

By-Laws and Policies: Is There a Difference?

The governing practices of volunteer boards of nonprofit organizations are guided, in part, by establishing rules and principles. These generally take the form of documents called by-laws and policies, even if they may not be designated as such. These seek to:

1. Articulate and define important objectives, principles or values
2. Limit or prescribe what kind of action will be taken in different situations
3. Defines roles, responsibilities and authority

By-Laws

Policies are known as **by-laws** when their scope is regulated by government. Organizations, as a requirement of legal incorporation in most jurisdictions, are required to establish by-laws in respect to specific matters. These are usually matters that relate to the functioning of the board and its relationship to the members or shareholders and voting rights. Legislation typically identifies what issues are to be addressed in by-laws.

The by-laws are policies that cannot be adopted or changed without approval of the membership at a general meeting and any changes normally must be reported to the appropriate government department, often in the form of an annual filing. If the by-laws are not consistent with the organization's own amending rules, the changes may not be recognized.

Board Policies

Policies, outside of external regulation, are also needed in most cases. These are usually subject to change by the Board of Directors. Indeed, it is in the interest of most voluntary and non-profit organizations to limit the number of policies designated as formal "by-laws" and focus their attention on creating other key policies. This gives the board of directors the flexibility and opportunity to identify the organizational practices that are important to them and modify them when the need arises. This is often referred to as "governing by policy". Boards, especially those governing non-profits with regular staff, should consider setting policy in the following areas:

- Organizational mission, objectives and statements of values (not usually considered "policies" but qualify as such)
- Role and responsibilities of the board
- Board chair job description
- Decision-making and meeting practices (usually covered partially by the by-laws)
- Conflict of interest

- Executive director or CEO job description
- Financial management practices
- Personnel or human resource management practices
- Fundraising (including ethical considerations)

Operational Policies

Some organizations also try to distinguish between board or governing policies and management or operational policies. This encourages board members to focus their attention on the organization's overall mission and core practices and mandates staff, usually the executive director or CEO, to create the more detailed policies and procedures that are necessary to implement the direction given to them by the Board.

Best Practices Guide for Written Policies & Procedures

Policies and procedures provide structure for accomplishing tasks and help your organization operate in compliance with requirements. Though frequently mentioned together, policies and procedures have different roles. Policies provide a system to achieve outcomes while procedures explain the action plan to meet the policy. Below are some best practices for developing effective policies and procedures:

- Make sure to involve all members who have a role in the process
 - Involving everyone in the development of the policies and procedures will ensure that all necessary steps are identified and included
- Write the procedure with a new member in mind
 - It should be detailed enough so that someone unfamiliar with the process will understand the procedure
- Use clear simple words to communicate the procedure
- Make sure the documented procedure reflects the actual practice in place
- Ensure the procedure addresses: who, what, where, when, and how
- Communicate the procedure to all members and follow-up with a training program
- Ask for feedback and make any adjustments necessary before implementation
 - It is important that everyone understands their individual role and understands the entire process in order to ensure a step or process has not been overlooked
- Implement the procedure and then follow-up to ensure it is being followed
- Adjust and revise the procedure as necessary
 - It may need to be adjusted due to organizational changes, changes in position descriptions or staffing, updated regulations, etc.