
WHAT ARE BOARDS OF DIRECTORS SUPPOSED TO DO?

Boards of Directors often play many roles within organizations. We find board members fundraising, serving as volunteer staff, mentoring, supervising, strategizing, and more. Especially for smaller organizations, board members fulfill any role that the organization needs.

But what is the central role of a board that is must fulfill above all other roles?

All public companies have owners, called shareholders, who usually provide money to the management in order to make a return on their investment. Nonprofits have owners too. These owners do not own shares of the nonprofit. They are best thought of as “moral” owners. They are the group who has the moral right to direct the resources of the nonprofit. For a city school board, the citizens of the city are the owners. For a professional association, the owners are usually the members.

The Board of Directors acts as the representative of the owners and ensures that the organization is serving the desires and interests of the owners. In this sense, the Board is like Congress which represents our interests and watches over the Executive.

In order to fully represent interests, the Board should engage in the following activities and produce the following.

- Boards must seek input from the moral owners as well as research emerging trends that may affect the organization.
- Based on that information, Boards must define what situation or group the organization will improve and how the group or organization will improve.
- The Board must delegate the running of the organization to a qualified executive
- The Board must create a mechanism for evaluating the success of the organization.

These are certainly easier said than done, but if done well, the Board has translated the will of the owners into specific outcomes that can be measured and evaluated. In this way, the Board fulfills its moral obligation to fully represent the interests of the owners and ensures that those interests are carried out by the organization.

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