



THE BOARD'S ROLE IN HUMAN RESOURCE MANAGEMENT

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201
KEY
ISSUES

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When determining the role of the board of directors in matters relating to human resources, it is critical to recognize and respect the difference between governance and management. This seemingly innocuous difference is often sticky for nonprofit organizations both large and small. Questions we often encounter include, should the board approve all salaries, or just that of the chief executive? Should a board member be permitted to give feedback to the chief executive about a subordinate's performance? If a staff member has a grievance, should he go to the board? How can the board's finance committee be helpful in hiring a director of finance without usurping the hiring responsibilities of the executive staff? This white paper provides insight into best practices for boards when it comes to matters of human resources.

Put simply, the chief executive has primary responsibility for hiring and managing the staff, while the board's role should be focused on governing the organization. The challenge is creating an environment in which the board feels confident that it has a sufficiently meaningful role in driving an organization's mission forward without interfering with the staff's ability to manage day-to-day affairs.

Functional Areas

The board has human resources responsibilities to the organization in six main areas: hiring, workplace policies, compensation, evaluation, grievances/whistleblowing, and layoffs.



Hiring

A key responsibility of the board is to oversee the hiring of the chief executive (or top paid staff member). The board can manage the search itself or engage a consultant or search firm to lead the effort. The board should negotiate a compensation package for the chief executive as well as negotiate and execute the employment contract if one is used.

Additionally, *at the invitation of the chief executive*, board members may help with the hiring of selected subordinate positions. For example, the board might help interview and select the chief development officer. However, it should be made clear to everyone involved from the start that the final decision is the purview of the chief executive and that the

board members' role is that of consultant or advisor rather than decision-maker.



Workplace Policies

The board is responsible for ensuring that the organization has a well-crafted set of employment policies that comply with applicable laws and regulations and minimize organizational risk and exposure. While the board may be utilized to review the policies, the chief executive has primary responsibility for creating, disseminating, and implementing the policies for the staff. Individual members of the board may be able to leverage their human resources proficiency (or that of their professional network) to make suggestions when shaping or updating policies. Every two to three years, the board should ensure that the policies are reviewed by legal counsel, management, and the staff to determine if updates are needed. Again the focus of the board is on ensuring compliance and minimizing risk to the organization, not on administering or enforcing policy.



Compensation

Boards of directors are responsible for ensuring the appropriate use of organizational assets. That being said, the board's role in compensation matters for the staff should be limited to approving the compensation plan developed by the chief executive. This process should include ensuring that the plan aligns with organizational values as well as verifying that the plan supports the organization's recruitment efforts and is realistic relative to the organization's overall budget and resources. It is not appropriate for the board to review line-item details of individual employee salaries or to become involved in salary negotiation but some finance or executive committees review salaries (on a macro level) on a periodic basis to ensure plan appropriateness. It also is good practice for the board to review the overall compensation packages of senior staff whose compensation is included in the Form 990.

Executive compensation is a hotbed issue; if not managed effectively, it can pose serious public relations concerns for nonprofit organizations. Donors, charity watchdog groups, and the media often examine the executive compensation practices of nonprofits as an indicator of commitment to

fiduciary responsibility and appropriateness. As stated earlier, the board must be involved in determining the compensation package for the chief executive, in conjunction with an internal HR leader or external compensation consultant, and ensure that the package is reasonable, negotiated at arms-length, and not too closely dependent on the organization's revenue.



Performance Evaluation

The board's role in performance evaluation should be limited to ensuring that the chief executive's performance is formally evaluated on a regular basis. The evaluation process may include feedback from select senior staff, board members, partners, funders, and even service recipients. While the board determines its own process for the evaluation, it is a good practice to conduct an annual formal and written performance assessment. Boards are not involved with other employee evaluations as those are a management responsibility. It is recommended however, that the board coordinate the performance review process of the chief executive with the organization's internal HR person, where one exists.



Grievances & Whistleblowing

Grievances on the part of employees should first follow the written procedures outlined in the organization's employee handbook. Overall, the chief executive is responsible for all management issues. If an individual has exhausted the process and that process has been documented, some policies may permit individual employees to raise concerns to the board chair. This may be appropriate where the complaining employee reports to the chief executive and has an unresolved complaint about him or her.

Sometimes a staff member has a serious charge against management, such as illegal or improper accounting methods, fund allocation, sexual harassment, or discriminatory behavior that cannot be addressed through the grievance process. Every organization should have a whistleblower policy that allows a confidential method to raise such concerns with a designated board member or other authority. By doing so, boards provide employees with a legally required mechanism for raising concerns without the fear of reprisal or retaliation.



Layoffs

A management decision to layoff staff usually is the culmination of a series of financial measures that have already been discussed with and approved by the board. In this context, the steps that management has taken to deal with that financial situation — whether layoffs, furloughs, or others — should be discussed with the board, and the board should approve management actions. Although the decision of whom to layoff when and how are management decisions, it is critical for the board and management to be in agreement and synchronized about how the organization is responding to financial challenges and any required messaging to stakeholders and the public.



Personnel Committees

Because the chief executive is responsible for all staff issues, and the board should not get involved — unless the chief executive asks for advice or assistance — most boards do not need personnel committees.

If the board feels it needs a personnel committee, its responsibilities might include ensuring that all personnel policies are in compliance with all laws and ethical guidelines, the organizational compensation philosophy ensures that staff salaries are comparable to and competitive with those paid for similar jobs in the external market, and the organization is on track with contemporary workplace practices issues such as employee engagement and retention. This committee also would be responsible for determining the process the board would follow to resolve grievances brought to its attention. Occasionally, the executive committee or the finance committee has oversight responsibility for human resources.

Regardless of whether it has a personnel committee or not, every board should ensure that it has a diverse set of capabilities, including a member with human resources expertise. These competencies could come from an employment or labor attorney, someone with nonprofit or private sector human resources experience, or even a small business owner who may have the knowledge and the proficiencies necessary to help a nonprofit navigate personnel-related issues.

Conclusion

There are no strict rules for how to engage the board in matters relating to human resources. The approach varies greatly depending on how large and professional the staff is. However, our guidance is to clearly articulate the role of the board, whether or not a personnel committee is utilized. Consider defining the roles in a committee charter or as a component of board directives. Irrespective of how the roles are crafted, always remember that the board is there to govern the organization while the chief executive is charged with managing the organization.

About the author:

Sidney Abrams is the managing director of HR consulting services for Nonprofit HR. In this role, he oversees client engagements for HR projects and HR department outsourcing. He has more than 20 years of human resources leadership experience, with more than half of his time spent in the nonprofit sector. He is highly versed in human resource strategy and implementation, with success in the disciplines of process analysis and improvement, policy development, compliance/audit, and HRIS/HR technology.

Sidney has completed successful engagements with clients such as the Illinois Education Association, Rebuilding Together, the Boys & Girls Clubs of Greater Washington, Amnesty International, and Greenpeace. He earned his Senior Professional in Human Resources (SPHR) certification from HRCI and is a member of the Society for Human Resources Management (SHRM).

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