National Study of Board Governance Practices in the Non-Profit and Voluntary Sector in Canada

Executive Summary

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Introduction and Background

This first national study of board governance practices in the Canadian non-profit and voluntary sector was conducted in 2005 by Strategic Leverage Partners Inc. (SLP) in partnership with the Centre for Voluntary Sector Research and Development (CVSRD), a joint research unit of Carlton University and the University of Ottawa. The study was funded by Bridgeway Foundation, the Canadian Education Standards Institute, the Canadian Institute of Chartered Accountants, Industry Canada, the Institute of Corporate Directors, The Muttart Foundation and Volunteer Canada.

This report is authored by Grace Bugg and Sue Dallhoff of Strategic Leverage Partners Inc. (SLP) and co-authored by Paula Speevak-Sladowski of the Centre for Voluntary Research and Development[1] (CVSRD). The idea for this study had its origins in SLP's work in the area of governance. Through numerous conversations with board members, chief executive officers and executive directors of non-profit organizations, SLP became aware of a need on the part of board leaders for information on successful board governance practices in Canadian non-profit organizations. Leaders wanted to know about the governance practices that were being followed in other Canadian non-profit organizations and board members wanted better tools with which to govern.

While numerous governance surveys have been conducted in the United States, little comprehensive data has been available to assist non-profit boards in Canada. With this in mind, SLP approached CVSRD and the two agreed to partner in this valuable research. Their goal was to produce a study that would represent a unique database of Canadian non-profit board governance practices that could be shared by non-profit and voluntary organizations across sub-sectors throughout the country. More specifically, the study was to:

- develop a snapshot of the current context in which Canadian non-profit organizations are working, with a focus on the implications for board governance;
- determine the current state of non-profit board governance in Canada;
- identify a range of successful board governance practices used by diverse Canadian non-profit organizations; and
- determine how best to measure the accountability of non-profit boards.

The partners sought collaboration with prominent members of the non-profit community in order to share their expertise and ensure widespread buy-in by study participants. This, in turn, would broaden acceptance of the study results and raise awareness of governance issues in the sector. Numerous funders were sought for the project, rather than relying on a single source, in the belief that this would lead to more broad-based support for the study throughout the sector and facilitate the sharing of the study's findings among Canadian organizations striving to improve their governance practices.

Significance of Study

The voluntary and non-profit sectors in Canada comprise 161,000 organizations with some $112 billion in revenues annually, representing approximately 10%[2] of Canada's gross domestic product. The information collected by this study comes from a diverse sample of organizations from across the country and across sub-sectors within the non-profit and voluntary sector. The researchers for this study found that while organizations in the non-profit sector may differ widely in size, mission and the ways in which they serve the community, they share common issues and challenges. While other studies have identified a number of these issues and challenges, none has presented a comprehensive set of successful practices to deal with them.

In today's environment of heightened competition for funding, increased demands for transparency and accountability, and increased regulation of both for-profit and non-profit organizations in the United States, Canada's non-profit boards are under pressure to become more effective in their governance role. Board members are seeking out better tools with which to govern and organizations are recognizing the strategic benefits of utilizing the skills and expertise of their board members.

This study represents a unique database of Canadian non-profit governance practices; identifies trends and issues that affect the governance of Canada's non-profit organizations; provides an inventory of successful board governance practices to address common challenges; and offers some suggestions on ways to measure the accountability of non-profit boards.

By outlining the issues and challenges faced by non-profit organizations and describing successful governance practices within the sector, this study provides an opportunity for organizations across the sector to learn from one another.

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[2] Based on 2003 GDP of $1,126.4 billion

Methodology and Sample Description

In its original design, this study was to be carried out through the use of a literature review to provide some context for the study; a nationwide web-based survey to capture the current lay of the land; and a large number of focus groups to define the challenges faced by non-profit boards and compile an inventory of successful practices to meet those challenges. Difficulty in obtaining funding for the project led to fewer focus groups than originally envisioned and the addition of various data collection methods (key informant interviews, leadership commentaries, and community roundtables) to gain further input from a wide variety of groups.

Key informant interviews provided an opportunity to obtain unique perspectives and insights from Canadian leaders in board governance. Leadership commentaries were added to obtain further ideas and opinions from a number of additional leaders in the voluntary sector, academia and non-profit governance from across the country. Community roundtables were added when it was determined that the web-based survey was not sufficient to reach the smaller non-profit organizations.

A. Web Based Survey

The survey was distributed to approximately 15,000 non-profit organizations across Canada. In addition to distribution lists provided by the partners, announcements were posted on the websites of members of the Research Advisory Council. Various other organizations publicized the survey through announcements on their websites or in their publications.

The web-based survey collected more than 1,300 responses to a comprehensive set of questions that took participants from 30 minutes to one hour to complete. The survey was lengthy and respondents were not required to answer every question.

Survey participants represented organizations that varied in size, with the largest category of participants (35%) representing organizations with budgets from $1 million to nearly $10 million and the second largest category (18%) representing organizations with annual budgets of $10 million or more. Organizations with budgets of less than $100,000 represented about 15% of the respondents (8% were organizations with budgets under $29,999 and 7% had budgets from $30,000 to $99,999). When the sample distribution was

compared to the distribution of organizations found in Imagine Canada's[3] 2003 Cornerstones of the Community Survey[4], it was noted that the representation of organizations with budgets under $100,000 was well below that found in Imagine Canada's survey. This lower level of representation meant that the survey responses were unlikely to be representative of Canada's smaller non-profit organizations and therefore responses from organizations with budgets under $100,000 were culled from the findings reported here.

Survey participants represented organizations from each of the sub-sector categories of the non-profit and voluntary sector. The largest category was the Social Services sub-sector (21%). Next, at about 12%, were Hospitals (13%), Health (12%) and Education and Research (12%). Other sub-sectors represented included: Arts and Culture (7%); Sports and Recreation (5%); and Grant-Making, Fundraising and Voluntarism Promotion (4%). The remaining categories comprised about 25% of organizations (with 12% being in the "Other" category).[5]

There were differences in the characteristics of the organizations that responded to the Imagine Canada survey and this survey. Figures 1 and 2 illustrate the differences in terms of both budget size and sector. Figure 3 shows the differences in geographic distribution.

FIGURE 1: Distribution by size of annual budget

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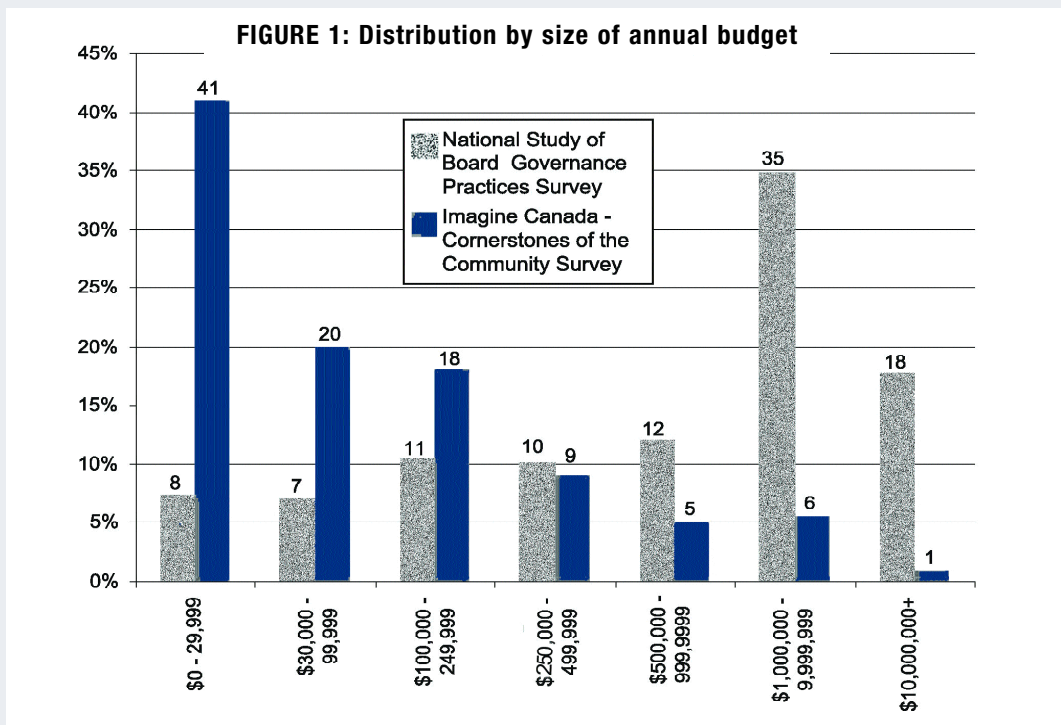
[3] Imagine Canada was previously the Canadian Centre for Philanthropy.

[4] 2003, Statistics Canada, Cornerstones of Community: Highlights from the National Survey of Non-profit and Voluntary Organizations.

[5] It should be noted that participants from the independent school sector, which were part of this survey, may have included themselves in the Education and Research sub-sector rather than the "Other" category.

FIGURE 2: Non-profit sub-sector distribution

FIGURE 3: Geographic distribution of organizations
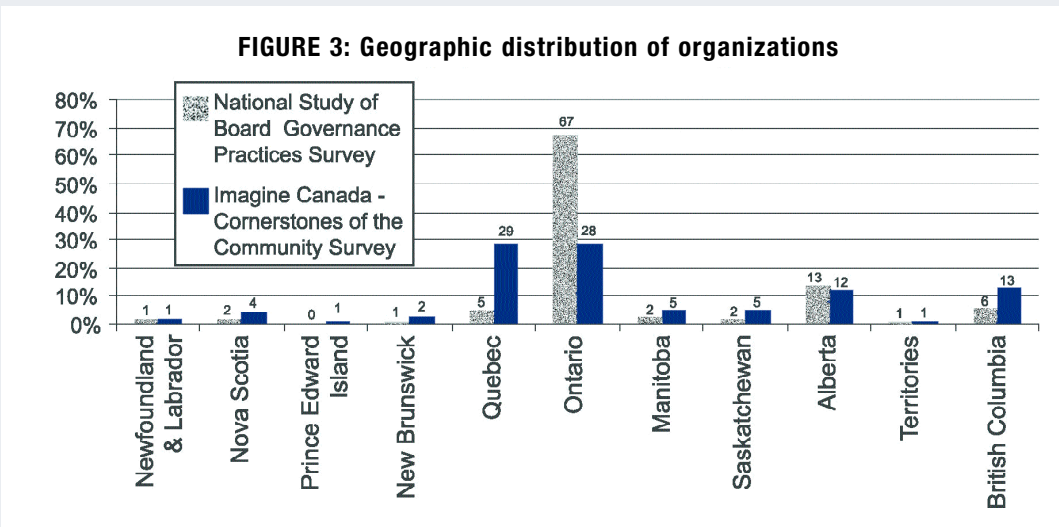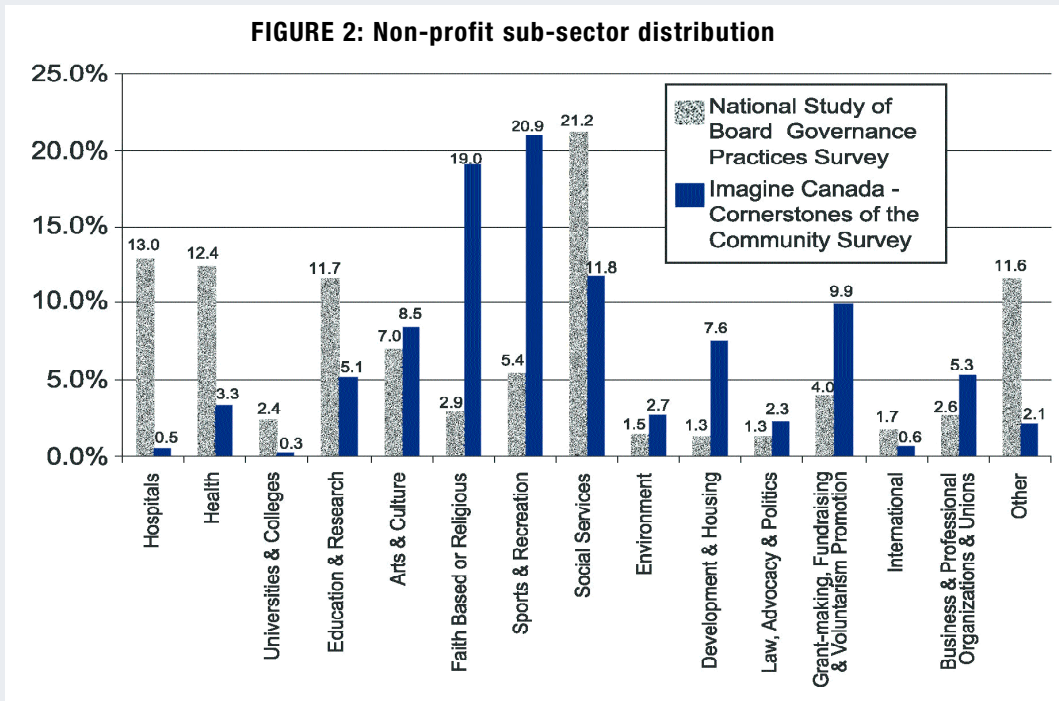
B. Key Informant Interviews

Key informant interviews provided an opportunity to obtain unique perspectives and insights from Canadian leaders in board governance. These interviews allowed for further exploration of key issues of board efficiency and effectiveness identified in the literature review and raised in Research Advisory Council discussions.

The five key informants interviewed for this study are leaders in the area of governance. They are knowledgeable about major trends and issues that affect board governance in the non-profit and voluntary sector; have been recognized for their role in defining new

governance models or policies; and have implemented successful governance practices in their own organizations. All have served as board members and board chairs of numerous for-profit and non-profit organizations. The key informants were:

▸ Dr. James Fleck

▸ Dr. David Leighton

▸ Mr. John MacNaughton

▸ The Honourable Bob Rae

▸ Mme. Guylaine Saucier

C. Leadership Commentaries

A number of other Canadian leaders in the voluntary sector, academia and governance were asked to comment on the trends in the Canadian non-profit and voluntary sector and to identify key challenges, resources, emerging models and successful practices for effective board governance. Their experience and wisdom have provided additional insight into the current environment in which non-profit and voluntary organizations operate and the consequent implications for board members and governance practices.

D. Focus Groups

The researchers held focus group discussions in Toronto, Ottawa, and Halifax to supplement the information gained through the survey, key information interviews, and leadership commentaries. From a group of 80 people who submitted applications to participate in the three focus groups, 37 were selected. In addition, applicants from western Canada who were unable to attend a focus group in person provided their input by answering a questionnaire.

E. Community Roundtables

Community roundtables were held in Edmonton and Montreal. They targeted smaller, grassroots and community-based organizations to determine their key issues and challenges. Participants came from organizations that had annual budgets of less than $500,000 and were not part of national or provincial organizations. Many had no staff.

Findings

While organizations represented in the study differed widely in size, mission and the ways in which they serve the community, they shared a common vision of the trends, issues and challenges in the sector. A number of themes emerged throughout this research study. These include:

LEADERSHIP - The importance of the chair's leadership role and the importance of selecting and retaining the right CEO.

RECRUITMENT - The challenge of recruiting and retaining qualified board members and the difficulty of dealing with board member appointments.

SUCCESSION PLANNING – The need to develop board leaders and plan for the succession of the CEO.

ROLE CLARITY - The need for role clarity and ensuring that board members understand their fiduciary duties and responsibilities.

EDUCATION AND DEVELOPMENT - The importance of the continuous education and development of board members.

ACCOUNTABILITY AND STEWARDSHIP - The way in which higher expectations and increasing demands from donors and funders affect the board's role.

CULTURE - The importance of developing the right board culture and balancing the need for a successful board culture with the rigor of policies and processes.

BOARD MEETINGS - The importance of effective board meetings to carry out the work of the board and engage board members.

STRATEGIC PLANNING - The need to understand fully the board's role in strategic planning and to increase board member competency in this area.

PERFORMANCE MEASUREMENT - The lack of performance measures to assess board effectiveness.

RISK MANAGEMENT - The need for better risk management policies, processes, and tools.

A. Trends and Challenges Facing the Sector and Implications for Board Governance

As previously noted, in order to identify the trends affecting the sector and the challenges that they pose for non-profit organizations, the study employed a combination of literature review, key informant interviews, leadership commentaries, focus groups and community roundtables. Having identified the trends and challenges, the researchers

then analyzed their implications for non-profit boards. Highlights of their findings are summarized in Table 1.

TABLE 1: KEY TRENDS AND CHALLENGES AFFECTING THE NON-PROFIT SECTOR
AND THEIR IMPLICATIONS FOR BOARD GOVERNANC

TRENDS & CHALLENGES	IMPLICATIONS FOR BOARD GOVERNANCE
Changing demographics ▸ Increase in required services ▸ Graying of the volunteer base ▸ Diversity of population	▸ Ensuring financial viability and sustainability of the organization ▸ Establishing sufficient diversity at the board level
Shift in the funding environment ▸ Greater demands for transparency and accountability on part of funders and donors ▸ Greater requirements by funding agencies for information in order to obtain funding ▸ Shift from corporate philanthropy to sponsorship ▸ Shift from operating funds to program and project-based funding	▸ Ensuring financial viability and sustainability of the organization ▸ Stewarding funds and donors ▸ Attracting the financial base necessary to meet increased demands for information and accountability ▸ Resisting mission drift in order to attract funds
More partnership, networks, and collaborations	▸ Developing skills at the board level to assess opportunities
More charities and fewer people to lead	▸ Attracting and retaining good people. ▸ Planning for succession ▸ Obtaining branding and marketing skills at the board level
Lack of resources ▸ Directors ▸ Top talent ▸ Funds	▸ Attracting the necessary competencies at the board and senior management level ▸ Ensuring the financial viability of the organization ▸ Developing crisis management skills

B. Trends in Board Governance and Challenges Facing Today's Non-profit Boards

Having identified sector trends and challenges and their implications for boards, the researchers employed the same qualitative methodologies to identify trends in board governance and the challenges that face today's non-profit boards. While the non-profit sector has not had to comply with the standards set for publicly-listed companies, the focus on board governance in the for-profit sector and recent scandals in the non-profit sector have served to raise the bar for all organizations.

The researchers found that while many non-profit boards are making an effort to improve their governance and are achieving some success in increasing board effectiveness, many are also experiencing challenges in trying to keep up with the new standards and trends. Study participants identified the key trends in board governance and challenges faced by their boards as summarized in Table 2.

TABLE 2: KEY TRENDS IN NON-PROFIT BOARD GOVERNANCE AND
THEIR IMPLICATIONS AND CHALLENGES FOR NON-PROFIT BOARDS

TRENDS IN BOARD GOVERNANCE	IMPLICATIONS AND CHALLENGES FOR NON-PROFIT BOARDS
Increased focus on governance ▸ Increased awareness of the importance of governance to organizations ▸ Increased sense of responsibility on the part of boards	▸ Gaining consensus for governance review ▸ Improving the board's knowledge around governance
Increased demand for and reduced supply of qualified directors ▸ Increased litigiousness of North American society ▸ Greater demand for early retirees as board members ▸ Increased number of non-profit boards seeking directors ▸ Increased emphasis on skills based boards	▸ Planning for succession and developing a nomination process ▸ Finding good chairs and selecting, building, and developing leaders ▸ Attracting and retaining qualified directors and board leaders who can fill the organization's needs and make the time commitment required ▸ Achieving an appropriate balance of skills on the board
Rising expectations and requirements for directors ▸ Need for board members to assist with fundraising as well as governance ▸ Increased time commitment ▸ Increased demand for highly professional board members with business acumen and specific skill sets ▸ Greater emphasis on ongoing development and education	▸ Attracting an effective chair ▸ Clarifying roles ▸ Orienting, training, developing, and engaging board members and finding the funds to do so ▸ Ensuring that adequate support exists for board members ▸ Addressing challenges posed by appointed or designated board members ▸ Achieving the appropriate mix of fundraisers and governors on the board and defining the role of philanthropy for board members ▸ Placing more emphasis on identifying and bringing the appropriate skill sets to the board and embedding them into the nomination process ▸ Removing problem directors

TABLE 2 CONTINUED

TRENDS IN BOARD GOVERNANCE	IMPLICATIONS AND CHALLENGES FOR NON-PROFIT BOARDS
Increased demand for efficiency and effectiveness	▸ Developing an effective board model and shifting to a more strategic focus ▸ Developing effective policies and processes ▸ Developing an effective board culture ▸ Improving the effectiveness of board meetings ▸ Understanding the board's role in strategic planning and increasing board member competency in this area ▸ Developing the board's capability to assess partnership opportunities
More emphasis on both process and culture and the balancing of the two	▸ Developing a board model and processes and policies to support that model ▸ Achieving the appropriate balance of power between the chair, the CEO, and the board ▸ Maintaining good relationships between board and staff ▸ Fostering a culture of engagement and constructive debate
Increased demand for transparency & accountability ▸ More emphasis on process ▸ Increased formality in financial audits ▸ More boards making in-camera sessions standard practice	▸ Bearing increased cost of meeting higher standards ▸ Balancing implementation of standards with resources ▸ Ensuring compliance ▸ Formalizing accountability and stewardship ▸ Determining the board's information needs and formulating the right questions to ask
Increased emphasis on performance measurement ▸ Increased emphasis on measuring effectiveness of boards ▸ Increased use of board self-assessments	▸ Setting appropriate objectives for the organization, the board, and the CEO and determining effective ways to measure their performance
Increased attention being paid to risk management	▸ Assessing and managing risk ▸ Developing board member competence in risk management ▸ Carrying appropriate insurance

C. Board Governance Practices

The web-based survey carried out as part of this study provides a baseline for the current board governance practices used by Canadian non-profit organizations. The following is a sampling of survey findings that are relevant to the challenges identified in Table 2. In a number of survey questions, there were notable differences in response from those who felt they had fully engaged boards versus those who indicated that a number of their board members were not engaged in the work of the board.

A full breakdown of the survey results can be found in the body of the report.

SUCCESSION PLANS: When organizations have succession plans in place, the plans are more often informal than formal. Of those with succession plans, 61% indicated that succession plans for the board chair were informal; 70% of board executive succession plans were informal; 84% of committee chair succession plans were informal; 62% of board members succession plans were informal; and 66% of CEO succession plans were informal. Forty-five percent (45%) of respondents reported turnover of their CEOs in the past five years.

BOARD RECRUITMENT: Fifty-eight percent (58%) of respondents reported that their recruitment process was effective and that they had a number of qualified prospects to choose from each year. This is in contrast to 31% who reported having difficulty filling board seats. Only a small number of organizations (13%) reported that they ask board members to sign an affirmation statement prior to re-election that requires them to review the extent of their commitment.

SKILLS ASSESSMENT: Sixty-eighty (68%) of respondents reported that their boards assess the skill set required to guide and monitor the organization's strategic plan and properly govern the organization. Of these boards, 52% have completed a formal assessment of the current board's skill set in the past 12 months and a further 15% have completed one in the past two years. At the same time, 22% indicated that they have not completed a formal assessment. Fully engaged boards indicated, to a greater extent than less engaged boards, that they formally assess their skill set and have done so more recently.

EXPERTISE REQUIRED: Asked to identify, from a list, the areas of expertise needed to be added to their board, respondents most commonly selected marketing and communications (52%), followed by fundraising (48%), strategic planning (44%), government relations (33%), risk management (31%), donor stewardship (29%), community relations (28%), technology (25%), finance (25%), accounting (20%) and investment (15%). Fifty-three percent (53%) reported that their boards have the skill set necessary to evaluate a potential merger, 29% reported that they do not have the skill set and 18% were unsure. Fifty-seven percent (57%) reported that 50% or more of their board members have the ability to read and understand financial statements.

BOARD MEMBER REMOVAL: While only 13% of respondents reported having difficulty removing board members, interviews and focus groups highlighted this as a challenge.

ORIENTATION: Seventy-four percent (74%) of respondents reported that they have some form of orientation for new board members. When asked to specify the length of time it takes a new board member to get up to speed, the most common response was six months (44%), followed by two to three months (32%) and more than a year (24%). Further analysis showed a correlation between the organizations that required completion of an orientation session and the amount of time it took new board members to function effectively. Moreover, fully engaged boards indicated shorter time lines than less engaged boards.

TRAINING: Seventy-three percent (73%) of respondents reported that they had a continuous training and development program in place. When asked to rate the program, 31% rated it as poor, 42% as satisfactory, 22% as good and only 6% rated it as excellent. Less engaged boards indicated fewer programs available and rated existing programs lower.

GOVERNANCE SPENDING: When asked about revenue allocated to governance expenditures, 50% of respondents reported no allocation and 40% reported an allocation of between 1% and 2% of revenue. Less engaged boards had an even higher percentage that reported no allocation for governance expenditures.

INVOLVEMENT: When asked whether board policies required all directors to sit on at least one committee, 58% of respondents indicated that they have no such requirement. Fully engaged boards indicated, to a greater extent than less engaged boards, that they require board members to sit on at least one committee.

POLICIES AND PROCEDURES: When asked if the organization's policies and procedures provided sufficient guidance to govern the organization, 28% reported that they did not. For less engaged boards, that number was higher (40%). A surprising number of organizations reported that there was either no specific accountability for monitoring the various policies, or the responsibility was monitored by the full board.

GOAL SETTING: Forty-five percent (45%) of boards set annual objectives for themselves, while 36% follow a well-delineated work plan that outlines how the board will achieve its goals and becomes the agenda for the year's board meetings. There were differences in the way that fully engaged and less engaged boards responded to questions regarding both of these practices.

ACCOUNTABILITY: When asked who the board is accountable to, the most frequent response selected from a list provided was members, followed by community, government, donors, taxpayers, patients, and insurance companies. Eighty-seven percent (87%) of respondents reported that the board was doing a good job of being accountable to stakeholders.

INFORMATION REQUIREMENTS: Eighty-six percent (86%) of respondents reported that as board members they had sufficient information to make informed decisions. When asked

what percentage of board information comes from the CEO, the majority of respondents indicated more than 50%. For less engaged boards, the dependency on the CEO is even greater.

BOARD EVALUATION: When asked how often the board conducts formal board evaluations, 52% responded that the board did not conduct formal evaluations. For those that did, 74% conducted them annually, 13% conducted them once every 2 years and 13% conducted them less than once every two years. A lower percentage of less engaged boards conduct formal evaluations. When participants were asked to report on what measures they used to gauge board effectiveness from a list provided, the most frequent response was self-evaluations, followed by yearly goals based on organization's strategy, financial metrics, governance scores, and balanced scorecard.

OVERSIGHT OF THE CEO: Eighty percent (80%) of respondents reported that they were satisfied that the CEO is properly overseen, guided and supported to achieve his or her goals as set by the board. Asked about performance evaluation, 71% reported that they conduct a formal evaluation of the CEO based on pre-set criteria. Once again, less engaged boards found this more of a challenge.

MEASURES OF SUCCESS: Seventy-eight percent (78%) of respondents reported that they translate their strategic goals into measurable objectives and benchmarks for the board to monitor. Of those with a strategic plan, 49% reported completion in the past year and 30% reported completion one to two years ago.

STRATEGIC DISCUSSIONS: When asked the percentage of board meetings that include lively debate of strategic issues, 48% reported less than 25%, 35% reported 25% to 50%, and 17% reported more than 50%. Once again, fully engaged boards fared better than less engaged boards.

RISK MANAGEMENT: When asked about risk management, 60% of respondents reported that their organizations do not have a formal risk management policy and 65% of organizations do not have a formal crisis management plan. When asked who was responsible for the risk policy of the organization, 45% reported that this had not been established. Once again, there was a difference between those with fully engaged and less engaged boards. Further analysis showed that organizations reporting no specific responsibility in this area had budgets under $1 million.

D. Successful Practices

The effectiveness of a board depends not only on its policies and processes, but also on the creation of a successful board "culture." A board's culture is difficult to measure. It depends on factors such as trust and an environment that is conducive to constructive debate.

One indication of a healthy board culture is the extent to which board members are engaged in the work of the board. As noted earlier, in a number of survey questions the researchers found notable differences in responses between organizations whose board members were fully engaged in the work of the board and those with a number of board members that were not engaged. A sampling of those differences is noted below. Those who reported that their board members were fully engaged in the work of the board reported, to a greater extent than those with less engaged boards, that:

▸ Their policies provide sufficient guidance to the board to govern the organization properly, are reviewed on a more regular basis, and are publicly disclosed.

▸ Their board members are better able to read and understand financial statements, are required to sit on at least one committee, and require less lead time to carry out their responsibilities effectively.

▸ They spend more time on board education and development and the person responsible for briefing the board is effective.

▸ They conduct formal board evaluations and evaluate their CEOs based on pre-set criteria.

▸ They have formal risk management and crisis management policies and have assigned risk management and crisis management responsibilities to a specific individual or group.

▸ They have a strategic vision for the organization and have translated their strategic goals into measurable objectives and benchmarks for the board to monitor.

▸ They set annual objectives for the board, and the board or its committees follow a well-delineated work plan that outlines how the board will achieve its goals. The work plan becomes the board's agenda for the year.

▸ They spend more time at board meetings in lively debate of strategic issues.

▸ Their board meetings are not dominated by one or two people.

▸ They operate with a balanced budget.

In addition to the characteristics, policies and processes cited above, study participants shared a number of successful practices used by their organizations in the hope that they would benefit other non-profit organizations facing similar challenges. This inventory of successful practices centres around persuading the board to support improved board governance; identifying the appropriate board structure; finding and retaining qualified board members; dealing with board appointments; planning for succession and identifying, building, and developing leaders; orienting, engaging and developing board members; establishing role clarity; developing productive board-CEO relationships; holding effective

board meetings; engaging in strategic planning; upholding fiscal responsibility; undertaking risk management; enhancing transparency and accountability; and increasing public trust.

A sampling of the successful practices contained in this study follows. A more complete inventory can be found in the body of the report.

Board Size and Function

One key informant stated that a good board should be comprised of no more than 10 people. An arts organization he was involved with initially had a board of more than 70 members, many of whom were there primarily as fundraisers and failed to attend board meetings regularly. Thus, board meetings were generally ineffective venues for oversight and strategic decision-making. The chair believed that it was important to distinguish between the responsibilities of fundraisers and the responsibilities of those whose primary interest was governance. Wanting to focus the board's attention on strategic oversight, the chair significantly reduced board membership by transferring the fundraising members to a separate body called the Governors Council. It was a situation that called for careful handling. The chair had to avoid alienating the volunteers and fundraisers who were transferred to the council, a body that could have been perceived as less prestigious.

With a smaller board, all members knew that their responsibilities were significant and that in order for the board to fulfill its mandate, they had to take the time and effort to be involved. The chair also made it clear to board candidates that they did not have to be wealthy to be on the board, but they did have to be interested in governing.

Succession Planning

It is important that the chair, executive committee and/or nominating committee think about the skills required on the board. One board made a concerted effort to establish a balanced group of dedicated directors who brought different skills, experiences, and points of view to the board. The chair worked with the board to build two matrixes to establish the criteria for selecting board members. The first represented the board's current skill set, while the second was based on the organization's future needs as determined by its strategy. The board then identified gaps where skills were not well represented.

Leadership Potential

One of the factors to take into consideration when interviewing board candidates is leadership potential. Not all board members are leadership material, but when they are, it is good practice to try to move them into positions that will lead them in a natural progression to assuming leadership. Also, if organizations have two or three vice-chairs, there is a better chance that one will rise to the challenge and make a good leader.

> "The Chair needs to have the time to devote to the job and a passion for the cause. He or she also needs to have a clear mandate and clear motivation to make the board work. It's much more than setting up committees and calling and chairing meetings. It's building a team. It's like building a hockey team where you can't put in all the fancy scorers without having a good defense or without having a tough guy go into the corners and dig the puck out."
>
> (Dr. David Leighton)

Written Job Description

Written job descriptions for the chair, directors, committee chairs, and CEO are essential. Everyone should be aware of individual responsibilities, and the lines between the various positions should be clearly drawn to avoid confusion and differing interpretations. The job descriptions should clarify key concerns, such as: the issues that concern and do not concern the board; the person who speaks for the board; and the person (or persons) who speak publicly for the organization on certain issues. Job descriptions should be reviewed annually

Board Orientation

A well-organized orientation program is highly recommended. This would include materials provided in advance; staff members from different areas of the organization making presentations; and an opportunity to walk board members through all the facilities and the administrative offices. It is also recommended that new board members be given an opportunity to assess the orientation process. In some organizations, the chair and CEO meet with the new board members individually or in small groups to outline plans, the purpose of the organization, and expectations. This is typically the responsibility of the governance/nominating committee.

Board Assessment

Volunteer boards differ from corporate boards in that one cannot give orders and necessarily have them followed. Rather than using a bureaucratic assessment process, some participants

felt it more important in a non-profit organization for the board members to sit down from time to time and ask themselves how they are doing and how they can improve. Other participants advocated for formal board assessments. It will be easier to gain buy-in for board assessments if the board starts with the premise that it is doing a good job currently, and is expecting to do an even better one in future.

> *"Sometimes it's like 'pushing a string'; you have to be persuasive, you have to have a passion for what's going on, and you have to try and transmit that to other people so that they're willing to do their best."*
> *(Dr. James Fleck)*

Patronage Appointments

Patronage appointments are often made without consideration for their qualifications as board members or the board's need for specific expertise. One chair started by adding the required expertise at the committee level. Nowhere in the federal government structure was it clear if the crown corporation had the authority to do this, but they decided to proceed in the absence of any order to the contrary. In this way, expertise was added to the audit committee, the human resources committee and the marketing committee. In addition, they set up a new nominating and governance committee, which developed a process and criteria for the selection of new trustees based on specific criteria. As each politically appointed board member retired, the chair was able to go forward with a list of specific criteria.

E. Performance Measurement

Methods and metrics for measuring board effectiveness remain a significant challenge for most boards. While study participants suggested a small number of metrics, most of the responses spoke to methods and elements of evaluation rather than specific metrics. In addition, participants had difficulty differentiating ways of measuring the effectiveness of the board and the effectiveness of the organization. Several questioned if they should be one and the same.

A sampling of responses on measuring board effectiveness collected by the study include:

- Evaluate the board based on agreed-upon board practices, as described in the board's policies and procedures manual.
- Measure the effectiveness of board meetings.
- Determine stakeholder satisfaction through a survey.

▸   Determine if fundraising levels are meeting set targets.

▸   Determine if board members have signed off on all appropriate board policies.

▸   Set board goals and measure success in reaching them. Build milestones into the process.

▸   Distinguish between measuring the board and measuring the organization.

▸   Measure over time.

▸   Determine the percentage of the strategic plan that has been completed.

▸   Use qualitative as well as quantitative measures.

▸   Set expectations for board members and evaluate performance on that basis.

▸   Design an annual work plan, monitor it and evaluate it based on accomplishments.

▸   Hold annual peer, board, and individual board member assessments.

Conclusions and Recommendations

This study has collected a comprehensive set of data on the governance practices of a wide spectrum of Canadian non-profit organizations. One of the goals in conducting this study was to develop a unique database of successful practices that non-profits could deploy within their own organizations. The researchers were fortunate that participants from non-profit organizations of all sizes and types across the country were so willing to share information about the challenges faced by their organizations and the ways in which they were able to deal with them successfully.

A number of themes emerged throughout this research study in the areas of leadership, recruitment, succession planning, role clarity, education and development, accountability and stewardship, culture, board meetings, strategic planning, performance measurement and risk management. The researchers were surprised that a couple of concerns did not emerge as larger issues: the challenges that boards face with regard to the long-term sustainability of their organizations, and the importance of liability as an issue in recruiting board members.

> *"Good governance has certain principles that are common across the public, private, and non-profit sectors. These are transparency, clear allocation of roles and responsibilities, financial probity, accountability, and looking at outcomes. Recognize that the principles of good governance apply to all organizations regardless of their size. The structure will have to be tailored to the institution depending on its size, but the principles remain the same."*
> *(The Honourable Bob Rae)*

While the principles behind governance practices remain the same for all organizations, it is important to keep in mind that practices should be tailored to ensure a balance between resources available and the value and benefit derived. The inventory of successful practices found in this report should be considered a starting point from which organizations can draw from the wisdom of the sector to design practices that work within their particular context and environment.

A word of caution. Organizations should exercise caution when applying for-profit board governance practices such as performance measurements to the non-profit sector. Non-profits are often more complex because they have a larger variety of stakeholders and their missions often involve outcomes that are difficult to measure. Many study participants were reluctant to suggest adopting for-profit financial metrics or relying solely on these metrics.

Boards are increasingly coming under pressure to be more accountable to their stakeholders, and non-profit boards will need to increase their efforts to improve accountability. While some for-profit measures may not be appropriate, the sector must do more to set objectives and hold itself accountable for reaching those objectives.

As the competitive environment for non-profits increases the need to do more with less, organizations will have to ensure they get "full value" from their volunteer board members. The success and longevity of the sector will depend on board members who have the skills, time and expertise required to properly govern their organizations, and who are fully engaged in their governance roles.

It is evident from this study that volunteer board members have a great interest in helping their organizations. However, board members do not always understand how they can best make a contribution. It is recommended that organizations and boards find the resources to support their governance work in areas such as the orientation, training and development of board members and leaders. Board assessments will help boards identify their training needs and the ways in which they can enhance their value to the organizations they oversee. It is important to get board members engaged in the work of the board. Being an actively engaged board member requires deep commitment, and it is important that this commitment be rewarded with important work and the satisfaction of a job well done.

> *"There should be no confusion between voluntarism and amateurism in the non-profit world."*
> *(Hilary Pearson, Montreal, Quebec)*

In addition to assisting non-profit organizations across the country in becoming more effective in their governance roles, it is hoped that these research findings will influence funding agencies and assist government policy-makers in developing more meaningful policies for Canada's non-profit organizations.

While there is yet to be conclusive evidence that better governance results in better performing organizations, anecdotal evidence does exist. This study provides a baseline for future studies that will be able to explore this relationship further. The researchers hope to have an opportunity in the next few years to investigate how non-profit board governance practices have evolved in the non-profit and voluntary sector.

SUE DALLHOFF, MBA

Sue Dallhoff is the President and CEO of Strategic Leverage Partners. Having spent the early part of her career in the capital markets, researching and analyzing public companies and industries, Sue understands the importance of strategy and execution as value drivers and the advantage of building a strong board of directors.

Her expertise and strengths are in board effectiveness, strategic planning, relationship management and stewardship, as well as research and analysis. Her success over the years is directly related to her ability to analyze companies, promote teamwork, and build a high level of trust with the most senior executives within organizations.

Sue has worked in start-ups and established businesses and has been a board member of a number of Canadian organizations. Over the course of her career, she has conducted numerous interviews at the senior management level and is able to quickly assess viable strategies. In her charitable endeavors, Sue has gained a thorough understanding of the issues facing boards and the challenges facing volunteer boards. She has acted as a board member, volunteer chair of a number of annual corporate giving campaigns, governance committee chair, and active audit and agency operations (finance) committee member.

Sue has mentored, coached, and assisted many in achieving their career objectives. She has also acted as a case writer in the area of corporate governance for the Richard Ivey School of Business, where she obtained her Executive MBA

GRACE BUGG, BSC, MBA

Grace Bugg is the COO of Strategic Leverage Partners. Grace spent the early part of her career developing technology based products where she acquired the ability to develop and execute operational strategies. Grace has worked in a number of industries that successfully deployed technology to create strategic advantage. Her success over the years comes from her ability to quickly gather information, assess and analyze situations, and make decisions. Through her experience in industries that have gone through major changes, Grace has gained considerable insight into the role an organization's strategy, culture and underlying infrastructure play in its ability to adapt rapidly to changes in the environment.

Grace's expertise and strengths are in the areas of board effectiveness, strategic planning, project management, leadership, analysis, process design and technology deployment.

Together with Sue, Grace has acted as a case writer in the area of corporate governance for the Richard Ivey School of Business, where she obtained her executive MBA. Grace volunteers on the board and executive committees of a number of non-profit community organizations.

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