

THE  
PROFESSIONAL  
ASSOCIATION  
STRENGTHENING  
PROJECT

***MODULE 5***

**Governance  
and Fiscal  
Management**

***survive & thrive***

professional associations, private sector and global health scholars  
saving mothers, newborns and children

## Acknowledgments

This module is part of a series of modules in the Professional Association Strengthening Project. The project has been completed under the auspices of the **Survive and Thrive** Global Development Alliance which includes a partnership of professional associations and the private sector with support from the United States Agency for International Development. The mandate of **Survive and Thrive** includes working to strengthen health professional associations in nations so they become vocal and effective advocates for professional education, clinical excellence, and evidenced-based practice in maternal, newborn and child health.

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Special thanks to the Contributors and Reviewers on this entire project which include professionals from the following health professional associations:



## Sponsorship

The **Survive and Thrive** Global Development Alliance is a project supported by the United States Agency for International Development (USAID).



Special funding for this project came from the Laerdal Foundation of Norway. For this we give thanks to Tore Laerdal for his commitment to strengthening professional associations and his leadership within the Survive and Thrive partners community.



### Where to find the complete the Professional Association Strengthening manual:

The complete set of Professional Association Strengthening modules can be downloaded for no fee at: [www.StrongProfAssoc.org](http://www.StrongProfAssoc.org).

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# Governance and Fiscal Management

Simply stated, governance is the system by which organizations are directed and controlled. Many of the words shown in Figure 1 go to the heart of governance and are repeatedly used by governance professionals: accountability, transparency, efficiency, participation, inclusivity (not exclusivity), and rule of law. For a professional association (PA) to gain and maintain a level of trust with its staff, members, donors and general public, it must be managed following a set of policies and structures by appointed individuals. These policies and structures are created based on country specific statutes, laws, and the specific knowledge and expertise in the PA.

This module describes the governance structure of a PA and the processes demonstrated in Figure 1. The module also provides guidance on how young a PA or a group of professionals wishing to start an association can establish a governance structure.



If the shepherds (board) of the organization do not have control over how the overall organization is directed, then they may experience financial risks, bad public relations, court cases, or closure of the organization. If your organization does have a governance structure, it is good practice to conduct a yearly evaluation to see if the structure should be updated.

**Objectives**

- To describe the governance of a PA.
- To discuss how to establish a governance structure.
- To define management responsibilities within a PA.

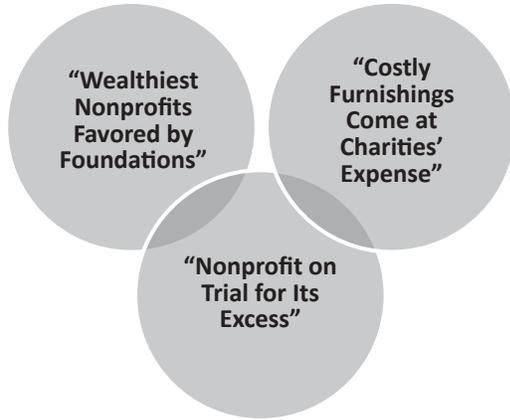
## The Great Charity Scandal

Because of recent scandals that have come to light in the nonprofit community, it has become clear that sound governance, which dictates professional conduct in regards to ethics, conflict of interest, integrity, accountability, and transparency, is a must for the survival of all organizations, including PAs. For instance, a few nonprofit organizations have come under scrutiny for extravagant spending, not providing financial statements to the public, and mismanagement of donor funds (see Figure 2).

**Tip**

Avoid bad publicity by having regular reviews of structure. Try to avoid scandals such as the following: The report also noted that the association had been structured so that the director had complete legal and operational control over its affairs, giving the board little authority or oversight powers.

**Figure 2.** Nonprofit scandals.



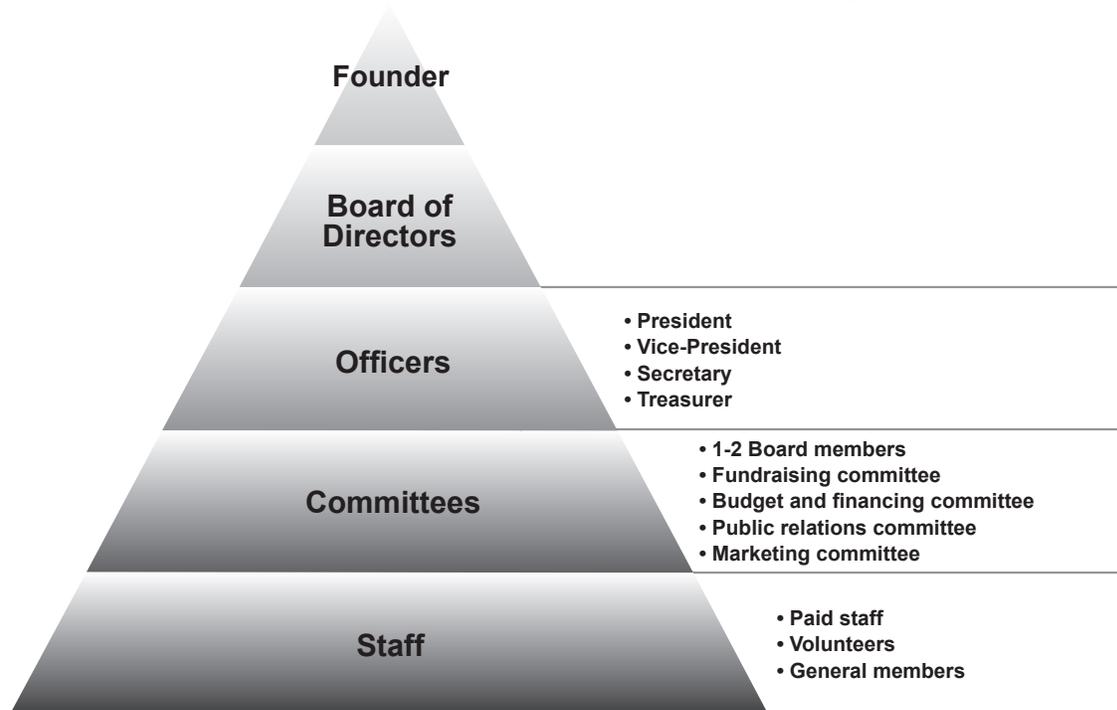
## Governance Structure

The governance structure refers to a power structure whereby a small group of individuals is responsible for the running of the organization; this group is usually referred to by different terms, including *board*, *board of directors*, *board of management*, *management committee*, or *board of*

*trustees*. In this module, this small group will be referred to as *board* or *executive committee*. The board is accountable to a wider group of individuals. In a PA, these individuals are fellow professionals. The board usually has a president, vice president, treasurer, secretary, a few committee members, and sometimes as the organization grows, a publicity officer also referred to in some PAs as public relations officer. Committees can be formed for some of the key activities of the PA, such as marketing or fund-raising (see Figure 3).

This basic structure may be developed in many different ways to suit the particular organization and may range from simple and functional to complex. Most PAs have very simple structures that tend to become more complicated as the association grows. For example, organizations such as the International Federation of Gynecology and Obstetrics (FIGO), the International Confederation of Midwives (ICM), and the International Council of Nurses (ICN) have semi-complex structures. Some of ICM's members are large organizations with complex governance structures, such as the Royal College of Midwives (RCM) and the American College of Nurse-Midwives (ACNM).

**Figure 3.** Structure of a nonprofit.



Source: From University of Waterloo. Introducing BizBricks draft pitch. <http://2012e.igem.org/wiki/index.php/Team:Waterloo-E/Business-Plan>. Accessed April 16, 2016. Used with permission.

The board has heavy responsibilities and can make or break the success of the PA. It is therefore important that board members are individuals who are respected and well-grounded in the profession. It is important that they are experienced and have leadership capacity. They need to have resources they can mobilize on behalf of the association. In addition, it is important that they bring skills related to negotiation, management, and advocacy to the table. They should be able to contribute to policy making and chart the way for the profession to advance the causes of maternal, newborn, and child health. Hence the selection of these individuals is an important step in developing or strengthening a PA. It is not reasonable to expect one individual to possess all of the abovementioned qualities. During the board selection process, care should be taken to ensure that the board as a collective unit has all the mentioned capacity.

## How to Constitute a Board or Executive Committee

Because the board will run the organization on behalf of the members, board members need to have the confidence of the association's members. To ensure confidence, board members should be elected by the members during a general meeting or by mail ballot.

The number of members of the board or executive committee and the type of member will be specified in the by-laws of the association. Finding suitable candidates for election to the board is a major responsibility that may be taken on by a nominating committee. The nominating committee should consider candidates that are well-known for past leadership and the skills noted above. They also should try to reach out to engage emerging leaders who need a chance to serve.

Establish clear terms of reference and a clear indication of the length and number of terms an individual can serve on the board. These terms are clearly itemized in the association's constitution.

### **Board/Executive Roles**

The role of governance in a PA is centred on promoting the interests of the profession, providing guidance on the direction the association should take, providing leadership, and identifying opportunities for resource mobilisation and

fundraising. Responsibilities also include advocacy for the different recipients of care, establishing systems and mechanisms that enable effective management of the association, and maintaining high standards for care provision.

## Board Responsibilities

In order to fulfill their roles and the role of the PA, members of the board are tasked at the outset to develop the association's vision, mission, goals, and strategic directions. Further information is provided in Module 2. They are also responsible for having the association registered as a legal entity in the country. The requirements for this differ in each country. Once registered, it is the responsibility of the board to secure an infrastructure, including a physical office with equipment and communication systems (telephone, e-mail, website, scanner, fax, etc.) to increase visibility of the profession.

The president is the chairman of the board or executive committee. It is the president's leadership role to manage and provide clear guidance to the board, using the constitution, by-laws and board policies.

In general, board members of many smaller PAs have full-time jobs in addition to their governance responsibilities. It is important to create manageable member expectations of the responsibilities carried out by the board members.

### **Overarching Responsibilities of Board Members**

- Establish a clear vision and strategic direction. A clear vision regarding the organization's future enables the members to elect appropriate individuals to the board. This should include individuals who will assist movement towards the realisation of the organization's mission and vision.
- Take the lead in building membership.
- Provide guidance on efficient and effective processes to be followed by the organization. The board is guided by clear, concise, and up-to-date, constitution, by-laws, terms of reference, and policies.

### **Leadership Responsibilities Board Members**

- Provide leadership and guidance to the association.
- Take the lead in the development of the constitution

and by-laws and ensure that the dictates of the constitution are respected.

- Conduct annual evaluations to evaluate its performance and effectiveness. A proactive board will use the evaluation results to improve areas in its working relationship.

### Tip

A clear vision, appropriate board membership, and effective processes will enable the board to focus on its responsibilities without wasting unnecessary time and energy.

## Other Responsibilities of Board Members

- Represent the profession in different forums, including policy and decision making. Members of the board are the face of the organization and share their organization's vision and mission statement. If sound measures have been used to elect the board, then members will have diverse capacity (professional knowledge, skills, and expertise) to represent the organization. For instance, one board member may be requested to speak at a regional conference on advocacy, while another member may be requested to serve on a global committee because of her or his expertise in regulation. The board members strengths will not only help the organization internally to maintain and build capacity, but also may increase awareness on a wider regional, national, or global level.
- Mobilise resources and approve and monitor budgets.
- Keep the membership informed. By keeping the membership informed of operations and projects, the organization is practicing good governance through transparency, inclusiveness, accountability, and efficiency. This will increase member awareness and foster a feeling of responsibility and commitment amongst members.
- Develop projects to operationalize the association's mission (see Module 3 on strategic planning).
- Provide authority and accountability (see Module 4 on the functions of a PA).

- Advocate and develop collaborative partnerships. Collaborative relationships with other like-minded partners and organizations/companies will expand the reach of the PA. Collaboration is also important for enriching and filling knowledge gaps. No one knows everything, and there is always something new to learn. For instance, in the communication and information technology field, the knowledge base changes continuously. Collaborating with other (stronger) organizations may provide necessary resources to fill a knowledge gap about the newest technology or methodologies being used in the business world.

### Tip

To affect change on a national level, it is important for board members to use their networking influence to gain access to decision making tables and forums. This can be achieved by joining committees, requesting meetings with influential individuals/companies, participating in online forums, volunteering time on targeted projects or initiatives, and collaborating with other like-minded partners (including in-kind collaborations). The more your voice is heard in a productive and energizing manner, the more your organization will be pushed to the forefront and remembered. The goal is to have policy makers request your input whenever relevant policies, statutes, and laws are being created and/or reviewed by the regulatory body or parliament.

## Constitution and By-Laws

The organization's constitution contains the fundamental principles that govern the organization, and the by-laws provide specific or detailed guidance/procedures on how to conduct business according to the constitution. It is important to note that the by-laws should not contradict the constitution; they should function as a useful supplement. By-laws are easier to change than the constitution. See Table 1 for headings to include in a constitution and by-laws.

**Table 1. Sample Elements of the Constitution and By-Laws of a Professional Association**

Constitution
<p>The following headings may be included in the constitution, which should reflect the needs of the organization:</p> <ul style="list-style-type: none"> <li>■ Article I – The name of the organization</li> <li>■ Article II – Affiliation with other groups (local, state, national, etc.)</li> <li>■ Article III – Purpose, aims, functions of the organization</li> <li>■ Article IV – Membership requirements and limitations</li> <li>■ Article V – Officers (titles, term of office, how and when elected)</li> <li>■ Article VI – Advisor (term of service, how selected)</li> <li>■ Article VII – Meetings (frequency, special meetings and who calls them)</li> <li>■ Article VIII – Quorum (number of members required to pass a vote)</li> <li>■ Article IX – Referendum and Recall (procedures and handling)</li> <li>■ Article X – Amendments (means of proposal, notice required, voting requirements)</li> <li>■ Article XI – Ratification (requirements for adopting the constitution)</li> </ul>
By-Laws
<p>The following headings may be included in the by-laws:</p> <ul style="list-style-type: none"> <li>■ I. Membership (selection requirements, resignations, expulsion, rights and duties)</li> <li>■ II. Dues (amount and collection procedures, any special fees, when payable)</li> <li>■ III. Duties of Officers (powers, responsibilities, specific job descriptions, procedures for filling unexpired terms of office, removal from office)</li> <li>■ IV. Executive board (structure, composition, powers)</li> <li>■ V. Committees (standing, special, how formed, chairpersons, meetings, powers, duties)</li> <li>■ VI. Order of Business (standard agenda for conducting meetings)</li> <li>■ VII. Amendment Procedures (means of proposals, notice required, voting requirements)</li> <li>■ IX. Other specific policies and procedures unique to your organization necessary for its operation</li> </ul>

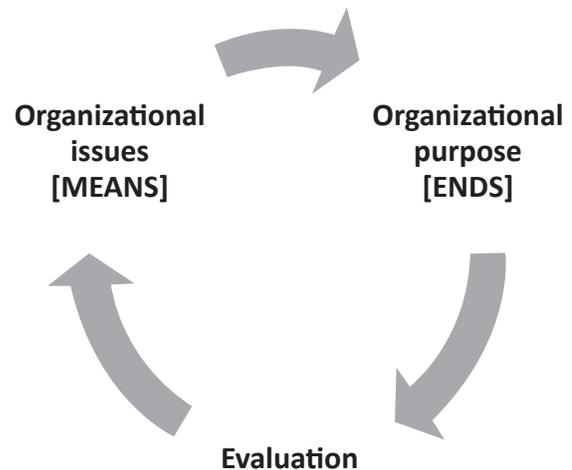
**Tip**

Organizations develop over time and adapt to political and economic climates and growth spurts. It is a good idea to review the constitution and by-laws frequently (at least once every 2-3 years). It is handy to compile a governance timeline that includes a specific timeline for reviewing the constitution, by-laws, policies, and guidelines.

**Governance Models**

Four different models can be evaluated and used in the formation of the nonprofit organization.<sup>1</sup> The Entrepreneurial/Corporate Model focuses on innovation to make the most money for the organization. The Constituency Model is a consortium in which multiple associations have a large degree of input. The Emergent Cellular Model includes multiple associations connected in a distributed network with a commitment to innovation. However, the most popular model used today is the Policy Governance Model (see Figure 4).

**Figure 4. Policy Governance Model.**



In this model, the roles of the board and the chief executive officer (CEO) are clearly distinguished. The board members act as stewards on behalf of their shareholders and focus on the organization’s values, vision, mission, and strategic directions. The board governs the organization by clarifying and documenting broad policies in 4 areas:

- **Ends.** A focus on outcomes and results (means are operational and fall under staff responsibility).
- **Relationship between the board and CEO.** Delegation of power from the board to the CEO is defined, including a process to monitor the performance of the CEO and the organization.
- **Executive limitations.** Boundaries for the CEO are established without hindering his/her ability or freedom to produce results.
- **Governing process.** This process ensures that the board follows its own processes and structures (e.g., board profiles, committee structures, and speaking in unity).

**Table 2.** Pros and Cons of the Policy Governance Model

Pros
<ul style="list-style-type: none"> <li>■ Clear roles and responsibilities</li> <li>■ Increased accountability (due to focus on outcomes)</li> <li>■ Increased collaboration with other boards and partners</li> <li>■ CEO is supported and empowered</li> <li>■ In touch with the big picture and major trends</li> <li>■ Feeling of responsibility to ensure adequate resources are available to accomplish the mission (e.g., fundraising)</li> </ul>
Cons
<ul style="list-style-type: none"> <li>■ Distinction of roles may interfere with developing a productive staff and board relationship/partnership.</li> <li>■ Board or CEO may exert power to override the other's role</li> <li>■ Staff may lack confidence in the board's ability to govern if it is perceived that the board does not understand the organization</li> <li>■ Board may feel disconnected from the projects and operations at headquarters</li> <li>■ May perpetuate the status quo through its policy framework</li> <li>■ May be limitation in terms of innovation and ability to be flexible and adapt quickly with change.</li> </ul>

## Management Responsibilities

For the organization to run efficiently and progressively, the board must develop systems to standardize the conduct of different everyday activities of the association. These include the development of financial and other resource management systems, including accounting, budgeting, auditing, and reporting.

Human resource management processes are also needed, such as hiring, firing, conditions of service, remuneration, and appraisal of performance in relation to reward. Many PAs are very small and lack adequate funding to hire a human resources staff member. However, the board should ensure that legal requirements related to employees are strictly followed.

In most PAs, significant work is performed by a small group of individuals, and many times volunteers are utilized. Clear systems should be in place to manage these individuals and ensure that records are being kept appropriately. The board should develop policies to guide processes and procedures.

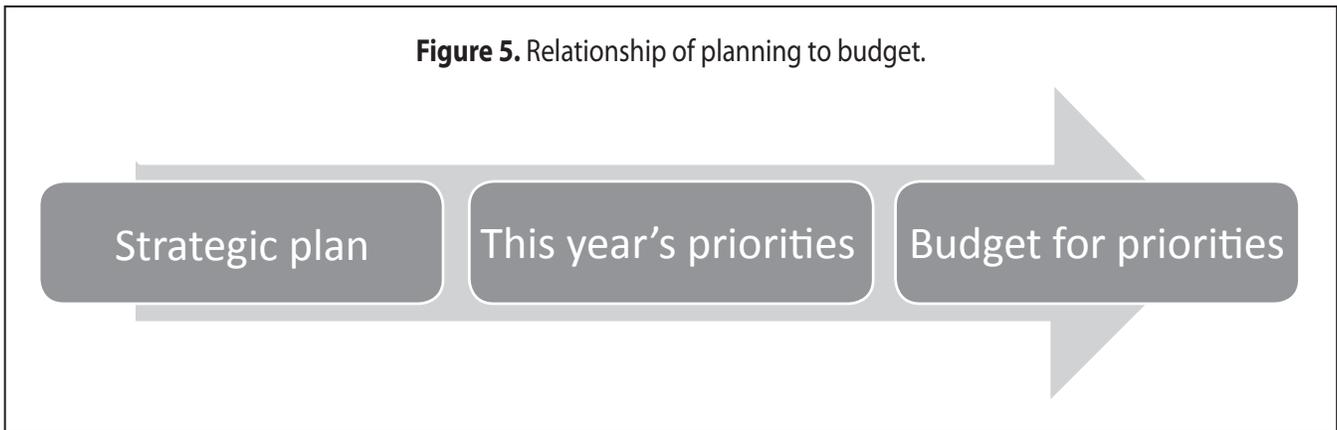
Information management systems are also important. Files and documents should be safe and secure in a central location for access by future staff and board members.

## Financial Management

Financial management deserves a special mention. Many associations fail because of poor financial management and lack of a clear relationship between the strategy and budget. A nonprofit organization may lose credibility, experience donor pullout, and close because of financial mismanagement.

A strong budget is developed to reflect the priorities of the association for the upcoming year. In addition to keeping a watchful eye on the budget and reducing potential fraudulent activity through risk management, the board must ensure that strategy comes before budgeting (see Figure 5). If an association's budget is not informed by the strategy, the tendency is for the organization to conduct activities ad hoc with no reference to the vision or mission from which the strategy is derived. If resources are not aligned with the strategy, then the strategy will fail.

**Figure 5.** Relationship of planning to budget.



An association should be legally recognised so that it can open a bank account. It is always preferable to have a bank account in the name of the association. Bank statements should be regularly reviewed by the board to ensure that bills are paid and funds from dues or projects are deposited in a timely manner. Occasionally, there will be a delay before a PA can open a bank account. In this case, and for a very short time, funds may be handled by a trusted individual member or a fiscal sponsor organization. If possible under the law of the country, the association should set aside some savings for emergencies, usually in a special reserve account that is different than the account used for yearly operations.

A clear plan for strict financial oversight is needed if an association will seek external funding for special projects. Donors are reluctant to give funding for projects if financial accountability cannot be assured.

### **Budget**

Each year an association must establish a budget. Many times this is based on a calendar year, but any 12-month cycle can be used.

Starting a draft of the budget in September or October leaves time for planning or discussion around goals and spending priorities. The budget is prepared by any paid staff or by the treasurer of the association. It is then presented to the board for formal approval. This approval should be recorded in written, dated minutes.

### **Components of a Budget**

The following categories are found in a typical budget of a small association. These terms are used in the sample association budget in Tool 1.

- **Revenue.** Funds received by the association are called revenue. For most associations the biggest source of revenue is membership dues, but revenue can also come from other sources, such as projects or grants.
- **Expenses.** Funds spent by the association are called expenses.
- **Revenue over expenses.** The goal is always to have a budget year that ends with more funds coming in (revenue) than being paid out (expenses). When this occurs, the association has made a profit that can be placed into a reserve account for future projects (see Figure 6).
- **Budget and actual.** The budget column includes anticipated revenue and expenses. The actual column includes actual revenue and expenses. Once the budget year starts, it is helpful to review these columns monthly to catch problems early. The board will look for unexpected shortfalls of revenue or unexpected expenses.
- **Current and previous years.** Tool 1 includes an accounting of the current fiscal year and the previous fiscal year. This helps the board look at trends by month and by year.
- **In-kind.** Some budgets account for the volunteer time of their members, which is referred to as in-kind contribution. In-kind contributions may also be goods or services that are donated to the PA. Their value can be estimated and placed in the budget. This shows potential donors that the PA has support from members and others in the community.

**Figure 6.** Generating a profit.



### **Example of In-Kind Contributions**

- **Expertise:** members volunteer time to attend meetings, or a lawyer, an accountant, or a web site developer donates professional expertise.
- **Services:** gift of meeting space, use of administrative assistant, use of copying machine.
- **Goods:** office equipment, computers, laptops, software.

Toward the end of the year, the association should tidy up and present information to the board. All funds that were budgeted from outside sources should be collected. All expenses should be paid within a reasonable amount of time, usually 30-45 days. Prior to starting the next year's budget, there will be an analysis of the budget for the current year. At that point, planning for the next year can begin.

### **REFERENCES**

1. Bradshaw P, Hayday B, Armstrong R, Levesque J, Rykert L. Nonprofit governance models: problems and prospects. [http://www.buildingmovement.org/artman/uploads/nonprofit\\_governance\\_models.pdf](http://www.buildingmovement.org/artman/uploads/nonprofit_governance_models.pdf). Presented 1998. Accessed April 16, 2016.

## Tool 1: Sample Association Budget

Organization Name:				
Fiscal Year Period:				
Revenue	Current Org. Budget	Current YTD Actuals	Previous FY Budget	Previous FY Actuals
	Budget	Actuals	Budget	Actuals
Membership dues				
Program income				
Government grants & contracts				
Donor grants & contracts				
Individual contributions				
Fundraising events & products				
Other				
Total cash revenue				
Total in-kind revenue				
<b>Total Revenue</b>				
<b>Expenses</b>				
Staff salary and wages				
Insurance				
Fringe benefits & payroll taxes				
Sub-grants to partner orgs				
Consultant and professional fees				
Travel and meetings				
Equipment				
Supplies				
Staff development				

**Tool 1: Sample Association Budget (continued)**

	<b>Budget</b>	<b>Actuals</b>	<b>Budget</b>	<b>Actuals</b>
Printing & copying				
IT/telephone				
Postage & delivery				
Fundraising fees				
Other				
Total cash expenses				
<b>Total Expenses</b>				
<b>Revenue over Expenses</b>				