

Hands Off?

The Board's Role in Human Resources Management

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About Your Facilitators

Lisa Brown Alexander

- President & CEO
- Founded Nonprofit HR in 2000
- Nearly 30 years HR experience with both for- and non-profits
- Passion about the importance of meaningful investments in people and organizational culture



Sidney Abrams

- Managing Director, Consulting Services
- 23 years HR experience, 17 in associations/nonprofits
- Specializes in compliance and audit
- Passionate about enabling HR teams to support nonprofit missions



Learning Objectives

You should leave understanding:

- The difference between governance and management
- Strategies to develop and delineate board roles related to HR
- The role of the board in various functional HR areas

Governance vs. Management

Governance

- refers to processes and decisions that seek to define actions, grant power and verify performance
- is about planning the framework for work and ensuring it is done
- Primary focus of a board of directors

Management

- refers to the function that coordinates the efforts of people to accomplish goals and objectives
- is about organizing the work and doing the work
- Primary focus of leadership team

The Board & HR

Of a Board's 10 basic responsibilities, **3** are related to HR:*

1. Select the chief executive
2. Support the chief executive and assess his or her performance
3. Ensure adequate financial and human resources including approval of executive compensation



** Adapted from Ten Basic Responsibilities of Nonprofit Boards by Richard T. Ingram. Published by the National Center for Nonprofit Boards.*

The Board & HR

Additional duties include:

1. Ensuring alignment between organizational strategy & talent strategy
2. Having a succession plan in place
3. Ensuring adequate financial and human resources including approval of executive compensation
4. Ensuring appropriate handling of fraud, misappropriation of funds by staff, and grievances involving the Executive Director



The Human Resources Committee

Key Duties of the Committee



Key HR-Related Board Roles

Talent

Key responsibility of board is to:

- Ensure organizational strategy is supported by an equivalently strong talent management strategy; strategy should be sound, ethical and legally defensible
- Approve, not create, staff-recommended actions regarding talent
- Ensure plan is in place for leadership continuity
- Be aligned around level of talent investments
- Be mindful of political landscape and staffing implications

Key HR-Related Board Roles

Compliance/Workplace Policies

- Ensure well-crafted employment policies that comply with applicable laws to minimize exposure
- Review and approve policies (in consultation with CEO or staff committee); creating, disseminating and implementing policies is the role of management
- Review policies bi- or tri-annually for any needed updates (in partnership with legal counsel)
- Avoid administering and enforcing policies



Key HR-Related Board Roles

Compensation

- Ensure appropriate use of organizational assets & appropriate executive compensation practices are in place
- Role in staff compensation should be limited to approving compensation plan prepared or presented by chief executive
- Ensure compensation plans align with organizational values, support recruitment/retention efforts and are realistic relative to budget, available resources and the competitive market
- Ensure compensation practices are equitable, non-discriminatory and consistent with approved structure
- Avoid staff-level salary line-item detail review/approval as well as salary negotiations

Key HR-Related Board Roles

Performance Management

- Ensure chief executive's performance is formally evaluated on a regular basis; solicit feedback from senior staff, board members, partners, funders, direct reports or appropriate committees/members
- Coordinate with internal HR leader (if such a position exists)
- Inappropriate to participate in staff-level performance evaluations and performance related matters involving staff
- Be aware of shift from formal performance review process to informal, ongoing feedback; also decoupling of compensation decisions

Key HR-Related Board Roles

Conflict Resolution

- Ensure staff have mechanism to raise concerns or resolve conflict if all staff-level processes have been exhausted
- Also appropriate to be initial step if concern or conflict is with chief executive
- Not role of board to intervene with employee-supervisor conflicts



Key HR-Related Board Roles

Risk Management

- Provide a confidential or anonymous mechanism for staff to raise concerns about serious ethical violations and/or illegal conduct
- Examples include illegal or improper accounting practices, fund misappropriation, sexual/unlawful harassment, or discriminatory behavior
- Board must adhere to and ensure no retaliation against complainant



Key HR-Related Board Roles

Additional Information About Executive Compensation

- Compensation philosophy and pay plan administration for the rest of the organization can frequently be overseen by the Executive Director or internal HR professional
- Executive compensation initiatives or adjustments should be board approved
- Executive positions are subject to 990 filings and are the ones most commonly reviewed by the IRS for excess benefit issues (Also public information viewable by donors, funders and other stakeholders)
- Pay particular attention to Section 4958 of Internal Revenue Code (intermediate sanctions)

Key HR-Related Board Roles

Additional Information About Executive Compensation

- Compensation Section 4958 of the Internal Revenue Code (intermediate sanctions) does not allow executives of 501(c)(3) organizations more compensation than is “reasonable”
- Most likely to arise among insider relationships: Officers, Directors, founders, their families
- IRS considers any form of compensation subject to test of appropriateness: salary or wages; pension and profit sharing plans; unpaid deferred compensation; payment for personal expenses; rents, royalties or fees; personal use of organization’s property or facilities; loans or other payments

Key HR-Related Board Roles

Additional Information About Executive Compensation

General guidelines the IRS uses to validate executive compensation:

- I. Is the Compensation Reasonable?
 - **Amount test** – What is the competitive salary for qualified individuals for such a job?
 - **Purpose test** – What are the services for which compensation was paid, and how many hours are spent per week working on the job?
2. Has the compensation package been arrived at through “arms length” bargaining?

Board Structure

Should Our Board Use an HR (or Personnel) Committee?

- Beneficial on larger or more mature boards
- Oversees, advises and/or makes recommendations on HR-related matters, including policy & compensation practices
- Utilizes the expertise of members who are HR professionals or engages that of external experts (i.e. consultants, employment attorneys, etc.)

Board Structure

Alternatives to an HR Committee

The board can choose how to delegate HR-related work. The most common choices are:

- a standing (permanent) human resources committee
- a human resources task force (that is, a temporary committee)
- a board-staff standing committee
- board-staff task force

Conclusion

Key Highlights

- Approach varies greatly depending on size and nature of organization
- Articulate role of board and whether or not to use an HR committee
- Consider defining roles in committee charter, by-laws or as a component of board directives
- Boards govern. Chief executive manages.

Questions?

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