Rating Your Board on Governance Best Practices

Overview

How would you rate the quality of your board? Top-notch governance is an indispensable ingredient in the recipe to make the entire organization successful. Other factors may contribute — some even markedly — but consistent success is possible only when a board is firing on all cylinders.

Comfortable contentment can become a hidden risk for any organization. What does it mean to do your job as a board member? The answer begins with three core fiduciary duties:

- **Duty of care:** Exercising reasonable due diligence, prudent judgment, thoughtful prudence and oversight of operations.
- **Duty of loyalty:** Putting the good of the organization first, ahead of any personal or other consideration, and having systems to avoid conflicts of interest.
- **Duty to purpose (obedience):** Sticking to the mission, complying with the law, and avoiding decisions that could endanger reputation or run afoul of regulators.

Doing your duty is not just about success; it is also about actively engaging in practices that promote good governance. Take this quiz to review and reflect on how your board compares with governance best practices.

Adapted from "Becoming a First-Rate Board," by Paul J. Taylor (*Trustee Insights,* May 2019).

Quiz: How Does Your Board Rate?

Twelve questions about best practices

	Yes	No
1. Does your board have a system for determining if resources are effectively advancing mission?		
2. Does your board have a governance committee that reviews best practices and recommends improvements?		
3. Does your board use an annual board self-assessment survey to build on governance strengths and address weaknesses?		
4. Does your board annually review the mission and vision statements?		
5. Does your board engage an annual external financial audit, and does the full board meet with the auditor and review/act on audit results?		
6. Do you have a CEO succession plan?		
7. Do board members have term limits that are enforced?		
8. Does the board have a system for determining talent priorities for upcoming board member openings, and are all trustees involved in suggesting potential trustee nominees?		
9. Does the annual budget routinely recommend a positive operating margin (excess revenue over expenses)?		
10. Does the board monitor the organization's "viability ratio," comparing expendable net assets to long-term debt, or other financial ratios?		
11. Does the board approve annual goals for your CEO separate from those for the organization, and is your CEO's salary compared to others regionally and increased based on performance?		
12. Do all board members contribute financially to fund-raising or regularly participate in development events and activities?		

If you checked "No"

6 or more times	Alarms should be going off. Reviewing governance structure and performance should be a priority.
4-5 times	Scrape off the rust. It must be everywhere. The board is at risk and needs to adopt best practices systematically.
2-3 times	Keep asking what works, what doesn't, and how trustees feel the board could be even more effective.
0-1 times	Congratulations, but avoid complacency. Annual checkups will keep governance on track.