



COUNSEL & CAPITAL

Transforming "the matter of giving and receiving"

EXECUTIVE SUMMARY

Principled Governance

Definitions

Governance

The performance, function, or exercise of moral authority, direction, or control over an institution.

Principled

Based on comprehensive, deeply rooted, and intentional assumptions, ideals or standards of conduct.

Board governance matters! It should be intentional, not accidental. It should be purposeful, not passive. It should be strategic, not reactionary. It should be meaningful, not ritualistic. Good governance of Christian organizations is required to fulfill not only statutory responsibility but also divine delegation. Based on the wisdom of Scripture and boardroom experience, Counsel & Capital affirms seven foundational principles that, when applied in concert, will assure both the health and effectiveness of Christian boards of directors.

Authority - the Bible and the Board

Accepting God's wisdom

The role of the board of directors is to govern strategically by developing or approving policy, managing policy implementation and resource allocation and delegating appropriate authority to the chief executive officer. If a board fulfills this role, it will establish, maintain, and protect the integrity of the entire organization. Central to accomplishing this role, a board must understand its authority and exercise the responsibility that comes with that authority.

Authority must clearly be understood according to God's plan, in practice and in civil law. The board of a Christian nonprofit ministry is a steward representing the true owner of the resources and assets of the organization, Jesus Christ. It is axiomatic that Kingdom enterprises operate under the authority of the King. He must reign. He does so through the board, those appointed to oversee His enterprise by delegation from civil government (which finds its authority delegated by God Himself, Romans 13:1-7). In turn, the board holds the ultimate human authority and responsibility for the organization it serves.

Acting together, the board guides, directs, empowers, and restricts the organization as the agent of God and with His delegated authority.

The non-profit corporation act of a state typically describes formation requirements and procedures for a ministry. This is but a minimum. The responsibility to be exercised by the board of directors, whose purpose and mission is to serve God, answers to a higher authority.

The responsibility that comes with board service, therefore, should be taken very seriously. Board service may carry honor, but it is primarily a duty. This duty carries the responsibility that must be understood by those who serve and taught to those contemplating service. Scripture repeatedly describes the negative consequences to a people when their ultimate human authority fails to "get it right." The best assurance that human authority will get it right comes only when directors clearly understand the principle of authority and the six other governance principles that follow. Those who commit to diligently exercise these principles will bring significant benefit to the organizations they seek to serve.

The exercise of responsibility of a board under its delegated authority from God and from the state includes activities endorsed by each of the remaining principles of governance outlined below. Understanding the authority of God through His Word over the ministry will enable the board to proceed with courage in the application of these other principles.

Constructing the Board

Qualifying, training, and evaluating board members.

A board is intended to reflect the collective wisdom, experience, and gifts of its members. The decisions of a board so constituted will be far wiser and sounder. Therefore, the intentional selection and qualification of its members is a responsibility the board must continuously exercise.

Once selected, a board must ensure the succession and training of its members and regularly gauge its own effectiveness. A process of careful nomination and self-governance evaluation, both as to individuals and to the board as a whole, is the cornerstone of effective governance. The nominating function requires analyzing the needs of the board, determining director qualification, and selecting and orienting new board members. Individuals should be chosen for their personal and spiritual fitness for the task rather than for their ability to provide substantial financial support to the ministry or their social profile.

This principle is the first element in developing the community of the board, a community that can articulate good practices that seek not only to improve board function and member training but also evaluate the performance of individual directors and the entire board. Importantly, following this principle will enable the board to become a community that demonstrates deference, appreciation and love for one another.

Forging Unity

Making decisions by genuine consensus

A well-selected and qualified board will find joy and fulfillment in seeking the mind of God. Governing bodies should seek that single-mindedness - meaning *the consent of all* - in their decision making. Discovering the direction intended by the Lord for His organization is part of the exercise of the responsibility of board member service. Admittedly, genuine consensus building in board decision making is hard work, and it may be difficult to break from other traditions of decision making. However, the benefits inherent in such a commitment will far outweigh the effort and will provide powerful, long-term measures of protection for an organization.

Often a board gives little or no thought to the potential future consequences of a decision made without consensus. But genuine consensus will be more easily achieved for a board concerned with policy and strategic direction than for a board concerned with operational decisions.

A board striving to enact the principle of genuine consensus in decision making engages the second element of a rewarding governing community.

Yoking Vision with Plan

Ensuring that an inspiring and strategic vision is accompanied by a credible and measurable plan

Mission and vision statements often coordinate the passion driving a ministry. A board must exercise its responsibility of assuring that the mission and vision of the ministry are tied to realistic plans.

This responsibility also ensures the creation and articulation of an inspiring vision consistent with the purpose of the organization, confirms the development and implementation of a workable plan, and holds management accountable for the results.

- **Vision** - An inspiring vision is motivating and unifying. Unless there is a clear sense of where the ministry is going, it is extremely unlikely that it will get there. Every organization needs a written mission statement and relevant and appropriate vision statements derived from it. In addition, an organization needs to regularly articulate its purpose and goals, both inside and outside the organization. Otherwise, it is remarkably easy to become distracted by nonessentials. The board must be a partner in this process.
- **Plan** - A vision needs to be accompanied by a credible and strategic plan. This achievable plan should be sensible and simple. A plan that is clear and useful is more valuable than one that is long and complicated. Measurable goals sequenced, prioritized, and with time frames for achievement - should be a central part of any plan. Since the board has the responsibility of being the steward for the resources that God has provided, the board must ensure that the passion of the ministry is continuously linked to achievable plans.

Partnering with the CEO

Creating and sustaining a proper and supportive relationship

The exercise of the board's strategic governing authority requires that it delegate operational and administrative management to a chief executive officer (or general director or president). A board of directors assumes three critical responsibilities relating to the CEO:

- **Hire** - The first responsibility is hiring the organization's CEO. The CEO is the most influential person in an organization. The board should establish clear qualifications and written expectations for the person sought.
- **Support and Evaluate** - The second responsibility to the CEO is establishing written, objective, pre-agreed, measurable standards for acceptable performance and then conducting an annual evaluation of the CEO. Further, the board should support its CEO with prayer, counsel, encouragement, quality time, and ensure, if appropriate, that his personal gifts are fully complemented by staff. It is the primary role of the chairman of the board to be the board's principle point of contact with the CEO.
- **Dismiss (when necessary)** - Finally, if the support and evaluation responsibilities are done well, any necessary change in leadership will be neither surprising nor traumatic to individuals or the organization.

Cultivating Transparency

Continually furthering complete and accurate representations and impressions

A ministry board which understands its authority, intentionally selects and qualifies its members, is united in its decisions, assured that its God-given vision is linked to measurable plans, and in full supportive partnership with its CEO will cherish the opportunity to be open and honest.

Transparency means cultivating an environment of honest, open communication within an organization. It is vital to its health. A board and all its committees should model openness and transparency, with prompt and full disclosure - whether to the full board, the board's delegate (the CEO), financial supporters, other members of the organization, or the general public. This commitment should manifest itself in the policies of the organization as well as in its core values. A commitment to transparency will also help ensure that deliberations and actions in the boardroom are not dishonoring to God. Furthermore, by avoiding "secret" deliberations or decision making, the board will minimize gossip and backbiting within the ministry.

In addition to fostering a culture of trust and respect, prompt disclosure and openness allows for the merits of important decisions to be clearly communicated. Failure to practice timely disclosure increases the chance that others may focus on the organization's perceived "cover-up," which may become the issue rather than the merits of important decisions. Transparency and openness should not be taken to mean

blunt or tactless discussions or procedures. Rather, these important characteristics should be exhibited by honest and relevant communication.

Striving for a culture of transparency is not only a principle of governance but also it is an effective check and balance to the exercise of each of the responsibilities of the board.

Monitoring Reality

Requiring periodic and independent audits

In support of the CEO, the board must have regular means and methods of monitoring the reality of the ministry. Regular audits and evaluations should be conducted to assess how a ministry is performing and whether it is fulfilling expectations to donors, beneficiaries, and the general public.

Following this principle provides the vehicle through which the board can encourage the ministry to be totally transparent with itself, its donors and the general public. It is through this principle that confidence in the ministry's practices, procedures, means, methods, and outcomes is achieved.

- **Financial audit** - Should be done annually by a reputable certified public accountant, according to generally accepted accounting principles consistently applied.
- **Legal audit** - Should be done at three to five-year intervals to assess governmental compliance, bylaws, articles of incorporation, and risk-management issues.
- **Operational audit** - Should be done every three to five years to assess efficiencies, communications, and administrative responsibilities.

Conclusion

Governing an organization that is committed to the cause of Christ is an enormous responsibility. By committing to sound principles of governance, ministries will go a long way to faithfully carrying out their responsibility for protecting the integrity of the mission God has entrusted to them. The steward honors his King by his faithful stewardship.

Duty is ours, consequences are God's.

~Stonewall Jackson

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