

BOARD WORKS

From Principle to Practice: Carrying Out Fiduciary Responsibilities

By: Rick Stiffney

Those who call themselves Mennonite or identify with the broader Anabaptist movement have historically taken seriously the teachings of Jesus. In fact, if Mennonites or Anabaptists were asked to focus on a key characteristic that really distinguishes the movement, they would likely say that they strive to “live as Jesus taught.” In essence, they make earnest attempts continually to “live out the faith” or “put principle into practice.” In the arena of governance, we also want to move from good principle to sound practice – just as we do in the Christian life.

In the last issue of *Board Works*, we reflected on the importance of cultivating a sense of God’s presence in our work. Here, we want to focus on ways the board of a not-for-profit organization can carry out its work as a fiduciary agent, all the while building on sound practice based on our Mennonite and Anabaptist faith heritage of living as Jesus taught. (I have also drawn on ideas from a book titled *Governance as Leadership*¹ by Chait, Ryan, and Taylor.)

That the board of a not-for-profit organization serves as a fiduciary agent for an organization’s assets is a governance truism. The board has an obligation to monitor an organization’s assets to see that they are used in ways that are consistent with its mission and the interests of its “owner” and supporting constituencies. If our principle is that the board is a fiduciary agent for the organization, what does sound practice look like?

Below are five broad categories of practice from among the many ways that the board does its fiduciary work. Each category and a promising practice follow:

Taking care of the foundational matters

First, a governing board needs to ensure that the corporate mission is well focused and represents the interests of its founders and supporting constituencies. The board has a fiduciary responsibility to determine that a certain set of values or convictions shape how the organization goes about its work. Mechanisms for implementing these values and directing the flow of an organization’s activities include clearly articulated bylaws and operating policies. Board members themselves need to

agree on how they will conduct their work, often reflected in a code or covenant of conduct.

Maintaining effective relationships with “owner” constituencies

An often overlooked practice for boards is maintaining a current linkage with the constituencies or communities on whose behalf they serve as trustees. Too often CEOs and/or public relations directors are expected to be the primary and sometimes sole nexus between the organization and its key constituencies. However, board members legitimize their service by “owning” the critical relationship with the organization’s primary constituencies. Boards need to feel this sense of linkage and create ways to interact with constituent groups so they can know that the work they are doing is congruent with the constituents’ general vision of the organization’s mission.

Overseeing the organization’s assets

Most boards are familiar with this category of fiduciary work – overseeing assets. Important practices for the board in this area include providing financial oversight, monitoring risk and insurance coverage, ensuring that an independent audit is completed each year, and approving appropriate policies to handle conflicts of interest and other potential operational problems. (cont’d page 2)

DATES TO REMEMBER:

- **October 21—Peace Church Dinner at AAHSA, Orlando, FL**
- **November 8–10—MHS Alliance Board Meeting, Chicago, IL**
- **March 27–30, 2008—Mennonite Health Assembly, St. Louis, MO.**

¹ Richard P. Chait, William P. Ryan, and Barbara E. Taylor, *Governance as Leadership*, (Hoboken, New Jersey: John Wiley & Sons, Inc., 2004)

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Monitoring corporate performance

Ultimately, staff members carry the mission of an organization forward through the programs they devise. These outputs represent assets that are used to produce results. However, the board has a fiduciary responsibility to determine which indicators of organizational performance are most strategic. Once determined, these indicators of effective and efficient performance are developed into some kind of corporate dashboard that “reports out” on a regular basis. Performance should be measured against agreed-upon standards or crucial goals or targets. In this way, a board not only pays attention to the most important organizational variables, but it also holds management accountable for the organization’s overall performance.

Creating an effective relationship with CEO

Another truism for boards is that their most important decision involves hiring the chief executive officer and then nurturing and monitoring the CEO’s performance on an ongoing basis. Reduced to stark terms, the board might ask itself this question at each meeting, “Do we continue with this CEO, or do we begin the search for the next one?” While this question dramatically overstates the principle, the core idea is important. A major function of every board is to develop and sustain a working relationship with the CEO. A top-flight board and CEO have an excellent relationship that is characterized by trust, shared expectations, and mutual accountability.

Reflecting on ways to serve effectively as fiduciary agents is one way for board members to assess their own role and work. MHS Alliance also provides without charge to member organizations a broader board self-assessment tool. Please be in touch with our office for further details: 1-800-611-4007 or info@mhsonline.org.

In upcoming issues of *Board Works* we will explore the strategic and generative work of boards.

Questions for thought and action

1. How would you rate the relative strength of your board in these five categories of fiduciary work?
2. What are some practical ways members of your board can “stay in touch” with the organization’s supporting constituencies? What methods of communicating seem to work especially well? What are some pitfalls to avoid?
3. When was the last time you did a thorough board assessment and seriously considered ways in which you could strengthen governance performance?
4. How recently have you done a good CEO appraisal and engaged the CEO in focused conversation about expectations?
5. What connections do you see between your board’s fiduciary oversight of the organization and the Mennonite/Anabaptist emphasis on “living as Jesus taught?”

Our Vision

To be a community of vibrant Anabaptist health and human service ministries committed to God’s work of healing and hope in Jesus Christ.

Our Mission

MHS Alliance strengthens and extends Anabaptist health and human service ministries in faithfully and effectively fulfilling their missions.

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For further information or to suggest topics for future issues of Board Works, please contact MHS Alliance at Emily@mhsonline.org.