

# Governance



Previous chapters of this guide have dealt with important components of running a successful NPO, including: Strategic Planning; Action Planning; Human Resources Management; Volunteer Management; Financial Management; Fundraising; Communications and Risk Management; and Program Evaluation. However, even NPOs that are proficient in these individual functions depend on good governance to succeed.

*Governance* refers to the way that the NPO is organized and the decision-making structure it uses. It includes:

- Designating the Board of Directors and defining its responsibilities.
- Establishing management structures, supervisory responsibilities and decision-making authority for staff.
- Ensuring that the NPO's operations and activities comply with Vietnamese law.

Vietnamese NPOs sometimes do not have Boards of Directors. However, having a Board of Directors is an important best practice for NPOs. This tool discusses reasons for having a board, board duties and organization, and how boards can work effectively with staff. It also discusses advisory boards or councils, which are sometimes used in place of a governing board. However, use of an advisory board in lieu of a governing board is not considered to be a best practice.

This tool addresses official registration of NPOs with the Vietnamese government. Some NPOs may prefer to operate as volunteer groups. However, there are certain advantages to registering your NPO.

## Myths and Truths about Governance

Myths	Truths
Our NPO does not need to have a governing board. It is fine to have a staff-only NPO.	While NPOs are not required to have governing boards (unless legally required under Vietnamese laws for which it is registered), governing boards provide crucial policy direction and oversight that can help the NPO maintain the public's trust
The board is responsible for detailed supervision of staff on a day-to-day basis.	Boards provide policy direction and oversight at a strategic level. They set goals for the NPO and the Executive Director reports back to the board on the achievement of those goals. However, they do not provide day-to-day supervision of staff.
Board members do not need training.	Like any job, the job of a board member is complex. Providing training and orientation is important if board members are to be effective.
Board members should not be evaluated because they are volunteers.	A board member self-assessment and assessment of board effectiveness as a whole helps to promote the sustainability and health of the NPO.
Our NPO does not need a charter or written policies.	Registered NPOs are required to have a charter. The charter describes the framework by which your NPO will be governed and decisions will be made. It is important to have a written charter, for consistent and transparent governance and decision-making processes. Written policies provide important additional guidance to the board and staff.
The Executive Director is in charge of staff and they report to him/her. Other managers should just do their jobs as instructed by the Executive Director.	Good communications and collaboration among NPO managers is essential for successful NPO operations. The success of NPO programs depend on the contributions of staff who see, day-to-day, what is working and what may not be working. This is critical for early detection and resolution of potential problems.
Board members need to be paid.	Most NPOs have volunteer (unpaid) boards. They may reimburse certain expenses if their budget allows (for example, transportation to a meeting, food and beverages during a meeting.) However many board members pay these expenses themselves, seeing them as a donation to the NPO.

## What are the benefits of having a governing Board of Directors?

Having a governing Board of Directors can benefit your NPO in a number of ways:

1. **Setting strategic direction.** A knowledgeable Board of Directors with strong community connections can help set strategic direction for your NPO so that it will maximize its effectiveness in the community.
2. **Staying true to your NPO's mission.** The Board of Directors can help make sure that your NPO stays true to its mission. Sometimes NPO employees are involved in day-to-day operations to the point where they get distracted from their mission. They may unintentionally get involved in programs or activities that do not support the mission. Since the Board of Directors is not involved on a daily basis, they may have greater perspective to see digressions and guide the NPO back to working on its mission.
3. **Evaluating NPO impact.** It is sometimes difficult to evaluate your own work. A good Board of Directors has the benefit of being distanced from the day-to-day operations, and may therefore be in a better position to evaluate the NPO's impact on the community.
4. **Providing oversight.** Having a Board of Directors to oversee finances and program operations reduces the risk of errors or fraud and helps ensure that the NPO is run in an appropriate, businesslike manner.
5. **Providing specialized expertise.** Some boards have members who can provide specialized support to the NPO in areas such as financial management, risk management or fundraising.
6. **Oversight and support for the Executive Director.** The Board can be a good source of support for the Executive Director, providing input to decision-making and supporting the Executive Director's professional development. The Board can also take corrective action if the Executive Director is failing to provide effective leadership for the NPO.
7. **Promoting donor confidence.** Many donors—particularly larger corporations and foreign donors—expect NPOs to have Boards of Directors. They believe that having a Board makes the NPO more likely to operate in a businesslike fashion consistent with its mission.

## What is the difference between an Advisory Board or Council and a Governing Board?

An Advisory Board or Council can provide some but not all of the functions carried out by a governing board. For example, it can participate in strategic planning and evaluation, and it may have members who have specialized expertise that is beneficial for the NPO. However, an Advisory Board or Council would not typically provide detailed oversight of NPO finances, and it would have no authority to take action if there were concerns about the NPO's financial management practices. Similarly, an Advisory Board or Council would have no direct responsibility for the Executive Director's job performance, and would not be in a position to require improvements (or seek a new Executive Director) if the Executive Director's management of the NPO were substandard. In making funding decisions, large corporate and foreign donors would not consider an Advisory Board or Council to be a substitute for a governing Board.

Governing board members who are legally responsible to the NPO are more likely to take their responsibility seriously than board members, who may be serving unofficially or as advisory board members. Governing boards are legally responsible if their names are included in the registration document approved by the government and/or if they have signed a letter saying that they are legally responsible.

VNPO Self-Assessment Tool—Governance

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## How do governing Board of Directors and Executive Director responsibilities compare?

<b>NPO Function</b>	<b>Board Responsibilities</b>	<b>Executive Director Responsibilities</b>
Strategic planning	<ul style="list-style-type: none"> <li>Participates in strategic planning.</li> <li>Monitors progress in implementing the strategic plan.</li> </ul>	<ul style="list-style-type: none"> <li>Leads staff in the development of a strategic plan. Facilitates board input in the strategic planning process.</li> <li>Responsible for strategic plan implementation.</li> </ul>
Action planning	Receives periodic updates on action planning activities	Conducts and implements the action plan.
Program evaluation	<ul style="list-style-type: none"> <li>May be involved in setting performance standards to be measured in the evaluation.</li> <li>Receives reports on evaluation results</li> <li>May recommend that staff take actions as a result of evaluation findings. In extreme cases, may require changes as a result of the evaluation findings.</li> </ul>	<ul style="list-style-type: none"> <li>Provides data required for evaluation.</li> <li>Conducts evaluation or arranges for outside party to conduct evaluation.</li> <li>Presents evaluation findings to Board</li> <li>May initiate changes based on evaluation findings.</li> </ul>
Fundraising	Depending on the board, may take a more or less active role in fundraising. Typically, boards are actively involved in fundraising activities and board members are often expected to contribute financially to the NPO.	Major responsibility for planning and carrying out fundraising. Provides board members with relevant communication materials for fundraising. Monitors fundraising progress.
Budget	Approves budget. Gets periodic budget status updates from the Executive Director.	Develops budget for Board approval. Monitors budget status and takes action as needed.
Financial management	Reviews financial reports. May require annual audit.	Administers finances and develops financial reports. Provides auditor with needed information.
Human resources	<ul style="list-style-type: none"> <li>Recruits and hires Executive Director.</li> <li>Evaluates Executive Director job performance and supports Executive Director professional development.</li> <li>Terminates Executive Director if necessary.</li> </ul>	Responsible for all human resources functions for NPO staff (hiring, supervision, performance evaluation, staff development, termination)

This tool:

- Outlines step-by-step approaches for developing a suitable governance structure for your NPO;
- Provides a set of questions for self-assessing your NPO's governance structure and capacity;
- Identifies references for further information; and
- Contains attachments to assist NPOs in developing governance structure and capacity.

# PART I: MAJOR COMPONENTS OF NPO GOVERNANCE

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<b>A. Board governance</b>			
1. Understand the major functions and value of a board of directors.	The board is responsible for assuring that the NPO carries out the purposes for which it was established (as described in its mission statement). It is responsible for assuring that the NPO operates responsibly and that it is accountable to its beneficiaries, donors, and the public.	<p>Major board functions include:</p> <ul style="list-style-type: none"> <li>• Establishing a vision, mission and direction for the NPO</li> <li>• Making sure that the NPO has the necessary human and financial resources.</li> <li>• Overseeing the Executive Director, assets, programs and services.</li> </ul> <p><b>See Attachment 1—Key Functions of the Board of Directors</b></p>	<p>Having a board has a number of important benefits, which are outlined in detail in the introduction to this tool. Briefly, benefits of having a board include the following:</p> <ul style="list-style-type: none"> <li>• Guidance and oversight from a group of people who are not involved in day-to-day operations of the NPO helps assure that the NPO stays true to its mission and does not inadvertently change course or neglect its mission just because employees are too busy to reconsider the NPO's basic mission or because of funding opportunities or pressures.</li> <li>• Having a board with highly regarded community members can help the NPO improve its image and fundraising ability.</li> <li>• The Board can provide valuable guidance and support to the Executive Director. At the same time, if the Executive Director is not meeting expectations, the Board can make sure that the Executive Director improves performance or that he/she is replaced.</li> </ul>

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<p>2. Understand key responsibilities of board members</p>	<p>A core set of responsibilities apply to members of NPO boards. These core responsibilities apply to all NPOs, regardless of their mission or activities.</p>	<p>Key responsibilities of board members include:</p> <ul style="list-style-type: none"> <li>• "Duty of Care". This duty includes being informed about the NPO's activities, participating in decision-making, attending board meetings and participating in the work of the board.</li> <li>• "Duty of Loyalty". This duty means that the board member should act in the interest of the NPO. The board member should not act in his/her own interest, or in the interest of other associates who are not part of the NPO. In other words, there should be no conflict of interest in the board member's service to the board.</li> <li>• "Duty of Obedience". The board member should always comply with the national laws and the NPO charter (or other governance documents guiding the NPO). The board member should be a "guardian" of the NPO's mission, making sure its actions are consistent with its mission and strategic plan.</li> </ul> <p>The following duties are also inherent in the board member role:</p> <ul style="list-style-type: none"> <li>• Assuring effectiveness. Overseeing and evaluating NPO results, to assure that the NPO is effective.</li> <li>• Assuring efficiency. Assuring that the NPO uses its available resources in a cost-effective manner.</li> <li>• Assuring transparency. Making sure that the NPO's communications and information flow enables people both within and outside the NPO to understand both why and how NPO decisions were made.</li> </ul> <p><b>See Attachment 2—Responsibilities of Individual Board Members</b></p>	<p>It is important that all board members understand and carry out their duties as board members. Failure to carry out these duties can have major negative consequences for the NPO. For example:</p> <ul style="list-style-type: none"> <li>• Board members who do not carry out the "duty of care" may skip meetings and be uninformed, leading to decisions that are not in the NPO's best interest.</li> <li>• Board members who do not carry out the "duty of loyalty" may have conflicts of interest that lead them to put their own economic interests above those of the NPO.</li> <li>• Board members who do not carry out the "duty of obedience" may condone NPO non-compliance with laws, jeopardizing the NPO's legal status and possibly leading to legal problems for the NPO.</li> <li>• Board member oversight of NPO effectiveness and efficiency is critical for assuring that the NPO is achieving what it is supposed to and making good use of its human and financial resources. Board oversight of effectiveness and efficiency reassures donors that staff are held accountable for their activities.</li> <li>• By insisting on transparency of decisions, the reasons for them and the process used to make them, board members help build the NPO's reputation with donors and the community at large. They protect against illegal or unethical practices that can happen without transparency.</li> </ul>

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3. Develop board job descriptions	<p>A board job description outlines expectations for board members. It also specifies the terms of the appointments.</p> <p>For board officers (board president, treasurer, etc.) or committee members (finance committee, fundraising committee, etc.), the job description also includes responsibilities specific to the officer position or committee.</p>	<p>All board member job descriptions will include responsibilities relative to key functions of the board (attending meetings, being informed, participating in decision-making, avoiding and disclosing conflict of interest, complying with laws, etc.). The job description would also indicate term-limits for board members.</p> <p>In addition, boards may wish to have special duties for certain board members:</p> <ul style="list-style-type: none"> <li>• The board President or Chair may have special responsibilities for overseeing the Executive Director or meeting with donors or government officials.</li> <li>• The Treasurer may be responsible for hiring the auditor and overseeing the audit.</li> <li>• Designated board members may have responsibility for leading strategic planning or fundraising or performing other functions.</li> <li>• If your NPO is considering an expansion, merger, downsizing, new IT applications or program areas, it may be beneficial to recruit board members with relevant skill sets: <ul style="list-style-type: none"> <li>○ Expansion: Entrepreneur</li> <li>○ Merger: M&amp;A Consultant</li> <li>○ Online Tools: IT Expert</li> <li>○ Succession Planning: OD Consultant</li> </ul> </li> </ul> <p>Job descriptions for board members with these special responsibilities should describe the board member's role in these specialized areas.</p> <p><b>See Attachment 2: Responsibilities of Individual Board Members.</b> The responsibilities listed can serve as the basis for developing a board member job description.</p>	<p>Even though board members are typically unpaid, they have an important job, which is to uphold the public's trust. Before accepting the role, it is important that prospective board members know what will be expected of them. Job descriptions also help the Executive Director and board members to evaluate a member's ability to fulfill his/her roles and responsibilities, both as invidious as well as the overall board.</p>

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<p>4. Clarify the relationship and relative responsibilities of board and Executive Director</p>	<p>The Executive Director's job description should outline the relationship between the Executive Director and the Board. The process for recruiting, hiring, overseeing, and evaluating the Executive Director should be clearly stated.</p>	<p>Typically NPO boards are responsible for:</p> <ul style="list-style-type: none"> <li>• Recruiting and hiring the Executive Director</li> <li>• Overseeing Executive Director performance and providing support to the Executive Director</li> <li>• Evaluating Executive Director performance</li> <li>• Doing succession planning so that the NPO is prepared to refill the Executive Director position if the Executive Director resigns or is otherwise unable to continue in the position.</li> </ul> <p>The Executive Director typically attends all board meetings and works with the board chair on developing the meeting agendas. In some NPOs, the Executive Director may be a non-voting member of the Board.</p> <p>Both the Board and the Executive Director are actively involved in strategic planning for the NPO.</p> <p>The Executive Director is responsible for all aspects of day-to-day management of the NPO, making sure that the broad policy goals set by the Board are carried out.</p> <p><b>See the table in the Introduction to this tool for detailed information about Board and Executive Director roles.</b></p>	<p>In a well-performing NPO, the Board and Executive Director have distinct but complementary responsibilities. They support one another in carrying out their responsibilities, leading to a NPO that performs well at both a policy and operational level.</p> <p>If the relationship between the board and the NPO is not adequately defined, there may be duplication of effort or important functions that are left undone. There may be tension and resentment between the board and the Executive Director.</p>

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5. Develop a charter for the NPO.	A charter (also known as bylaws) is a set of formal written rules for governing the NPO.	<p>A charter defines the duties, authority limits and principle operating procedures for the board and board members. A charter is required for registered NPOs, and is a best practice for all NPOs.</p> <p>At a minimum, a charter must include:</p> <ul style="list-style-type: none"> <li>• The organization's mission statement</li> <li>• Whether or not the organization has members and what privileges those members may have,</li> <li>• Responsibilities of different leadership roles (including the Executive Director, Chairman, Vice-Chairman and Chief Accountant) and how those leaders are recruited, hired and fired.</li> <li>• How amendments are made to the charter.</li> <li>• How the NPO would be dissolved.</li> </ul> <p>While there must be procedures for amending the charter, it is anticipated that the charter will rarely be changed. Therefore, it is important to write the charter so that it provides a basic governance framework while still providing for operational flexibility.</p> <p>Boards should have a process for periodically reviewing the charter to determine whether changes are needed.</p> <p><b>See Attachment 3—Suggested Contents for NPO Charter</b></p>	<p>A charter provides the basic "rule book" for the NPO. Without a charter, governance and decision-making procedures for the NPO would be unclear.</p> <p>A charter is required by law if for all registered NPOs in Vietnam. It is also an international best practice to have a charter.</p>

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6. Develop board policies	<p>Board policies outline the general principles for NPO operations. They typically cover key aspects of board operations. They may also outline high-level expectations for operational matters handled by staff, though detailed operational policies are developed by the Executive Director or senior staff of a NPO.</p> <p>Like the charter, board policies are in writing and are approved by the board. However, they are easier to change than the charter.</p>	<p>Both formally established and voluntary organizations can develop basic board policies to help govern the NPO. Policies can be developed in lieu of a charter. Alternatively, established and/or registered NPOs may have both a charter (setting out the basic structure for board governance) and board policies (providing additional operational detail).</p> <p>Board policies frequently include the following topics:</p> <ul style="list-style-type: none"> <li>• What the NPO pays for and does not pay for with board expenses</li> <li>• Fundraising (expectations for board members for fundraising; general parameters for fundraising efforts)</li> <li>• Employment (expectations for working conditions, employment decisions, reasonable compensation, etc.)</li> <li>• Ethics (Requiring disclosure of conflict of interest; transparency; compliance with legal requirements, etc.)</li> <li>• Confidentiality (Protection of information about beneficiaries)</li> <li>• Executive compensation (Criteria used in setting executive compensation to obtain and retain high quality executive or senior staff while paying competitive salaries and benefits)</li> <li>• Financial audits (Requirement for having audits)</li> <li>• Risk management (Requiring Executive Director to adequately protect against risks)</li> <li>• Media relations (who is authorized to talk to the media or provide press releases)</li> </ul> <p>Board policies provide more detailed operational guidance than the charter. However, it is important that</p>	<p>Having a clear, coherent set of board policies helps assure that the NPO board and staff know what is expected and that they operate according to a consistent set of expectations.</p>

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		<p>they be consistent with the charter. For example, if the charter calls for an annual financial audit, the board's audit policy must also provide for annual audits, though it would provide more detail on audit procedures and requirements than the charter.</p> <p>For board policies that focus on NPO operations are typically very high level. The Executive Director and other management staff will develop related policies and procedures that provide additional detail on how the board policy will be interpreted and implemented.</p> <p><b>See Attachment 4: Sample Board Policies</b></p>	

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7. Determine knowledge and skills needed on board	It is often beneficial to have persons with particular skills and knowledge as board members.	<p>The desirable mix of skills and knowledge for board members will vary depending on the number of staff, staff capabilities, the stage of organizational development and/or plans for a new direction or changes. For example:</p> <ul style="list-style-type: none"> <li>• <b>Experienced NPOs:</b> <ul style="list-style-type: none"> <li>○ A NPO with a large, highly skilled staff that is proficient in key NPO management functions may want to look for board members with strong ties to the community who can provide general oversight of NPO operations and enhance the organization's profile and reputation in the community.</li> <li>○ A NPO considering a major expansion, merger or downsizing, might require board members with relevant skill sets.</li> </ul> </li> <li>• <b>New and developing NPOs:</b> <ul style="list-style-type: none"> <li>○ Board members for a developing NPO with limited staff and experience can act as coaches or mentors to staff, developing their skills in specific areas.</li> <li>○ Recruiting board members with expertise in planning, financial management, fundraising or other elements of NPO operations may also be advisable.</li> </ul> </li> </ul>	By identifying the NPO's needs and recruiting board members accordingly, the NPO can help assure that it has the needed knowledge and expertise to perform effectively.

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8. Establish a process for recruiting board members	Determine the process for identifying and recruiting potential board members.	<p>The first step in recruiting board members is to determine the characteristics the NPO is looking for in board members. This can be done by evaluating current board (and staff) capabilities and identifying areas where additional board support would be beneficial.</p> <p>Board members as well as the Executive Director and senior staff can help identify potential board members. Sources of potential board members can include:</p> <ul style="list-style-type: none"> <li>• Community organizations;</li> <li>• Businesses;</li> <li>• Current or former stakeholders of your NPO (e.g., clients, donors and/or volunteers);</li> <li>• Professors and staff from local universities;</li> <li>• Members of your NPO, if your NPO is a membership organization;</li> <li>• Qualified friends of current Board members.</li> </ul> <p>Once a potential board member has been identified, one or more board members could be designated to reach out to the potential member. In depth, one-on-one discussions with potential board members are suggested to gauge the person's interests, attitudes and abilities and determine whether or not they are a good fit for your NPO.</p> <p>When an appropriate candidate for the board is identified and agrees to serve, the candidate should be formally nominated and elected by the board. Once elected, each new board member should receive orientation and introduction to other members as soon as possible.</p>	Having the right board members is very important for the NPO's success. The chance of finding good board members is much improved when there is a clear process for identifying needed skills and abilities for board members and actively seeking people who offer those characteristics.

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		<p>Re-election to the board should not be automatic. If the board needs someone with different qualifications than the person whose term is up, it may be desirable to bring in a new member with needed expertise.</p> <p><b>See Attachment 5—Characteristics of Good Board Members</b>  <b>See Attachment 6--Interview Questions for Potential Board Members</b></p>	

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9. Promote effective board meetings	Make sure that board meetings are planned and conducted so that they are productive.	<p>Effective board meetings accomplish specific goals within a designated period of time. Tips for having effective board meetings include:</p> <ul style="list-style-type: none"> <li>• Make sure that the Board focuses on strategy and high level policy, consistent with its role. Board meetings should not be spent "micro-managing" staff activities.</li> <li>• Always use an agenda, which is distributed in advance.</li> <li>• Send out materials related to the agenda items at least several days prior to the meeting with the expectation that board members will carefully review the materials in advance. Materials should aim to be as high level as possible to provide information necessary for decision-making.</li> <li>• If staff input is needed for a board discussion or decision, make sure that the appropriate staff members are present.</li> <li>• Establish a fixed starting and ending time for the meeting. Set time targets for each agenda item so that the time schedule is met.</li> <li>• Assign a board member, staff member or volunteer to take minutes at the meeting. Distribute the minutes to all board members, and include an agenda item for approval of previous meeting's minutes.</li> </ul> <p><b>See Attachment 7—Sample Board Meeting Agenda</b></p>	Effective board meetings are productive, with board business completed in a well-considered and orderly manner. By being well-organized and starting and ending on time, effective board meetings are respectful of board members.

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10. Consider establishing an Advisory Board or Council.	An Advisory Board or Council is a group of volunteers assembled to assist the board or management in carrying out their tasks.	<p>An Advisory Board or Council is not a governing board. Members of an advisory group provide advice and assistance only. They do not have voting or decision-making authority.</p> <p>It is a best practice for the Advisory Board or Council to be <u>in addition to</u> a governing board, not as a substitute for a governing board. The NPO's charter can authorize establishment of an Advisory Board or Council.</p> <p>Advisory Boards or Councils can assist NPOs in a number of ways, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Providing specialized expertise that may be missing from the board or staff.</li> <li>• Serving as ambassadors for your NPO in the community and building its public profile and reputation.</li> <li>• Helping with fundraising.</li> <li>• Providing oversight of NPO activities and making recommendations.</li> <li>• Serving as a testing ground for prospective board members to assess whether or not there is a proper fit for the board of directors.</li> </ul> <p>If your NPO establishes an Advisory Board or Council, it is important to clarify:</p> <ul style="list-style-type: none"> <li>• The purpose and goals of the Advisory Board or Council</li> <li>• Member roles and responsibilities</li> <li>• Member qualifications</li> <li>• Member selection process</li> <li>• Member terms, if any</li> <li>• Process for removing members from the advisory board or council.</li> </ul>	An Advisory Board or Council can provide very valuable support to a NPO in a variety of ways. It is essential that the Advisory Board's goals be well-defined and that its members be capable of performing the desired function.

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		<p>In determining whether or not to establish an advisory board or council, be aware that significant staff effort will be necessary to help plan meetings, keep members updated and educated, and monitor the activities of members as they represent your NPO in the community.</p> <p><b>New and developing NPOs:</b> Some new and developing NPOs may wish to establish an advisory board instead of a governing board. While this is not a best practice, it may work as a first step towards developing a true governing board. The new NPO can benefit from the expertise and oversight provided by advisory group members.</p> <p>Even if the NPO only has an advisory board, it can develop a charter and policies. If there is no governing board, the Executive Director would be responsible for developing the charter and policies. The advisory board could review them, but it would not have power to officially approve them.</p>	

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11. Provide opportunities for board leadership development	Provide board members with access to information and training on how to be an effective board member.	<p>Develop opportunities to educate the board on effective boards and how to be a good board member.</p> <ul style="list-style-type: none"> <li>• There should be initial orientation on these topics for all new board members.</li> <li>• At least annually, it is beneficial to review board member expectations with the full board. This review could also provide the board with an opportunity to self-assess its performance and identify areas for improvement.</li> </ul> <p>Board member orientation and education can be provided by the board chair or an experienced board member, drawing on the information contained in this tool and information available online. Alternatively, consultants who specialize in NPO management may be able to provide training tailored for the needs of your NPO.</p>	Being a good board member is a skill that can be developed over time. Providing board members with information and support about how to be effective board members will help them contribute to the board. It will also help avoid problems that can occur because board members did not understand what was expected of them.

**B. Staff organization and responsibilities**

1. Define job responsibilities and authority of Executive Director	Have a detailed job description for the Executive Director.	<p>The job description should:</p> <ul style="list-style-type: none"> <li>• Outline the Executive Director's job duties</li> <li>• Describe the Executive Director's responsibilities and authority relative to the board</li> <li>• List the positions that supervised by the Executive Director.</li> <li>• Clarify the Executive Director's authority and responsibility for hiring and terminating employees, assuring that employees carry out their duties; conducting annual performance reviews; setting compensation; etc.)</li> </ul>	All positions should have job descriptions so that the employee and others know what is expected of them. Given the importance of the Executive Director's job and its close working relationship with the board, it is especially important that Executive Director job responsibilities and expectations be clearly defined.
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COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<p>2. Define the responsibilities and authority of other management or senior staff positions</p>	<p>Have job descriptions for other management or senior staff positions within the NPO.</p>	<p><b>New and developing NPOs:</b> New and developing may not have many staff, and staff may be serving a number of functions. The job description should include all the functions that the staff member is involved with. It should describe how the person in the position interacts with the Executive Director and other staff members.</p> <p><b>Established NPOs:</b> Depending on the size and complexity of the NPO, management positions may include:</p> <ul style="list-style-type: none"> <li>• Chief financial officer</li> <li>• Human resources director</li> <li>• IT director</li> <li>• Operations manager</li> <li>• Directors of specific programs</li> </ul> <p>Each of these positions should have a job description describing job duties and describing how the person in the position interacts with the Executive Director and other staff members.</p> <p>For established NPOs with many management positions, a Delegations of Authority document can indicate who has authority and responsibility over what kinds of decisions at the NPO.</p> <p><b>See the Human Resources Management tool for additional information on job descriptions.</b></p> <p><b>See Attachment 8—Delegation of Authority Template</b></p>	<p>Clarifying responsibilities, authority and expectations for all management positions will help ensure that all key functions are being carried out. It will help avoid duplication of responsibilities and effort. If each manager's responsibilities are clear, it will be easier for managers to work together on projects and issues that involve more than one part of the organization.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
3. Develop a NPO organization chart	The organization chart is a "picture" of your NPO's programs, staff and key volunteers, showing how they are organized and how they interrelate.	<p>The organization chart shows all employees and key volunteers in your NPO, making clear whether an individual is an employee or a volunteer. It shows both the name and the job title of each individual. The chart shows who each employee and volunteer reports to. Employees and volunteers are grouped by department or program, depending on how your NPO is organized.</p> <p>Sometimes, the process of developing an organization chart points out lack of clarity or inefficiencies in the organizational structure. In that case, consideration should be given to redefining departments/teams and reporting relationships as needed to result in a more functional organizational structure.</p> <p><b>See Attachment 9--Sample Organization Chart</b></p>	<p>An organization chart makes it easy for people both within and outside your organization to understand how your NPO operates. It helps clarify roles of employees and volunteers within the NPO and shows supervision and accountability.</p> <p>By making the organizational structure clear, a good organization chart can make it easy to determine who is responsible for certain functions and decisions. It can reduce confusion and misunderstandings.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<p>4. Maintain clear lines of communication between the Executive Director and the board</p>	<p>Assure that there are routine communications between the Executive Director and the board, including both scheduled and as-needed communications.</p>	<p>The Executive Director should always attend board meetings. As dictated by the agenda, he/she may wish to bring other senior staff to present specialized information to the board.</p> <p>The board should formally evaluate the Executive Director's performance on an annual basis. The evaluation should include the opportunity for informal discussion on progress and opportunities between the Executive Director and board members.</p> <p>In addition to the above "formal" opportunities for interaction with the board, there should be opportunity for the Executive Director to informally contact the Board Chair or another board member to work on joint projects or get policy clarification.</p> <p>While it should be possible for board members to informally contact the Executive Director with questions, Board members should not be able to give assignments to the Executive Director or other staff unless they have been approved by the board as a whole. Board members should avoid contacting the Executive Director to express views that do not represent policy of the board as a whole.</p>	<p>NPO success depends on regular and candid exchange of information between the Executive Director and the board. To build this relationship, there should be regularly scheduled opportunities for discussion between the board and Executive Director, as well as the opportunity for informal, as-needed communications.</p> <p>However, there is sometimes a tendency for board members to abuse their relationship with the Executive Director, requesting special projects or imposing views that have not been adopted by the board as a whole. These types of communications are counter-productive. Board policies and board member training should impose appropriate limits on such communications.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<p>5. Establish clear lines of communication between the Executive Director and management or senior staff</p>	<p>Develop formal approaches to ensure ongoing communication between the Executive Director and management or senior staff, and among management staff.</p> <p>In addition, foster an organizational culture that promotes and supports communications among managers.</p>	<p>Ideas for promoting communications among the Executive Director and senior staff include the following:</p> <ul style="list-style-type: none"> <li>• Regularly scheduled staff meetings, properly run, can help promote sharing and communications among managers. Staff meeting agendas should focus on projects that involve more than one department/team, with each department/team encouraged to report on their activities and ask questions of others. Joint problem-solving and collaboration should be encouraged.</li> <li>• To be productive, staff meetings should always have an agenda. They should start on time and end on time. It is helpful to have a facilitator who can make sure that the agenda is followed and that everyone has an opportunity to participate.</li> <li>• The Executive Director should encourage managers to talk to each other and work collaboratively on an ongoing basis. Establish an organizational culture that encourages sharing and collaboration, rather than just working at one's own desk.</li> <li>• One way of encouraging collaboration is to assign staff teams to work together on projects that involve multiple aspects of the NPO's operations. (For example, a team planning for a new project might include the program specialists along with representatives of finance, IT and human resources, who can provide expertise on funding, technology and employees and volunteers for the new project.)</li> <li>• The Executive Director should hold regular scheduled "check-ins" with key senior staff to discuss their work, any challenges they are encountering, and any ideas they have for improvement.</li> <li>• The annual performance evaluation between the</li> </ul>	<p>Successful NPOs recognize the importance of communications and collaboration among managers. Only through active collaboration can it be assured that all aspects of NPO operations work smoothly and in synchrony.</p> <p>Failure to emphasize communications and collaboration can result in major problems. Just a few common examples include:</p> <ul style="list-style-type: none"> <li>• Programs that overspend their budgets</li> <li>• Lack of good IT systems to support operations</li> <li>• Employees and volunteers who are uncertain about their duties</li> <li>• "Feuding" and competition between various parts of the organization</li> <li>• Lack of effectiveness in serving beneficiaries, due to uncoordinated operations</li> </ul>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
		<p>Executive Director and senior staff provides an opportunity for candid discussion between the Executive Director and the senior staff. The senior staff's ability to communicate and work cooperatively with other senior staff should be assessed in the performance evaluation process.</p>	
<p>6. Provide opportunities and support for staff leadership development</p>	<p>Provide managers and staff with opportunities for courses or coaching on leadership and communications topics.</p>	<p>Explore resources available on leadership and communications that may be available in the community or online to support communications and leadership in your NPO. Encourage managers to attend classes or read materials on communications and leadership topics. Include discussions about leadership and communications techniques at staff meetings.</p> <p>Provide staff who are not currently managers with the opportunity to participate in this training and discussion if they are interested in being promoted into leadership positions.</p>	<p>Leadership skills need continual nurturing and development. Everyone can become a better leader.</p> <p>Recognizing leadership potential in non-management staff and giving them the opportunity to develop their skills can help assure that your NPO has strong leadership for the future.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<b>C. NPO Registration</b>			
<p>1. Determine whether to pursue registration for your NPO.</p>	<p>Evaluate the advantages and disadvantages of registration and determine whether your NPO should pursue registration.</p>	<p>There are both advantages and disadvantages to registration. Prior to deciding whether or not to register, the NPO will want to consider the following:</p> <ul style="list-style-type: none"> <li>• Official recognition through registration of your NPO is required by most foreign government and large corporate donors.</li> <li>• Large government, corporate and international nonprofit donors may require official, legal recognition.</li> <li>• Only registered NPOs have legal status, which enables the NPO to enter into legal agreements. Without legal status, even basic legal agreements such as opening a bank account or renting a conference room at a hotel are not possible.</li> <li>• There are certain limitations on fundraising for registered NPOs, in areas such as online fundraising and contributions from foreign donors.</li> <li>• Certain registration categories have minimum initial capital asset requirements.</li> <li>• The process of becoming registered is likely to require considerable effort and time. It could require a minimum of six months to even one year or more.</li> </ul>	<p>Obtaining registration for your NPO is a major effort. Therefore, the decision to get registered should be an informed one, based on the advantages your NPO will get from registration.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
2. Evaluate NPO registration options.	If your NPO determines it wants to evaluate registration options, carefully analyze how registration could apply to your organization.	<p>Using the <b>Russin &amp; Vecchi memo "Charitable Organizations in Vietnam" (Attachment 10)</b> and the <b>YKVN memo "Fundraising Activities by Not-for-Profit Organizations under Vietnamese Law" (Attachment 11)</b> consider the following:</p> <ul style="list-style-type: none"> <li>• What registration category best matches the goals and beneficiaries of your NPO?</li> <li>• What types of activities are permissible for NPOs registered in that category? What activities are restricted? Are these parameters compatible with your organization's current and planned activities?</li> <li>• What are other requirements that apply to organizations in that registration category, such as building requirements, service area requirements, or minimum asset requirements? Can your NPO meet those requirements?</li> <li>• What documentation is required to apply for registration? Does your NPO have the required documentation, or can it develop it?</li> <li>• What fundraising requirements and restrictions apply to the registration category you are considering? Are these requirements and restrictions consistent with your NPO's fundraising program?</li> </ul> <p>Based on the answers to the above questions, determine whether your NPO will pursue registration.</p>	Considerable research is necessary to determine the exact implications of registration for your NPO. It is important to thoroughly understand how registration will affect your NPO before making a final decision to pursue registration.

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<p>3. Develop and implement a plan for seeking registration.</p>	<p>If your NPO decides to pursue registration, develop a detailed plan for preparing, submitting, and monitoring the application process.</p>	<p>A major effort will likely be required to obtain registration. The following steps are recommended:</p> <ul style="list-style-type: none"> <li>• Designate a group of board members, volunteers and/or employees to work on the registration proposal. Make sure that their responsibilities are clearly defined and that they have time available to work on registration-related duties. It should be understood that the registration process may take one year or more to complete.</li> <li>• Determine the appropriate government agency to receive your application, based on the type of registration you are seeking and the characteristics of your NPO's program.</li> <li>• Prepare all materials required for registration. Use the right form, format of each agency, pay attention to word choice as the agency's responses.</li> <li>• Submit your application. If possible, ask the government agency to designate the individuals who will be reviewing your application, so that you can contact them to monitor progress.</li> <li>• Make sure you let the government agency know who within your NPO they should contact with questions.</li> <li>• Regularly check on progress of the application and respond promptly to requests for more information or modification of documents. Be sure to keep all versions of registration documents/modifications in order to discuss with the relevant government agency.</li> </ul>	<p>Without a concerted effort to research requirements, develop materials, and monitor government review, the registration process is unlikely to succeed.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
<p>4. NPOs, whether they are registered or not, must be legally compliant under current laws.</p>	<p>All NPOs must comply with Vietnamese law. If your NPO has registered, there are certain specific requirements relating to your form of establishment.</p>	<p>Although registered NPOs are required to comply with certain laws, voluntary or unregistered organizations may also need to abide by various government procedures. Legal requirements for registered NPOs may include the following:</p> <ul style="list-style-type: none"> <li>• Reporting - your NPO may be registered under another agency or government body and they may require reporting annually or more frequently throughout the year)</li> <li>• Filing and Paying Taxes – depending on the size of your NPO, your NPO may be required to pay personal income taxes (PIT) for employees and/or corporate income taxes (CIT) for your NPO</li> <li>• Payroll report/Social Insurance payments are current – depending on your NPO's size, you may be required to pay social insurance for employees as required by labor laws</li> <li>• Foreign donations– Your NPO may be required to seek permission for foreign-sourced funds prior to use.</li> <li>• Foreign staff/consultants/volunteers/partners – depending on which agency your NPO is registered under, your NPO may be required to seek permissions prior to hiring or collaborating with foreign human resources or delegations. Your NPO may be required to process work permits with the local Department of Labour, Invalids and Social Affairs (DoLISA) for certain foreign staff.</li> <li>• If your NPO works in health related activities, you may be required to register such activities with the relevant Department of Health (DOH).</li> </ul>	<p>Registered NPOs may have operations disrupted or even lose their license if the organization is found to be non-compliant with current laws.</p>

COMPONENT	WHAT IT INCLUDES	SUGGESTIONS FOR DEVELOPING YOUR NPO'S GOVERNANCE	WHY THIS IS IMPORTANT
		<p>For all NPOs (registered or non-registered), the following may apply (note that this is not intended to be a comprehensive list):</p> <ul style="list-style-type: none"> <li>• Websites – NPOs are required to register websites in Vietnam with relevant local or national Ministry of Information and Communications</li> <li>• Public gatherings must be registered with local authorities.</li> <li>• Public events must be registered with local authorities</li> <li>• Legal requirements for protecting the rights of constituent groups must be adhered to.</li> </ul>	

## PART II: LIST OF ATTACHMENTS

ATTACHMENT
Attachment 1: Key Functions of the Board of Directors
Attachment 2: Responsibilities of Individual Board Members
Attachment 3: Suggested Contents of NPO Charter
Attachment 4: Examples of Board Policies
Attachment 5: Characteristics of a Good Board Member
Attachment 6: Interview Questions for Potential Board Members
Attachment 7: Sample Board Meeting Agenda
Attachment 8: Delegation of Authority Policy
Attachment 9: Organization Chart Example
Attachment 10: Russin & Vecchi—Charitable Organizations in Vietnam
Attachment 11: YKVN—Fundraising Activities by Not-for-Profit Organizations Under Vietnamese Law

## PART III: HELPFUL REFERENCES ON NPO GOVERNANCE

AUTHOR AND TITLE	WHERE IT CAN BE FOUND	WHAT THIS REFERENCE COVERS
<p>Board Source, <i>The Handbook of Non-Profit Governance</i> ©2010 by Board Source</p> <p>Bent M. Lakey <i>Board Fundamentals—Understanding Roles in Nonprofit Governance</i></p>	<p>These and many other Board Source publications can be found at <a href="http://www.boardsource.org">www.boardsource.org</a>.</p>	<p>Board Source is an organization that works with not-for-profit boards and their leaders to promote good governance practices.</p>
<p>United States International Grant making—Country Information Vietnam</p>	<p><a href="http://www.usig.org">www.usig.org</a></p>	<p>Summarizes Vietnamese requirements for not-for-profit organizations, for the information of a United States audience.</p>
<p>CARE Vietnam Guidelines On Organization Development For CBOs &amp; SHGs</p>		<p>This guidebook refers to basic concepts of leadership and management; necessary methods and skills for leaders/managers. These methods and skills are presented in a logical process with chronological order.</p>

## PART IV: NPO SELF-ASSESSMENT: GOVERNANCE

GOVERNANCE COMPONENT	ACHIEVED	PARTIALLY ACHIEVED	NOT PRESENT	COMMENTS
<b>Staff Organization and Responsibilities</b>				
1. We have developed job descriptions for the Executive Director and other management positions.				
2. Our NPO has an organization chart.				
3. There are systems in place for both formal and informal communications between the executive director and managers, and among managers.				
4. Staff are given opportunities to develop their leadership skills.				
<b>Board Governance</b>				
5. Our NPO understands the functions of a board of directors.				
6. Our NPO understands the responsibilities of individual members of the board of directors.				
7. Our NPO has a board of directors.				
8. The relationship and responsibilities of the executive director and the board are clearly defined.				
9. Our NPO has a charter.				
10. Our NPO has board policies.				
11. Before recruiting board members, we determine what knowledge and skills we need on the board.				
12. Our NPO has job descriptions for board members.				

13. Our NPO has an established process for recruiting board members.				
14. We always use an agenda for board meetings.				
15. We send the agenda and materials to board members in advance of the meeting, with the expectation that they review them carefully.				
16. We start and end board meetings on time.				
17. <u>Established NPOs</u> : We have considered creating an advisory board or council in addition to our governing board.				
18. <u>New or developing NPOs</u> : If we have chosen not to have a governing board at this time, we have considered creating an advisory board for the interim period before we establish a governing board.				
19. There are systems in place for both formal and informal communications between the executive director and the board.				
20. The board evaluates the executive director's performance.				
<b>NPO Registration</b>				
21. We have reviewed the options for registering our NPO.				
22. We have thoroughly analyzed registration requirements and how they would apply to our NPO.				
23. If we have decided to register our NPO, we have developed a plan for developing the application and monitoring the application review process.				
24. Whether or not our NPO is registered, we are aware of and in compliance with requirements of Vietnam law.				

# PART V: ASSESSMENT RESULTS SUMMARY AND NEXT STEPS

Choose 2 (or more) governance components from the Self-Assessment Table in Part 3 and complete the following table.

PRIORITIZED GOVERNANCE COMPONENT	WHAT WILL BE DONE?	WHO WILL BE RESPONSIBLE?	PROJECTED START AND COMPLETION DATES