities” laminated guide, two-sided, color, is available for $9 each plus S/H by emailing bob@rchcae.com with quantity and address. It is © 2011

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- **Articles of Incorporation** – Relationship to the state government.
- **Bylaws** – Relationship to membership or stakeholders.
- **Policies and Positions** – Wisdom of the board in guiding the organization.
- **Strategic Plan** – Roadmap for 3 to 5 years.
- **Budget** – Yearly financial plan for the year.
- **Business or Action Plan** – Annual short-term plan of action and accountability often in the form of a table or spreadsheet.

**Board Meetings**
The official work of the governing body is conducted in board meetings – the safe place for deliberation, consensus and compromise.

  **Consensus** - Participants reach as much agreement as possible.

  **Compromise** - One person gives up part of his or her desired outcome.

Directors are discouraged from rehashing board decisions in the parking lot or by emails after the meeting. When the meeting adjourns, directors should be committed to support the decisions of the board. Dissent should be noted in the minutes, not in public forums.

Room set up is a key to successful meetings. Communication is improved when leaders can see each other and talk without having to raise their voices. Preferred seating and table arrangements are hollow-square or open-U.

Technology is facilitating meeting reports and agendas to be projected on a wall at the meeting, keeping all directors engaged and on the same page. While laptops and tablets allows directors to view reports on-line. An understanding or policy on digital interruptions is suggested.

**Agendas**
The agenda is crafted through collaboration of the chief elected and chief staff positions. To avoid mission-drift, print the mission statement at the bottom of the agenda or post it on the wall of the conference room. A best practice would be to integrate the organization’s goals into the agenda and align committee reports accordingly.

**Consent agenda**\(^{15}\) is a technique to reduce reports that require no action or discussion; allowing the board to focus on more substantive issues.

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\(^{15}\) A consent agenda is a bundle of items that is voted on, without discussion, as a package. It differentiates between routine matters not needing explanation and more complex issues needing examination.
Rules of Order
Rules of order guide discussions. Rules of order consist of the bylaws and are supplemented by a published parliamentary guide adopted by the body. Some boards create a “code of conduct” or “rules of engagement” for meetings.

Minutes
Board actions are documented in meeting minutes. Minutes are the official record — not a place to record discussions, keep to-do lists or create a newsletter to report the board’s work. It is often heard, “do not put anything in the minutes you would be embarrassed to read in the newspaper.” The IRS suggests that “committees with authority” also keep minutes.16

Apparent Authority
Be certain it is clear who has authority to speak for the organization. The concept of apparent authority established by case law17 indicates that when a volunteer leader appears to speak for the organization, the organization may be held liable. Generally it is understood that the chief elected officer is the official spokesperson and he or she may periodically delegate that authority to staff or volunteers.

Committees
Standing committees are those identified in the bylaws. Task forces and ad hoc committees are those appointed for a specific purpose and then disband upon completion of their work. The trend is to reduce the number of committees and rely on task forces.

Committees advance the strategic plan and do work for the board of directors. (Board meetings are not the place for committee work and debate.) The adage holds true:

“Committees recommend > board approves > staff/volunteers implement.”

Each committee should have an enduring statement of purpose. Current year assignments made by the chief elected officer, including performance measures, are critical. Many organizations use committee liaisons from the board and staff. The liaisons serve as resources and advocates18.

Organizational Chart
An organizational chart depicts lines of authority, supervision, communications and elements, including the executive committee, board of directors, staff, consultants, committees and subsidiaries.

16 Indicated on IRS Form 990, effective 2008.
17 Hydroleum Case
18 Refer to the descriptions of committee liaisons at www.nonprofitcenter.com
Strategic Direction

Purpose of a Plan
The third component of The Management Model is a definitive, inspiring strategic plan. The plan is the road map to guide directors, officers, committees, staff and the budget. Written plans are especially important in nonprofit organizations where the leadership continually transitions.

Most plans span 3 to 5 years. The plan keeps the organization focused on the future. Without a plan the chief elected officer may feel it is his or her prerogative to leave a personal legacy.

The responsibility for creating a strategic plan belongs to the board --- not a committee or the staff.

The plan serves many purposes:

- Awareness and assessment of programs and direction.
- Motivation of board and staff.
- Disciplined allocation of resources.
- Member and stakeholder awareness of the organization’s priorities.
- Guide for committees and staff-departments.

Planning Retreat
President Eisenhower said, “Plans are worthless but planning is everything.”

While the author does not agree that plans are worthless, he does agree that the process of planning is invaluable as a forum where leaders can review programs, allocate resources and design the future.

The planning process culminates with a 1 or 2 day retreat held about every 3 years. The retreat should affirm the organization’s purpose (mission, vision and values), set goals (core competencies) and suggest fresh strategies.

It is monitored, reviewed and updated at least annually. Often the staff creates a plan of action or business plan in template or spreadsheet format to delegate projects to committees and set deadlines.
Planning Terminology
The elements of a plan include:

- **Mission** – The mission statement is the purpose for existence; identifying the organization, who it serves and what it offers. Usually a sentence or two easily understood and articulated by leadership.
- **Vision** – Aspiring statement describing how the organization will be perceived or desired outcomes.
- **Values** – The guiding principles of board and staff.
- **Goals** – Broad areas of achievement or core competencies.
- **Strategies** – Programs and initiatives for advancing the goals.
- **Tactics** – Actions steps and accountability to advance the strategies.
- **Performance Measures** – Assignments, deadlines and metrics.

Appoint a *plan champion* on the board to monitor and report on progress. To improve stakeholder awareness, transform the plan into a membership brochure or the front and back of a business card.

About Bob Harris

**About Bob Harris, CAE**
Bob Harris, CAE\(^{19}\) has studied nonprofit organizations around the world.

To promote excellence and effectiveness he has created systems and templates available at [www.nonprofitcenter.com](http://www.nonprofitcenter.com). The information herein is part of training programs and consulting to help boards and staffs maintain excellent organizations. He can be contacted at bob@rchcae.com and USA 850/570-6000.

Frequent seminar topics include:

- Board Roles and Responsibilities
- Flawless Strategic Planning Process
- Policy Development
- Organizational Excellence
- Three Proficiencies of Professional Staff
- Transforming a Strategic Plan into Action

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\(^{19}\) **Certified Association Executive** designated by the American Society of Association Executives.