Lay Leadership Guide:
Best Practices for Board Members of Israel's Civil Societal Organizations
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The Penni and Stephen Weinberg Center for Lay Leadership in Israel

Lay Leadership Guide:
Best Practices for Board Members of Israel’s Civil Societal Organizations

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Best Practices for Lay Leadership in Israel’s Civil Societal Organizations

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FOREWORD

This guide deals with the primary role of lay leadership, i.e. building effective societal organizations that excel. Most lay leaders choose to work within the framework of an organization with the aim of creating social change. Lay leadership plays a critical role in strengthening the organizational foundations of NGOs, in building effective organizations of excellence and in guaranteeing their sustainability.

Just as is in the public and business sectors, so too in the third (non-profit) sector, it is vital for lay leaders to gain professional leadership knowledge, experience and skills that will enable them to lead organizational, systemic, and social change in Israel.

The Lay Leadership Guide presents the Israeli concept of lay leadership, as defined by the Lay Leadership Centre staff, derived from meetings of the Forum for Lay Leadership in Israeli Society, experience gained by the Center in recent years as a result of intensive work with executive boards and from the literature in this field.

The Guide contains definitions as well as the characteristics of the conceptual role of lay leadership in Israel, including both directly applicable tools, and useful information.

The Guide cannot replace private, public and current legal advice on the NGO Law. We recommend regular receipt of updated information from The Israeli Corporations Authority website concerning the regulations of proper management (.nihul takin) and, in addition, approaching the Leadership Centre in order to obtain up to date and professional advice.

The Guide can be of use to chairpeople, members of an executive board and anyone wishing to be a lay leader and to be a part of building NGOs of excellence and establishing a better society in the State of Israel.

The Guide was written in partnership with leading Israeli communal leaders including members of The Penni and Stephen Weinberg Center for Lay Leadership’s Steering Committee: Shuki Ehrlich, Ami Bergman, Moshe Weksler, Avi Zeevi, Dr. Michal Hemmo Lotem, Ofer Neeman and Shira Ruderman.

Special thanks to Penni and Stephen Weinberg whose generous contribution made it possible to fortify Lay Leadership in Israel and establish the Center for Lay Leadership in their name.
THE CENTER FOR LAY LEADERSHIP

The Penni and Stephen Weinberg Center for Lay Leadership was established in 2004 for the purpose of strengthening the foundation of voluntary activity and the spirit of democracy in civil society in the State of Israel. In order to achieve this goal, the Center is generally active in the field of lay leadership, and particularly active in working with executive boards to improve the organizational and management culture of these organizations.

The Center’s activities also include the following:

1. **An Information Center** responsible for production of publications that the Center wishes to promote as part of its activity. This manual, “**Best Practices for Leadership of Israel’s Civil Societal Organizations**”, is one of its publications. The Center’s website includes dozens of articles and management tools for lay leadership activity in Israel that apply to all areas of executive boards’ work. Reading the manual on financial management for executive boards titled “*It’s your Responsibility*” is also recommended.

2. The **Synergy** Program for the integration of executives from the business world into executive boards. Mid level business executives are integrated into executive boards and are trained, both so that they can operate in an optimal manner, and in order to improve their administrative capability. Thus a cadre of talented lay leaders is created and the organization’s leadership benefits from organizational development.

3. The **Unit for a Second Career** identifies lay leaders and trains them to serve on executive boards. Simultaneously, the Center identifies NGOs that are interested in bringing in new board members and assists them in setting up an optimal integration process.

4. **“Successful Leadership” Development** is a process tailored to each NGO and led by a consultant who specializes in the formation of executive boards. The process assists the organization’s leadership – the Chairperson, CEO, and the Executive Board - to define appropriate roles, to solidify the roles of Chairperson and CEO as the core leadership and to develop a board that will operate as a non-homogenous team committed to the organization’s vision.

5. **The Forum for Lay Leadership in Israel** organizes joint meetings for lay leaders and CEOs of NGOs in order to create a network that enables members to learn from each other and synchronize the various organizations’ activities for the purpose of creating change in civic society as a whole.

We hope that the variety of activities and programs will increase and assist civil societal organizations in general, and particularly the non-profit sector.

For all queries and to receive updates on the Center’s activities, contact The Center for Lay Leadership: www.layleadership.org.il
THE NGO LAW

The activities of NGOs and public welfare groups are regulated by the NGO Law (1980) and by the Groups Law (1999). Legally, a non-profit organization is a lawful, independent entity, distinct from its members. When an entity becomes legally established, it becomes a legal entity entitled to be involved in all manner of legal action, such as to sue and be sued. By law, the Executive Board is responsible for managing the entity and bears legal responsibility, i.e. every action of a Board member during their term in the organization is binding on the entire organization. Actions undertaken without authorization, or not in accordance with the law, personally obligate the board member who performed them. By law, every organization must have three institutions:

The General Assembly
The main duty of the General Assembly is to approve the annual financial report submitted by the Board. It has the authority to select board members, to give notification of the end of a member’s term of office and to select members to serve on the Audit Committee.

The Executive Board
The role of the Board is to manage the affairs of the NGO. It has three basic obligations: loyalty, prudence, and responsibility. The latter involves the obligation of accountability and the authority to fire the CEO, as well as obligating the Board to take on the role of salient auditor, ensuring financial management in compliance with legal standards, and being answerable to donors, employed staff, volunteers and the organization’s target population (Maoz and Lester, 2010.)

The Audit Committee or the Regulatory Body
Their mandate is to examine the organization’s financial affairs and activity and inspect the account books. Accordingly, the Committee is obligated by law to submit its recommendations regarding the financial report to the General Assembly. The Committee does not have ministerial responsibility for the NGOs activities, but is however obligated to put across its stance regarding the management of its accounts (Tsahor, 2003).
THE ROLES OF THE EXECUTIVE BOARD

The Executive Board is the body responsible for two main roles, direction and supervision. These roles generally reflect leaders’ responsibilities and particularly those of societal leaders.

The role of direction and the objectives deriving from it constitute the Board’s assumption of communal-social responsibilities i.e. taking on responsibility voluntarily and without financial compensation due to a desire to be influential and bring about improvement.  
To be influential? How? ➔ Through hands on activity within the non-profit sector.  
To bring about improvement? What improvements? ➔ Through existing solutions to societal problems and by inventing new solutions that did not previously exist.

The role of supervision and its accompanying authority is entrusted to the Board by legislature to ensure proper conduct. Under these auspices the Board is liable under the law.

Operational programs will be presented in this chapter according to the following delineation:

Direction
In order to navigate the organization’s activities towards achievement of its goal of making significant social and cultural impact, the Board’s roles operate on several substantial levels:

a) Role of the Board in Determining Vision and Strategy, and its Translation to Reality

How are an organization’s vision and strategy formulated?
Formulation of a vision is based on a process of building and consolidation within an organization. This process should include all concerned bodies: the Board, employed professional staff, volunteers and representatives of target groups and organizations with a shared vision, including external experts who can assist in consolidation of the vision.

As mentioned, the participation of all participants in the process is necessary, but it is not mandatory that they will operate simultaneously. For the sake of efficiency,
a vision can begin to be formulated in small groups and subsequently the number of those involved in the process can be increased.

The process should be managed with participants in an egalitarian manner and in adherence to the principle that decisions regarding the vision of the organization will only be ratified when all partners in the process are in agreement.

**Nine Recommended Steps for the Formulation of Organizational Vision and Strategy:**

1. **Analysis of the Gap between the Current and Desired Reality:** Definition of the current situation, as it exists today, and identification of all areas in which action is needed to initiate change.

2. **Mapping Assets and Capabilities:** A thorough review of all resources that the organization has at its disposal, e.g. positioning, expertise and human capital, with analysis of the pros and cons of these resources.

3. **Mapping External Bodies:** Analysis of the “market place” in which the organization operates in the process of which each body’s areas of activity will be identified, and their advantages, disadvantages and capability assessed.

4. **Definition of the Target Population:** Definition of specific target groups to whom the organization’s activity is oriented.

5. **Rethinking Influence Strategy:** Examination of the organization’s existing influence and change achievement strategy, e.g. provision of services, advocacy, encouragement of public discourse, evaluation, education and partnerships.

6. **Definition of Mid Term Strategic Goals:** Choice of a specified number of strategic goals oriented towards the implementation of the mission and vision. These goals should be measurable and their validity should be evaluated annually. The organization must focus on achievement of these goals within a specified period of time.

7. **Definition of Long Term Spheres of Influence:** Definition of the criteria by means of which organizational change will be measured. Likewise, the evaluation process methodology should be defined.

8. **Definition of the Organizational Structure Supporting Strategy:** In order to ensure actualization of the organization’s vision by means of the chosen selected strategy, the required organizational structure must be defined, e.g. defining the organization’s institutions such as: a Public Council, Board of Directors and committees.

9. **Preparation for Collaboration:** Determination of the organization’s relationship with other players in the “market place” in which it is active. To work towards actualization of the organization’s vision, it is recommended to initiate partnerships with NGOs and other organizations working in the field.
What are the Board’s tasks for formulation of Vision and Strategy?
The tasks involved in vision formulation and organizational strategy are drawn up with the participation of both the CEO and the professional management and are as follows:

1. To initiate a think tank by means of which vision and strategy will be determined and to ensure that the process is grounded in dialogue between all stakeholders.
2. To define the targets of long term influence, the standards by which change will be measured and the measurement and evaluation process methodology.
3. To assess the vision’s clarity and its accessibility to all stakeholders, both within the organization, and externally.
4. To approve an operational plan for strategy implementation while allocating an appropriate budget and drawing up organizational priorities that jibe with it.
5. To approve annual plans of operation that are adapted to the organization’s vision and organizational strategy, while setting standards that will enable assessment of the organization’s progress in strategy implementation.
6. To initiate an annual review of strategy as compared to actual accomplishments, as strategy that cannot be evaluated is clearly ineffective.

Why is translating vision into reality the Board’s responsibility?
The reality in which an organization operates is constantly changing and various forces are at work within it that affect the actualization of its vision. Sometimes, due to such changes in circumstances, the organization experiences a tension between its core values and the need to adapt priorities to changing needs, which results in difficulties in implementing decisions. In such circumstances, there is additional value in the Board turning its attention to the question of the organizations’ vision, given the challenges of the current reality.

What tasks does the Board have in dealing with the difficulties involved in actualizing the vision?

1. “Reading the Map”: The Board is expected to be able to detect significant changes occurring in the field of the organization’s operation so that it can assist the professional staff, where necessary, by assessing the situation and its implications and defining necessary changes.
2. Reevaluation: Given the difficulty involved in actualizing the vision, the Board members and employed staff must engage in updating policy. They must therefore operate as follows: Redefine the target population, reestablish the organization’s action strategy, revise the principles of economic conduct, determine significant professional processes and go back and reassemble the hierarchical organizational structure.
3. **Approval of Changes**: Board members must approve the extent of the required organizational changes and assist in comprehension of their significance.

4. **Accompanying the Process of Change Implementation**: The Board works along with the CEO and encourages the team of employees and volunteers to trust that they are able to enact the necessary changes.

5. **Audit**: The Board members must take an active part in a systematic auditing of the change process, while learning about changing needs.

b) **Resource Development and Fundraising to Ensure the Organization’s Sustainability**

**Development and Fundraising**

Development and fundraising is the general title for a variety of activities enacted by employees and volunteers in order to raise funds or other resources for the organization’s activities. Board members’ involvement in development and fundraising is an expression of their commitment to the organization and its vision.

**What are the Board’s tasks for development and fundraising?**

1. To accompany the process of the creation of a fundraising plan and supervision of its execution. This plan should include delineation of the various sources to be mobilized and recruitment strategies unique to each source. Development of a wide range of income sources for an organization is recommended in order to increase fundraising potential, e.g. the organization’s independent revenue from the sale of services and products, funding from governmental sources and local authorities, raising funds from corporate sponsorship, campaigns to raise funds from the general public, fundraising from philanthropic foundations both in Israel and abroad, from board members, from individual volunteers and from close friends and family. In addition, volunteer activity should be encouraged.

2. To take an active role in fundraising through social networking and by initiating fundraising processes such as setting up meetings with both private and corporate donors and representatives of philanthropic foundations, or by organizing conferences or professional and social events.

3. To make a personal financial contribution to the organization, as is customary abroad, or to make a donation through the entity they represent.

4. To be inhibitive regarding the financial risk management of the organization.

5. To develop fundraising for the organization’s management, i.e. for overhead
expenses. These funds will make it easier for the organization to survive both in the short and long term.

c) Representation of the Organization

What are the Board’s tasks regarding representation?
1. To represent the organization in the media, among donors and among stakeholders.
2. To brand the organization according to its mission and vision, and the marketing plan derived from them.
3. To map out the marketing goals of the organization, the target audiences, and methods of approaching them.
4. To expand the organization’s community — its clients, volunteers and partners — and promote the commitment of the community to the organization.
5. To implement the principle of representation by electing new board members whilst ensuring that the existing board is composed of a non-homogeneous group of individuals made up of those who represent the interests of the consumer audience and those who fill professional roles.
6. To ensure that a candidate for the position of the new CEO is capable of representing the organization to varied audiences.

Auditing

d) Auditing, Finance Management and Transparency

As mentioned above, board members are responsible by law for the process of auditing the organization’s operation. In Israel, as in other countries, the field of ethics in the non-profit sector has developed in recent years as an essential organizational component that ensures proper organizational management, and as an infrastructure for orderly organizational management and auditing. The professional literature recommends that organizations formulate a code of ethics, that they review the organization’s ethical code annually and to have it signed by each board member on beginning their tenure. The board’s role in the auditing process, financial management and transparency is delineated below.

What mechanisms enable the audit and review?

1. The Organization’s Budget: This is a management tool that details the estimated revenue and expenses of the organization over a designated period
of time. The budget is adjusted in line with the organization’s objectives and
directs its activity in accordance with the annual plan of operation.

2. **The Finance Committee**: This is run by board members and is not mandatory
by law and therefore only exists in some organizations. However it has a
fundamental role in all matters regarding the audit of organizational operation.
The committee analyzes the use of the organization’s budget in depth and
presents the organization’s financial status to members of the entire Executive
Board.

3. **Budget and Planning Utilization Report Compared to Implementation of the
   Plan of Operation**: It is the CEO’s responsibility to present the report to the
   Board several times a year.

4. **The Audit Committee**: This is a vital entity in the organization that operates
   under the NGO Law. It serves as a tool for auditing operational procedures and
deals with the auditing of the organization’s financial status, and examination
   of its accounts. Committee members are chosen from members present at the
   organization’s General Assembly and they report their findings to it.

5. **Internal Auditor**: An internal auditor is not required by law and cannot replace
   the Audit Committee. An internal auditor acts on behalf of a CEO and Board
   that are interested in ensuring that their organization is properly managed and
   meeting established objectives.

What is the optimal process for management, review and auditing of an
organization’s activities?

1. The organization’s CEO and staff of employees prepare the budget in
   accordance with the operational plan and bring it to the Board for approval
   before the start of the operational year.

2. The Board is required to discuss budget items, express its opinion and bear
   responsibility for every decision made. For effective debate on the budget, it is
   necessary to ensure the following:
   - A report on execution of the plan of operation and the budget must be
     presented to the Board each quarter.
   - Where necessary, the budget should be updated every quarter in
     accordance with the data presented to the Board.
   - Towards the end of the year a report summarizing the previous year’s
     budget utilization should be submitted to the Board.
   - Each year the Board should submit an official report on the organization’s
     financial status to the General Assembly and the Registrar of NGOs.

3. Where necessary the Board should demand and receive in depth analysis and

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What are the Board’s tasks in the auditing and review process?

1. To meet between six and eight times a year to receive reports on implementation of the operational plan and the status of the budget.

2. The Board is accountable for the following:
   - Allocation of resources
   - Approval of the annual budget prior to the start of the year’s activity
   - Auditing financial reports, approving them and presenting them to the General Assembly
   - Compliance with the law regarding employer obligations and payment of taxes.

3. Organization of field trips and visits to sites of the organization’s activity is recommended, as well as becoming acquainted with the employed staff and volunteers, so as to be able to get a direct and up close sense of activity in the field.

4. To advise and assist the CEO in solving budgetary problems.
THE CHAIRPERSON AND THE CEO’S WORKING RELATIONSHIP

The relationship between the Chairperson of the Board and the Chief Executive Officer (CEO) and their interaction is critical from many perspectives when they work to actualize the organization’s objectives. Organizational effectiveness and professional interactions are often influenced by the Chairperson and CEO’s personal relationship. These officials are the key figures of the organization and in order to perform to the best of their ability they have to get acquainted with and come to know each other and generally support each other, recognize each other’s strengths and weaknesses, their optimal working environment, preferred management style and each other’s driving forces.

Ten ways in which a strong board helps a CEO and an organization to succeed:

1. **Available Consultancy:** A group of lay leaders committed to the organization’s vision stands alongside the CEO.
2. **Joint Leverage and Responsibility:** The organization’s vision and objectives are driven by two teams with differently characterized positions and tasks. Both operate in synergy towards the organization’s goals.
3. **Mutual Back Up:** The Board provides an audit network for the proper management of the budget and the entire organization.
4. **Personal Mentoring:** A variety of experienced and expert resources are available to the CEO and his or her professional management staff.
5. **Checking Perspective:** The Board generates various points of view. This is a significant resource for thinking ‘out of the box’.
6. **“Noah’s Ark” of Concepts:** Together board members provide expertise in a variety of fields, complementing the capability of the professional staff.
7. **“Opening Doors”:** Through their personal connections and reputation, board members help to create partnerships with external parties.
8. **Fundraising:** The Board’s role is to ensure the long term financial sustainability of the organization and therefore it is obligated to formulate policy for fundraising and creating new opportunities, etc. When necessary, board members may even take direct responsibility for implementing the approved policy.
9. **An Independent and Innovative Team:** A strong board motivates and nourishes itself. This is expressed when each board member assumes personal responsibility to contribute and to be of relevant value to the organization.
10. **Sustainability and Continuity:** A CEO who leaves an organization and goes on to another social initiative will appreciate having the board maintain the organization’s achievements and its continuity, especially if s/he was the individual who founded the organization.

True partnership can be expressed by a CEO in the following ways: by sharing real life dilemmas with the organization’s leaders, providing significant background material that enables in depth discussion and by expressing clear willingness to adopt new ideas and methods.

True partnership can be expressed by the Board through openness and willingness to be recruited for new tasks and creation of an appropriate setting, and through the unique contribution of each member, based on their own unique abilities and the assets they bring to the table.

**To realize this partnership, the following steps are recommended:**

1. The Board Chairperson and the CEO should meet on a regular basis.
2. Regular board meetings should be held.
3. Joint decisions should be made by the Chairperson and the CEO on topics discussed at board meetings.
4. Creation of an annual plan of operation for board activity that includes elements of team development and a culture of co-operation, such as training in the areas of resource development and public relations, professional tours, structured meetings with the professional management, etc.
5. Assigning a unique and essential role to each board member, such as forming a sub-committee that will coordinate a specific area, supervision of an organizational process, personal mentoring of a manager within the organization, etc.
6. Conducting a self evaluation of the Board regarding the level of effectiveness of both the Board and the organization’s activity.
7. The Chairperson should give a personal evaluation and feedback session to the CEO once a year.
THE ONGOING ACTIVITY AND CONDUCT OF THE BOARD

a) Board Members’ Conduct

Most of the Board’s activity is carried out during board meetings, mainly as teamwork. Board members must work together to create a productive dynamic. Ineffective board meetings are damaging as work is not done properly and because they may frustrate the very board members who are the most dedicated, who may even decide to leave the organization for this reason. Therefore it is important to dedicate time and thought to planning board meetings in advance, as well as to providing an accurate summary of each meeting and of the decisions made during it.

To plan an effective meeting the following factors should be taken into account:

1. **Time and Place of the Meeting:** Board meetings should be held at regular intervals with advance notice. Paying attention to the frequency of board meetings is worthwhile. On the one hand, boards that rarely meet tend to be of little influence and little supervisory capability. In contrast, boards that meet too often may be tempted to micro manage the organization. Six to ten board meetings a year is preferable. It is worthwhile to begin the meeting as an informal gathering, allocating a specific time period for encouragement of interpersonal communication between board members without affecting the meeting’s procedure once it begins.

2. **The Agenda:** A detailed agenda, prepared and sent in advance to participants, enables them to arrive more prepared and focused. A meeting during which participants are required to make decisions differs in procedure and required atmosphere from a meeting dealing with generating ideas. A time limit should be set for each item on the meeting’s agenda, along with details of the topics, specifying the time allocated to each of them and who will be presenting them. It is important to specify the purpose of the discussion, e.g. deciding on new operational activity or additional tasks. The participants should be allowed to add new topics to the agenda, as long as they give notice of their intention to do so in advance, and participants should also be allowed to suggest omitting topics that do not seem relevant to them. The meeting’s agenda should also include a report on the implementation of decisions made in previous meetings. It is recommended that the board members who undertook responsibility for the implementation of these decisions should present the topic and progress
made. The agenda should also include relevant reference material such as financial reports, material published in the media about the organization, etc.

3. **Decision Making**: There should be an agreed upon procedure for decision making as dissent may make decision making impossible. This procedure may vary from one organization to another. In some organizations a majority decision is required while other organizations aim to achieve unanimous agreement of the Board. Once a decision is made, the entire Board must support it. Board members must speak with one voice even if they did not initially agree with the decision.

4. **Minutes of the Meeting**: The meeting’s minutes will be sent to each board member. Minutes should include decisions passed, and clear, practical instructions for operation, indicating who is responsible for implementing the activity and its termination date.

b) **The Board Chairperson’s Role**

The NGO Law does not cover this role as in the eyes of the law all board members share responsibility for managing the organization’s affairs. However it is recommended that the board have a Chairperson who can lead the organization alongside the CEO. The role of the Chairperson and the manner of his/her election, as well as his duties and authority, should be specified.

The Chairperson of the Board should supervise the organization’s ongoing activities and receive regular reports on them. S/he should be in constant contact with the CEO. It is important that s/he and the CEO have an appropriate and pleasant working relationship.

These duties empower the Chairperson with the responsibility of evaluating the performance of the organization’s CEO.

c) **Committee Work**

The Board may form various committees to deal with issues that require specialization. The role of these committees is to facilitate the Board’s activities in the following ways: by seeking out and finding relevant information, submitting proposals for consideration and raising alternative options.

There should not be a large number of members in each committee so as to enable them to operate effectively. Formation of a committee requires definition of its
authority and its areas of activity. The committee’s operation and relationship with the Board must be determined in advance with sub-regulations applying to all committees.

There are two kinds of committees:
Permanent Committees that are an integral part of the organization in the long run. Ad-hoc Committees designed to handle transient tasks.

There are a number of important roles in each committee, as detailed below:
The Committee Chairperson is the key figure. His/her election must be well considered as s/he will influence the nature and effectiveness of the Committee.

Liaisons, whose role is to create connections between the employed staff and the committee and to facilitate their work together. This role can be filled by the committee’s secretary since s/he also handles organizational affairs (Limor 190-193), is a member of the employee staff and is of great value to the committee, being familiar with the day to day affairs of the organization.

Volunteers who are not board members can be included in the committee according to their expertise in the field required by the committee.

Permanent Committees in all Organizations:
The Resource Development (or Fundraising) Committee supervises all affairs involved in fundraising for the organization, including board members’ activity in this field.

The Finance Committee analyses the organization’s budget and determines its compatibility with the Board’s established priorities. If the organization has a treasurer he must serve as a committee member or as its chairperson. It is essential that committee members work closely with the CEO and the employee staff to prepare the organization’s financial reports, so as to track the economic priorities set by the Committee (id=67).

The New Members Recruitment Committee is responsible for the board’s affairs, especially in the area of recruiting new members to the Board, and their training. The committee should examine the board’s composition and determine how to strengthen it. It should meet potential board members and recommend new candidates for the board. Once new board members are elected, it is the committee’s responsibility to train them, as well as training all board members (id.).
The Human Resources Committee facilitates all areas of the organization’s ongoing work and therefore is entrusted with assisting and advising the CEO on recruiting new personnel and on defining the areas of responsibility of each position in the organization.

d) Board Members’ Length of Tenure
Determining tenure length and adhering to it is a key factor in proper management, organizational longevity, revitalization and rejuvenation. (Limor, Chapter 3). One term is usually a period of between two and four years, limited to two sequential terms of office, with the possibility of re-election for an additional, third and final term by a special majority vote.
The most valuable strategic asset of any organization is its human resources. The chairperson, board members and team of employees bring diverse knowledge, expertise, experience and good will to the organization. Together they channel all their strength into actualization of the organization’s vision.

What are the advantages of a diverse Board?

1. **Different Perspectives:** A varied composition of personnel can prevent “group thinking” that prevents board members from offering viewpoints that oppose majority opinion in order to avoid confrontation. This theory gained validity in a study of the size of executive boards in 150 philanthropic foundations that invested their capital with Bernard Madoff.

2. **Creativity and Ingenuity:** A Board composed of members of different backgrounds can offer more complex analysis of a situation and encourages re-examination of the organization’s fundamental principles.

3. **Promotion of Fair Practice and Equality** - Diversity of a board promotes these values, reflects the organization’s commitment to them and is a clear expression to the community served by the organization that the organization seeks to represent the interests of the members of that community.

4. **Resource Development (Fundraising):** Donors and government ministries tend to require diversity as a precondition for partnership and contributions. Thus the diversity of a board may attract many more contributions and can better represent the organization.

**b) Specific Roles**

It is important to assist each board member in finding their own unique way of significantly contributing to the organization’s success. A “tailored suit” could include:

1. Personal mentoring for members of the professional management.
2. Guidance of a specific activity or project, including assistance in planning and providing responses to current dilemmas.
3. Development and collection of data for a new initiative in order to measure the organization’s influence, or that of its new services.
4. Consultation and guidance, or media exposure of the organization’s activities.
5. Consultation and “door opening” for organizational resource development.
6. Initiation of any other role in coordination with the Chairperson and CEO.

c) Integrating New Board Members

When seeking new board members, the criteria that the Board needs should preferably first be defined, and only then suitable candidates identified. On meeting a potential candidate s/he should be given the organization’s portfolio that should include information sheets, the operational plan, budget and balance. Other board member’s profiles and any other document that are important for the candidate to be familiar with can be added. Providing this portfolio demonstrates the Board’s serious intent and transparency of conduct. A meeting with a candidate should be run by the Chairperson or the Board; the CEO need not be present. The Board’s organizational culture should be presented at this meeting and the number of hours of volunteer work expected from a board member, as well as in which fields, should be defined.

The "1-3-2 formula" below can assist with the integration of a new board member:

* 1 year: Integration through a trial year of becoming familiar with the Board.
* 3 years: With demonstrated success, tenure can be extended for an additional three years.
* 2 Years: With a continued successful relationship, an extension of two additional years can be added.
* Total tenure = 6 years

The 1-3-2 formula offers two advantages: It makes it easier to engage a lay leader who may be afraid to commit themselves for four entire years, and it facilitates parting from a board member after the trial year if they do not participate in meetings, or are not productive.

d) Parting from a Board Member

Parting from a board member is a loaded issue that should be managed with sensitivity and an emphasis on the following factors:

1. **The manner in which a board member ends his tenure** will greatly affect his attitude toward and relationship to volunteering in general, and particularly to volunteering on a board. A departure not handled meticulously can obscure a fruitful and professional term of office. The nature of the process of departure may influence a lay leader’s choice to return and volunteer again in the future.
The departure process should include three main components: appreciation, reflection, and recognition.

2. **The outgoing board member should be thanked for their contribution.**

3. **Contact should be maintained with emeritus board members.** The retirement of a board member holds significance that stretches beyond the organization’s inner circle, where s/he has served as a decision maker, to the arena beyond the organization. Even though their tenure has ended, in a sense a former board member will often be identified by colleagues with the organization s/he used to serve. As such, s/he is considered an informal representative of the organization. Contact should be maintained, e.g. notification of fundraising events, etc.
EVALUATING EFFECTIVENESS

a) Why evaluate the Board’s performance?

Self evaluation of board performance is another stage in an organization’s professionalization and in making it more focused in formulation of its vision. Evaluation principally includes a social element, as it involves people, as well as a political element, since it involves control of information, and only a small part of it is technical.

Why is it important that the Board undergo a process of self-evaluation?

Board members are busy people. To ensure that their contribution is indeed significant to the organization, it is important to assess whether their time was used efficiently and effectively. Moreover, the self-evaluation process reminds board members of their roles and responsibilities.

b) What should be evaluated?

Board members’ work in each defined area of the board’s activity and responsibility should be evaluated, namely:

1. **Organizational Culture:** Organizational culture becomes evident in the board’s methods of operation and management. This is the easiest and clearest area to evaluate. Thus, for example, one might ask:
   - How many times a year does the board meet?
   - In what manner or style are board meetings led?
   - Do board members receive relevant information in advance so as to make decisions in the proper manner?
   - Are there any committees? To what degree are they active, and what is the extent of their involvement?

2. **Strategy and Policy:** Since the board’s role is to lead and direct the organization, the extent to which board members are aware of both the organization’s activities, its methods of implementing strategic decisions, the NGO Law and the organization’s constitution should be assessed. Thus, for example, one might ask:
   - Are board members familiar with the organization’s projects and services?
• Does the board approve the plans of operation?
• How does the board go about the approval process?

3. Evaluation and Audit: This area assesses the board’s practical involvement in the organization’s evaluation and audit processes. Evaluation is a process undertaken for the purpose of learning and improvement. For evaluation purposes one might ask:
• Do board members have access to data on the results of the organization’s activities?
• Do board members know where the organization has been successful regarding creating change within its target audience?
• Are board members involved in defining measures of success for the organization’s strategies?
• In which inspection process do they examine whether stated goals have been actually carried out? Thus for example, for audit purposes, one might ask if board members receive details during the year on planning versus implementation with regard to the organization’s budget status, or whether the past year’s balance corresponds with the budget submitted to the board for approval for that year.

4. Representation: Assessment of if and how board members represent the organization, in what way the board plays a part in representing it, to what extent board members participate in the organization’s various events or whether the board’s representation is noticeable to the various stakeholders, e.g. potential donors, government agencies and authorities.

5. Sustainability: In this area, evaluation clarifies the board’s role in ensuring the organization’s sustainability and how it operates, e.g. to what extent is the board systematically involved in the organization’s fundraising plan of operation.

c) Implications of the Evaluation

Each board member should review the conclusions and set personal goals for where they would like to improve their performance and become more effective. The Chairperson should lead this discussion and, together with the entire board, should define objectives for improvement of the board’s performance so as to be more effective.

The objectives should meet the requirements of each one of the areas listed above and may include the following:
1. Board members should be provided with new theoretical information, e.g. information on the organization’s activities, new laws and regulations and administrative developments.

2. Board members should be taught new skills, e.g. dealing with media interviews and fundraising meetings.

3. Improvement of the organizational culture’s effectiveness by actualizing new concepts and by clarification of disputes between board members and the CEO or employee staff or financial bodies.

4. Improvement of the organization’s sustainability and representation by identifying and defining new and desirable areas of activity via market analysis or partnership with collaborative organizations.

5. Identification of new board members and development of continuing leadership for the organization that is capable of meeting the organization’s future needs. Sometimes the departure of senior board members, including the Chairperson, should be initiated and a new lay leadership brought in that has expertise in specific content areas or that bears the professionalism required by the Board, and new forces of leadership should be taken in.

The evaluation of the board’s performance should preferably take place at the beginning and end of the year so that there will be annual developmental observation throughout each year.
1 - The CEO and the Chairperson direct the organization. The Chairperson leads the Board and the CEO directs the organization’s employees.

2 - The CEO and the Chairperson are obligated to develop productive dialogue between the lay leadership and the professional leadership. To do so, it is necessary to establish organizational structures such as joint meetings to meet and get to know each other, discussion of central issues that require stance formulation and touch on vision, organizational objectives, changes in the market place, etc.

3 - The Board discusses the operational program in depth, contributing its experience and knowledge to advance the program. It is involved in the assessment of constraints, limitations, difficulties and opportunities, and provides support to the professional staff in advancing the program.

4 - The Board’s work as a team is led by board members who, as individuals, exude flexibility and dynamism in their personal involvement in practical activity in the field.

5 - Flexible boundaries enable dialogue and change. Involvement in matters is determined according to subject and need.
MANAGING FINANCIAL RISKS AT NGOs

The Board’s Role in Prevention and Management

A crisis is a situation in which significant operational difficulties exist that threaten an organization’s continued activity. Crises can arise as a result of economic circumstances, human resource matters and issues related to the organization’s reputation, among others.

When a crisis arises in an NPO, the question of “Where was the Board?” is often raised.

The following principle stands behind this and other questions: The role of auditor and the authority that accompanies it are given to the Board by the legislator to ensure proper conduct. In this sense the Board is legally liable. This section suggests “Best Practice” to the Board for the prevention and management of financial crises in an NPO.

Figure 1: The Board’s role at the various stages of organizational crisis:

<table>
<thead>
<tr>
<th>EMERGENCY</th>
<th>STABILITY</th>
<th>RETURN TO ROUTINE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NPO</strong></td>
<td>Investigation of the root cause of the crisis and choice of a plan of action:</td>
<td>• Planning for risk management: Summarization of the crisis and identification of the factors and bodies that are within the organization’s sphere of influence</td>
</tr>
<tr>
<td></td>
<td>• Sustainability plan</td>
<td>• Establishment of procedures and standards of conduct</td>
</tr>
<tr>
<td></td>
<td>• Merger</td>
<td>• Implementation of standards</td>
</tr>
<tr>
<td></td>
<td>• Liquidation</td>
<td></td>
</tr>
<tr>
<td><strong>Board</strong></td>
<td>• Full transparency of conduct</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Participation of all Board members and professional staff in handling the crisis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Possibility of resignation of Board members due to fear of personal liability</td>
<td></td>
</tr>
<tr>
<td><strong>Board &amp; CEO</strong></td>
<td>• Recruiting the unique abilities and strengths of each Board member in financial conduct and fundraising</td>
<td>• Establishing mechanisms (committees) for the Board for support of the solidity of the organisation</td>
</tr>
<tr>
<td></td>
<td>• Escorting the organization’s management in executing the chosen plan of action</td>
<td>• Refreshing ‘Best Practice’</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Examination of the make up of the Board</td>
</tr>
</tbody>
</table>

| Board & CEO                                     | Providing the CEO with management tools for handling the crisis | • Continued guidance from a distance in accordance with ‘Best Practice’ |
|                                                |                                                                 |                                                                                  |
|                                                | Back up and guidance/Focused and meticulous mentoring |                                                                                  |
|                                                | Possibility of resignation/departure              |                                                                                  |
How to Avoid a Crisis?
1. Familiarity with funding sources and recognition and understanding of their characteristics enable Board members to anticipate drift toward change and instability.
2. Guarantee financial reserves for times of crisis and strictly curb expenses that exhaust existing resources in their entirety.
3. Rank organizational activity according to funding surety, upon which resource development activity will be based.
4. Perpetual reevaluation and critique of the organization’s goals and vision, as well as its resources and tools for their implementation. Environmental changes, for example, can shed new light on target groups’ needs and/or necessary change processes.
5. Identification and mapping of all existing risk factors and taking action to mitigate them.
6. Prior preparation and a contingency plan for emergencies
   a. Working with the CEO to strategize, plan and prepare the organization for times of budgetary emergency.
   b. It is important that the Board review sources of finance, looking forward long term, several years ahead, and that they anticipate fluctuations that may affect the organization.
7. “Whistle blowing” is an extreme but necessary move in a situation involving severe deterioration and requires external intervention of funders and/or supervision.

Options for Action during Organizational Financial Crisis
1. Building a Sustainability Plan by redefining the principles of financial management, including examination of the organizational structure, the level of expenditure and independent sources of income. In addition, support is necessary of the infrastructure that fortifies the philanthropic network as well as consolidation of an accelerated plan to develop resources and create a new philanthropic network that is powerful and effective.
2. Merger with another NPO as a strategic move and not necessarily as a last resort when an organization finds itself in existential crisis. A successful merger can significantly increase an organization’s resources and increase its impact.
3. Orderly liquidation of the NPO

The Leadership Role of the Board in a Crisis Period
1. Team to escort the CEO: It is recommended that the Board appoint a sub committee to escort the CEO through the crisis period. If necessary, it may be advisable to turn to and hire an external professional body as the Board’s representative, to guide the CEO.
2. **Reappraisal**: Update policy and redefine the target audience and the organization’s operations. Accordingly, set measurable goals. Sometimes reappraisal leads to a need for change in organizational structure.

3. **Ratification of Change**: The Board is the body that is expected to ratify the extent of organizational change required and to assist in comprehension of its implications.

4. **Escorting the process of implementing change**: The Board escorts the CEO, the employees and volunteers in implementing change. It is incumbent on the Board to convey confidence in the organization’s ability to bring about the necessary changes.

5. **Systematic audit** of the change process whilst acquiring an understanding of the fluctuating needs.

**Summary of the Crisis**

Following implementation of organizational changes and stabilization of the organization it is vital to write up an orderly summary of the crisis that includes:

1. An examination of the circumstances surrounding the crisis: This component includes looking at both external and intra-organizational factors as well as attributes of the management and board.
2. Cultivation of lucrative services and diverse sources of income that will reduce the effect of internal or external crisis causing factors.
3. Establishment of procedures and standards for early identification of crisis causing factors and methodology for monitoring to ensure their implementation and integration.

**The Board during an Organization’s Period of Crisis**

The Board also responds internally to crises in an organization. Most often this is a period which highlights the strengths as well as the weaknesses of the board as a work team. Financial and other crises often lead to board members resigning due to fear of personal liability, dissonance with the path chosen by the organizational leadership for handling the crisis, a lack of personal ability to support change etc.

**The Chairperson as Standard Setter**: It is advisable that the chairperson lead by personal example regarding his or her involvement as a donor and fund raiser for the NPO. The chairperson’s leadership and conduct sets the norms by which the rest of the Board members conduct themselves.

In summary, financial crises are an inevitable part of the life cycle of an NPO. Moreover, an organization that does not “re-invent” itself periodically may lose its relevance. Board members are therefore the organization’s leadership, committed to reconsidering vision, goals and modes of operation. As an organizational unit, the Board is required to guarantee the organization’s modes of activity, its ability
to regenerate and even to refresh its composition and to be an actual part of the process of organizational renewal and ensuring the stability of the NPO.

Article on this subject courtesy of BDO Ziv Haft Accountancy: http://www.bdo.co.il/?CategoryID=263&ArticleID=2345

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SUMMARY

The field of lay leadership in Israel has developed at an accelerated pace in recent years with the rise of the civil participation in the communal sector. Consequently, a great deal of knowledge has been accumulated over the years on boards’ work. “that has been handed down as an “oral doctrine.”

This Guide is a unique attempt to provide a coherent and organized address for lay leadership in civil societal organizations in Israel.

This Guide seeks to provide the reader with methodology, tools and useful information to assist in the course of their lay leadership activity.

This Guide serves as an invitation to become involved in the continued development of lay leadership doctrine in Israel.
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